Voice of the Client: An analysis of client satisfaction and consumer protection across four microfinance institutions in India

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SUMMARY

This report presents the findings of the Voice of the Client (VoC) project, a pilot developed for microfinance institutions (MFIs) to leverage mobile technologies as a means to analyze the level of satisfaction of their clients with the suite of products and services offered. Between June and November 2014, data related to client protection principles (CPPs) were collected from almost 6,000 women clients across four MFIs in India, namely *Cashpor, Satin, Sonata, and Ujjivan*, *in Delhi and the State of Uttar Pradesh. The data were collected using mobile technologies, specifically via interactive voice responses (IVR), call center, and face-to-face interviews recorded through the use of smart mobile devices.*

The findings show a generally high level of satisfaction among the clients sampled, which speaks to the robustness of the consumer protection practices put in place by the four MFIs. However, the pilot also highlights some areas of opportunity that warrant further investigation. Below are the key findings that emerged from the pilot:

Areas of strength: The high level of client satisfaction lies strongly in the area of customer service and in the interactions with the loan officers. Furthermore, the majority of clients reported being satisfied with their MFI's loan product design, finding the loan amount and installment size to be appropriate. Clients also seem to be generally well-informed of their loan terms, with most of them reporting being aware of their loan interest rates and having been provided with a repayment schedule prior to accepting their loan.

"The findings show a generally high level of satisfaction among the clients sampled"

Areas in need of further investigation: Despite the majority of clients being satisfied with the terms of the loan, over a third of them mentioned that their loan size was not big enough to cover their income or non-income generating needs. In terms of repayment capacity, the survey results point to a relationship between repayment capacity issues and multiple borrowing: over one-tenth of the clients sampled faced a problem making a loan repayment on time and half of them had to borrow from another source to repay the loan. In addition, 43% of these clients experienced a worsening of their diet, reporting a reduction in the size or number of their meals. Further research on the profile of the clients who experienced repayment issues could help understand their debt exposure in relationship to their repayment capacity situation.

The survey results also show that over one-tenth of clients are not aware of all of the complaint mechanisms that are available to them. MFIs should determine how to increase client awareness of the complaint mechanisms in place, especially of the presence of a customer service representative. In fact, we observed that clients who were the most satisfied with the customer service they received were those who also were aware of the availability of a customer service representative within their MFIs.

Cashpor and Ujjivan became Smart certified in January 2013[1,2] and Sonata[3] also became Smart certified in May 2015. In accordance with the Smart Campaign, these three MFIs are in compliance with the CPPs analyzed hereunder. Furthermore, Satin participated in MIX's Social Performance Desk Review in 2013[4] and submitted to MIX internal documentation related to its CPPs.

Findings from the methodology used:[5] In some instances, clients who responded via IVR tended to provide less positive answers to the more sensitive questions – for instance, those related to their relationship with their loan officers – than those who were interviewed using the two other methodologies. This was consistent across all four MFIs, thereby suggesting that clients might be inclined to provide more candid responses to sensitive questions when they perceive themselves to be answering under conditions of anonymity.

[1] *Cashpor Smart Certification Report*. Web. 24 Aug. 2015. <www.smartcampaign.org/storage/documents/Certification_Reports-August_2014/Cashpor_Certification_Report_EN.pdf>.
[2] *Ujjivan Smart Certification Report*. Web. 24 Aug. 2015. <www.smartcampaign.org/storage/documents/Certification_Reports-August_2014/Ujjivan_Certification_Report_EN.pdf>.
[3] *Sonata Smart Certification Report*. Web. 21 Sep. 2015. <www.smartcampaign.org/storage/documents/Sonata_Output_Report_Final_for_SMART_Campaign.pdf >.
[4] *2013 Social Performance Document Desk Review – Satin Creditcare Network Limited*. Web. 16 Oct. 2015. <www.mixmarket.org/sites/default/files/2013_social_performance_desk_review_scnl.pdf>.
[5] Detailed results by methodology can be consulted in Annex III.

Background

Over the past few years, the microfinance sector has systematically expanded and deepened information on client outreach and social performance in multiple dimensions, one of which is in the area of consumer protection.

More than 1,600 MFIs worldwide have pledged to adhere to a minimum set of standards for client services by endorsing the Smart Campaign's Client Protection Principles (CPPs).

Despite the progress made in the promotion of client protection and the development of the industry standards of best practices in this area, the microfinance industry still lacks large-scale, reliable, and comparable information on client perception on the access to and quality of services offered.

By proactively tracking client feedback, MFIs and funders can have access to actionable data that can support them in addressing areas of weakness and improving operations in a timely fashion. This, in turn, has the tremendous potential to help microfinance programs better meet client needs and preferences and to improve their impact on the population they aim to serve.

