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Introduction:

India has emerged as the fastest growing economy of the world supported by a robust financial system that is largely instrumental in this achievement. Last mile financial inclusion has emerged as a key indicator for measuring the growth of economic progress. Banks, non-banking financial companies, micro finance institutions and other institutions involved in similar activities are collectively playing the role of a catalyst in this journey. Thus, it becomes imperative to recognize the role of the financial institutions especially the ones that are involved in promoting financial inclusive development on a national platform. The objective of this initiative was two-folded - acknowledging the exemplary performance of the institutions and secondly to share the achievements of these organizations that will inspire others to emulate best practices.

MFIN is the premier Association of the RBI registered and regulated NBFC-MFI Sector. It is also a Self-Regulatory Organization (SRO), appointed by the RBI and regulates the NBFC-MFI Sector on behalf of the RBI. MFIN’s 50 primary members (NBFC MFIs) and 38 associates (including SFBs, Banks and NBFCs) who lend in the segment together have an outreach of Rs. 7.7 crore borrowers from low income households across 35 States & UTs with a loan portfolio outstanding of around Rs. 1,46,741 crores (as on 30th September 2018). The organization has been recognized by the eco-system for its efforts towards the robust development of the microfinance sector by promoting responsible lending and good governance, supporting regulatory framework and advocating client protection practices.

It is with great pleasure we inform you that MFIN hosted the country's first bespoke microfinance awards that brought together microfinance practitioners in the country including NBFC-MFIs, SFB’s and Banks under one roof. MFIN in the past has organized two successful International Annual events and the Awards was the third in the series. The Awards was a recognition for entities in the microfinance space for their commitment in promoting good governance and client centric practices.

The Awards served as a platform for stakeholders across the Microfinance sector to network, showcase and deliberate on practices, issues and solutions. The event titled “MFIN Microfinance Awards 2018 – In Pursuit of Excellence” was held in New Delhi on the 24th of May 2018 at Taj Palace, New Delhi, India. The Awards was inaugurated by the Honorable Minister of Micro, Small & Medium Enterprises Shri. Giriraj Singh who presented the awards to the winners. The special address given by Mr. K. Venkateswara Rao, Chief General Manager, NABARD. The event was graced by 280 guests from different institutions like NBFCs, NBFC-MFIs, fintech & telecos, clean energy, insurance, payment banks, banks, credit bureaus, banking correspondents etc.

MFIN awarded a total of ten awards, five each for two sets of institutions, NBFC-MFIs and Commercial Banks and SFBs.

Risk and Resilience Framework
NBFC-MFI : Arohan Financial Services Private Limited
Banking : Bandhan Bank

Microfinance Plus Activities
NBFC-MFI : Muthoot Microfin Ltd.
Banking : Bandhan Bank

Effective Grievance Redressal Systems
NBFC-MFI : Bharat Financial Inclusion Limited
Banking : Utkarsh Small Finance Bank Limited
**Customer Literacy and Capacity Building**
NBFC-MFI : Fusion Microfinance Pvt. Ltd.
Banking : Fincare Small Finance Bank

**Positive External Image Building**
NBFC-MFI : Satya MicroCapital Ltd.
Banking : ESAF Small Finance Bank

As an outcome of the MFIN Awards, a manual on the best practices has been created by MFIN defining the parameters/processes practiced by institutions who won within respective categories for promoting good governance and client centric practices.
Acknowledgements:

We are thankful to all MFIN Members, Associates and other institutions who have interposed no objection to the material collected and shared information to be published as a part of the Best Practices Booklet.

We would also like to thank the Jury Members who played an essential role in judging the nominees and defining the parameters of the winners across category.

Finally, we would like to acknowledge Dun and Bradstreet (India) for being associated with MFIN as a Knowledge Partner for constituting MFIN Awards 2018—“In Pursuit of Excellence”.
Jury Members

Mr. Uma Shankar Paliwal
Former Executive Director
Reserve Bank of India

Mr. Uma Shankar Paliwal served as the Chief General Manager of Reserve Bank of India, Mumbai. Mr. Paliwal served as Principal Chief General Manager in Human Resources at Reserve Bank of India. He served as an Executive Director of Reserve Bank of India from April 2014 to December 31, 2016. He possesses rich experience as Regulator and Supervisor at Reserve Bank of India for more than 34 years, including Director of Supervision at Bank of Mauritius. He is an Alumni of London Business School and Certified Associate of Indian Institute of Bankers.

Mr. Bhaskar Sen
Former CMD
United Bank of India

Mr. Bhaskar Sen is a professional banker over 35 years of rich banking experience in India and abroad with exposure in various fields of commercial banking including Foreign Exchange, Credit, International Banking, Gold Business, Treasury, Merchant Banking and Cash Management Services, etc. At Union Bank of India, he headed various controlling offices and held positions of overall in-charge of International Banking Division, Gold Business, Merchant Banking and Cash Management Services apart from holding independent charge of Treasury. In his last assignment, he served as the Chairman and Managing Director of United Bank of India from Mar 2010 to Dec 2012. Currently, Mr. Sen serves as an Independent Director on boards of Bandhan Bank, West Bengal Financial Corporation, Calcutta Stock Exchange.
Mr. Mohan V Tanksale  
**Former Chief Executive**  
**Indian Bank's Association**

Mr. M.V Tanksale is the former-Chief Executive of Indian Banks Association (BA). Prior to assuming the charge at IBA he was the Chairman & Managing Director of Central Bank of India. During his long illustrious career of 39 years, Mr. Tanksale served three major public sector banks. From June 28, 2011, he was the Chairman and Managing Director of Central Bank of India, from where he super-annulated in July, 2013. Prior to joining Central Bank of India, he was Executive Director at Punjab National Bank for a brief period of 27 months. Mr. Tanksale spent the first 35 years of his banking career in Union Bank of India, where he rose from a probationary officer to the rank of General Manager. He also serves on board of several companies.

Mr. Narasimhan Srinivasan  
**Independent Director**  
**Equitas Holdings Limited and Former CGM NABARD**

Mr. N. Srinivasan served as the Chief General Manager at NABARD. Currently he serves as Independent Director, Equitas Small Finance Bank and Samunnati Financial Intermediation & Services Private Limited. Mr. Srinivasan has been an Independent & Non-Executive Director at Equitas Micro Finance Private Limited since February 2012. He is also a certified associate of Indian Institute of Bankers. Mr. Srinivasan had authored the well-known publication on microfinance – State of the Sector Report on Microfinance in India for four years and has jointly authored State of India’s Livelihoods reports over the last two years. He has jointly authored books (including an Assessment of Rural Finance in India, OUP 2016) and contributed to edited volumes in development finance and development economics. Mr. Srinivasan holds a Bachelor’s degree in Economics from University of Madras and a Master’s degree in Economics from Madurai Kamaraj University.
Risk & Resilience Framework

The microfinance sector has successfully traversed some challenging times to emerge as a key element of the country’s financial system. The sector needs to continue with the growth momentum in a prudent and balanced way. A robust risk and resilience framework help an organization safeguard the interests of all its stakeholders, especially those working at the bottom of the pyramid.

**NBFC-MFI : Arohan Financial Services Pvt. Ltd.**

**Key Pillars of Risk Framework:**

- Proprietary risk algorithm, which allows Branch Risk Grading based on a 5-point scale.
- Risk Limits for key parameters, duly approved by the Board.
- Scientifically derived portfolio benchmarks using advanced analytics, Static pools, Vintage Curves & Moving Averages that serve as a guiding benchmark to arrive at desired portfolio performances.
- Credit Loss projection model that projects the provisions based on portfolio performance and flow rate behavior/ PAR Goal seek model that charts out the path for targeted PAR.

