Responsible Finance Forum
Second Newsletter
Responsible Finance
Client Grievance Redressal Mechanisms

Complaint Resolution (Grievance Redressal) has been recognized as crucial pivot for protecting the interests of clients of financial institutions. Due to the relatively vulnerable segment which constitutes the clients of Microfinance sector, it is even more important for MFIs to institute robust client protection mechanisms and system such as complaint resolutions and feedback mechanisms. Establishing a grievance redressal systems not only contribute to building long term relationship with its clients which is important in a collateral free lending context but also as a risk management tool providing early warning signals regarding operational risks. Grievance Redressal mechanism is essential for the organization as it provides valuable client feedback on the working of the Microfinance institution.

The sector has been working steadily to adopt comprehensive grievance redressal systems as mandated by the Reserve Bank of India and the unified Industry Code of Conduct. An efficient and effective grievance redressal mechanism which goes beyond regulatory compliance establishes an MFI as an accountable, responsible and client friendly service provider.

Elements of an effective Grievance Handling System:
- Board approved policy on Grievance system
- Clearly defined systems and processes with proper allocation of resources
- Communication to the clients on the systems and escalation matrix with TAT
- Effective MIS to monitor at the operational level
- Acknowledging Complaints
- Specified location to receive complaints
- System for record keeping
- Process and record complaints
- Investigate and analyze the complaints
- Keep the customer informed of the progress
- Periodic analysis of the complaints, sharing it with the Board and improve the process

Highlights on Complaint Resolution Mechanism from Code of Conduct Assessments

The Code of Conduct assessments provide a comprehensive picture of compliance by MFIs on responsible finance and client protection principles. Code of Conduct requires MFIs to have a dedicated feedback and grievance redressal mechanisms to handle complaints speedily and effectively.
Till date, 47 assessments[1] on compliance to Code of Conduct have been completed by SIDBI through six different agencies (http://sidbi.in/?q=code-conduct-assessment-reports). An analysis of the scores obtained by MFIs on the principle of Client Relationship and Feedback Mechanism under CoCAs is presented below:

Majority of the MFIs (21 MFIs) lies in the score range of 71-80%, which indicates reasonable performance by the MFIs. MFIs scoring less than 60% in the assessment indicate greater scope of improvements in their systems and process.

The following chart represents the type of feedback systems established at the 38 MFIs, obtained from the Code of Conduct assessments. 92% of MFIs have helpline/toll free number as part of the Client Grievance Redressal Mechanisms.

**“Formal” refers to the extent of institutionalization, documentation and monitoring of the systems in the MFIs**

Though 35 MFIs have implemented helpline facilities, not all have systems and process to record and register the calls. Hence, lower number of MFIs with formal mechanisms in the graph.

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1 The six dimensions assessed by the CoCA Tool are Client Origination, Loan Pricing, Loan Appraisal, Client Data Security, Staff Conduct and Client Relationship and Feedback.
Code of Conduct Assessments by Sa-Dhan:

Sa-Dhan assessed 25 smaller MFIs for compliance to Code of Conducts. Result from the assessments is shown below:

Only 3 MFIs have scored above 70% and 12 MFIs have scored below 30%, which highlights the ineffectiveness of the mechanisms established in the smaller MFIs.

These assessments highlight inherent weaknesses such as, lack of effective formalization and streamlining of grievance redressal process, limited capture of client feedback in audit reports and low levels of client awareness.

Highlights on Complaint Resolution Mechanism from Client Protection Assessment

Smart Campaign conducts client protection assessment (CPA) to ascertain compliance of a MFI to standards of Client Protection Principles (CPPs), of which complaint resolution mechanism[2] is one part. The following graph presents results on principle of complaint resolution mechanism from CPAs of 16 MFIs conducted by Smart Campaign in association with IFC in India[3].

*Rates MFIs for complaint resolution mechanism on a scale of 0-5. Score of >3 indicates a sound complaint resolution mechanism, score of 3 indicates adequate mechanism and score of <3 is considered as less than adequate.

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2 The elements identified by Smart Campaign for an effective complaint resolution mechanism are: communication with clients about their rights and about how to complain, the complaints handling process (intake, resolution, appeals), oversight of the complaints process, sensitization of staff towards client complaints handling and use of complaints to identify broader problems.

Out of the 16 MFIs assessed by Smart Campaign, only 7 MFIs have a score above 3 and 5 MFIs have a score less than 2.5, which is less than adequate. As indicated in the graph, only one MFI score above 4, indicating a strong complaint resolution mechanism.