To address the need for comparable client-level data, Hivos and MIX developed the Voice of the Client (VoC) project, an initiative that is built on Hivos' experience with citizen monitoring and MIX's experience with collecting data and providing insights on the financial and social performance of MFIs.

The idea of the VoC initiative was originally conceived by Hivos, who is also the principal funder and data owner of the project. Each represented by a board member, Hivos and MIX coordinated on the set-up of the initiative. MIX collaborated with the Smart Campaign to formulate the questions related to the CPPs that were subject for analysis. Finally, Good World Solution – a nonprofit organization with expertise in mobile phone surveys – was commissioned to conduct field data collection activities.

The selected indicators cover five out of seven of the Smart Campaign's principles: (1) appropriate product design, (2) prevention of over-indebtedness, (3) transparency, (4) fair and respectful treatment of clients, and (5) mechanisms for complaint resolution. The remaining two areas – responsible pricing and privacy of client data – were omitted from the questionnaire in order to keep it to a manageable length and minimize the drop-out rate.[6]

[6] The questionnaire can be consulted in Annex II.

A. GENERAL CUSTOMER SATISFACTION

Clients were asked three questions to assess their level of overall satisfaction with their MFI, which feature of their MFI they like the most, and what changes they wish to see implemented.

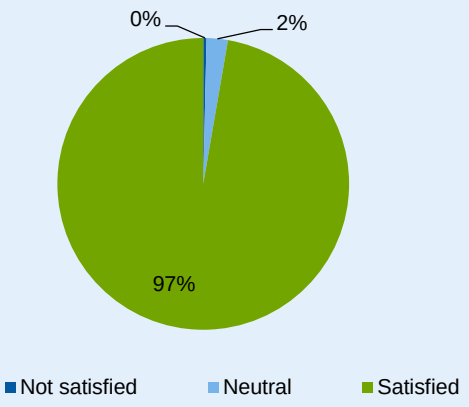
Virtually all clients (97.3%) reported being satisfied with their institution (Graph 1)**.**

The level of satisfaction is particularly strong when it comes to the quality of customer service received, which was identified as the most appreciated feature by the majority of clients (Graph 2).

The broad level of client satisfaction with their institution is also matched by the fact that the majority of clients who were interviewed face-to-face or by a call center do not wish to see any change implemented within their MFIs. However, among the 38% of clients who expressed the desire for a change, a higher loan amount was the most recurring answer for the specific change desired (Graph 3).

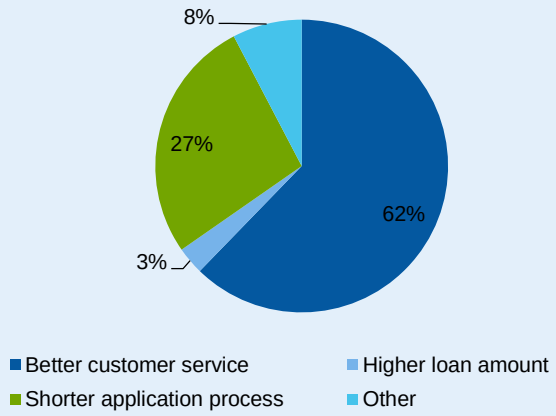
Clients who were interviewed via IVR were instead required to identify one change that they would like to see implemented. Consistent with the results obtained using the two other methodologies, the majority of clients identified a higher loan amount as being the attribute that they would like to see changed the most (Graph 4).

Graph 1. Level of overall client satisfaction



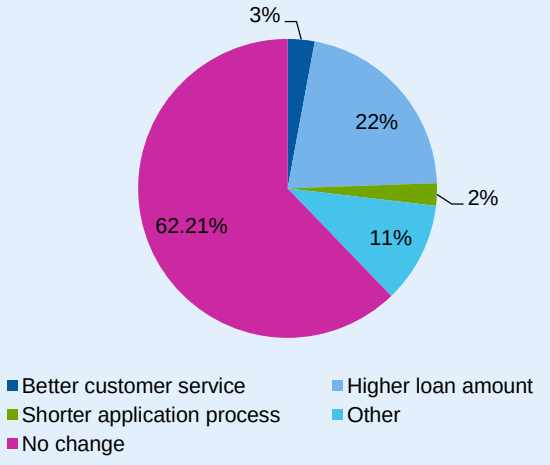
Sample= 3,056
Methodology: call center, face-to-face

Graph 2. Most liked feature



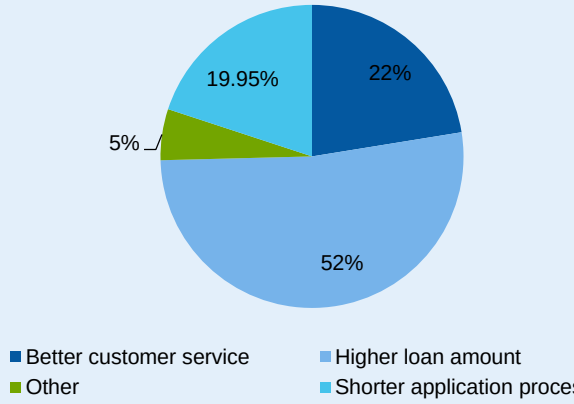
Sample = 1,537
Methodology: face-to-face

