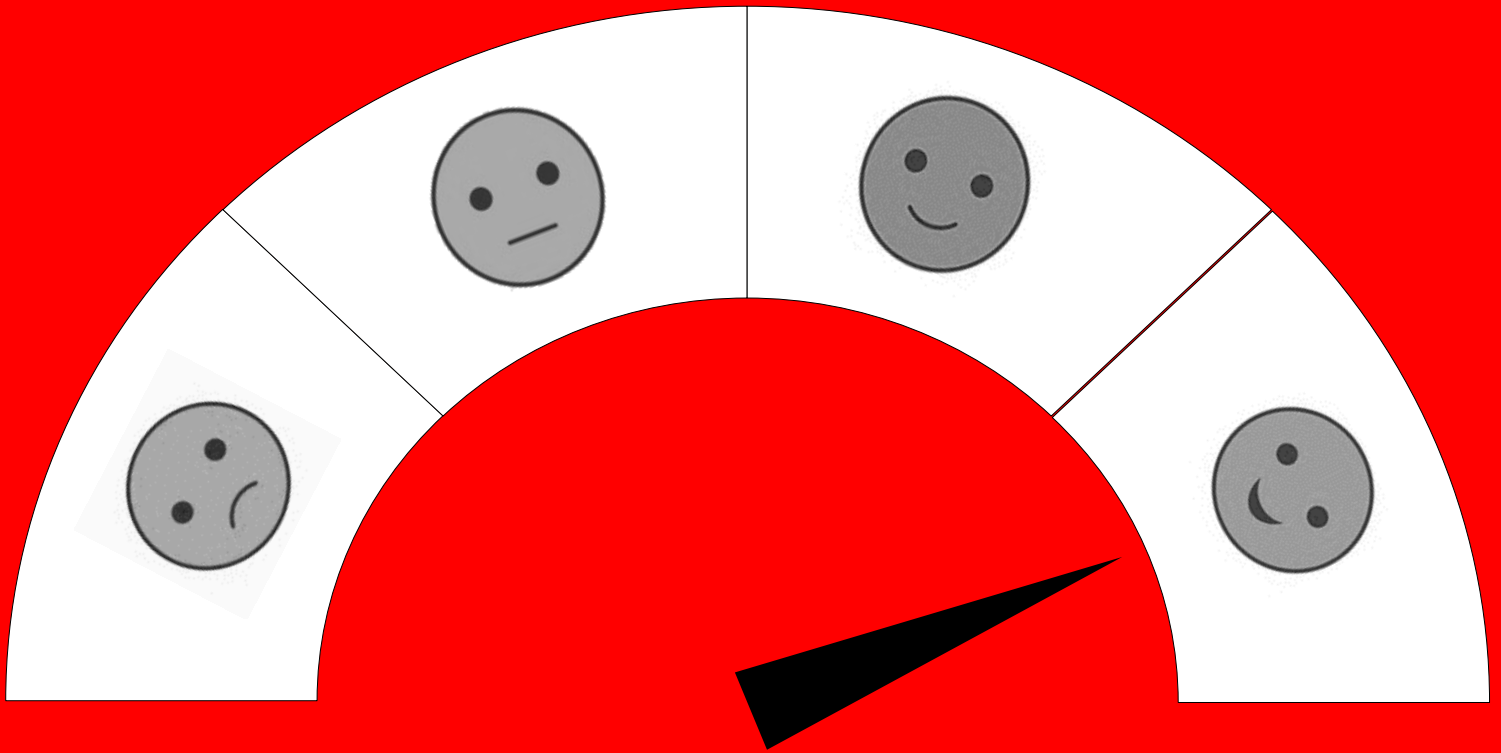


CUSTOMER GRIEVANCE REDRESSAL MECHANISM



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Acknowledgements

This Guidance Note is a co-operative effort with our member NBFC-MFIs and Associates who candidly shared the details of their Customer Grievance Redressal Mechanism (CGRM) and contributed with their inputs.

Work on Guidance Note was particularly enriched by on-site visits to Bharat Financial Inclusion, CreditAccess Grameen, Indus Ind Bank, Satin Credit Care, Spandana, SV Credit Line and Ujjivan Small Finance Bank as these visits brought out different qualitative aspects and advanced practices on the CGRM and our special thanks to CGRM teams in these companies who provided deep insights and perspective on the subject.

Introduction

Context

Currently 47 MFIN member NBFC-MFIs, provide micro-credit to over 2 Cr low-income women customers with a total outstanding of Rs 55,000 Cr. Delivery of micro-credit is channelled in a highly disaggregated model consisting of 10,000 branches and 65,000 loan officers in more than 500 districts across 30 states/UTs¹.

Given their educational-social-economic background, customers of the NBFC-MFIs can be susceptible to being misinformed and influenced in the process. Therefore, an independent system linking customer to the management of the NBFC-MFI is essential to ensure that their voice is heard, and their interests are protected.

In this context, Customer Grievance Redressal Mechanism (CGRM) is recognized as an important tool for the NBFC-MFIs to make a stronger connect with their customers to address their queries, concerns and complaints and get insights about their needs, requirements and expectations. This, among other things, helps the NBFC-MFI to improve their processes, services and internal controls.

CGRM has been recognized by the RBI and NBFC-MFIs integral to customer satisfaction and protection². And over the years, NBFC-MFIs have put-in efforts to set-up CGRM and improvise it.

Building on regulatory framework and learning from the experience of member NBFC-MFIs on CGRM, this Guidance Note aims to

- Present a suggestive framework on the CGRM which can serve as an industry standard for the implementation of CGRM
- Share the status of the Industry (based on MFIN member NBFC-MFIs) on this framework

We sincerely hope that Guidance Note meet its purpose and our member NBFC-MFIs find it useful.

We request the MFIN member NBFC-MFIs to review their existing CGRM systems and processes based on this Guidance Note and make suitable changes, as may be required, considering a) the regulatory requirements mentioned in this note and b) own context, requirement and available resources

For any clarification/suggestion, feel free to connect with us.

This is the first version of Guidance Note and we also request you to collaborate with us to improve it by sending your feedback and suggestion. You can connect with us at sankalptripathi@mfinindia.org

¹ Data as of 31st March 2018 available at MFIN Micrometer, Issue 25, <http://mfinindia.org/wp-content/uploads/2018/05/Micrometer-Issue-25-Q4-FY-17-18-final-for-dissemination-to-members.pdf>

² All related clauses are given in Annex 3

Notes

1. This Guidance Note only covers the customer grievances and redressal thereof. Enquiries and service requests made by customers and grievances raised by other stakeholders such as employees are not covered under this Guidance Note
2. To prepare the Guidance Note, in-depth work was done including
 - Researching public documents available on the CGRM³⁴⁵
 - Reviewing the CGRM related directions available in RBI Regulations (Master Directions on NBFC-MFIs and Fair Practices Code), Industry Code of Conduct (CoC) and MFIN Directives and Advisories
 - Reviewing existing CGRM amongst NBFC-MFIs based on policy and process documents and communication collaterals
 - Conducting on-line survey amongst the member NBFC-MFIs on the CGRM
 - Visiting a sample of NBFC-MFIs to understand their CGRM
3. Industry analysis and benchmarks are based on self-reported response sent by the NBFC-MFIs and they have not been independently verified.

