



## **CLIENT PROTECTION CERTIFICATION**

*Report for Annapurna Microfinance Pvt. Ltd (AMPL),  
Bhubaneswar, India  
Certified in APRIL 2016*

**Mission Conducted by MicroFinanza Rating  
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on the Certification Mission**

## Selected Examples of Practices

*“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 MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at AMPL. AMPL became client protection certified in APRIL 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>.

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## Selected Examples of Practices

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

- Products offered are varied and appropriate to meet the different client needs. The product features do not harm the customers.
- Reasons for client drop-out are thoroughly investigated on regular basis and outcomes are properly analyzed and used for decision making and product design.
- AMPL does not employ aggressive sale techniques and productivity targets are set according to the context of operations.

### Client Protection Principle 2 – Prevention of Overindebtedness

- Repayment capacity is properly carried out and credit appraisal is performed on all individual household despite the group methodology. The repayment capacity analysis is conducted at each cycle following the same sanction process.
- The segregated analysis process allows for uniform application of the practices. The Head office Credit Team (appraisal officers) visits each and every individual household.
- Portfolio quality is good and maintained over time. Board members receive on quarterly basis a complete reporting on the portfolio performance and composition.
- Data of individual group members are systematically checked through the national credit bureau at each loan cycle.
- The monthly incentive scheme has been revised to reflect the proper balance between productivity targets and portfolio quality.
- Post disbursement controls are performed by the Internal Audit team with the support of the Risk Department.

### Client Protection Principle 3 – Transparency

- AMPL complies with the RBI requirements and discloses the full breakdown of all costs to clients prior to sale. Loan conditions are further clearly explained to clients in several occasions prior the actual disbursement in vernacular language.
- The contract, given to each customer, is clear and information on the loan is duly recorded.
- Front line staff is available to answer customers' queries and it properly trained on how to communicate with clients, including those with literacy limitations.
- Product information is displayed and visible at the branches thanks to clear posters where the different product conditions are pointed out.
- The pricing structure does not create confusion on the total cost and complies with the local regulation.

### Client Protection Principle 4 – Responsible Pricing

- AMPL prices are market bases and not discriminatory. The interest rate charged is in line with the regulatory requirements.
- Efficiency ratios are overall aligned with the peers in the microfinance sector.

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

- The Code of Conduct is clear and spells out the standards of conduct expected by staff. Personnel sign it when joining the company and receive proper induction training.
- Collection practices are satisfactorily presented in several documents and sanctions are

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applied in case violations are detected.

- Staff professional conduct is properly monitored once a year. Branch Managers and the HO Operation Department team also carry out occasional controls. The Internal Audit regularly visits a sample of customers to crosscheck field staff behavior.
- AMPL has a non-discriminatory policy in place and actually provides lending facilities to marginalized groups such as persons with disabilities (PwD), eunuchs/third gender, family members of leprosy affected person, divorced/widows/single mothers, etc.
- Customers are properly informed on their rights. Dedicated posters are visible in all branches.

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

- The Self Help Group contract includes a clear privacy clause that ensures proper and transparent protection of customer sensitive information.
- Personnel are trained on the importance of protecting customers' data and violations are sanctioned according to set rules.
- The IT infrastructure is secure and now client physical information is safely stored in appropriate cabinet.
- Group members are trained on how to safeguard other members' information.

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

- Clients are informed about their right to submit a complaint at various stages prior the loan is disbursed. Posters are clearly displayed at the branches and the free toll number is frequently reminded during the lending and collection process.
- Staff is trained on the different grievance redressal mechanisms in place.
- Complaints are resolved within one month, in line with the regulatory requirements and a three-stage escalation system allows for an effective system.
- The Internal Audit team visits a sample of customers that have filed a complaint. The checklist used for field visit is comprehensive.