Graph 3. Most desired change



Sample= 3,056
Methodology: call center, face-to-face

Graph 4. Most desired change



Sample = 2,842
Methodology: IVR

B. APPROPRIATE PRODUCT DESIGN

Areas of higher levels of client satisfaction:

- Clients who used the loan for its original purpose reported to experience more benefits from the loan than those who did not use it for its original purpose.
- 64% of clients consider the loan to be large enough.
- 77% of clients consider the loan installment size as being appropriate.

Areas in need of further research:

- 11% of clients reported that their loan installment size is too small. This could be attributed to the fact that clients may associate smaller loan installments with a longer repayment period.

The first area of consumer protection analyzed is the appropriateness of product design.

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

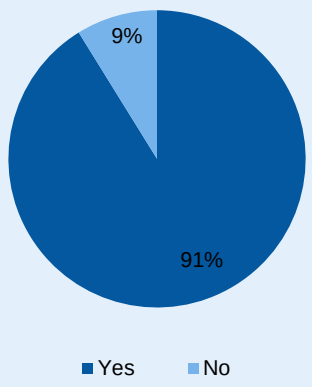
To assess this principle, we asked each client six questions to determine whether she thinks that her loan has had any significant impact on her business activity or has fulfilled needs in addition to the original loan purpose.

The four MFIs have a different approach to loan diversification as showed in the table on the right-hand side of this page.

	Income Generating Loan	Non-income Generating Loan
Cashpor	Business, Express	Sanitation, Energy, Women's empowerment, Emergency
Satin	Business	Not offered
Sonata	Business	Consumption
Ujjivan	Business, Agricultural	Consumption, Education, Housing, Emergency

The majority of clients reported having used their loan for the purpose they stated at the time of application (Graph 5), and to have benefitted from their loan, as can be seen in the table further below.

Graph 5. Clients using the loan for intended purpose



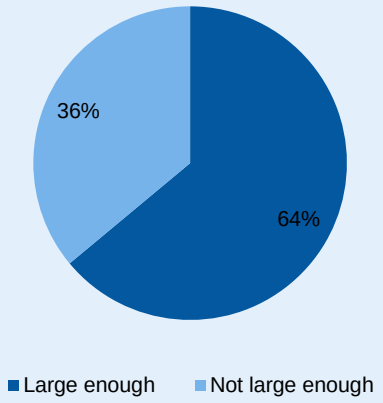
Sample: 4,382
Methodology: IVR, face-to-face

	Business	Education	Emergency	Repay another loan	Other	Total interviewed
Benefitted from loan	2,681 (95%)	38 (95%)	9 (81%)	15 (94%)	24 (17%)	2,767 (91%)
Did not benefit from the loan	64 (2%)	2 (5%)	2 (9%)	1 (6%)	114 (82%)	183 (6%)
Does not know if benefitted from loan	75 (3%)	0 (0%)	0 (0%)	0 (0%)	1 (1%)	77 (2.5%)
Total interviewed	2,820	40	11	16	139	3,026

The majority of respondents considered their loan size and installment payments to be appropriate (Graphs 6 and 7). Among those clients who answered their loan installment payments not to be adequate, 12% of them considered their installment amount to be too big while 11% reported it to be too small.

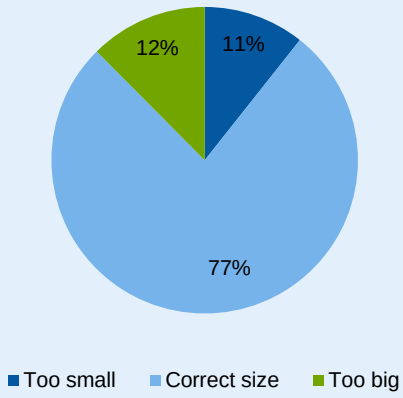
A loan installment that is perceived as being too big may represent a potential red flag that could possibly indicate a link to excess debt exposure, as explained in the next section on prevention of over-indebtedness. Conversely, a loan installment considered too small – a perception that was especially prevalent amongst those clients who replied via IVR – might be linked to the fact that clients associate smaller payments with a longer repayment period, which might potentially induce stress.

Graph 6. Loan size



Sample: 2,835
Methodology: IVR

Graph 7. Loan installment payments



Sample: 5,898
Methodology: IVR, call center, face-to-face

C. PREVENTION OF OVER-INDEBTEDNESS

Area of higher levels of client satisfaction:

- Clients who are satisfied with the MFIs are more likely to contact their loan officer in case of repayment problems.