³ https://www.ombudsman.gov.au/_data/assets/pdf_file/0020/35615/Better-practice-guide-to-complaint-handling.pdf

⁴ https://www.microfinancegateway.org/sites/default/files/publication_files/resolving_client_complaints_-_mechanisms_employed_by_ujjivan_financial_services_pvt._ltd.pdf

⁵ https://www.microfinancegateway.org/sites/default/files/publication_files/resolving_client_complaints_-_mechanisms_employed_by_ujjivan_financial_services_pvt._ltd.pdf

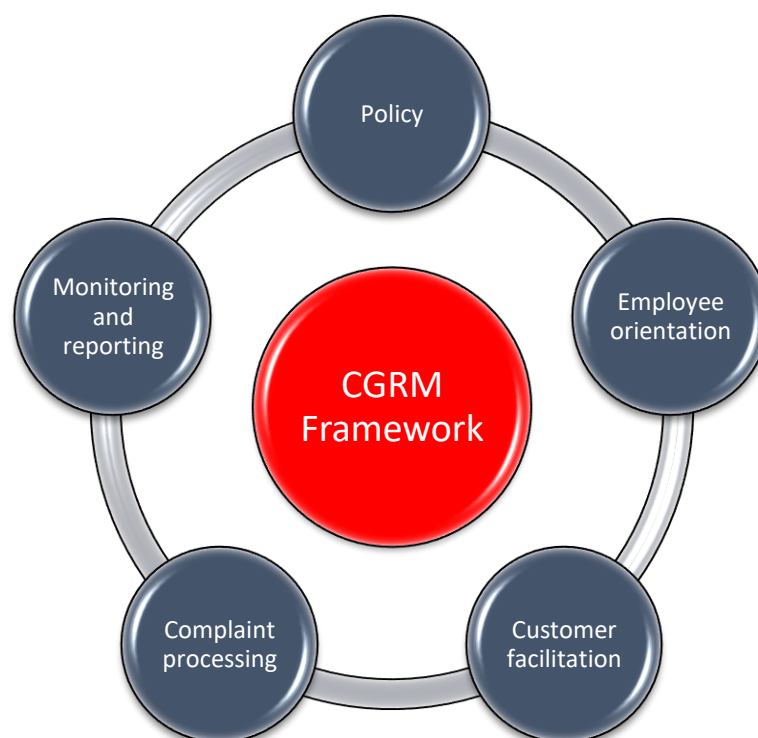
Customer Grievance Redressal Mechanism

Overview

An effective Customer Grievance Redressal Mechanism (CGRM) broadly consists of five core elements as under:

Policy is the starting point of building CGRM which confirms company's commitment at the highest level, to provide CGRM to its customer, to understand and address their complaints. The Reserve Bank of India (RBI), through its Fair Practices Code (FPC)⁶ requires that Board should lay down the appropriate governance redressal mechanism within the organization and should periodically review its functioning at various levels of management.

Since policy lays the foundation of the CGRM in the company, it should clearly spell out the key aspects of the CGRM.



Employee Orientation on CGRM assumes larger importance in the microfinance business as customer, to a great deal, rely on employees' interface to know about the CGRM and access it to register their complaints. Therefore, company should take steps to ensure that employees are sensitized about supporting the customers on different issues which customers might face and hence, should be equipped with adequate information about the CGRM in the company. Company's training, learning and assessment should focus on the CGRM aspects for all customer-facing employees and for those employees who are responsible for addressing the customer grievances.

Customer facilitation on CGRM is a key to ensure that customer knows and trusts the CGRM of the company and has fair and easy access to it. To achieve this, company, through various means such as customer education, disclosures, outreach program, should continuously reach out to the customer and reinforce the message about the CGRM in the company.

Complaint Processing is the heart covering system and process of registering, capturing and resolving the complaints in the company. An effective complaint processing requires that complaints are quickly registered, accurately captured with all necessary details (from registration to resolution) and resolved as per company policy within a stipulated turnaround time (TAT). An efficient complaint processing at the customer level, helps the company to timely resolve customer complaints and builds her trust. At another level, it helps the company to capture the underlying product and process issues, address them and fix accountability for the various teams. Complaint processing process within the company must be rule-based and non-discretionary as far as possible. To enable successful and timely resolution

⁶ https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9827

of complaints, a proper system for registering complaints needs to be in place along with clear guidelines to categorize the complaints, forwarding of complaint to relevant department, escalation, resolution and closure within stipulated timeframe.

Monitoring and reviewing is the last but critical aspect to assess the functioning of the CGRM in the company and get insights about nature and origin of complaints to address them at a systemic level. Continuous monitoring and review of the CGRM system enables the company to understand the areas which are receiving most complaints and need attention. A regular review of complaints data also acts as an early warning system to timely identify and address any regional, branch specific or product specific issues.

A review of TAT and resolution status shows how well the grievance redressal mechanism at the organization is functioning and what areas have scope for refinement. In addition to running data analytics on complaints set, there should be regular audit of CGRM to assess its adherence to policies and processes.

Please refer to Annex 1 for a snapshot of CGRM framework.

Policy

Policy is the starting point of building CGRM which confirms a company's commitment at the highest level, to provide CGRM to its customer to understand and address their complaints. The Reserve Bank of India (RBI), through its Fair Practice Code (FPC) requires that Board should lay down the appropriate governance redressal mechanism within the company and should periodically review its functioning at various levels of management.

The Fair Practice Code of RBI mandates the Board of the company to lay down an appropriate grievance redressal mechanism within the organization and to review its functioning periodically.

The CGRM policy should define and set expectations for the company and its employees and should provide a source of reference for employees to be able to review and check if they are meeting the expectations. Considering the same, CGRM policy, should cover following key elements:

Channels to register complaints: Policy should clearly detail the various channels that are available to customers for registering their complaints. These could be branch level (complaint boxes, register) and company level through toll-free phone numbers, e-mails and posts.

Process to register, escalate and resolve the complaints: Policy should clearly state the processes related to customer complaint registration, resolution of complaint and escalations in case of non-resolution of complaints within specified turnaround time.

Internal escalation mechanism: The details of escalation levels within the company to enable the customers to take their unresolved complaints to the higher level should also be a part of CGRM policy. The contact details of various escalation levels should be adequately mentioned along with proper information as to number of days post complaint registration, after which the customer may escalate a complaint and the expected time in which the complaint will be resolved at the given escalation level.

External escalation mechanism: The policy should also mention the details of external escalation levels including those of Self-regulatory Organization (SRO) and the Reserve Bank of India (RBI) available at customer's disposal in case the complaint has not been resolved within the given turnaround time. The expected time after which the complaints need to be escalated and the order in which escalations are to be made should be clearly indicated.

Complaint categories: Policy should also mention various types of possible customer issues and different categories in which each of the issue is bucketed. The time frame within which each of the complaint type is expected to get resolved needs to be clearly mentioned along with the categories under which different types of complaints are categorized.



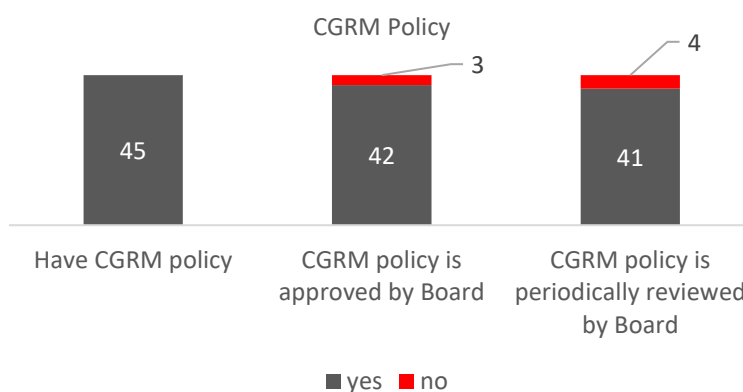
Roles and responsibilities of employees with respect to CGRM: The policy should detail the roles and responsibilities of the employees responsible for addressing and resolving different types of customer complaints.

Process of review or audit of CGRM: The policy should also provide for periodic review or audit of the functioning of the CGRM. The frequency of such reviews should be mentioned in the policy.

Reporting to the top management and Board: Periodic report on the CGRM along with the review or audit report(s) should be presented before the Board. The policy should mention the frequency at which such reports will be shared with the Board.

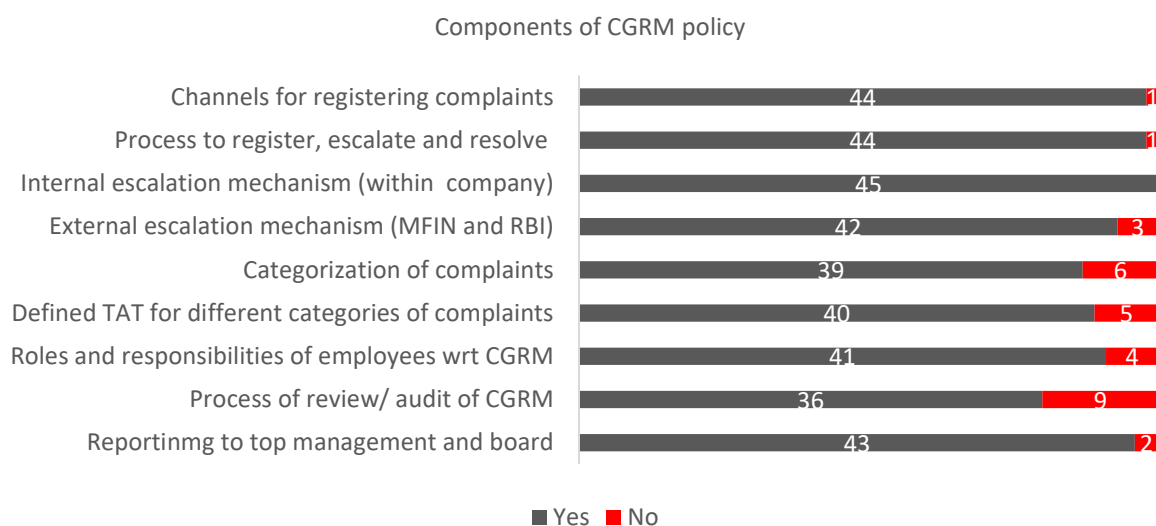
Industry Practices on CGRM Policy

Based on the survey filled by 45 NBFC-MFIs, 42 companies have Board approved CGRM policy and 41 companies get them periodically review by the Board.



