



CLIENT PROTECTION CERTIFICATION

*Report for Sathapana Limited (Cambodia),
Phnom Penh, Cambodia
Certified in May, 2016*

Mission Conducted by Micro-Credit Ratings International Ltd. (M-CRIL)
Shradha Jha & Pravir Jha

“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by M-CRIL, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Sathapana. Sathapana became client protection certified in May, 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to four years subject to a check-in after two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- Sathapana offers a wide range of services based on client demand with focus on credit and deposits. It also provides facilities of remittance, payroll and bill payments.
- Products and processes are modified based on informal client feedback and results of annual client satisfaction study.
- The annual survey includes interview with dropout clients to identify factors that drive clients to leave Sathapana. Client exit rate and reasons are monitored by the risk and compliance team.
- Clear guidelines related to collateral valuation exists; prohibits collection of excess collateral.
- Staff are not incentivized on loans disbursed or clients handled but on interest income collected which is a variable of loan number, amount, interest rate and collection rate. Branches with low population density/potential are given lower targets to discourage aggressive sale. Productivity numbers are moderate in comparison to peers.

Client Protection Principle 2 – Prevention of Over-indebtedness

- Repayment capacity analysis is comprehensive including cashflow analysis, business analysis and verification with creditors and buyers. Loan instalment cannot exceed 75% of the disposable surplus for all loan products. Both existing and proposed loan amounts are included for calculation of debt service coverage ratio (DSCR).
- House and business visits are conducted for all loans by the Credit Agents (CA) while verification visits are done for about 60% of the loans by the Chief Credit Agents (CCA).
- Check from Credit Bureau of Cambodia (CBC) is done for all loans irrespective of loan amount or cycle. Additionally CBC checks of the co-borrower (usually spouse) is also conducted for all loans.
- Sathapana has maintained good portfolio quality at PAR30 <1% in past two years.
- Productivity targets to credit agents in Sathapana are reasonable ranging between 100 and 120 as most of the lending is to individuals (99.9%).
- Quality of loan appraisal is also checked during annual audit for each branch and bi annual visits to at least 70% of the branches.

Client Protection Principle 3 – Transparency

- Terms and conditions, including pricing information are communicated several times prior to disbursement. Both verbal and written communication are in vernacular.
- Borrowers receive a copy of all documents including the lending contract and repayment schedule mentioning all terms. The repayment schedule has details of each installment and the due date.
- Similarly, depositors are given savings passbook/FD certificate. Receipts for all remittance transaction are also provided.
- Detailed loan size wise range chart is not mentioned on the website; however displayed in the branches.

Selected Examples of Practices

Client Protection Principle 4 – Responsible Pricing

- Sathapana follows the industry wise practice of offering products with a range of interest rates. Pricing is competitive and non-discriminatory.
- No penalty is charged for loan foreclosure after six months of disbursement. In case foreclosure is within 6 months, interest of the remaining months till 6 months is charged as penalty.
- Sathapana has successfully optimized its operating expenses (OER of 8.9% during FY2015) and maintains modest staff productivity (89 on 31 December 2015).

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- Board approved the revised CoC in July 2015 which is binding on all employees.
- All staff sign the CoC in the presence of their supervisor, at the time of joining which includes the list of appropriate and prohibited behaviour.
- Induction training at the HO includes various classroom sessions including default handling, CoC, CPP and customer service to orient on appropriate collection practice.
- Ethical behaviour/attitude and interaction with customers are the parameters for appraisal of a CA while behaviour, communication, customer service and education to customers form a part of the appraisal score for a Teller.
- Compliance with policies and procedures is verified by CCA, BM and Internal Audit.
- Sathapana introduced a policy on rescheduling of loans on 1st August 2015 and one loan has been rescheduled since then. Rescheduling policy is both verbally and in written form communicated to the clients.
- To ensure respectable seizure process, collateral can be liquidated only through courts for default recovery.
- Though portfolio quality is one of the parameters for incentive calculation, only 3% of PARO amount is deducted from total interest income to calculate profitability.

Client Protection Principle 6 – Privacy of Client Data

- Sathapana CoC (Clause 4) mentions the importance of confidentiality of information by respecting the privacy of institutional, client and stakeholder information. Digital data protection is highlighted in the IT policy and includes Password policy.
- All systems are password protected with defined user rights. Employees are trained to keep their passwords confidential. Further staff are oriented on the privacy policy.
- Client files are maintained securely in locked cabinets at the branches and the collateral deeds are secured in fire proof two keys operated safe.
- Tellers communicate the client data privacy policy to all borrowers prior to disbursement in the branch. Lending contract (individual and group) has details of cases where client's information would be shared with a third party.
- Sathapana seeks written permission from the borrowers to share their personal information with third parties including CBC and for use of photo.

Selected Examples of Practices

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Sathapana has developed the complaint handling guideline in September 2015 which outlines the purpose, process and monitoring of the grievance redressal mechanism.
- Key person responsible for resolving the complaints and maximum resolution time for different categories (critical, high, medium and low) is part of the guideline.
- Various channels can be used by clients for complaints and feedback – call at the hotline number of the HO, call the CA, via email to staff dedicated for complaint handling in branch and HO or in person to the Sathapana staff. Written complaints are encouraged for which Sathapana has developed customer complaint form. Complaint forms can be dropped in the complaint box or given to the branch staff in person.
- Lending contract and repayment schedule bearing the hotline and CA number is given to all clients. Customer campaign document given to all clients also has the redressal procedure.
- Savings passbook, FD certificate also bears the hotline number, number of the serving CA and the email address.
- Staff are trained on the clients' right to complain and on the resolution process.
- Critical issues are immediately reported from branches to the HO, while high, medium and low urgent issues are reported on a weekly basis.
- All calls (complaints & feedback) received at the HO or at the branches are recorded in the centralized database. Call center officers based in HO receive, record and escalate the complaints to relevant departments in addition to monitoring satisfaction level with resolution.
- Complaints data is consolidated and tracked for type, urgency, channels used for registering complaint, time taken for resolution and level of satisfaction with the resolution.