Areas in need of further research:

- 13% of clients experienced problems with making timely loan repayments in the month prior to the interview.
- Clients who perceive the loan size to be too big are those reporting bigger repayment problems. Among clients who had a payment problem, 51% borrowed from another source and 43% either reduced or forewent meals altogether in order to repay their loans.

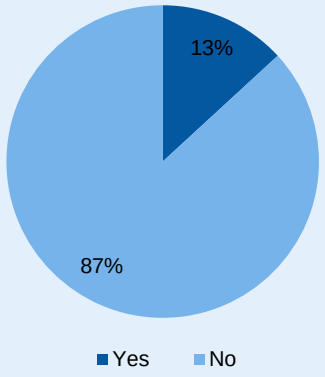
The second consumer protection principle analyzed is prevention of over-indebtedness.

Providers will take adequate care in all phases of their credit processes to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).

To assess this principle, we asked six questions to know whether clients have problems making loans on time, feel they can discuss repayment problems with their loan officer and had to borrow from another source or reduce meals in order to repay their loan in the month prior to the interview.

Despite the robust pre- and post-disbursement measures that these four MFIs put in place to prevent over-indebtedness, **more than one out of every ten clients had difficulty making timely loan repayments in the month prior to the interview** (Graph 8).

Graph 8. Clients having problems making loan payments on time



Sample: 5,787
Methodology: IVR, call center, face-to-face

No clear relationship emerged between loan installment size and repayment issues. As seen in the table below, the highest percentage of clients who experienced loan repayment issues were those who considered their loan installment size to be appropriate.

	Loan repayment problem	
Installment size	**Yes**	**No**
Too small	1.62%	8.93%
Correct size	6.81%	70.21%
Too big	4.73%	7.69%

Sample: 5,787

Despite the repayment issues reported by 13% of the clients sampled, the four MFIs exhibit lower portfolio-at-risk (PAR) and write-off ratios than the Indian median in fiscal year (FY) 2013.[7] It is therefore possible that clients across these four MFIs who experience repayment problems manage to get them resolved within thirty days. However, as for every indicator analyzed, we cannot conclusively state whether the sample of respondents is representative of the entire number of clients served by the four MFIs in terms of loan repayment and, therefore, cannot comment on the relationship between the sample and the portfolio quality of the MFIs.

[7] In MIX's definition, FY 2013 for Indian MFIs coincides with the period between April 1st, 2013 and March 30th, 2014.

Indicator (FY 2013)	Cashpor	Satin	Sonata	Ujjivan	India median
Gross Loan Portfolio (INR)	6,310,297,070	10,560,554,562	3,465,068,318	16,172,679,339	513,416,615
PAR30	0.03%	0.44%	0.19%	0.1%	0.53%
PAR90	0.01%	0.02%	0.12%	0.07%	0.48%
Write-off ratio	0.01%	0.41%	0.09%	0.08%	0.54%

Source: MIX Market

Only 45% of clients who experienced a payment problem in the month prior to their interview addressed it with their loan officer (Graph 9). Nevertheless, of the clients who did not experience any recent repayment problem, 76% of them reported that they would contact their loan officer should they experience a repayment problem in the future (Graph 10).

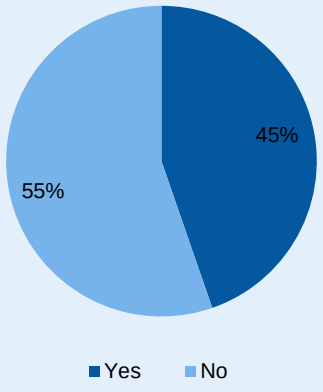
Among clients who replied that they would not contact their loan officer in case of a payment problem in the future, 45% of them replied that they did not know that it was an option; the remaining majority replied they would look for help within their group (Graph 11). When asked the reason why the clients chose not to contact their loan officer, the vast majority reported to have had their issue resolved with the support of their group members.

The analysis also shows that if a client experienced a repayment issue with the MFI, she is likely to borrow from external sources in order to repay the loan installment. In fact, among the 13% of clients who reported having had problems with making the loan payment on time, half of them borrowed from another source to repay the loan; in addition, 43% of this group either reduced or forewent meals. The data highlight the stress factor experienced by clients when facing issues with making the loan payment on time. Further research that draws on more detailed information on the characteristics of this group of clients could help understand their debt exposure in relation to their repayment capacity situation.

Taken independently of whether clients experienced problems with making timely loan payments, 16% responded having borrowed from another source to repay their loan with their MFI (Graph 12) and 10% responded to have either reduced the size of their meals or foregone meals altogether (Graph 13).