Based on survey, most companies have CGRM Policy which defines the channels to register, escalate and resolve complaint, internal escalation

and external escalation, and reporting to top management and board. Most common omission in the policy is a) Process of review and audit of CGRM (not available in 9 companies) and b) categorization of complaints (based on issues and TAT).



Employee orientation

Employee Orientation on CGRM is logical next step (after policy is being formed) while establishing the CGRM in the company. This ensures that policy objective and intent is well inculcated in the culture of the company through its employees. It assumes greater importance in the microfinance business as customer, to a great deal, rely on employees' interface to know about the CGRM and access it to register their complaints. Therefore, to establish an effective CGRM, company should appropriately invest to ensure that employees are sensitized about supporting the customers on different issues and equipped with adequate information on the CGRM in the company. Company's employee learning and assessments should have a focus on the CGRM aspects for all customer-facing employees.

For employee directly responsible or resolving the customer complaints, it is imperative they are fully versed with the company policy on CGRM and adhere to it. Another way to influence the employee behaviour on CGRM could be through performance appraisal which factors the employee performance on CGRM in appraisals. This can be done for employees directly interfacing with customers and those responsible for the addressing and resolving the complaints.

To ensure that the customer grievances are handled by the employees as per the company's policy in this regard, following practices become important for the organizations to adopt:

CGRM components in training modules:

Components of the CGRM, should be included in the training modules (induction and refresher) to ensure that trainings appropriate cover the CGRM.

Employee training on CGRM: Across the company, employee should be made broadly aware of the CGRM policy, responsibilities of different departments and acceptable TATs to resolve the complaints. This ensures that company's thinking and focus on the CGRM is translated into company's culture and employee fully imbibe the value of CGRM. Training modules for employee induction program should emphasise on the CGRM.

In addition to broad training, employees directly responsible for CGRM, for facilitating and resolving the complaints, should be given detailed training about the system, processes, categorizing complaints and TAT for resolving the complaints etc. Employees directly facing the customers and capturing their complaints should be given soft skills training to handle customers reaching out with complaints.

For better retention and to ensure that employees are regularly updated on the CGRM including changes in process, key issues etc, periodic refresher training to employees should be regularly conducted. Amendments in policies and new circulars/ instructions can also be communicated through these trainings which will help the employee to handle the customer complaints/ queries as per the updated instructions and policy.

Training Module

Training modules for employees to include components on CGRM

Employee Training

induction trainings as well as periodic trainings are conducted for employees on CGRM

Assessment

Employees' knowledge on CGRM to be assessed on a regular basis

Performance Appraisal

Parameters on CGRM factored in the employee performance appraisal

Assessing employees understanding on CGRM: For employees, particularly those directly handling the customer complaints, there should be periodic assessment of understanding about the CGRM. Such assessment will help to understand the retention levels amongst the employees and plan periodic trainings.

Factoring CGRM in employee performance appraisal: Linking performance to CGRM indicators is another critical instrument to build company’s culture around the CGRM. This could work at two levels.

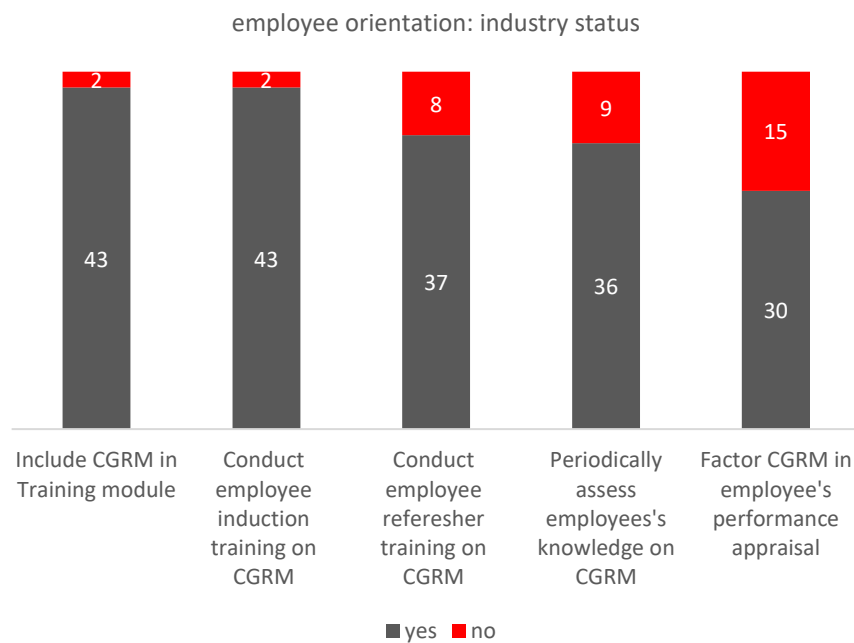
For employees, directly responsible for CGRM, either by capturing complaints or resolving them, performance can be linked to how effectively (timely and to the satisfaction of the customer) they are able to resolve the complaints.

At second level, there could be penal provision in the appraisal for the serious complaints (behaviour, corruption, other integrity issues) received for the employee.

These steps will ensure that employees have incentives to handle the customer issues with utmost care and as per the company policy.

Industry Practices on Employee Orientation

Based on the CGRM survey conducted amongst 45 NBFC-MFIs, it was reported that most NBFC-MFIs have CGRM in their training modules and they conduct trainings of the employees on CGRM. However, one fifth of the NBFC-MFIs do not assess their knowledge and one third do not integrate customer grievance related indicators with the appraisal.



BFIL's approach to building CGRM team

The CGRM team is the first point of contact to interact with customer and listen to their issues (queries, request, complaints). Motivation, orientation and training of this team plays a critical role in effectiveness of the CGRM. At Bharat Financial Inclusion Ltd (BFIL), which has a team of over 250 people in the CGRM (called Member Help Line or MHL) handling around 70,000-75,000 calls per month, a high-energy focused team is built to carefully focusing in various inter-related aspects which are worth highlighting

- **Recruitment:** CGRM representatives to handle MHL are recruited from among its field staff from the areas of BFIL's operations. This policy ensures that CGRM representatives have a good understanding of customers' context, company's processes/functions as well as an excellent command over regional/local dialects in which customers prefer to interact.
- **Training and orientation:** CGRM representatives are comprehensively trained on range of issues for which customers call and process to followed as per the CGRM policy. CGRM representatives are also imparted extensive soft-skill training on aspects like interacting with customers empathetically and how to handle angry customers. Classroom trainings are supplemented with audio and video clips to improve assimilation of content. A library of good and bad calls is maintained which comprises of sample calls selected from the call repository. Calls from these libraries are played to representatives for better understanding on appropriate responses to different issues at hand.
- **Working environment:** To help employees break the monotony during a day full of telephonic customer interactions, BFIL provides an avenue to employees to refresh themselves. Indoor games like table tennis are available for employees for quick break from the work. Regular outdoor team activities like cricket tournaments between different teams help the employees interact with team members. To keep the employee motivation high, best performers are identified and rewarded at regular intervals.
- **Other support:** To build and maintain a motivated team, in addition to providing a good working environment in the work place, BFIL takes care to support employees in their personal needs such as affordable and clean housing in hostels closer to office premises. Senior team members provide help to them to adjust to new environment.

Customer facilitation

Customer facilitation on CGRM is a key to ensure that customer knows and trusts the CGRM of the company and has fair and easy access to it. To achieve this, company, through various means such as customer education, disclosures, outreach program, should continuously reach out to the customer and reinforce the message about the CGRM in the company.