**Examples from the field**

MFIs are continuously innovating to ensure that they proactively obtain feedback from their clients and address those complaints effectively. Based on the information collected by industry association MFIN, some innovative processes adopted by MFIs which have transformed the complaint resolution systems are highlighted below. Some of the common practices across the microfinance institutions are mentioned in the box below.

### Mandatory Requirements from RBI on Client Grievance Redressal Mechanism

- Involvement of MFI Board of Directors in designing, monitoring and review of grievance redressal mechanisms.
- Display of the name and contact details (telephone and email) of the Grievance Redressal Officer at the branch offices, to be contacted by the public for complaint resolution.
- Provide details of the Regional Office of DNBS of RBI to be contacted by the public, if the compliant is not resolved within a period of one month.
- Display of Fair Practices Code in vernacular language at the branch offices with prior Board Approval.

### Common practices across MFIs

- Training of field staff on GRP and code of conduct
- Educating clients on the mechanisms available as part of GRT, center meets, visits by supervisors
- Providing the relevant contact details (phone numbers and address) on the loan book
- Displaying information on GRPs and rights of clients in branches in vernacular languages.
- Creating an environment of mutual trust, enabling the clients to walk in directly to the branches to give their feedback or lodge complaints.
- Providing complaint/suggestion boxes at the branches and toll free number to register complaints
- Surprise visits by supervisors, audit team etc. to the group/center meetings
- Sample calls from the MFI to the clients with newly disbursed loan to know their experience, loan amount etc.

**Bandhan:**

An independent “Ombudsman Committee” comprising of three senior executives has been formed to manage unresolved complaints. This is in addition to other grievance redressal tools (complaint box, toll free number and contact emails) employed at Bandhan. They conduct surprise audits at branches and client satisfaction surveys to monitor performance and can be contacted directly by customers. A detailed analysis of complaints received, resolved and pending is presented to the Board and discussed.
Grameen Koota:

Complaints received through different channels like branch staff, complaint box, toll free number and mails are classified as Query, Request or Compliant, and are accordingly recorded in a Grievance Redressal Register. Consolidated reports are sent to the Grievance Redressal Cell to monitor, track and report grievances. Complaints unresolved for 7 days get escalated to the CEO/MD on the seventh day. Grievance Redressal Cell also conducts client calls on a daily basis for feedback on services. Every quarter, the Grievances Committee of the Board reviews the grievances raised by customers, and resolved and steps taken to improve customer service.

SKS:

SKS has a well-defined three pronged approach to help resolve members’ grievances, the first level of contact for the client is the Sangam Manager at the Centre Meetings, who works on resolving the complaint and updates the same to Head Office. The next level is the toll free Customer Service Helpline, available in seven languages, providing direct access to the Head Office. The third and highest level is the independent Ombudsman toll free helpline, which responds to grievances within 3 days. All the calls have defined departmental escalations and TAT’s and is resolved as per the TAT. All these processes are under the ambit of both internal and external audits, with a separate department of Customer Care and Relations. All the call are recorded and stored in a secured location for any future reference. CGR and all vital decisions and approvals for changes and improvements in the system are discussed in every Board meetings.

Sonata:

A dedicated staff maintains the details of all calls received at the Head Office. Details of the complaint are mailed to the regional office and GC on a daily basis, the compliance to which is an audit check point. In case of serious complaints (related to fraud, staff misbehavior, policy violations), the matter can be referred directly to the Grievance Person or the Regional Grievance Committee for immediate action. HR department is also closely involved to follow up only directive issued by the HC against any staff. All the CGR are quarterly presented before the Board and discussed.

Swadhaar Finserve:

The clients can raise their issues with the Branch Executive, dropping in complaint boxes or even writing direct letter to the Head office. Apart from this, Swadhaar has a separate Customer Protection department and a Grievance Redressal Forum comprising of dedicated Grievance Redressal Officer (GRO), GM Business and GM Customer Protection. It has also streamlined its grievance redressal system by having an official CGR manual. The toll free number is handled exclusively by a customer care executive, who also does regular follow up with the branches on the resolving of issues raised. The quarterly reports on CGR are placed with the Board and discussed during the meetings.

Ujjivan:

Ujjivan has a dedicated Service Quality Department and a Regional Helpdesk with Regional Grievance Redressal Officer across all the regions. Regional Helpdesk handles customer calls received through toll-free customer care number. Ujjivan also has a dedicated Customer Care Representative (CCRs) at branch level to handle customer calls and walk-ins for enquiries & complaints. Customer grievances are reviewed on a monthly and quarterly basis with its Regional / National Leadership team and Board respectively. Customers are educated regularly through distribution of flip cards in vernacular, covering grievance redressal process and escalation matrix for their unresolved complaints. The new CRM tool has helped the organization in automating the entire process.