**Risk and Resilience Structure:**

- The risk management framework of Arohan guides the organization to design an integrated and comprehensive risk management system that helps to focus on the important risks in an effective and efficient manner.
- It focuses on a holistic approach towards risk management, utilizing the risk as opportunities and managing risks arising internally.
- It places equal importance on risk taking and risk management and balances risk & innovation, using information & cognitive process by transformation of risk data into meaningful and useful information for risk analysis, treatment and planning purposes.
- It monitors risk under the following categories:
  1. Operational Risk
  2. Credit Risk
  3. Market Risk
  4. Liquidity Risk
  5. Governance & Regulatory Risk
  6. Reputational Risk
Risk Management Framework:

**Risk Identification**
- Scientifically derived benchmark based portfolios reports - Early PAR 0, New Par 30 etc.
- Credit Risk Analytics - Static Pool, Bucket Flow etc.
- Root Causes and Portfolio Templates.
- Board Risk Limits and Risk reports.

**Risk Assessment**
- Microfinance Policy and Product Reviews.
- Key Risk and Credit Projections.
- Statutory and Regulatory Compliance.
- Credit metrics based performance analysis including finds from Root Cause Analysis.
- Branch Risk Grading.
- Branch Opening decisions based on Taluka level metrics.

**Risk Control and Mitigation**
- Portfolio Quality Review Committee led by MD-CEO and Head - Risk for benchmark reviews.
- Executive Committee, Credit Comitee approvals and Core Committee - High Risk Items: Mitigation, planning and actionable.
- Assess Liability Committee - Liquidity, Pricing and Compliances.
- Self Correcting Portfolio Engagement Model
  - Portfolio drill down and root cause based mitigation planning and actionables to ring fence outliers.
  - Branch Risk Grading based risk mitigation planning.

**Risk Review and Monitoring**
- Board and Management Risk Limit monitoring.
- Inorganic Business delinquency monitoring.
- Cross Sell products delinquency monitoring.
- Outliers identification using clearly defined benchmarks.
- Portfolio performance: Outlier Geo’s root cause analysis and ring fencing actionables for curing.

**Risk Reporting**
- Monthly Executive committee meetings.
- Monthly Risk Metrics reporting and discussions.
- Quarterly Board Risk committee meeting
- Quarterly Branch Risk Grade score publication.

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**Risk Limits:**

Risk limits are designed, monitored & reported at two levels: Limits reported to the Board & Limits reported to the Management.

**Limits reported to the Board:** A set of key risk limits are reported to the Risk Management Board Committee. The number of Board risk limits are 18-20 which is closely monitored and reported on a regular basis. These are on the following areas:

- Reputational Risk - Frauds (External & Internal), Customer Grievances etc.
- Strategic Risks – Pricing, Attrition of Key Managerial Personnel.
- Operational Risk - Growth, Natural calamities and customer impacted, Diversification/concentration, Customer retention, Attrition – Overall.
- Liquidity Risk - Operating self -sufficiency, Cash management, Lender exposure.
- Governance & Regulatory Risk - Margin, Qualifying Assets, Capital Adequacy Ratio (CRAR) etc.
- Credit Risk - Portfolio quality at operational unit level, state level etc.
Limits reported to Management: Risks are correlated and increases the probability of occurrence and impacts the organization and influences other risks. These limits enable and empower the organization to understand the risks arising and monitor them on a periodic basis.

- Business Function - Third lender and loan outstanding norms of RBI, TAT, Centre discipline, disciplinary actions, ticket size etc.
- Treasury Function - Borrowing costs, Key Ratios, diversification of sources of funds, credit rating, profit & loss, cash transfers, fund management, securitization deals, term loan deals, Assignment deals etc.
- Admin Function - Compliance to statutory and regulatory compliances - trade license, shops and establishment, commercial meter, insurance, stock management etc.
- HR Function - Recruitment, Employee retention, Training, transfers/ rotation of staff, staff grievances etc.
- IT Function – Downtime of systems, license compliances, TAT of user complaint resolution, data security, etc.
- Other Functions - Statutory and special audits, audit sampling etc.

Managing risk in business mandates is an approach that is both Decentralized – to address the nuances of the distributed field operations and Centralized – to furnish a holistic view of emerging risks faced by Arohan. This integrated risk management approach has been introduced at both field and corporate level aided by a robust risk identification and risk management system

Data/Information Flow and usage:

1. Data and Information from cross-sectional departments and field is the most crucial element to enable the system which is conveyed on a regular basis to the risk department.
2. There are two channels through which information is delivered to the risk department – Reports from the Core Banking Software (CBS) system - Reports from relevant departments. The systematic flow of information enables Risk identification on a regular basis.
3. The data obtained is subject to collation with standard and advanced analysis resulting in identification of potential risk items.
4. These risks are then assessed with relevant benchmarks designed to monitor risks periodically.

Multiple analytical and predictive tools are used for identification of risks at various levels. A few such methodologies are described as below:

Branch Risk Grading – Proprietary Algorithm

The risk of operational units i.e. branches are identified and assessed using the Proprietary predictive tool for Branch Risk Grading. The tool monitors four key risk areas which is further based on multiple sub-parameters. The key risk areas monitored for the operational units i.e. branches are: Credit Risk, Business Risk, HR Risk, Legal & Reputational Risk.

- The tool captures both internal and external triggers of risk and incorporates them as parameters for risk assessment. The sub-parameters are so designed as to closely correlate with respective risk category. Based on the degree of correlation, the sub parameters have been assigned different weights.
- It takes data inputs from various sources post which data is processed based on multiple algorithms inserted into the tool to generate scores. A weighted average score of these sub parameters generates the Risk Score and Risk Grade for every branch based on a 5-point grading scale. The branch risk grading is shared with the operations team, the management and Board on a quarterly basis providing an indication of the emerging risks for the next quarter.
- This tool helps the organization and its branches to understand the high-risk areas in advance, work upon the source triggering the risk, devise ring-fencing strategies and implement the same for timely risk mitigation.
The Credit committee comprises of MD-CEO, CFO, Head of Business, Head of Inorganic business, Head of Audit, and Head of Risk and Credit which regularly monitors, reviews and approves the inorganic business. The inorganic business team presents the proposal and the Credit Committee approves the same based on merits of each case. The appraisal and approval of the proposal is based on:

- Credit Bureau checks Key Financials ratios of the partner.
- Portfolio quality check.
- Field Audit.
- Reference checks.
- Governance.

The Portfolio Quality Review Committee lead by MD-CEO & the Head of Risk conduct monthly monitoring & reviews of portfolio quality & risks. This committee comprises of Head of Audit, CFO, Head of Business & Head of Central Operations who review the in-house Self-Correcting Portfolio Engagement (SCoPE) model to ensure portfolio performance within risk defined risk thresholds.

It is a unique forum where the stakeholders come together to discuss the high-risk areas, initiate measures and review the earlier measures. This is conducted regularly at Regional, Zonal and Corporate levels.

The Audit team members, the Business Operations team members, the Central Operations team members and Risk team members come together to review & decide on actionable.

The portfolio is monitored with respect to various factors- across geography, product lines, ticket sizes, tenures, delinquency buckets etc. Further, the assessment takes place based on vintage – infant delinquency, overall delinquency, new pool delinquency, etc. Using trend analysis, internal monitoring benchmarks have been finalized for every level. Below is the brief on a few credit risk parameters:

Early PAR: This is a strong predictive measure of the early delinquency trends, which helps Arohan to identify its sourcing quality on a regular basis.

New PAR: This is a strong measure which helps the organization understand its actual portfolio quality.

Operational Risk covers risks arising from operations across all the functions. This includes identification, assessment and evaluation of risks from all the risk areas, such as

- Adherence to Regulatory and Statutory Compliances.
- HR - Staffing, training, transfers, retention, etc.
- IT operations or Tech adoption – CBS, Mobility, data quality and correctness etc.
- Business risks – disbursement skew, productivity, cash management at branches etc.

This segment also includes the Branch Risk grading of the operational branches

Liquidity and Market Risk Analytics are risks related to the treasury function – cash management, fund management, – source & time, key liquidity & regulatory ratios are assessed and reported. Periodic review of
pricing of credit products is an important assessment that is carried out on a monthly basis to comply with margin regulation by RBI.