Given the educational and socio-economic background of the microfinance customers, it is likely that the customers may not proactively reach out to CGRM for a variety of reasons including hesitation, poor recall and mistrust among other things. Therefore, company has to take proactive steps to facilitate the customers to access the company's CGRM. The awareness about the CGRM should be imparted throughout the customer life cycle.

There are four aspects related to customer facilitation which companies should try to build into their CGRM:

Multiple Channels: Customer should be provided multiple channels to access the CGRM, so that based on her convenience and choice, she can easily and promptly access the CGRM. These channels could be at branch level (complaint box, register) or company level (e-mail, phone, postal etc).

Training and Disclosure: For the customers to be able to access the company's CGRM, they must be fully informed about the CGRM. Information should be given, beginning with Compulsory Group Trainings (CGTs) and periodic training (during regular centre meetings/customer interaction) and message about the CGRM should be reinforced. These interactions should explain process to register and escalate the complaints. Apart from periodic training on CGRM, it is also important to provide adequate information to customers on CGRM through various forms of display at appropriate places and documents. This information on display acts as ready reference to the customers and enables prompt access to the grievance redressal mechanism of the company when required. Please refer to Annex 2 for guidance on disclosures to customers.

Assessment of customers' understanding:

Like regular assessment of employees' understanding on CGRM, the understanding of customers about CGRM should also be assessed regularly. This will help the company to identify understanding gap and plan training program accordingly.

Proactive outreach to customers: Going a step further towards customer satisfaction, companies should try to reach out to customers to get their feedback on various aspects like products offered, processes followed and staff behaviour etc. This helps the companies to identify issues before they turn into actual complaints and would allow to take appropriate actions in timely manner to address them.



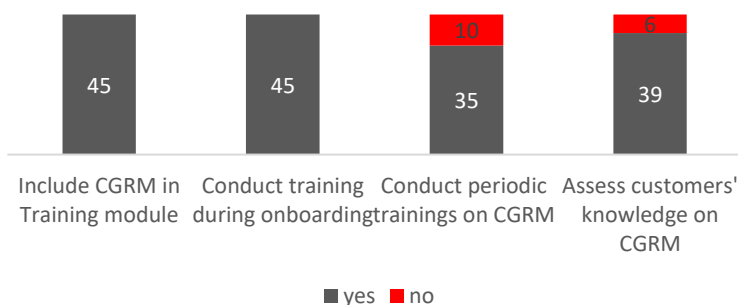
Industry practices on customer facilitation

Based on the CGRM survey, it was reported that most NBFC-MFIs do include CGRM in their standard trainings to the customer. Majority also have process to assess customers' knowledge of CGRM. However, out of respondent NBFC-MFIs, 10 don't impart CGRM training to customers on a periodic basis.

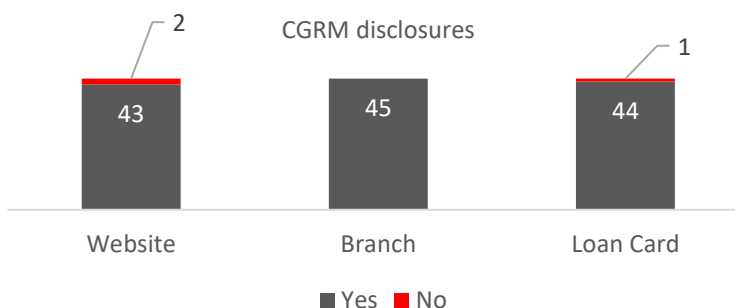
In terms of CGRM disclosure on website, except 2, all display CGRM details on website. It is noteworthy that the display of CGRM on website is mandated by RBI FPC.

All the respondent NBFC-MFIs have reported that they display the information on company's CGRM details at their branches. However, some MFIs have reported that they don't display the details of MFIN and RBI at branches. It is not only important but also mandatory (as per FPC and industry Code of Conduct) to display the complete details of CGRM including those of the external escalation levels available to customers.

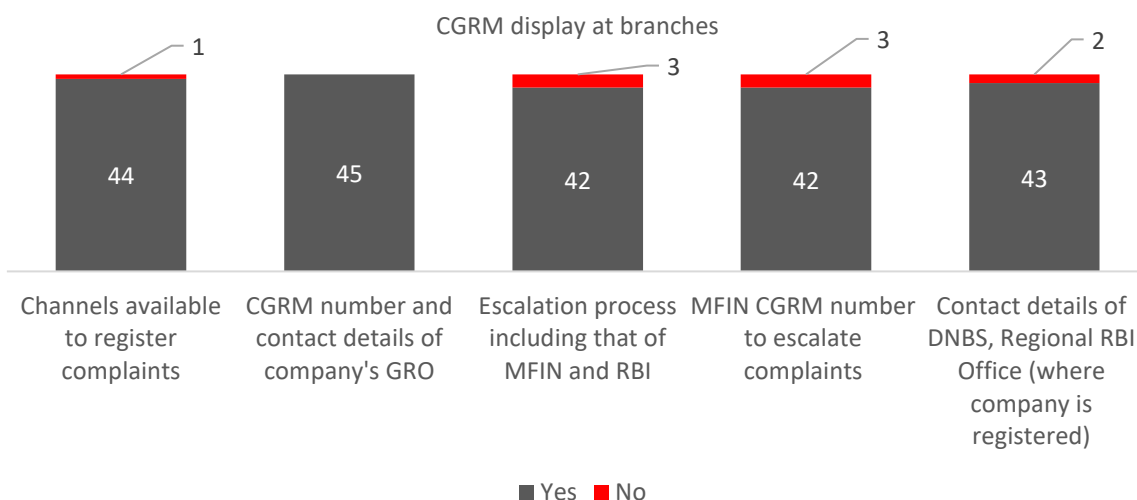
Customers' training on CGRM



CGRM disclosures

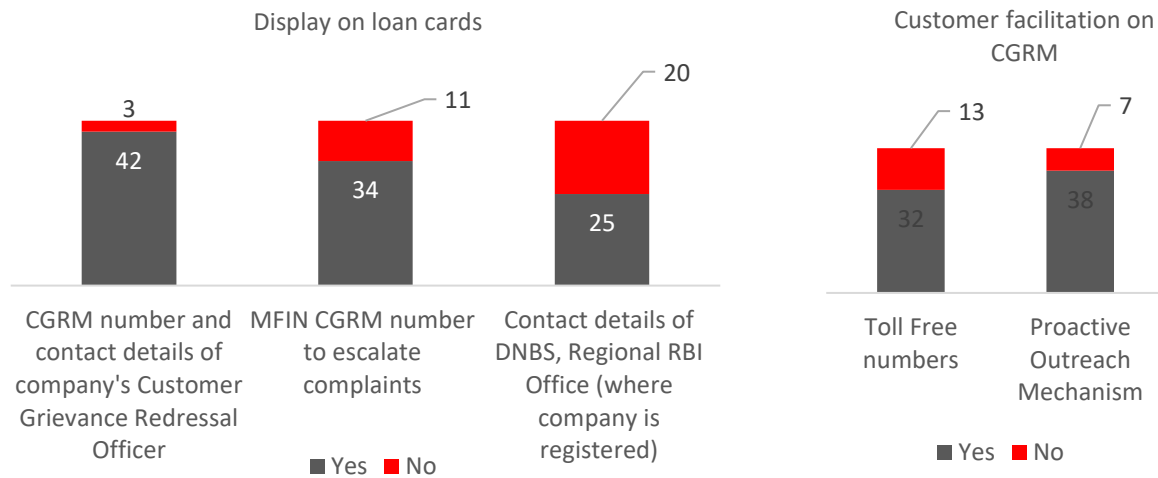


CGRM display at branches



In terms of information display on loan cards, it was observed that many NBFC-MFIs don't have full information. 11 NBFC-MFIs don't display the CGRM details of MFIN, 20 don't display CGRM details of

RBI on the loan cards. In the scenario where customers seldom visit branch offices, it becomes important to provide adequate information on the loan cards.



It is also noteworthy that out of the respondent member NBFC-MFIs, around 32 MFIs have toll free helplines and 38 MFIs have a mechanism to proactively reach out to customers to understand their feedbacks/concerns/ grievances.

Complaint processing

An effective and efficient complaint processing system ensures that the customer complaints are resolved timely as per company policy and to the customers' satisfaction. Complaint processing involves several processes beginning with registering and acknowledging a complaint, bucketing them as per company policy, forwarding the complaints to concerned department and employees, tracking the complaints for timely and appropriate resolutions, escalating the complaint if required, intimating customers about the resolution status and taking customer's feedback with respect to resolution provided.