Utkarsh:

Utkarsh has innovated to use technology to establish a grievance redressal system that allows for better access and analysis. Three levels of access for the clients are provided: Branch personnel, Complaint Box and a toll free number. The toll free number is manned by Responsible Finance department. Utkarsh has employed a cloud based technology in the form of a customized EPABX system that allows for recording of each customer call. Call details are stored on cloud and it can be retrieved at any point of time. All grievances registered at Grievance Redressal cell are resolved effectively within 48 hours. If any issue remains unsettled within the 48 hours, maximum settlement time is intimated to clients by calling them again with reasons of delay. Monthly reports on complaints received and their resolution are reviewed by the Grievance Redressal Committee at Head Office and reported to board on quarterly basis through the designated SP Director.
Types of customer feedback in the MFIs

<table>
<thead>
<tr>
<th>Queries</th>
<th>Information about loan, interest amount, claim settlement etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests</td>
<td>For higher amount of loans, top-up loans</td>
</tr>
<tr>
<td>Grievance</td>
<td>Service issues, fraud or misappropriation, staff misbehavior, client intra group issues</td>
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The most common complaints are related to insurance settlement claims, service delays, loan rejection enquiries and group issues.

Self-regulation in the industry

**Responsible Business Index** is an exercise developed by MFIN to collectively assess industry's Responsible Business principles and practices. RB Index is also a tool to help individual MFIs to systematically measure, manage and integrate Responsible business practice in following ways:

- Gap analysis, helps MFIs in identifying their strengths and gaps in management
- Benchmarking, performance against sector peers and leading practice from across the RB index
- Tracking progress, reinforcing good practice and driving continuous improvement

RB Index comprehensively covers RBI Fair Practice Code and Industry Code of Conduct under five broad areas of: Disclosure to clients, Client Engagement, Institutional processes, Transparency and Violation History. Client Grievance Redressal System is covered under Institutional Processes.

Impact of Client Feedback Systems on MFI Policies

**Grameen Koota**

- Modified Client Information in MIS to ease insurance claim settlement process
- Established process to raise discrepancies between clients’ claims and credit bureau reports with other MFIs, to identify genuine claims.
- Changed eligible number of Emergency Loans (Rs 1000/-) within a group/Kendra based on suggestion from clients

**Ujjivan**

- Reduced center meeting frequency
- Greater emphasis on financial literacy for customers
- Staff trainings on appropriate behavior and staff conduct
- Customer retention rates are considered as part of performance appraisals

**SKS**

- Directing employees of Mobile Team to handover member's SIM and memory card while collecting defective mobile phones for servicing.

**Responsible Finance Forum**
Conclusion

There is growing recognition among MFIs of the usefulness and need for robust client complaint resolution/feedback systems and its place in strategy. Several innovative approaches are being tested especially using technology for capturing information, resolving and monitoring feedback. However, more efforts are needed in enhancing the role of boards, communication to the clients about the systems put in place, addressing conflict of interest and in responding to the feedback at a policy level in the form of process and product improvements.

The industry collectively should view grievance redressal mechanisms as a means to promote business objectives through enhanced client trust and loyalty beyond regulatory compliance. Mechanisms for effective recording and follow up on the complaints and a formal system of obtaining regular feedback from the clients are needed to bolster the mechanisms. Grievances Redressal Management Systems should be integrated with the functioning of the organization that enables it to constantly adapt to the changing needs and demands. Smaller MFIs with respect to larger MFIs show weak level of adherence to grievance handling requirements and hence greater scope for improvisation.

While the systems and processes around this theme are evolving through experimentation and pilots, it will be useful to examine best practices in other markets in India and elsewhere for lessons. Moreover, there is also a need to integrate client-protection processes with regular operations of MFIs and not positioned as an added process, which is a primary responsibility of the MFI Boards. There is a need to invest more energy and time in grievance handling mechanisms and should be non-negotiable.

Challenges in implementing Grievance Redressal Systems at field level

- Financial constraints to dedicate full time resources.
- Low take on committing investments for the training of front line and support staff on customer service orientation.
- Low buy in from MFIs to have Grievance Redressal Mechanisms audited.
- Resistance to integrate GRM in mainstreaming operations rather than as a separate function.
- Conflict of interest, as many a times the branch officials are the contact persons for the clients to register grievances.
- Low level of client awareness on their rights and use of Grievance Redressal Mechanisms and lack of efforts by MFIs to create the same.

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