**Role of Board Risk Management Committee**

The Board Risk Management Committee comprises of key Board Members and Independent directors. Board Risk Management Committee provides oversight on across risk management aspects of the organization as the apex body of the governance in the organization. The committee comprises professional directors with relevant experience to understand the risks specific to Arohan and the microfinance sector in general. They oversee the implementation of the risk management framework principally through the Risk Management Committee of the Board. Tasks of the Board Risk Management Committee includes the following:

- Ensuring Robustness of the Risk Management framework and practices.
- Reviewing and approving policies, methodologies, processes etc.
- Reviewing performances in terms of risk reports, exposure limits and parameters approved by the Board.
- Delegation of Authority and powers as required.
- Depending on the requirement it can demand the review of critical processes.
- Review of critical processes by an external party if deemed necessary.
- Risk Committee can implement emergency measures necessary to steer the institution and/or to prevent emergencies.

Risk management process comprises of Risk identification - Risk Assessment, Measurement & Monitoring, Mitigation and Risk Reporting using a robust Centralised and Decentralised Approach. Risk reporting at Arohan is accomplished by the following structure: Risk Inputs – Risk reports or outputs – Committees where risk is reported to and frequency of reporting.
Risk management at Arohan is an evolving activity that endeavours to assume an enterprise wide perspective in identifying risk elements and planning mitigations. Risk reporting serves the critical purpose of disseminating risk culture at one hand and taking all the stakeholders on board on the other. The over-all risk management activities at Arohan showcases a holistic approach of managing risk at field level and at corporate level. The department endeavours to put in place a decentralized risk management practice and the risk
reporting activity has evolved in tandem. The following data flow diagram captures the process & elements of risk reporting-

To know more - http://www.arohan.in/

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**Jury speak:**
Arohan Financial Services has a robust risk management framework which is aptly reflected in their financial performance. These numbers are the outcome of implementing good risk management practices for the past five years of work, especially helping them to overcome challenging times.

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*Mr. Ranjan Das - Vice President, Risk and Credit and Ms. Shraddha Srimal – Head, New Products and Alliance Businesses, Arohan Financial Services* receiving the award from *Honorable Minister of Micro, Small & Medium Enterprises - Shri. Giriraj Singh*. 
Risk & Resilience Framework

Banking : Bandhan Bank

Bandhan Bank has established a structural approach for risk governance, ensuring an effective level of alignment between administration and management responsibility for risk. The risk governance structure has defined the roles and responsibilities for the Board, Risk Management Committees, control functions and accountable executives.

The Bank has developed a system for directing and controlling the risk management infrastructure based on the “Three Lines of Defence” principle. These three principles serve as the founding pillars on which the entire risk governance model of the Bank is built.

- Implementation Pillar – Business.
- Identification, Monitoring and Control Pillar – Risk Management.
- Independence Assurance Pillar – Internal Audit.

The Risk Governance architecture is as follows:

<table>
<thead>
<tr>
<th>Principal Risk</th>
<th>Credit and Credit Concentration Risk</th>
<th>Market Risk</th>
<th>Liquidity Risk</th>
<th>Interest Rate Risk in Banking Book</th>
<th>Operational Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance of Board</td>
<td>BOARD</td>
<td>Risk Management Committee of the Board</td>
<td>Audit Committee of the Board</td>
<td>IT Strategy Committee of the Board</td>
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<tr>
<td>Management Committee</td>
<td>Credit Risk Management Committee</td>
<td>Asset Liability Management Committee</td>
<td></td>
<td>Operational Risk Management Committee/Information Security Committee</td>
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<td></td>
<td>Head Office Level Credit Committee</td>
<td>Investment Committee</td>
<td></td>
<td>Product and Change Management/Outsourcing Business Continuity Committee</td>
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<tr>
<td>Key Policies and Guidelines</td>
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<td></td>
<td>Risk Appetite Framework</td>
<td>Integrated Risk Management Policy</td>
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<td></td>
<td>Asset Liability Management Policy</td>
<td>Business Continuity Management Policy</td>
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<td>Counter-party Risk Management Policy</td>
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</table>

Besides Risk Governance framework, Bandhan has developed Risk Appetite Framework to build a resilient structure for controlling and minimizing risk and firmed up a robust Risk Management dashboard.
Integrated Risk – Management Approach.

Bandhan Bank has a robust risk-management architecture that not only meets all Regulatory and Basel guidelines, but also inculcates a risk-awareness culture. The risk-management practices involve informed decision-making based on assessment and supervision of risks.

Based on Risk categories, risk evaluation process of micro banking advances is segregated into two categories namely, Credit Risk Evaluation and Operational Risk Evaluation.

**Credit Risk Evaluation :**

The portfolio controls with respect to Credit Risk are anchored around and derived based on the risk appetite of the Bank.

With respect to micro banking, the focus is on monitoring the credit cost from both financial and non-financial aspects of metrics which can lead to slippage. Level and volatility of credit cost increases with deteriorating credit quality of asset portfolio. Credit quality of asset portfolio is determined and tracked based on levels of delinquency. Low level of these low quality assets result in lower provisions and write-offs and hence a stability in earnings.

Risk Limits are defined in a way such that the risks are contained within the regulatory guidelines. In-case where regulatory limits are not available, limits are set-up taking the Board approved limits. Risk Range is then categorized into four bands “Low Risk, Moderate Risk, High Risk, Very High Risk on a scale of 0-10. Risk score is calculated on the basis of weighted average of the score of different relevant parameters and respective weights are categorized under the defined risk categories. The power of deciding the different risk parameters, their relative weightages and the thresholds for categories (LR/MR/HR/VHR) lies with respective Risk Management Committees.

**Risk Evaluation process of Operational Risk**

Operational Risk arising out of the banking operation is primarily classified into three categories, namely, Process Risk, People Risk and Technology Risk. A scoring matrix is formulated on the basis of these three risk categories by assigning weightage. Each of these three Broad risk categories are further sub-divided into different components as follows:
Few of the mentioned parameters are measured in sigma level and few of them are measured in number of days to obtain a final risk score. Risk score is calculated based on the weighted average score of the above mentioned parameters. Weights are assigned to each parameter based on the risk appetite framework of Bandhan Bank. The Bank has zero tolerance for regulatory compliance breaches. These risk scores help to formulate a risk range which is categorized into four bands such as Low Risk, Moderate Risk, High Risk, Very High Risk on a scale of 0-10.

**Identification and Capturing of Risks:** The micro banking portfolio of Bandhan Bank consists of a loan of INR 1.5 lakhs or less to individual customers. Micro lending business is exposed to a unique set of risks and challenges which are:

**Default Risk:**

Given the nature of business, micro lending institutions require robust monitoring mechanisms, both prior to lending and later to ensure timely collections. This risk arises on account of sanctioning higher loan amount than actually required to run the business of the customer. Such high loan amount can result in interest and repayment obligations higher than the actual capability which may result in delinquency in such cases.

**Over Indebtedness:**

Underprivileged clients avail loan from multiple organizations which may result into overburdening of repayment. There are cases where individuals use fake KYC to avail loans from various institutions.

**Operational Risks:**

Operational Risks arises from various fraud risks, snatching, issues arising from customer complaints.

**Concentration Risk**

Concentration risk arises when majority of the borrowers are from a geography or a specific area. The problems in this area may have a contagion effect on the lending institutions which may lead to produce huge losses. Lack of geographical diversification further exposes the players to event risk, in the form of droughts, floods and natural calamities which could severely impair repayment capacity of borrowers and groups within affected regions.
**Force Majeure Risk:**

Natural calamities may impair borrower’s repayment ability. Natural calamities such as droughts and floods pose a major threat to micro lenders. As agriculture is the source of livelihood for majority of rural population, either directly or indirectly natural calamities may adversely impair the repayment capabilities of these borrowers.

**Residual Risks:**

It includes various unforeseen risks arising out from socio-political issues such as - death or illness of the individual who is the main source of income for the family, borrowed funds used for non-income generation activities.