Complaint processing entails following steps:

Registering the complaints: To begin with, companies should have a process to register the complaint received from the customers. Based on the volume and resources available with company, registration process can be paper based, excel based or software aided.

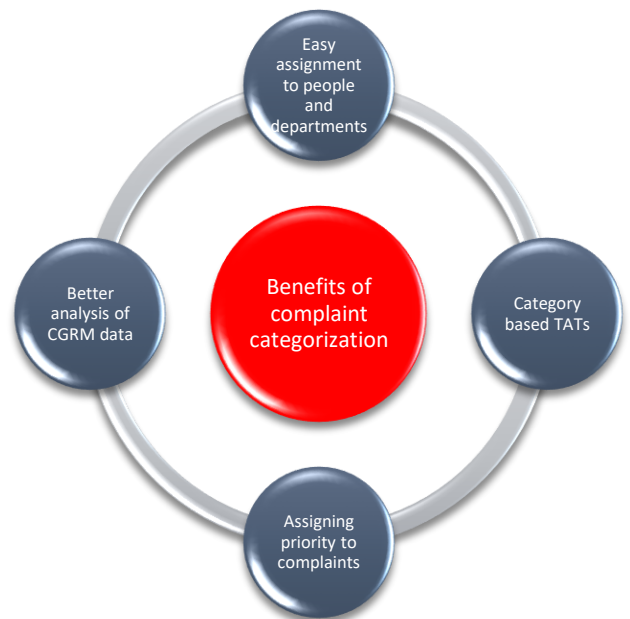
Whatever may be the form, complaint should be captured in the standard format, capturing data/time of complaint, customers details (name, location, phone, loan account number) and nature of complaint and allocation of complaint to specific complaint category based on company policy.

Providing acknowledgement to customers: As soon as complaint is registered, customer should be given an acknowledgment with a reference number along with expected timeframe within which the complaint will be resolved. Acknowledgment is important as it helps to manage customer's expectations. Additionally, the acknowledgement can provide the details of next escalation level available to customer in case the complaint is not resolved within specified turnaround time.

Considering that complaint volumes are still very low, most of the companies are using excel based complaints registration systems. Although cost is low in such cases, there are certain limitations to these systems in terms:

- Inconsistent data entry makes the analysis very difficult
- assignment of complaints is manual
- Tracking of complaint closure is not easy
- Detailed categorization of complaints becomes difficult
- Tough to handle high call and complaints volume through these systems

Categorization of Complaints: The nature of complaints differs widely. An early assessment of the nature of complaint is necessary for effective and efficient handling of complaints. Categorization helps in assigning priority, assigning complaints to people/departments based on complaint categories and assigning different turnaround times (TATs) to different type of complaints. Categories of issues/complaints will certainly differ across the companies. A suggestive list of most-common complaint is given in Annex 4 for reference.



Tracking of resolution status: To ensure that complaints are resolved within the predefined TATs, it is important to closely monitor the status of complaints. This helps in ensuring that all complaints are attended and timely escalated. Based on category, complaint must be forwarded to relevant department for the resolution. Department responsible for the resolution should address the complaint as per the company policy and inform the CGRM team about the resolution provided to the customer.

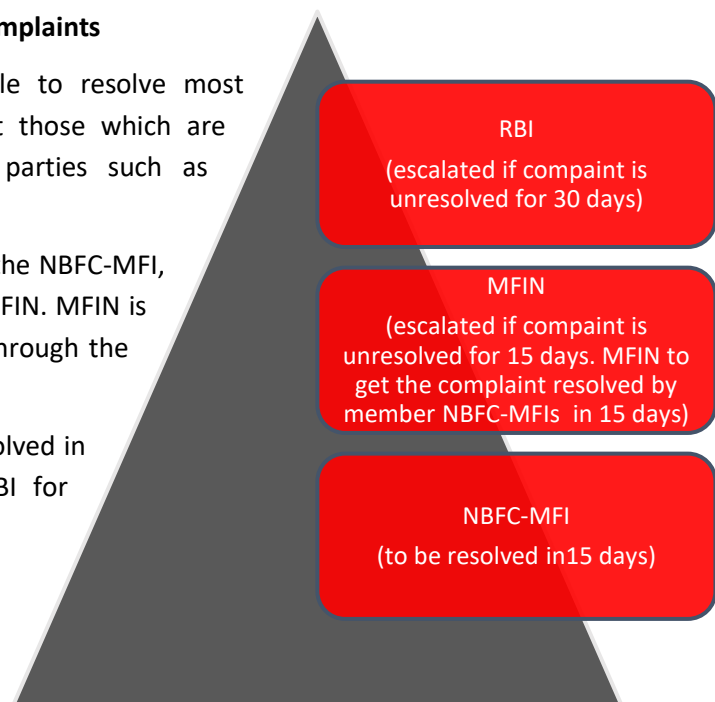
Capturing customer feedback: After complaint has been resolved by the relevant department, CGRM team should call the customer to take her feedback and satisfaction with the complaint and then close the complaint. There should be a provision to relook into the issue if the customer is not satisfied with the resolution provided. In case customer is still not satisfied, the escalation of the customer complaint may be facilitated.

External escalation levels for customer complaints

At first level, NBFC-MFIs should be able to resolve most customer complaints in 15 days (except those which are dependent on resolution for external parties such as Insurers, third-party vendors etc).

If complaint is not resolved in 15 days by the NBFC-MFI, customer can escalate the complaint to MFIN. MFIN is expected to get the complaint resolved through the member NBFC-MFI in 15 days.

As per the RBI FPC, if complaint is not resolved in 30 days, it can be escalated to the RBI for resolution.



UJJIVAN's Complaint Management System

After becoming Small Finance Bank, Ujjivan had to shift to a complaint management system closely integrated with the Core banking system. However, prior to becoming a SFB, given the challenges of excel based complaint registration system, Ujjivan switched to a software based complaint management system.

The new software allowed the CCRs at branches and regional helpdesks to log the complaints. All complaints which were logged in could be viewed by the Regional Service Quality Manager on the same day. This enabled the Service Quality Department to monitor the complaint resolution process more closely.

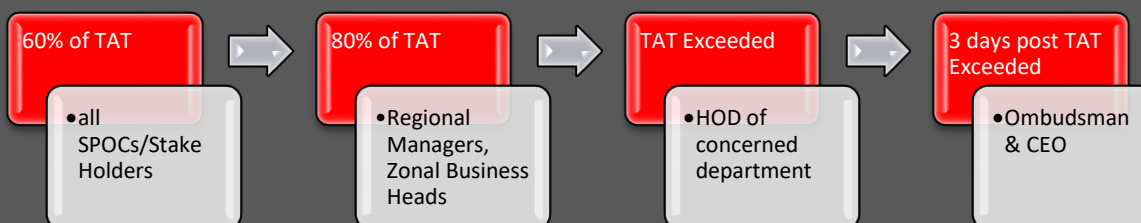
The new software-based system could handle 1000+ users and 50,000+ tickets per month and had the potential to scale up further. Once the user creates a ticket, the software solution automatically assigns tickets to person or department as per predefined mapping structure. As the system was integrated with the Core Banking Solution and Loan Management System of the organization and e-mails were autogenerated, CCRs and helpdesk staff were no more required to send separate e-mails for pending/critical queries to relevant department, reducing executive workload by 25 percent.

Also, the system automatically escalated pending complaints to the next-higher level supervisors once the TAT was breached. The tool also had an automated dashboard on key numbers and trends and customized filters for data viewing/extraction based on aging tickets, critical tickets etc. which helped in meaningful analysis of complaints.

BFIL's tracking of complaint resolution status

BFIL has a robust mechanism to track the status of complaint resolution. There are separate follow-up teams who keep a track of resolution status and reach out to concerned complaint owners and next escalation levels at predefined times to ensure that the complaints get resolved in minimum turnaround time.

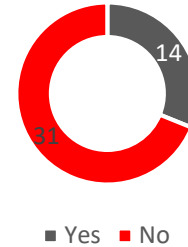
The resolution status is monitored daily. The complaints for which 60% of the expected TAT has lapsed, a primary follow-up team starts follow ups. The complaint owners are called and reminded of the open complaint and available time to resolve the complaint. Once 80% of the TAT is lapsed, the secondary follow-up team takes over and follows the same procedure. This ensures no complaints miss the attention and ensures timely resolution of complaints. Communications and escalations are sent as per the below timelines.