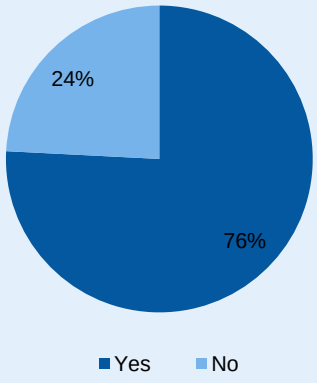
Finally, among the clients who did not experience repayment problems, 11% of them decided to still borrow from another source and 8% reduced or forewent meals.

Graph 9. Clients who contacted loan officer about payment problem



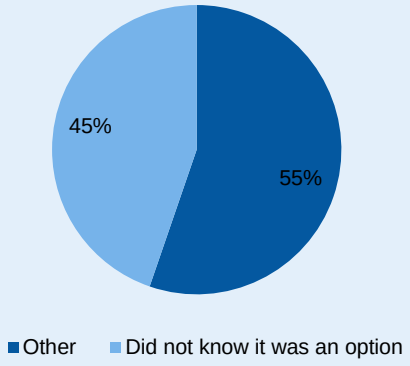
Sample: 763
Methodology: IVR, call center, face-to-face

Graph 10. Clients who would contact loan officer in case of future payment problems



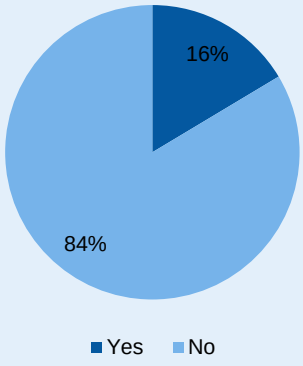
Sample: 5,134
Methodology:IVR, call center, face-to-face

Graph 11. Reason for not contacting loan officer about payment problems



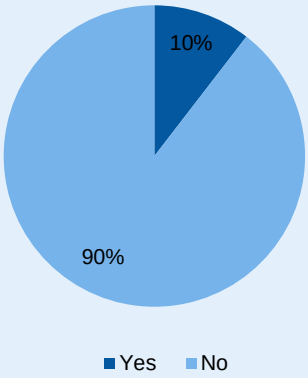
Sample: 463
Methodology: face-to-face

Graph 12. Clients who borrowed from another source to repay loan



Sample: 5,815
Methodology: IVR, call center, face-to-face

Graph 13. Clients forced to forego or reduce meals to make payments



Sample: 3,052
Methodology: call center, face-to-face

D. TRANSPARENCY

Area of higher levels of client satisfaction:

- The vast majority of clients reported being aware of the interest rate, loan processing fees, and insurance premium before taking up the loan.

The third consumer protection principle analyzed is transparency.

Providers will communicate clear, sufficient and timely information in a manner and language that clients can understand, so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

To assess this principle, we asked six questions to know whether clients expected to pay an amount that differed from that which was actually due.

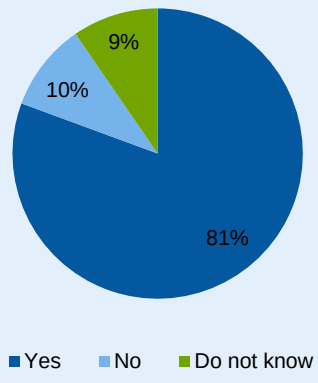
The table further below lists the price transparency index of all four MFIs as evaluated by MFTransparency (MFT), as well as the APR recorded at the time of MFT evaluation. It also lists the APR reported in the Certification Report of the three MFIs that are Smart certified.[8]

The vast majority of clients across the different methodologies reported having been aware of the repayment schedule, interest rate and processing fees before committing to taking on the loan (Graphs 14, 16 and 17). Nearly all of the clients also reported having been provided a loan repayment schedule during the disbursement session (Graph 15).

MFI	Age of MFT data	MFT Transparency Index	Full MFT APR	Age of Smart data	Smart Certified APR
Cashpor	October 2010	48%	27.9% - 28.1%	January 2013	24%
Satin	March 2013	81%	22.3 % - 32.3%	N/A	N/A
Sonata	January 2013	93%	26% - 30.7%	March 2015	24%
Ujjivan	December 2012	87%	23.3% - 34.9%	January 2013	24 - 25%

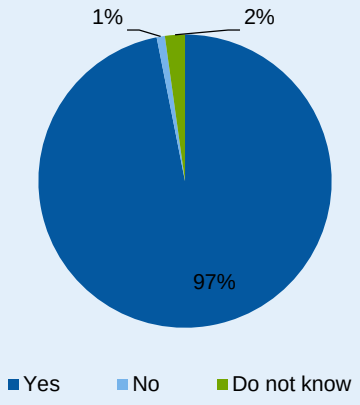
Source: MFTransparency and Smart Campaign