**Measurement of Risk:**

Various credit and operational risks are captured and presented in Credit Risk Management Committee meeting and Operational Risk Management Committee respectively which are held on a quarterly basis. The summary of the same gets notified in Risk Management Committee of the Board and subsequently to the Board of Directors.
The various risks are monitored, captured and evaluated on a monthly basis, as per the Board approved Risk Appetite Framework. The movements within Risk dashboards are monitored on a monthly and quarterly basis for which a detailed monitoring framework has been designed. For migration of Risk Categories across bands, risks get reported to various hierarchal structures of top management as per the severity of the risks in line with the instructions as per Board Approved Risk Appetite Framework.

To know more - https://www.bandhanbank.com/

**Jury speak:**
Bandhan Bank, despite a huge clientele base, has managed the risk factor well. The bank has structured policies on risk management framework which they have applied. Besides risk governance framework, the bank has also developed a risk appetite framework to build into the organization’s principles of resilience. This shows a long-term vision to not only react to certain situations but also try and preempt them wherever possible.

*Mr. Ajayesh Srivastava - Regional Head Delhi, General Banking and Mr. Mantosh Nayak - Regional Head Delhi, Micro Banking, Bandhan Bank receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.*
Microfinance Plus Activities

The growing importance of Microfinance Plus activities as an enabler for integrated community development simply cannot be overlooked in the microfinance ecosystem. Its impact for strengthening the society socially and economically has far reaching consequences in the long run. Further, partnerships for such activities can lead to strong linkages between all the stakeholders

**NBFC – MFI : Muthoot Microfin Ltd.**

The microfinance plus initiatives of Muthoot Microfin are designed to achieve economic and social sustainability in the society by empowering women through skill trainings and financial literacy. The initiatives strive to strike a balance between economic, environmental and social imperatives.

The microfinance plus programs are focused on achieving sustainable development of the community within the operating regions. The organisation introduced environmental management and eco-efficiency programs for the welfare of the environment.

The various microfinance plus activities conducted in the past years are Health camps such as general check-up camps, disease detection camps, blood donation camps, eye care camps, dental check-up camps, free medicine distribution camps, skill training camps, educational orientation camps, financial literacy camps, culinary workshops and awareness programs on animal husbandry. One of the significant achievements attained by Muthoot is free cleft lip surgeries for children with the help of ‘Smile Mission’ campaign.

**Healthcare**

- A free medical camp was organised by Bagalkot branch in Karnataka where more than 100 people consulted and were treated by the doctors. The doctors screened the participants for dental problems, lifestyle diseases such as diabetes and hypertension. Diagnostic tests for blood sugar and blood pressure were organised at the camp. Free medicines were distributed, and participants were educated on the necessity of practising healthy lifestyle.
- Thuckalay branch in Tamil Nadu organised a free medical camp for the community which benefitted 250 people. The doctors conducted screening for various ailments and lifestyle diseases. Specialist consultation, treatment and health education was also provided to the participants at the camp.
- Specialist Eye check-up camps in association with Vasan Eye Care Hospital were organised by Aurangabad, Indore, Alwarthirunagari, Vikravandi branch in Tamil Nadu.
- Blood donation camps were organised by Maharashtra and Odisha zones.

**Dairy Development**

- Borsad and Halol branches of Muthoot Microfin in Gujarat organized two separate village level dairies awareness programs for farmers. The objective of the program was to provide awareness on scientific dairy farming techniques to farmers and educate them about growing benefits in dairy profession. Further dairy awareness camps were organized at Yavatmal and Kheda benefiting 150 dairy farmers.

**Digital Financial Literacy Sessions**

- Digital Financial Literacy sessions were organised at Khamla near Nagpur, Cuttack, Bhubaneshwar, Nashik, Yavatmal etc. The main objective of the program was to spread awareness on digitalisation of the economy and procedures involved in executing cashless transaction. Muthoot conducts financial literacy sessions and awareness programs across its operating areas to educate and empower rural population in the country.
Madathara branch in Kollam, Kerala organized a health awareness and skill training workshop where 100 people participated in the camp. Creation of paint from waste items and mats from packaged tetra packs were the highlights of the workshop.

One-day skill workshop on Embroidery and Glass painting was organized at Omassery branch in Kozhikode which witnessed 40 participants. The Programme was held to enrich the skills of village women and enable them to begin their own micro businesses. Muthoot Microfin has been organizing job-oriented skill workshops for women from the weaker sections of the society to attain the institution’s larger goal of women empowerment and financial inclusion. Similarly, embroidery skill workshop at Nilesawaram- Kerala, Craft Skill training at Agastheeswaram branch in Tamil Nadu, Training in Tailoring Skills at Bhandara, Maharashtra.

Muthoot Microfin organized series of programs on World Environment Day (June 5, 2016) as a part of its continuous efforts to protect the environment. In-addition to the flagship initiative ‘One Branch One Tree’ – by which Muthoot branches planted a sapling in their premises with a pledge to nurture it forever, few branches organized events in participation with local communities on that day. Sapling distribution, awareness session on environmental protection and skill workshops were few of the programs included as a part of the agenda.

Muthoot Microfin has intervened in the community whenever possible to provide relief during natural disasters. The organization played a key role in the following disaster hit areas.

1. In response to widespread floods in Kolhapur district of Maharashtra that left numerous individuals in need of necessities, Muthoot Microfin distributed free food kits to the flood-affected households. Beed which was one of the worst affected villages witnessed the entire population affected by flash floods. Muthoot Microfin distributed food kits that included rice, dal and cooking oil in addition to other relief supplies and hygiene kits to 75 households that included the clients of Muthoot.
2. The organisation participated in the relief operations in Chennai which was battered by heavy rains in December 2015. Annanagar branch of Muthoot Microfin worked as base camp for Muthoot Pappachan Foundation’s relief operations. There was a dedicated team of thirty people who were deployed at the base camp to ensure the safety of flood victims and evacuated more than 500 people by using rented vehicles and boats by coordinating with police and other officials. Muthoot coordinated wide scale relief operations across the city with direct involvement of employees in collecting and distributing relief material and providing food and clean drinking water to the flood victims. Meanwhile, Muthoot Pappachan Foundation associated with Confederation of Indian Industries (CII) and Ashok Leyland to accelerate its efforts to reach out to stranded people with relief materials. 1000 food packets with bottled water were distributed on 4th December across Chennai suburbs of Villivakkam, Sidco Nagar and Puliyanthoppu. Community Kitchen was functioning from 5th December to 7th December. Vegetables, rice, side dishes and clean drinking water was widely distributed in areas of Anna Nagar, MGR Nagar, Coal Nagar, Manali, Kudrathur, Mudichoor, Mannivakkam, Choolaimedu, Chinthathiripettu, Vinayagapuram, Thiruniravur and Red hills. Muthoot Microfin’s relief efforts directly benefitted more than 5000 flood victims and the feedback from the community was just overwhelming. Muthoot Pappachan Group’s Cochin and Thiruvananthapuram Corporate Offices also coordinated efforts to collect and distribute emergency supplies. A truck loaded with food items, medicines, clothes, sanitary items, shoes, chappals and batteries were dispatched for the flood impacted areas from Cochin and Thiruvananthapuram offices.
3. During the dreaded drought in Maharashtra, Muthoot Microfin distributed 50,000 litres of drinking water to 500 families for days in Latur. Ten thousand people in Latur district of Maharashtra were struggling facing the consequences of an extended drought and acute water scarcity. For the farmers,
their crops were damaged, and the common man was helplessly witnessing the collapse of water supply infrastructure in the overcrowded areas.

Muthoot Microfin collected 50,000 litres of drinking water from other districts of Maharashtra and brought it to Latur in 20 tanker lorries containing 2,500 litres of drinking water each. The company distributed water among 500 families in severely drought hit areas with 100 litres of water for each family. This helped the natives go on for another week with supply of safe drinking water.