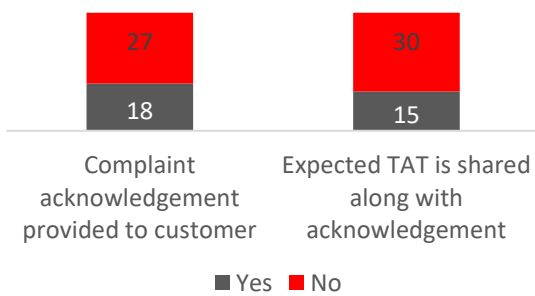
Industry Practices on Complaint Processing

Based on the CGRM survey filled by 45 NBFC-MFIs, most reported using excel based complaint registration systems and only 14 NBFC-MFIs reported using an integrated software calling system to register complaints. Out of the 45 respondent NBFC-MFIs, 18 NBFC-MFIs reported providing complaint acknowledgement to the customers. Of these 18 NBFC-MFIs, 15 reported that they also communicate expected TAT for resolution to the customers along with the acknowledgement. It may however be noted that only 8 of NBFC-MFIs provide acknowledgement in the forms of a paper receipt, an SMS or an email while 10 NBFC-MFIs acknowledge the complaints verbally.

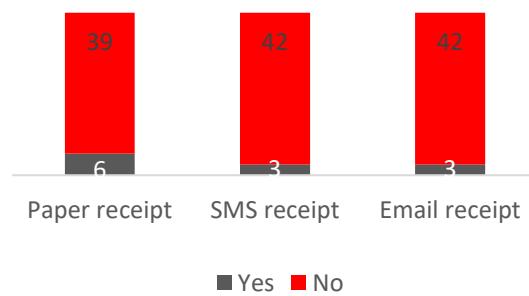
Integrated software calling system



Acknowledging complaints

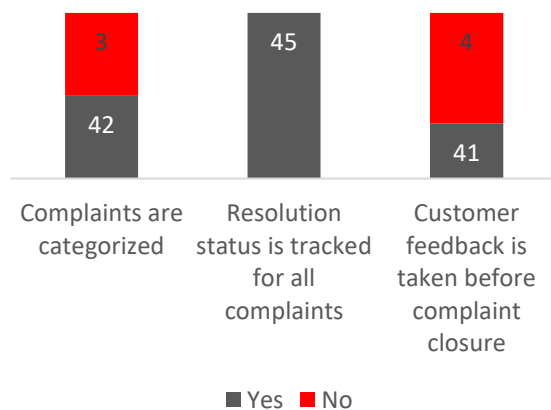


Mode of acknowledgement

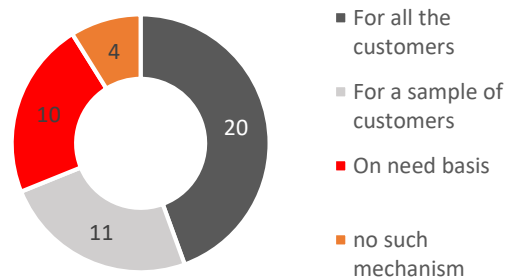


42 out of the 45 respondent NBFC-MFIs reported that they categorize the complaints into different categories. All NBFC-MFIs reported that they track the complaints for resolution, 4 members reported that they close the complaints without taking feedback from customer on his/ her satisfaction with the resolution provided. Out of the remaining 41 MFIs which reported that they take customer feedback before closing the complaints, 20 reported that they take the customer feedback for all the complaints registered, 11 take customer feedbacks on a sample of complaints, 10 reported that it is only on a need basis.

Complaint processing



Capturing customer satisfaction with resolution

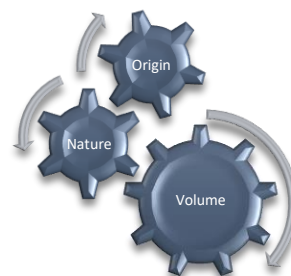


Monitoring and reporting

A robust monitoring and reporting mechanism for CGRM is essential to measure the effectiveness and functioning of the CGRM and extract greater value. A proactive monitoring mechanism also acts as an early warning mechanism to identify and address any emerging issue that may warrant quick redressal.

Monitoring and Reporting has three parts to it as under:

Analysis: Companies should aggregate data of all the complaints received through different channels and analyse them for trends based on nature/cause of complaints, origin (branch, location), product etc. Analysis of customer complaints can give rich information about the operational gaps, reasons of customer dissatisfaction and rising awareness about company's CGRM amongst the customers.

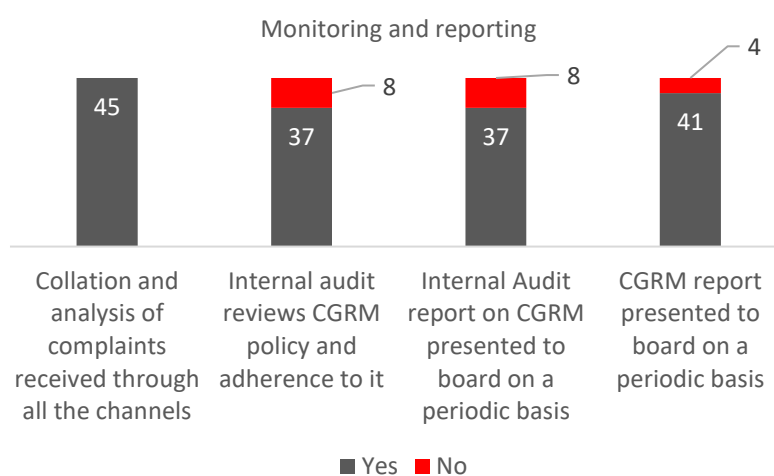


Audit: To understand the efficacy of the CGRM, the company should have periodic audit of the CGRM. Such audit should cover all elements related to CGRM such as adherence to policy, employee awareness of CGRM, customer's orientation on CGRM (trainings, disclosure, awareness) and processing of complaints. In processing of complaints, audit should check if all complaints are appropriately registered, handled and resolved, adherence to TAT, degree of satisfaction with the resolution provided as reported by customers.

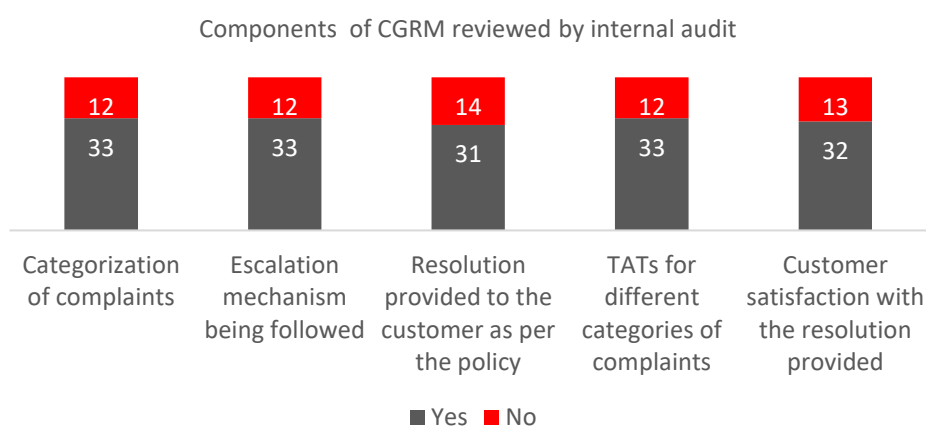
Reporting: The Fair Practice Code of the RBI for NBFCs mandates the board to review the functioning of CGRM. Member NBFC-MFIs should present CGRM report and CGRM audit report (if company conducts CGRM audit) to the Board on a periodic basis. The board should review the CGRM analysis and audit reports and based on this information should consider providing necessary feedbacks to different departments within the company as required.

Industry practices on monitoring and reporting

Based on the CGRM survey, all the MFIs reported that they collate the complaints received through all the channels and then analyse the data regularly. Most of the member NBFC MFIs have reported of analysing complaints on nature and resolution status. However, 10 MFIs don't analyse their resolution TATs. This indicates that although the effectiveness is being monitored widely, performance on efficiency is being tracked by relatively smaller number of companies.