Graph 14. Clients aware of loan interest rates and provided repayment schedule before accepting loan



Sample: 2,842
Methodology: IVR

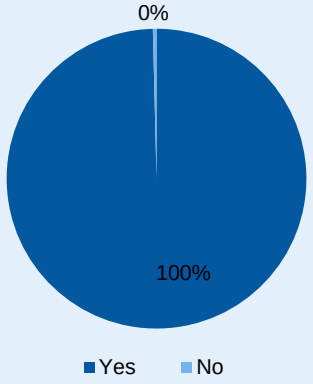
Graph 15. Clients receiving loan repayment schedule during disbursement



Sample: 1,544
Methodology: face-to-face

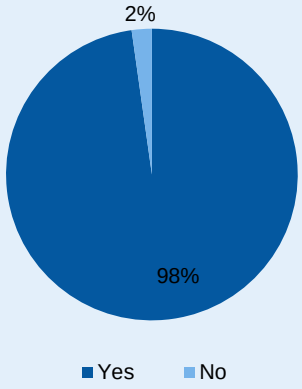
[7]We do not have enough information to know whether the Smart Campaign's interest rate calculation corresponds with MFTransparency's methodology.

Graph 16. Clients aware of loan interest rate before accepting loan



Sample: 3,056
Methodology: call center, face-to-face

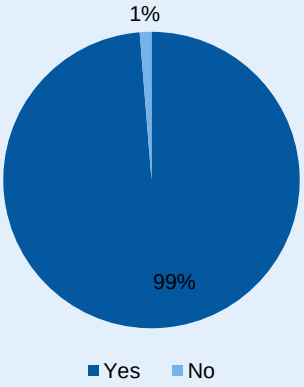
Graph 17. Clients aware of loan processing fees before accepting loan



Sample: 3,056
Methodology: call center, face-to-face

All four MFIs reported to MIX that they require clients to take on some type of compulsory insurance. With the exception of 1% of respondents, all clients reported to have been made aware of the insurance premium before accepting the loan (Graph 18).

Graph 18. Clients aware of loan insurance premium before accepting loan



Sample: 3,056
Methodology: call center, face-to-face

Finally, when clients were asked whether in the month prior to the interview they were required to pay an amount that was different than what they understood to be due, 0.69% considered this to be the case.

E. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Areas of higher levels of client satisfaction:

- The vast majority of clients reported having a good relationship with their loan officer.

Areas in need of further research:

- 4% of clients experienced intimidation or mistreatment by their loan officer and 3% have been asked for a commission in return for a quick favour - two situations that often go hand-in-hand.
- Clients who rated loan officers less favorably are those who also reported having being intimidated.

The fourth consumer protection principle analyzed is fair and respectful treatment of clients.

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their loan officer, particularly during the loan sales and debt collection processes.

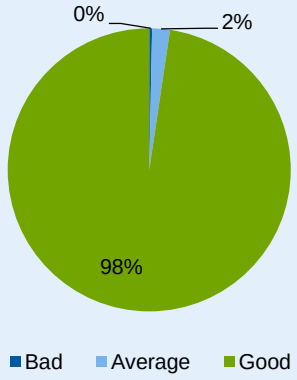
To assess this principle, we asked five questions to know whether clients have faced any situation wherein a loan officer mistreated, intimidated or behaved disrespectfully towards them.

The high standards of professional conduct adopted by the MFIs have proven to be effective in the vast majority of cases. Indeed, all except 2% of clients reported to be satisfied with the interactions with their loan officer (Graph 19), which, as the analysis suggests, is a strong indication of the satisfaction with the MFIs.

Despite the overwhelmingly positive ratings, **4.4% of the total sample reported having experienced some form of intimidation or mistreatment by their loan officer** (Graph 20) and 3% reported to have been requested to pay a commission (Graph 21).

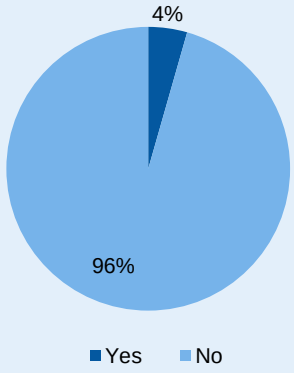
These cases were mostly reported by those clients who were interviewed via IVR, as perhaps they felt more comfortable answering sensitive questions via this tool than when interviewed face-to-face or via a call center. It is interesting to note that out of the clients who reported having been intimidated or mistreated, 64% surprisingly rated their relationship with their loan officer as 'good'; while only 21% of them rated it as 'bad' and the remaining 15% as 'average'.