<table>
<thead>
<tr>
<th>Type of microfinance plus activities</th>
<th>Number of clients reached</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY15</td>
</tr>
<tr>
<td>Financial literacy trainings</td>
<td>1867</td>
</tr>
<tr>
<td>Skill development trainings</td>
<td>1952</td>
</tr>
<tr>
<td>Financial assistance for education</td>
<td></td>
</tr>
<tr>
<td>Health awareness programmes (WASH)</td>
<td>2344</td>
</tr>
<tr>
<td>Environmental programmes</td>
<td>780</td>
</tr>
<tr>
<td>Market linkage services</td>
<td>100</td>
</tr>
<tr>
<td>Value added services – financial and non-financial</td>
<td>1116</td>
</tr>
</tbody>
</table>

Muthoot Microfin aids borrowers on various Government schemes like:

- NRGEA which guarantees 100 days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. One-third of the proposed jobs are being reserved for women.
- Pradhan Mantri Vaya Vandana Yojana is a pension scheme which is for a period of 10 years and is based on the amount of investment, one-time premium payment of around Rs 15,000/- fetches a monthly pension of Rs 1,000 for 10 years.
- National Pension System is to encourage the habit of savings among all individuals across the country.
- Pradhan Mantri Suraksha Bima Yojana (Life Insurance) which offers accidental death and disability cover of Rs 2 lakhs.
- Health Insurance:
  - Pradhan Mantri Jeevan Jyoti Bima Yojana - pure protection term insurance cover which pays Rs 2 lakh to dependents in the event of the policyholder’s death.
  - Rashtiya Swasthiya Bima Yojana (RSBY) - The objective of RSBY is to provide protection to BPL households from financial liabilities arising out of health shocks that involve hospitalization.
  - Aam Aadmi Bima Yojana and Universal Health Insurance.

The institution had earlier associated with Accion International – a highly reputed Boston, USA based organization on imparting professional and comprehensive financial literacy and skill development trainings to their clients for a tenure of 3 years. Muthoot Microfin now has appointed an in-house team dedicated to the cause. 79 CSR activities directly impacted 6500 people during the year.

To know more - [http://www.muthootmicrofin.com/](http://www.muthootmicrofin.com/)

Jury Speak:
Muthoot Microfin’s activities, in addition to financial literacy, are spread across various areas which have a positive impact in the overall development of the community. The activities are impacting the society at large beyond their captive customer base and beyond finance.

Mr. Sadaf Sayeed – CEO and Mr. Udeesh Ullas – Executive VP, Operations, Muthoot Microfin Ltd. receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.
Microfinance Plus Activities

Banking: Bandhan Bank

Bandhan Bank is actively engaged within the development space and offers an entire suite of programs in the field of education, health, livelihood promotion, market linkage, enterprise development, employment generation and renewable energy. The organization works closely with people who live in the lowest echelons of the social system for their socio-economic progress. Below are the development initiatives carried out by the organization:

Targeting the Hardcore Poor (THP) Program / Livelihood Promotion

- The poorest of the poor are identified through Participatory Rural Appraisal exercise. With the respective enterprise selection for the beneficiary’s enterprise training is provided. The asset transfer is made post the training. The idea is to help them generate income from the asset and uplift them to mainstream society post 2 years. Once they graduate, they begin accessing loan facilities from local institutions. In addition to free asset, weekly consumption stipend, regular confidence building, provision pf hygienic toilets, counselling facilities has been extended.

Bandhan Education Program

- This program aims at reaching out to non-school goers and drop-outs belonging to economically constrained families focussing on girl child. Bandhan has adopted a unique, low cost, innovative model to ensure diverse age group of underprivileged children sustain academics in a congenial environment.

Bandhan Health Program

- The health program focusses on reducing health expenditure of underprivileged families. It develops health volunteers by selecting interested women and provides them with adequate training. These volunteers work across villages to improve health conditions.

Employing the Unemployed Program

- The program focuses at addressing the concern of unemployment. Bandhan has set-up its own vocational centres known as Bandhan Skill Development Centres which provides training to unemployed youth across different domains namely customer relation and sales, hospitality, information technology, business process outsourcing, computerized accounting etc. Post completion of these skill development courses, the youth generates self-employment or is employed across reputed organizations.

Renewable Energy Program

- With the objective of providing eco-friendly electricity at low cost without affecting the environment, Bandhan provides renewable form of energy through lamps and lanterns. This form improves health condition, supports extended hours of livelihood activity and harness unlimited natural source of solar energy.

In case of natural disasters within microfinance space, the clients are not pressurized to repay the instalments immediately. With improved conditions Bandhan meets the clients to understand the extent of damage and advises them accordingly in order to reduce their financial accountability. The Bank organizes relief camps, distributes food packets and provides immediate support to the affected households. During natural calamities the organization ensures the livestock/asset destroyed is replenished back to the beneficiary.
<table>
<thead>
<tr>
<th>Type of microfinance plus activities</th>
<th>Number of clients reached</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY15</td>
</tr>
<tr>
<td>Financial literacy trainings</td>
<td>-</td>
</tr>
<tr>
<td>Skill development trainings through Employing the Unemployed Program</td>
<td>6447</td>
</tr>
<tr>
<td>Financial assistance for education through Bandhan Education Program</td>
<td>35,837</td>
</tr>
<tr>
<td>Hunger and Malnutrition programmes through Health and Seed distribution Program</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Health awareness programmes (WASH)</td>
<td>5,92,000</td>
</tr>
<tr>
<td>Environmental Programme through Renewable Energy Program</td>
<td>5769</td>
</tr>
<tr>
<td>Market linkage services</td>
<td>997</td>
</tr>
<tr>
<td>Targeting Hard Core Poor Programme/Livelihood Promotion</td>
<td>31,256</td>
</tr>
</tbody>
</table>

**Bandhan Bank aids borrowers on pension schemes namely:**

- **Swavalamban** – Bandhan Bank is an aggregator to this scheme that was established in 2010. Members who contribute INR 1000 or more in a year, Government of India contributes the same amount. The Bank has more than 1 lakh active customers.

- **Atal Pension Yojana** – where a subscriber can select to receive a monthly pension of INR 1000 – 5000 with his monthly subscription based on his age and pension amount. Bandhan Bank became a Point-Of-Sale of APY from August 2017 as has 7,000 customers enrolled.

- **Personal Accident Insurance** - Borrowers who have a RuPay card are entitled for INR 1 lakh cover for personal accidental death and permanent disability.

Apart from the support extended by Bandhan-Konnagar (non-profit entity of Bandhan), it has been receiving financial and technical support from national and international agencies like World Bank, HSBC Bank, HDFC Life, World Vision, Action Aid, Bajaj Allianz, Indigo Airlines, Eureka Forbes, Save The Children, Ford Foundations, UNDP etc.

To know more - [https://www.bandhanbank.com/](https://www.bandhanbank.com/)
Jury Speak:
Along with activities in areas of health, education, environment and skill development, Bandhan Bank is actively engaged in hunger and malnutrition programs at an impressive scale.
Effective Grievance Redressal Mechanism

The dynamics associated with microfinance borrowers are truly different from any other set of borrowers and is unique. An effective grievance redressal system is an apt channel to understand the true needs of the microfinance borrowers. The system in place is a strong indication in the intent of building lasting relationships with the borrowers and practicing microfinance in its true sense.

**NBFC – MFI: Bharat Financial Inclusion Ltd.**

**The graded redressal mechanism process:**

Customer Grievance Redressal (CGR) is a well-defined and organized process that addresses member enquiries and complaints through telephone mode (Centralized Call Centre) at the Head Office of BFIL. Member Helpline (MHL) acts within the defined SLA -TAT which is reviewed and agreed by the Departmental Heads, Respective SPOC’s, External regulatory & compliance board. MHL is a full fledge call centre operating in 7 vernacular languages. The call centre process has been set up with a simple language-based routing ACD which identifies the caller number and routes the member call to the respective language. Member experience and business delivery model is being administered and governed on the outcome to ensure efficient business operations and continuity.