It has been reported by 37 MFIs that their grievance redressal mechanism regularly audited. Remaining 8 MFIs have reported that they don't



have a system in place to audit the functioning of their grievance redressal mechanism. Different companies have reported different parameters of CGRM that are reviewed by their internal audit function.

4 NBFC-MFIs out of 45 which responded to the survey, don't report the Board on CGRM.

Annexures

Annex 1: Snapshot of CGRM framework

I Policy	
1	A documented policy on CGRM which is approved by the Board ⁷
2	Policy on CGRM is reviewed by the Board on a periodic basis
3	Company's policy on CGRM includes the following:
	Process to register, escalate and resolve the complaints
	Channels provided for registering complaints
	Internal escalation mechanism (within the company)
	External escalation mechanism (MFIN and RBI)
	Categorization of complaints/ Defined turn-around time (TATs) for different categories of complaints
	Roles and responsibilities for employees with respect to CGRM
	Process of review/audit of the CGRM
	Reporting to the top management and Board
II Employee Orientation	
4	Components on CGRM are included in the training module ⁸
5	Employee training are conducted on CGRM as under:
	On-boarding
	Periodic
6	Employee's knowledge on CGRM is assessed on a periodic basis
7	Parameters on CGRM are integrated to employee performance appraisal
III Customer facilitation	
8	Multiple channels are provided to the customers for registering complaints as under:
	Complaint register/box at branch ⁹
	Dedicated phone number for CGRM ¹⁰
	Dedicated E-mail for CGRM
9	Training module for the customers includes a component on CGRM
10	Customer training on CGRM is conducted
11	Company provides training to customers on CGRM during
	On boarding
	Periodic interactions (like collection meetings etc)
12	Customer's knowledge on CGRM is assessed on a periodic basis
13	A proactive outreach mechanism (other than registering incoming complaints) is established to capture customer grievances as under:
	For a sample of customers
	For all the customers
14	CGRM system details are displayed on the website as under ¹¹ :
	Grievance Redressal System set-up by the company
	Customer Grievance Redressal Mechanism (CGRM) of the company including the following:
	Channels available to customers at the company level to register complaints
	Escalation process including MFIN and RBI
	Expected Turnaround time at every level of escalation
	CGRM number and contact details of company's Customer Grievance Redressal Officer
	MFIN CGRM number to escalate complaints
	Contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints
15	CGRM details are displayed in vernacular, at its offices/branches, as under ¹² :
	Grievance Redressal System set-up by the company

⁷ RBI FPC

⁸ RBI FPC

⁹ Industry CoC

¹⁰ Industry CoC/FPC

¹¹ RBI FPC

¹² RBI FPC/Industry CoC

	The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the company
	If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls
	Customer Grievance Redressal Mechanism (CGRM) of the company including the following:
	Channels available to customers at the company level to register complaints
	Escalation process including MFIN and RBI
	Expected Turnaround time at every level of escalation
	CGRM number and contact details of company's Customer Grievance Redressal Officer
	MFIN CGRM number to escalate complaints
	Contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints
16	Company's written acknowledgement (for loan application) provided to the customers captures the CGRM number of the company
17	CGRM details are displayed in loan card as under ¹³ :
	CGRM number and contact details of company's Customer Grievance Redressal Officer
	MFIN CGRM number to escalate complaints
	Contact details of DNBS, Regional RBI Office (where company is registered)
IV	Complaint processing
18	There is a robust system to register complaints
19	Acknowledgement is provided to customers with a complaint reference no ¹⁴
20	Acknowledgement is provided to the customers at-least in one of the following forms:
	Verbally
	Paper receipt
	SMS receipt
	Email receipt
21	Expected TAT for complaint resolution is communicated to customer in the acknowledgment ¹⁵
22	Complaints are categorised under different categories
23	Resolution of complaint is tracked
24	Customer feedback is taken to capture customer satisfaction with respect to resolution of complaints as under:
	Outbound calls
	Surveys
V	Monitoring and reporting
25	All complaints (received through all channels) are consolidated centrally and analysed periodically
26	Complaints are analysed on the basis of the following:
	Location
	Complaint category
	Turnaround time (TAT)
	Resolution status
27	Internal audit reviews the adherence to the CGRM policy on the following parameters:
	Categorization of complaints
	Escalation mechanism being followed
	Resolution provided to the customer as per the policy
	TATs for different categories of complaints
	Customer satisfaction with the resolution provided
28	Internal audit report on the CGRM is presented to the management/ board on a periodic basis
29	CGRM report is presented to the Board on a periodic basis ¹⁶
30	Based on complaints and suggestions received from its customers, policies, operations, products and communication materials are reviewed and changed

¹³ RBI FPC/Industry CoC

¹⁴ Industry CoC

¹⁵ Industry CoC

¹⁶ RBI FPC/Industry CoC

Annex 2: Disclosures to customers on CGRM

Website	Drawn from	Clause/Page no
Grievance Redressal System set-up by the company	RBI FPC	2.B.i.e (page 9)
Customer Grievance Redressal Mechanism (CGRM) of the company including the following:	MFIN CSI	26
Channels available to customers at the company level to register complaints		
Escalation process including MFIN and RBI		
Expected Turnaround time at every level of escalation		
CGRM number and contact details of company's Customer Grievance Redressal Officer		
MFIN CGRM number to escalate complaints		
Contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints		
Offices & Branches		
Grievance Redressal System set-up by the company	RBI FPC	2.B.i.e (page 9)
The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the company	RBI FPC	2.A.vi.a (page 6)
If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls	RBI FPC	2.A.vi.b (page 6)
Customer Grievance Redressal Mechanism (CGRM) of the company including the following:	MFIN CSI	26
Channels available to customers at the company level to register complaints		
Escalation process including MFIN and RBI		
Expected Turnaround time at every level of escalation		
CGRM number and contact details of company's Customer Grievance Redressal Officer		
MFIN CGRM number to escalate complaints		
Contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints		
Loan Application		
Company's written acknowledgement provided to the customers captures the CGRM number of the company	MFIN CSI	35
Loan Card		
CGRM number and contact details of company's Customer Grievance Redressal Officer	MFIN CSI	26.iv
MFIN CGRM number to escalate complaints	MFIN CSI	26.v
Contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints	MFIN CSI	26.vi

Annex 3: Relevant clauses

RBI Fair Practices Code (FPC)

Following clauses have been mentioned in the Fair Practices Code for NBFC-MFIs by the RBI:

- The Board of Directors of NBFCs should also lay down the appropriate grievance redressal mechanism within the organization. The Board of Directors should also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.
- At the operational level, all NBFCs have to display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:
- the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- (b) If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.
- In short, the public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.
- The loan card should prominently mention the grievance redressal system set up by the MFI and also the name and contact number of the nodal officer.

Industry CoC

The Industry Code of Conduct has emphasised on the GRM framework to be adhered to by the NBFC-MFIs. It contains clauses on the following:

- Providing formal and informal channels to the clients for feedback and suggestions.
- To consistently assess the impact of services in order to enhance competencies and serve clients better.
- To provide a formal and easy access on grievance redress mechanism to clients.
- To establish dedicated feedback and grievance redressal mechanisms to correct any error and handle/receive complaints speedily and efficiently.
- MFIs must inform clients about the existence and purpose of these mechanisms and how to access them.
- MFIs must designate at least one grievance redressal official to handle complaints and/or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.