Graph 19. Client ratings of interaction with loan officer



Sample:3,056
Methodology: call center, face-to-face

Graph 20. Clients intimidated or mistreated by loan officer

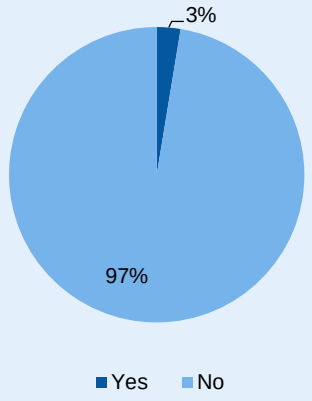


Sample: 5,898
Methodology: IVR, call center, face-to-face

The table on the right-hand side illustrates that the number of cases in which clients have been both intimidated and asked to pay a commission represents only approximately 1% of the total sample.

Finally, nearly every client from the four sampled MFIs reported that **their loan officer provided a receipt for each payment made.**

Graph 21. Clients whose loan officer required a commission in return for a favor



Sample:5,989
Methodology: IVR, call center, face-to-face

	Subjected to intimidation	
Commission demanded	**Yes**	**No**
Yes	1.19%	1.41%
No	3.24%	94.17%

Sample: 5,898

F. MECHANISMS FOR COMPLAINT RESOLUTION

Area of higher levels of client satisfaction:

- 73% of clients reported having received a prompt answer to their complaint

Area in need of further research:

- 12% of clients are not aware of what are the formal channels to submit a complaint.

The fifth and last client protection principle analyzed is mechanisms for complaint resolution.

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

To assess this principle, seven questions were asked to know whether clients are aware of the existence of complaint mechanisms within their MFI and whether they have ever used them.

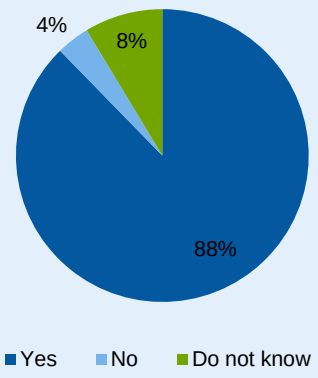
The vast majority of clients reported being aware of the existence of at least one type of complaint mechanism (Graph 22), but **more than one out of ten did not know what formal channels are in place**. Indeed, among clients who replied to both questions – whether they know if there is a way to make a formal complaint, and if so, what options are available – 12% knew that a complaints procedure exists but were unable to identify any of the channels (Graph 23).

As shown in the table below, the hotline was the channel that was mentioned by most clients, followed by the customer care representative, the loan officer, and the complaint box.

Complaint mechanisms	Clients who reported specific complaints mechanism as being a formal channel
Hotline	62.33%
Customer care representative at branch	32.15%
Loan officer	24.37%
Complaint box	2.65%

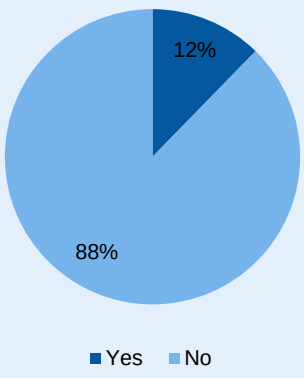
Sample = 2,790

Graph 22. Clients who are aware that a complaint mechanism is available



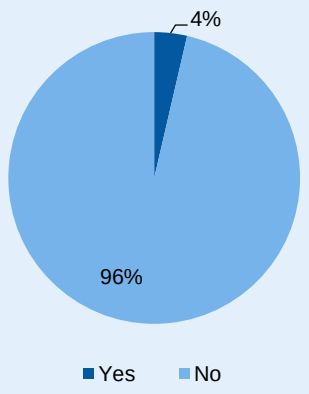
Sample: 3,056
Methodology: call center, face-to-face

Graph 23. Clients who do not know what options are available for making a formal complaint



Sample: 1,528
Methodology: call center, face-to-face

Graph 24. Clients who submitted a complaint



Sample: 3,888
Methodology: IVR, call center, face-to-face

It is interesting to note that one third of clients who reported been asked to pay a commission or to have been intimated by a loan officer have used at least one of the complaints mechanisms available, although we do not know whether such mechanisms were used to complain about the misconduct. However, the remaining clients who were asked to pay a commission or were mistreated never submitted an official complaint.

Four percent of the total sample submitted a complaint (Graph 24). Of the complaints submitted, approximately 75% were addressed promptly, 15% were addressed with a delay, and 14% had not yet been addressed as of the time of the survey.

CONCLUSION AND RECOMMENDATIONS

The analysis shows a generally high level of customer satisfaction with the MFIs and the results gathered are overall very positive. However, we found a few areas of weakness and opportunity that may be considered for further investigation.