In case of any complaints/ grievances, the Customers can make use of the following Grievance Redressal Mechanism set up by BFIL, as per the escalation matrix mentioned below:

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Customers can approach the Branch Manager concerned and discuss the complaint/ grievance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2</td>
<td>If the Customer is not satisfied with the response received from the Branch Manager or if the issue is not resolved within five (5) working days, please call the Toll-Free Customer Care No. 1800-300-10000 between 7.30 a.m. to 9.00 p.m. on week days (Monday to Friday) and 7.30 a.m. to 3.30 p.m. (1st, 3rd and 5th Saturday).</td>
</tr>
<tr>
<td>Level 3</td>
<td>If the issue is not resolved within 15 days, Customers can escalate the complaint/ grievance to: Ombudsman on the Toll-Free No. 1800-300-60000 between 7.30 a.m. to 9.00 p.m. on week days (Monday to Friday) and 7.30 a.m. to 3.30 p.m. (1st, 3rd and 5th Saturday). Or. Nodal Officer - Mr. Ritesh Chatterjee, Bharat Financial Inclusion Limited, 6-3-1192, 3rd Floor, My Home Tycoon, Kundanbagh, Begumpet, Hyderabad – 500016. Contact No. 9959955233 between 7.30 a.m. to 9.00 p.m. on week days (Monday to Friday) and 7.30 a.m. to 3.30 p.m. (1st, 3rd and 5th Saturday) or can also mail to <a href="mailto:nodalofficer@bfil.co.in">nodalofficer@bfil.co.in</a> on any day.</td>
</tr>
<tr>
<td>Level 4</td>
<td>If the issue is not resolved within three (3) working days of call to Ombudsman or Nodal Officer, Customers can escalate the complaint/ grievance to: Microfinance Institutions Network (MFIN) Toll Free No. 18100-2700-317 between 9.30 a.m. to 5.30 p.m. on week days (Monday to Friday).</td>
</tr>
<tr>
<td>Level 5</td>
<td>Customers can write to the following Officer of Reserve Bank of India, if the issue is not resolved within one month or if they are not satisfied with the Company’s response.</td>
</tr>
</tbody>
</table>
The grievances are clearly established into different buckets and each segment is investigated by the specialised department. Some of the buckets include:

- MS Credit Bureau Corrections.
- Member Insurance Death Claim.
- Member Service Loan Application issue.
- Third party product issues (Cross Sell products like Solar, Mobile etc.).

The training processes are also comprehensive with the content touching upon various issues such as:

- Differentiating Query, Complaints & requests.
- CRM Call Coding in right category.
- Call Handling Skills.
- Refresher modules on process & product.
- New process/product – Update.
- Applications toggling for information while on call.

The frequency of the training which started as fortnightly to begin with is now done weekly. It is also notable then the number of trainers who are women are sizeable.

To know more - [http://www.bfil.co.in/know-bfil](http://www.bfil.co.in/know-bfil)

**Jury speak:**

Bharat Financial Inclusion has an effective mechanism encouraging the customers to come forward for getting their complaints addressed. In addition to having an internal ombudsman, the company also ensures that the learnings are internalized, and the policy changes are implemented.

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*Mr. Ritesh Chatterjee – Chief Operational Excellence, BFIL receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.*
Effective Grievance Redressal Mechanism

Banking: Utkarsh Small Finance Bank Ltd.

Utkarsh Small Finance Bank’s policy on grievance redressal follows the under noted principles:

1. Customers to be always treated fairly.
2. Complaints lodged by customers are dealt with courtesy and on time.
3. Customers are fully informed of avenues to escalate their complaints/grievances within the organization and their rights to alternative remedy, if they are not fully satisfied with the response of the bank to their complaints.
4. The bank employees would work in good faith and without prejudice to the interests of the customer.

Internal Machinery to handle Customer Complaints/Grievances

Customer Service Committee of the Board:

This committee of the Board oversees the implementation of service enhancement initiatives across the Bank. The Committee meets at periodic intervals as per its terms of reference and formulates policies on improved customer experiences, assessment of the service governance structure and ongoing improvements within the quality of services provided by the Bank. Customers are also invited to share their experience and feedback with the Committee.

Standing Committee on Customer Service:

The committee meets at periodic intervals as per its terms of reference and is responsible for understanding opportunities that may exist for service development and product enhancement mainly towards enhancing customer experience. Customer representatives are invited to attend meetings of this Committee. The minutes and action taken report of this committee along with the findings is placed at the Customer Service Committee of the Board. It also analysis the source for major Customer complaints and takes necessary process related developments to ensure improved customer services at an organisation level. The actions emanating from the committee would be institutionalised by Operations/ Customer Service Department.

Branch Level Customer Service Committees:

The Committee provides a monthly forum for direct interaction with a cross section of branch customers where they are encouraged to share their opinions on branch services. The Bank has appointed the following Senior Executive as the Principal Nodal Officer, who is responsible for the implantation of Customer Services and handling complaints for Utkarsh Small Finance Bank.

Mr. Haresh R Wadhwa
Principal Nodal Officer
Utkarsh Small Finance Bank Ltd.
S-24/1-2, First Floor
Mahavir Nagar, Orderly Bazar
Near Mahavir Mandir
Varanasi -221002(U.P.) India
E-mail: nodal.officer@utkarsh.bank
Tel. No.: 1800 123 9878
Resolution of Grievances:

Branch Manager is responsible for the resolution of complaints/grievances with respect of Customer Service and needs to ensure the complaint is resolved completely to the satisfaction of the customer with closure of all complaints received at the branches within a week.

Escalations: If the Customer’s complaint is not resolved or is not handled to the satisfaction of the Customer, the Customer has a right to escalate it to higher officials as per the below defined matrix:

<table>
<thead>
<tr>
<th>Escalation Levels</th>
<th>Escalation TAT</th>
<th>Branch</th>
<th>Call Centre</th>
<th>MSME Location</th>
<th>JLG Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>10 Days</td>
<td>Zonal Operations Head (ZOH)</td>
<td>Head Call Centre</td>
<td>Regional Head</td>
<td>Divisional Head</td>
</tr>
<tr>
<td>Level 2</td>
<td>15 Days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 3</td>
<td>30 Days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Time Frame:** All complaints received shall be resolved with a suitable turnaround time depending on the nature of the issue. Given below are the timelines defined:

- **Normal Cases (other than the one mentioned here under):** 10 working days.
- **Fraud, Legal and Other cases which require retrieval of documents and records > 3 months old:** 21 working days. However, in cases of fraud requiring an investigation, the timeline will extend and informed to the Customer in advance.
- **Cases involving third party / other Banks:** 30 working days
- **Data Privacy cases:** 30 working days
- **Chargeback related cases:** 45 working days or as per VISA / Master card guidelines.

The complaints received through the regulator – timelines will be followed as per the mandate by respective regulator. In case a complaint requires extended timeframe for resolution, the Bank will inform the Customer stating the reason for the delay and specify the additional time required for resolution.

**Records:** All documents with respect to Customer’s Grievance Redressal including documents relating to the complaints would be maintained for 10 years.

**Interaction with Customers:** Utkarsh understands that Customer’s expectations/requirement/grievances can be better approached through personal interaction with customers by the staff. Structured customer meets, once in a month are organised to seek customer’s feedback/suggestions (if any) for improvement in Customer services. These interactions enable the Bank to create awareness among customers about the products and services of the Bank and understand their expectations and requirements. Feedback from customers is valuable and wherever possible, is used in devising/ revising the products and services subject to regulatory parameters.

**Sensitizing Operating Staff on handling complaints:** Staff at Utkarsh is trained for handling customer complaints. Imparting soft skills required for handling different strata of customers and differently abled customers is an integral part of the training programs. Nodal Officer ensures that internal machinery for handling complaints/grievances operates smoothly and efficiently across levels. Feedback on training needs of staff would be shared by the nodal officer to the HR Dept.

The grievances are clearly established into different buckets and each segment is investigated by a specialised department. Some of the buckets include:
For JLG i.e. microfinance loans, almost 85% complaints are related to:
   i. ‘pending Insurance claim’,
   ii. ‘Loan disbursal’ and
   iii. ‘Late Arrival of CO during Center Meeting’.

For MSME, the broad complaints are related to:
   i. ‘EMI’,
   ii. ‘Loan Closure’ and
   iii. ‘Loan disbursal’.

For Liabilities, more than 80% complaints are related to:
   i. ‘SMS/OTP Alerts’,
   ii. ‘IB/MB’ and
   iii. ‘Debit Cards not working at ATM/POS’.