The minimum standards required of the GRM as mentioned in the COC are as below:

- An easy procedure for recording a complaint over phone - with details of phone numbers printed on loan cards,
- A staff assisted procedure at the branch for recording complaints/ grievances,
- Acknowledgement for receipt of the complaint
- A time limit for resolution of the complaint
- A clear appeal procedure in case where customer is not satisfied with the solutions offered by the MFI
- Nodal staff in the branch to guide customers to lodge grievance with RBI or SRO
- Assurance to customers that they will be treated fairly despite the complaint/grievance being lodged

Annex 4: Possible complaint categories

Complaint categories		Explanation
1	Loan	
1.1	Application & Processing	
	1 Products details not informed	Customer complains that she is not given the product details such as loan amount, interest rate, processing fee, insurance premium, repayment frequency, tenure and other conditions etc
	2 Fee demanded/charged for loan application	Customer complains that a fee is demanded/charged for loan application by loan officer or centre leader etc
	3 Loan application not taken	Customer complains that loan officer is not taking the application for loan
	4 Acknowledgement not given for loan application submitted	Customer complains that she has not received acknowledgment for the loan application she has submitted
	5 Status of loan application not informed	Customer complains that she is not getting informed about the status of her loan application submitted
	6 Delay in processing/sanctioning of loan after loan application has been submitted	Customer complains that there is delay in her loan processing after submission of application
	7 Loan rejected, and reasons not disclosed	Customer complains that her loan application is rejected but reasons not given by the company
	8 Loan rejected but customer contesting the reasons given for rejection	Customer complains that reasons given by the company for rejecting her loan application are not correct or right
	9 Loan approved/sanctioned but disbursement not received	Customer complains that her loan is approved/sanctioned but disbursement is not received
	10 Disbursement amount received is less/more than sanctioned amount	Customer complains that she has received disbursement (either in cash or cash-less) less or more than sanctioned amount
	11 Disbursement not credited in bank account	Customer complains that disbursement amount is not credited in her bank account
	12 Fake/soiled note received in disbursement	Customer complains that she has received fake/soiled note in the disbursement
	13 Customer not able to withdraw cash from pre-paid card	Customer complains that she is unable to withdraw cash from pre-paid card issued for disbursement
	14 Customer not getting support for loss/damage pre-paid card	Customer complains that she is not getting support for loss/damage of pre-paid card issued to her for disbursement

15	Customer not getting support for new password for pre-paid card	Customer complains that she is not getting support for issue of new password for pre-paid card issued to her for disbursement
16	Loan agreement not given	Customer complains that she has not received the loan agreement
17	Loan agreement does not include key details like interest rates, processing fee, insurance premium, loan amount, tenure, repayment frequency, CGRM etc	Customer complains that copy of her loan agreement does not include key details like interest rates, processing fee, insurance premium, loan amount, tenure, repayment frequency, CGRM etc
18	Loan card not given	Customer complains that she has not received the loan card
19	Loan card does not include key details	Customer complains that copy of her loan card does not include key details like interest rates, processing fee, insurance premium, loan amount, tenure, repayment frequency, CGRM etc
20	Loan sanctioned/ disbursed without customer's consent	Customer complains that the loan has been disbursed to her without her informed consent
21	Repayments done not acknowledged/updated	Customer complains that repayments done by her are not updated in the loan card or she has not received the receipt
22	Penalty demanded/charged for delayed repayment	Customer complains that she is demanded/charge penalty amount for delayed repayment
23	Repayment demanded/collected before due date	Customer complains that advance repayment (before the due date) is demanded or collected
24	Penalty charged for absence from centre meeting	Customer complains that she is demanded /charged penalty fee for absence from the centre meeting
25	Pre-closure not allowed	Customer complains that she is not permitted to pre-close the loan
26	Penalty demanded/charged for pre-closure	Customer complains that she is demanded/charged penalty amount for pre-closure
27	Forced for pre-closure	Customer complains that she is forced to pre-close the loan
28	Final discharge/acknowledgement for closure	Customer complains that she is not given final discharge/acknowledgement for closure of loan
29	Subjected to indecent/abusive behaviour	Customer complains that she is being subjected to indecent and abusive behaviour or language
30	Home visit in late hours	Customer home is visited in late hours for application/documents/repayment/attendance etc

31	Staff not coming or coming late	Customer complains that staff does not come or comes late from agreed time given to her
32	Un-authorized collection of charges	Customer complains that she is demanded /charged un-authorized fee (other than processing fee, interest premium, scheduled repayment
33	Dispute with Credit Information Report (CIR)	Customer complains that her records in Credit Information Report (CIR) is not correct
34	Breach of personal data	Customer complains that her data has been shared externally with third parties without her consent
35	Misuse of KYC	Customer complains that her KYC documents/IDs have been misused
36	Subjected to discrimination	Customer complains that she is discriminated on account of her ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion
37	Not informed of terms and condition	Customer complains that she is not informed about terms and condition associated with loan
38	Behaviours of group members/centre leader	Customer complains about other behaviour of other group members or centre leader
39	Complaint is not registered	Customer complains that her complaint is not registered or taken
40	Complaint is not resolved	Customer complains that her complain is not getting resolved
41	Other	

		Complaint categories	Explanation
2		Credit linked life insurance	
	42	Details of insurance coverage not provided	Customer complains that she is not informed about the insurance coverage
	43	Receipt of premium amount not given	Customer complains that she is given any receipt for the premium paid for insurance (either in loan card, loan agreement or other receipts)
	44	Repayment not stopped after death of insured person	Customer complains that repayment is not stopped after the death of insured person (either customer or her spouse or relative who was insured)
	45	Documents for insurance claim not collected	Customer complains that she is not getting support for documents to be collected for claim settlement
	46	Insurance claim not received after submission of the documents	Customer complains that she has not received the claim amount after submission of the relevant documents
	47	Insurance claim received is less/more than her principal loan amount outstanding at date of death	Customer complains that claim amount received is less/more than her principal loan amount outstanding at date of death
	48	Repayment collected after death has not be refunded	Customer complains that repayment collected after date of death has not been refunded
	49	Insurance amount is withheld by the MFI	customer complains that she is being asked to settle outstanding amount before she is provided with the claim amount/cheque
	50	issues with claim cheque	customer complains either of a) outdated cheque being given to customer, b) cheque with wrong customer/nominee/ account details given to customer
	51	Others	

		Complaint categories	Explanation
3		Third-party/cross-sell products	
	52	Customer forced to buy third-party/cross-sell product	Customer complains that she is forced to buy a third-party/cross-sell product
	53	Customer not informed about charges of third-party/cross-sell product	Customer complains that she is not informed about the cost/charges of third-party/cross-sell product
	54	Customer not informed/mis-informed about product features	Customer complains that she is not informed or mis-informed about features of third-party/cross-sell product
	55	Receipts/ documents not provided for purchased product	Customer complains that she is not given receipt/document for the purchased third-party/cross-sell product
	56	Delay in delivery of product	customer complains that she has purchased/ taken loan for the product, but the product has not been delivered to her
	57	Product quality issues	Customer is not getting support for defects in third-party/cross-sell product
	58	Product servicing issues	Customer is not getting support for servicing of third-party/cross-sell product
	59	Other	

Annex 5 Smart Campaign’s CPP on complaints resolution

Relevant extract of CGRM from Smart Campaign’s Client Protection Principle (CPP) is as under:

The FI has an effective system in place to receive and resolve client complaints.
Clients can submit complaints to the FI through someone other than their main point of contact for obtaining the product and that person's supervisor.
Complaints about the FI's third-party providers can be submitted directly to the third-party providers or to the FI. If submitted to the FI's third-party provider, the FI needs to get reports of the complaints.
Mechanisms to submit complaints are adapted to clients' needs and preferences and easily accessible (toll free number, etc.). Suggestion boxes are not sufficient, and at least two channels are available.
Resolution of complaints is prioritized based on their severity, and almost all complaints are resolved within one month (some exceptions may be permitted due to complexity).
There is a clear and secure system in place so that complaints from branches and (if applicable) agents reach the FI's complaints handling staff and/or management. 7
The FI informs clients about their right to complain and how to submit a complaint.
Front line staff and agents inform clients on how to submit a complaint during the product application process. This includes how to submit a complain to a mechanism other than the FI, if available (e.g., self-regulatory organization or public sector ombudsman).
Information on how to submit a complaint is displayed visibly in branch offices, at agents and/or included in product documentation.
Clients are notified when complaints are received and when they are resolved. 7
The FI uses information from complaints to manage operations and improve product and service quality.
Management regularly reviews KPIs (e.g., percent resolved, average time to resolve) and takes corrective action to resolve mishandled cases and improve systematic shortcomings.
The FI has an internal control process to verify uniform application of policies and procedures for complaints handling, including review of a sample of cases. The FI can produce evidence of corrective measures taken in case of partial or incorrect implementation of the policies and procedures, to ensure an adequate compliance with these in the practice.
Complaints and their resolutions are taken into account in staff bonuses or performance evaluations.
The analysis of complaints data, satisfaction surveys and reason for drop-outs contributes to improving operations and services.
The FI's complaints handling training covers how the complaints mechanism works, the role of complaints staff, how to appropriately manage complaints until they are resolved, and how to refer them to the appropriate person for investigation and resolution. 7
The FI verifies that third parties (agent network managers, etc.) train their own representatives on how the complaints mechanism works, the role of complaints staff, how to appropriately manage complaints until they are resolved, and how to refer them to the appropriate person for investigation and resolution.

For any suggestion/clarification/query, please contact

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