



## **CLIENT PROTECTION CERTIFICATION**

*Report for Satin Creditcare Network Limited (SCNL)*

Mission Conducted by Micro-Credit Ratings International Ltd. (M-CRIL)

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*“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 SCNL. SCNL became client protection certified in July, 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 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>.

If you have any questions or concerns about this report please contact:

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## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- SCNL offers loans for income generation activities, small ticket social loans for solar lamp and water and sanitation, compulsory credit life insurance and health insurance.
- Client's feedback is collected during internal audit, social audit, center leader workshops and monitoring visits by Branch Managers (BM), Territory Managers (TM) and Regional Managers (RM). Based on feedback received from existing clients, SCNL has started offering a higher ticket size loan for a period of two years, introduced monthly repayment and health insurance product.
- The internal audit team meets a sample of dropout clients to investigate the reasons for dropout. However, collection of reasons for drop-outs is not a regular activity and plans have been envisaged to make it a regular process.
- Staff caseload is reasonable with a cap on the number of clients handled by the Customer Service Officer (CSO). Salary is fixed and depends on the staff designation which in turn is based on the number of clients handled; clients handled are categorized into six slabs.

### Client Protection Principle 2 – Prevention of Over-indebtedness

- A detailed repayment capacity is conducted for all loans. The CSO collates the requisite information during the physical verification of the client's house and business. The BM visits the client's home before every loan cycle verifies the repayment capacity analysis filled by the CSO.
- Staffs are adequately trained to collect information on income and expenses details of the clients' business and household.
- Credit bureau check is compulsory at all cycles. Past attendance and repayment history are also factored in for repeat loans.
- Portfolio quality reports are generated daily and shared with the management and quarterly reports presented to the Board. SCNL has maintained good portfolio quality as PAR has never exceeded 1%.
- Portfolio quality does not affect staff incentive.
- Compliance with the policies is verified during the quarterly branch audits.
- SCNL has documented rescheduling policy. The MIS has provision to track rescheduled loans. These loans are reviewed separately in the monthly review meetings by the senior management.

### Client Protection Principle 3 – Transparency

- Terms and conditions (including pricing information, product features and rights) are communicated several times prior to disbursement. Both verbal and written mediums in vernacular are used to disclose the terms and conditions to the customers.
- The loan agreement and the loan card details all the conditions of the loan including the nominal monthly and annual interest rate, the effective interest rate, processing fee and insurance amount. They are written in vernacular language.
- Clients are given adequate time to consider their loan application and approach staff in case of doubts.
- Product details including interest rates are clearly displayed in branches; this is also available on SCNL's website

### Client Protection Principle 4 – Responsible Pricing

## Selected Examples of Practices

- SCNL complies with the guidelines on pricing set by the Reserve Bank of India (RBI). SCNL reduced interest rates by around 1% (range from 25.78% - 25.99% to 24.87% - 24.97%) for group loans in November 2015. It charges interest rate for individual loans ranges from 22.02% to 23.18% pa. Pricing is non-discriminatory and fixed for the entire loan tenure.
- SCNL's operating efficiency is better than its peers; OER has decreased significantly from 10.80% during FY2011-12 to 6.57% during FY 2014-15.
- Members can pre-close their loans anytime during the loan tenure without any charges. SCNL does not collect penal interest / late payment charges for delinquent loans.

### Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- SCNL has adopted both the Code of Conduct (CoC), which draws from Sadhan's and MFIN's Code of Conduct for the sector and the Fair Practices Code (FPC), which covers all guidelines of RBI's FPC; both have been approved by the Board.
- By signing the appointment letter, all employees agree to observe and comply with the CoC and FPC of SCNL.
- The HR manual of SCNL lays out the recruitment guidelines which are in accordance with the industry CoC.
- All new recruits undergo an induction training at the Regional Office (RO). The two-day classroom trainings are conducted by the Regional manager, HR-RO and other departments. The classroom training is complemented by field exposure at branches.
- Induction training contains modules on appropriate staff behavior, effective communication and instructions on dealing with stress situations such as default.
- Internal auditor conducts client visits during quarterly audit visits. Interactions with clients include their opinion on experience with staff, behavior and communication of the CSOs, awareness of the grievance redressal mechanisms and other aspects of CoC.
- Supervisory visits and monitoring by BM, TM, DRM and RM carries a weightage of about 10% on the audit score.
- SCNL's Code of Conduct specifies that the company would follow nondiscriminatory, respectful and ethical practices towards its clients.
- SCNL has a well-defined rescheduling policy; rescheduling is done on a case by case basis. Loans were rescheduled in Jammu and Harda due to floods and lockdown in the city which led to loss of income; in these cases clients were given a repayment holiday.

### Client Protection Principle 6 – Privacy of Client Data

- SCNL has a detailed client data security policy which governs the security of client data.
- Secrecy clause is mentioned in the appointment letter. It also states that misuse of unpublished information may entitle the Company to take appropriate action against the employee. This is applicable for both serving and outgoing employees.
- Staff are oriented on the privacy policy during the induction training session on CoC.
- Loan documents are stored in almirahs/safe at the Regional Offices. Only authorized personnel have access to the room.
- Access rights are defined for each level of staff and data is secured by adequate password

## Selected Examples of Practices

protection mechanisms; data back-up is taken daily and stored on hard drives.

- SCNL provides staff training on privacy of client data; disciplinary actions is defined in the HR manual for employees who misuse client's information.
- SCNL seeks written permission from clients to share their personal information with third parties or promotional activities of the organization.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- SCNL has provided multiple channels for clients to register their complaints: Sparsh toll-free, field staff, grievance redress officer, complaint registers and complaint boxes.
- The complaint resolution policy defines the various channels for registering complaints and the categorization of complaints; escalation levels and the resolution time.
- Field staff are trained on the grievance mechanism during the 2-day induction and 3-day residential training; staff are trained on the grievance mechanism; communicating the grievance mechanism to clients at various stages of loan application and loan tenure.
- Clients are informed of the grievance channels during the CGT, GRT and disbursement. The Sparsh number is printed on all loan cards and colored pamphlets informing clients about the complaint boxes and registers are filed in the centre meeting register.
- Sparsh has a dedicated multilingual three-member team for handling and escalating complaints to the concerned personnel; the BM is responsible for recording complaints received at the branches and share the details with the HO team for consolidation.
- Call back by Sparsh executives is done only for serious (level 1) complaints. During the social performance audit, the Internal Audit team checks whether the clients had registered a complaint and if it was resolved appropriately and in a timely manner.
- Client complaints/feedback are used to make revisions to products and processes.