The training processes are also comprehensive with the content touching upon various issues such as:

- **Product and Process based**: Staff from Business visit the team to provide updates on Products and Processes (in case of any change). This is a kind of Refresher training which occurs once a month for various products.
- **Soft Skill based**: Experienced staff from Outsourced agency (Concentrix) conduct trainings based on soft skills which includes Listening, responding to customers, handling irate customers etc.
- **Sessions for Short quiz and Motivational videos** for the team.

Earlier working hours of the grievance redressal was 7.00 AM to 5.00 PM which is now 24 X 7. The frequency of the training which started as once in six months to begin with is now done on a regular basis. To know more - [https://www.utkarsh.bank/](https://www.utkarsh.bank/)

**Jury speak:**

Utkarsh Small Finance Bank’s open approach to receiving complaints is laudable. Encouraging complaints to be logged in to understand the issues at the grass root level and using complaints resolution as a learning opportunity differentiates it from others.

*Mr. Trilok Nath Shukla – Head, Micro Banking, Utkarsh Bank receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.*
Customer Literacy and Capacity Building

The best way to strengthen the microfinance sector is by educating the customer about the benefits and challenges of various financial and non-financial products and services. Further, programs aimed at financial and digital literacy are supporting the government in its various initiatives. Such initiatives strengthen the sector’s foundation as well as help to instil a sense of belief in the microfinance system.

**NBFC – MFI : Fusion Microfinance Private Ltd.**

Fusion Microfinance conducts the following literacy programs for its clients which are held fortnightly:

<table>
<thead>
<tr>
<th>Literacy Programs</th>
<th>Duration of training (hrs.)</th>
<th>Content of training</th>
<th>Model of delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Literacy</td>
<td>2 hours</td>
<td>Household budget management, maintaining adequate income – expenses-savings ratio, debt management, loans, credit score; good and bad investment.</td>
<td>PPT, Role Plays and Videos.</td>
</tr>
<tr>
<td>Digital Literacy</td>
<td>2 hours</td>
<td>Unstructured Supplementary Service Data, point of sale machine, Aadhaar Enabled Payment System (Balance Enquiry, Cash Withdrawal, Cash Deposit Aadhaar to Aadhaar Funds Transfer), Debit card, ATM, Government Toll free helpline number.</td>
<td>PPT, Videos and Practical activity.</td>
</tr>
<tr>
<td>Banking Knowledge</td>
<td>30 minutes</td>
<td>Documentation details, difference between bank and NBFC.</td>
<td>PPT, Bank Officials.</td>
</tr>
<tr>
<td>Debt Management</td>
<td>15 minutes</td>
<td>High loan value, multiple lending of loans.</td>
<td>Financial Literacy Counselors and internal trainer.</td>
</tr>
<tr>
<td>Government schemes</td>
<td>30 minutes</td>
<td>Introduction to various government schemes like PMJDY, PMSBY, PMJJBY, APY, PMSY etc.</td>
<td></td>
</tr>
<tr>
<td>Household budget management</td>
<td>30 minutes</td>
<td>Maintaining income - expense balance.</td>
<td>Role Play involving women themselves.</td>
</tr>
<tr>
<td>Savings</td>
<td>15 minutes</td>
<td>Why and How to do savings; Where to do savings.</td>
<td>Role Play and PPT.</td>
</tr>
<tr>
<td>Credit Score</td>
<td>10 minutes</td>
<td>Credit history and its importance.</td>
<td>PPT and Animated videos.</td>
</tr>
<tr>
<td>Good Vs Bad Investment</td>
<td>10 minutes</td>
<td>Success and failure Stories.</td>
<td>PPT and Videos.</td>
</tr>
</tbody>
</table>

The training outcome of Fusion Microfinance is reported on a monthly basis to the CEO and top management and on a quarterly basis to the Board members. Ever since its inception, Fusion has focused on the overall development of the clients improving customer literacy. It has been providing awareness on financial management through Financial Literacy programs to educate the clients on various aspects of money management, right utilization of money earned, ill-effects of over borrowing, making household budgets, identifying bad vs good expenses and savings. Since 2010 - 7,06,988 clients have been educated on financial management.

With the changing scenario in the country, it is imperative to create awareness about digital transactions through Digital Literacy programs. These programs are conducted to impart knowledge on various modes of cashless transaction, linking of Aadhaar card to the branch, accessing account details digitally, digital payments and using debit/credit cards for transaction. The objective towards driving digital literacy is to motivate clients towards inculcating banking habits through cashless transaction into their lives. The clients who attended digital literacy
program across different geographies have gradually inclined towards cashless disbursements. This drive led to an acceptability to avail cashless disbursements with 7035 beneficiaries.

As an organization, Fusion understood the need to make a paradigm shift to cashless business model. As part of the strategic drive, the field officers proactively assisted the clients in opening bank accounts and revive their dormant accounts. Today, it operates at 55+% cashless disbursement on increased volumes versus almost no cashless disbursement in early year of 2017.

Several areas have witnessed huge digital transformation thereby leading to capacity building. As of today, 95% of Fusion clients are Aadhar based.

To know more - https://fusionmicrofinance.com/

Jury Speak:
Fusion Microfinance delivers a range of various programs aimed at basic understanding of financial literacy. The buy-in from all the stakeholders ensures the success of these programs. Their mode of delivering the programs via the role play method can lead to higher level of connect with the audience which is immediate as well as lasting.

Mr. Devesh Sachdev – CEO & MD, Fusion Microfinance receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.
## Customer Literacy and Capacity Building

**Banking: Fincare Small Finance Bank**

Fincare Bank conducts the following literacy programs for its clients which are held weekly:

<table>
<thead>
<tr>
<th>Literacy Programs</th>
<th>Content of training</th>
<th>Model of delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Knowledge</td>
<td>Savings.</td>
<td>Classroom Training</td>
</tr>
<tr>
<td>Financial Literacy and Women Empowerment</td>
<td>Financial Literacy and Women Empowerment Initiative in Madhya Pradesh under the Poorest State Inclusive Growth Programme implemented by SIDBI with support from UK AID.</td>
<td>Master Trainers trained-4400 women clients through four training modules on “Financial Literacy and Women Empowerment” over a period of one year. Mass awareness camps were also conducted as a part of this program.</td>
</tr>
</tbody>
</table>

Monthly outcomes of these trainings are reported to the COO/CPO during Monthly review meetings.

Based on the feedback received the Bank initiated trainings on varied topics by adapting different methodology based on the needs and requirement of each training module. Some of the trainings are:

- **Project “Gullak”** – To promote saving across rural areas, Fincare began Project Gullak in June 2016. The clients were trained on savings and its importance. Free Gullak were distributed to inculcate the habit of regular savings even with a meagre amount.

- **Nukkad Natak** – Post demonetisation with cash availability being a big concern and government promoting cashless transaction, Fincare began with awareness campaigns where they developed an internal team who performed in the form of Nukkad Natak across villages.

- **“Pragati” Movie** – With continued effort there was a need of scaling up the activity to ensure maximum awareness Fincare developed an inhouse movie named “Pragati”. This concept of storytelling helped in reaching out maximum clients with a positive response.

Fincare Small Finance Bank has partnered with training institutes like Indian School of Microfinance for Women to deliver and conduct literacy programs.

To know more - [https://fincarebank.com/](https://fincarebank.com/)
Jury Speak:
Fincare Small Finance Bank uses trainers from the community to train, which is an appropriate approach for training of rural households. The bank has adopted different modes of training that are likely to serve the borrowers better. It has managed to cover a very high proportion of their borrowers under financial literacy programs.

Mr. Soham Shukla – Chief Operating Officer, Rural Banking, Fincare Small Finance Bank receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.
Positive External Image Building

National development can only happen through financial inclusion and microfinancing is the key element to achieve financial inclusion in the country. It is extremely critical to keep spreading awareness about the developments in the sector continuously for having a positive impact in the coming years. For example, high level of digital adoption by the sector strongly indicates the technology penetration in rural areas.

**NBFC-MFI : Satya MicroCapital Ltd.**

Satya MicroCapital within few months of its operations undertook various campaigns for information dissemination through media interactions, social media etc. The organization being a new entity engaged with the media actively while launching its operations. The role of communications and PR was thought to be important as it helped Satya to reach out to stakeholders and commentators who are responsible for formulating opinions in the external world. The institution has been engaging with leading financial dailies as a source of information and opinion.

To stay relevant within the public domain, Satya has consistently been engaging with audiences over social media platforms. The objective of the activities is to create conversations and apprise about the organization, banking and financial sector. Social media channels help to communicate and organize themselves together, and allow organizations to reach out and relay their messages to a larger group of people in order to create awareness and promote their institutions.

The Facebook page is one of the strongest platforms used by the entity to reach out to their client, employees and individuals or entities who want to be associated with Satya MicroCapital. The recruitment drive for hiring Entrepreneurship Development Officer, Branch Heads & other positions are posted on Facebook page on real time basis which acts as one of recruiting hub for engaging and interacting with candidates about the company and employment opportunities available. Events conducted by Satya is published across the page.

**Satya MicroCapital Ltd. - website:** [http://www.satyamicrocapital.com/](http://www.satyamicrocapital.com/) was launched on 1st Jan 2018 post launching its operations in November 2016. The website hosts all necessary information namely about the organization, Annual Report, Fair Practices Code, Code of Conduct, Credit Rating, Grievance Redressal Model with Contact details, Partners (Investors/ Lenders, Industries/Networks & Collaborators along with Career Page. Career Page on the website allows candidates to look for various opportunities available and apply online. This platform is commonly referred by the collaborators/ industry stakeholders and lenders to seek information instantly which might be unavailable across other mediums.

The following steps have been undertaken by Satya to strengthen the microfinance sector.

**A) Complete Process Automation using Advanced Technology**

- Complete end-to-end Data Digitisation for Complete Business Processes of Microfinance
- Better Quality Client Acquisition – Aadhaar is mandatory for all Borrowers & Co-borrowers
- Clients Information from UIDAI (Proof of Identity & Proof of Address)
- Online integrated solution for De-dup & Credit Bureau Check
- Satya’s Maukhik Song instead of Pledge Statement, is highly appreciated by women clients
- Meeting-in-Charge Rotational Model for Sharing of Responsibility
- Reconfirmation of Centre Location visited by Satya Staff using Geo-tagging
- 100% Cashless Disbursement
- Distribution of Floor Mat for Centre Meetings
- **Cashless Collection - a real differentiator vis-à-vis competition**
- Loan Utilization Check within 45 days of disbursement
- Pre-Closure Process
- Sharing Information with Clients based on the Specific Event using Mobile SMS Services
- **Launch of Interactive Voice Response (IVR)**
- Missed Call Alert
• Digitally Signed Loan Agreement by Borrower & Co-borrower

B) Special Women Zone
Satya has pioneered to introduce complete Women Zone in Eastern Uttar Pradesh by opening 6 branches in Azamgarh, Varanasi, Balia, Gorakhpur, Sultanpur and Jaunpur in 2017-18 wherein all employees are women, starting from Entrepreneurship Development Officers (EDOs), Branch Heads and Assistant/ Deputy Credit Managers (entire chain of Branch and Zonal Business Team) who act as the catalyst for the socio-economic upliftment of poor and vulnerable women’s households. Satya has focused its entire microfinance business to significantly contribute to women empowerment by generating additional income earning opportunities thus making more visible economic contributions for better living and building future of their children leading to growth in women’s self-confidence and self-esteem and their status in their family, wider community & society. This helps in mitigating the Fraud & Operations Risk to a certain level as there is more integrity amongst women and lesser risk of snatching money from a woman employee by villagers due to extra respect for woman. The women zone is also helping in better connect due to personal touch from a woman to another woman.

C) Women Empowerment: International Women’s Day Celebration
The initiative to celebrate International Women’s Day with its clients is to ensure maximum attendance during center meeting for repayment of loan and participation of female employees (which is 20 percent of their workforce). It intends to increase the women workforce to manifold with the experience gained in Uttar Pradesh.

To know more - [http://www.satyamicrocapital.com/](http://www.satyamicrocapital.com/)

| Jury Speak: |
| Satya MicroCapital, despite being a new entrant, has shown dynamism. They have managed to capture positive media coverage, resulting in both investors and borrowers of the organization acknowledging the same. |

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Mr. Vivek Tiwari – CEO & MD, Satya MicroCapital Ltd. receiving the award from Honorable Minister of Micro, Small & Medium Enterprises, Shri. Giriraj Singh.
Positive External Image Building

Banking : ESAF Small Finance Bank

ESAF Small Finance Bank has taken conscious efforts to work closely with mainstream media as well as social media to disseminate information about ESAF and about the microfinance sector to highlight about the prospects and the impact it has brought in bringing positive transformation in the lives of the underserved. ESAF plays an instrumental role in showcasing successful interventions of the financial sector especially among the ruling and opposition parties and to reiterate the fact that microfinance is more than just lending.

Mr. K Paul Thomas-MD and CEO, ESAF took an initiative to form Kerala Association of Microfinance Association and took media into confidence in putting forth the strength of a sector which is regulated by RBI and called upon the members to talk about the impact that they have created for the upliftment of the society. Mr. Paul has represented and spoken across various forums like university convocations, branch openings, public forums, felicitation ceremonies about the contributions of microfinance sector to Indian economy which has been reported by the media at national as well as local dailies.

Various campaigns on Environmental protection, women and polity, educational right of children, micro entrepreneurship, solar and green solutions for low income groups, agricultural revolutions made by microfinance customers etc. has been highlighted by ESAF through various media.

Press conferences are held for larger media coverage in local as well as national dailies. The entity ensures to provide exposure to media through exclusive field visits where they can acquire about microfinance and its impact to the community.

There have been numerous research studies published by ESAF which has been reported by the media and has thus contributed to value the microfinance sector as numerous possibilities of this sector were positively highlighted by the media which paved way to remove the misconceptions to a large extend that microfinance practitioners are loan sharks! A quarterly e-NEWSLETTER is released by ESAF that reports on the activities within microfinance sector. The newsletter received the best newsletter award by NIB in 2016.

As the internet age hit, the lenders and contributors have been seen to make a continuous effort to promote activities of their respective institutions. ESAF Microfinance has a Facebook page where the sector and institution related news is frequently posted that reaches out to more than 1,00,000 friends and well-wishers.

Micro-banking has a substantial portfolio in ESAF where the focus is on the microfinance customers and efforts are made to ensure that clients have a positive image about ESAF and the sector. The focus is to take measures for the overall development of the household to ensure better standard of living. Advertisements, articles in magazines, newspapers, audio-visuals using cable tv, television etc. have been used for promotion. Ministers, Elected representatives of Local Self Government are invited for branch inaugurations and events where customer engagement/educational programs are held to ensure politicians are aware about ESAF with a better understanding of the sector. Such initiatives have helped to eradicate misunderstanding they have about the sector.

To know more - https://www.esafbank.com/
Jury Speak:
ESAF has built a positive image among all stakeholders including the government and the public. It has taken conscious efforts to work closely with mainstream media as well as social media about the microfinance sector to highlight about the prospects and the impact it has brought in bringing positive transformation in the lives of the poor in the society.
CEO’s Message

Greetings,

The examples given in this booklet are illustrative of the many process and procedural improvement MFIN members and associates are taking to improve their operations. In the coming months, MFIN will try and share more such best practices, especially in the area of customer protection. There is a lot of cross-learning possible amongst members. Readers are encouraged to send ideas and examples of best practices that they have observed, whether in their own company or in any other company, which could be used in subsequent editions of this booklet.

Some of the best practices in this booklet are from big companies. However, we at MFIN believe that these are also replicable by small and medium members, which will improve their competitive advantage and help them as they grow their business. We encourage readers to reach out to the companies profiled in this to answer any queries that they may have. And to share their own journey in improving their operations, which we at MFIN can, in turn, share with others.

Mr. Harsh Shrivastava,

CEO, MFIN

January 2019