In light of these findings, MIX's recommendations are three-fold:

1. Run a second analysis with a larger sample size drawn from a greater number of branches across the different districts where the MFIs operate;

2. Incorporate client characteristics – such as location, loan size, interest rate, loan cycle, and poverty profile – into future iterations of the project to dig deeper into the findings and gain a better understanding of the MFIs' performance at the branch levels and based on clients' profile; and

3. Consider integrating the IVR data collection system into the MFIs' operations as a way to proactively gather client feedback in an efficient and timely manner.

On the second point, one of the goals of MIX's analysis was to compare the data collected with data on each MFI's client profiles. Unfortunately, we could not trace client characteristics for this pilot, but we plan to do so in future rounds of analysis.

Based on the results obtained, we also recommend modifying the questionnaire for future data collection in order to focus more on those areas that appear more "problematic," in particular: (a) reasons behind difficulties in timely repayment of loans, (b) linkage between loan repayment issues and multiple borrowing, (c) ethical misconduct of loan officers, and (d) awareness of complaint channels in place.

To make the survey more cost-efficient, we recommend testing a larger sample of clients via IVR and adding a few indicators about client living conditions in order to strengthen the analysis with information related to client socio-economic status.

These findings represent the first attempt in the Indian and global markets to establish a series of indicators related to customer satisfaction that can be compared across institutions, as well as be used by MFIs for their own market research and product development purposes.

We thank Cashpor, Satin, Sonata and Ujjivan for their collaboration, and we look forward to the opportunity to engage with them in the future. We also encourage MFIs across different geographies to join the Voice of the Client initiative to improve their knowledge of their clients' needs as well as those of the market in which they operate.

AUTHORS

Armonia Pierantozzi & Micol Pistelli

Micol Pistelli – is the Director of the Social Performance Program at MIX

Armonia Pierantozzi – is Senior Social Performance Analyst at MIX

For any queries about this publication please contact Micol Pistelli at mpistelli@themix.org.

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ANNEX I: METHODOLOGY

The findings of the analysis come from a sample of 5,898 women clients of the Districts of Varanasi, Mirzapur, Lucknow, Sitapur, Delhi, Gaziabad, Hapur, and Mathura.

The sample was distributed as follows:

- 1,512 clients were interviewed by call center
- 1,544 clients were interviewed face-to-face
- 2,842 clients were interviewed through Interactive Voice Response (IVR)

In the case of IVR, 14,106 phone cards were distributed to clients across all four MFIs to call the toll-free number that would allow them to participate in the call. Twenty percent of clients receiving the cards called the number and took part in the survey.

For every indicator analyzed, we do not know whether the sample of clients interviewed is representative of the entire number of clients served by the four MFIs of the pilot.

The analysis produced seeks to establish a correlation between the different indicators collected in order to assess the robustness of the data collected. The statistical analysis uses the Phi correlation coefficient for dichotomous variables, the Spearman's rho correlation coefficient for ordinal variables and Cramer's V across all other combinations (nominal on one side, nominal, dichotomous or ordinal on the other). We classify the various levels of correlation and association as follows:

- Coefficient of less than 0.10 = "no relationship"
- Coefficient from 0.10 to 0.19 = "weak relationship"
- Coefficient from 0.20 to 0.29 = "moderate relationship"
- Coefficient from 0.30 to 0.39 = "moderately strong relationship"
- Coefficient equal to or greater than 0.40 = "strong relationship"

Besides the descriptive analysis conducted based on the observation of the Graphs, the article only takes into account relations among variables whose correlation or association is equal to or greater than 0.20.

ANNEX II: QUESTIONNAIRE

MIX worked with the Smart Campaign's Task Force to identify the most relevant questions to ask clients. Following the framework of the Smart Campaign's Principles, we decided to focus on five out of the seven principles of the Smart Campaign. Below is a summary of the client protection principles that were chosen for this investigation.

CLIENT PROTECTION PRINCIPLE	PURPOSE OF DATA COLLECTION
APPROPRIATE PRODUCT DESIGN	• Know whether clients perceive their loan to have any significant impact on their business activity or to fulfill other needs
PREVENTION OF OVER-INDEBTEDNESS	• Know whether clients think that the installment size of each loan is adequate relative to their repayment capacity • Know whether clients feel comfortable discussing repayment problems with their loan officer • Know whether clients have borrowed from additional sources in order to repay a loan in the past month
TRANSPARENCY	• Know whether clients had to repay an amount that was different from the amount they had expected
FAIR AND RESPECTFUL TREATMENT OF CLIENTS	• Know whether clients have faced any situation in which their loan officer ever mistreated, intimidated or behaved disrespectfully toward them
MECHANISM FOR COMPLAINT RESOLUTION	• Know whether clients are aware of the existence of a mechanism to express complaints within their MFI and if they have ever used it

For each area of client protection, clients were asked a set of questions using the three methodologies of IVR, call center, and face-to-face interviews. Each client was interviewed only once and using a single methodology.

A total of 33 questions have been analyzed, 30 of which are related to CPPs and three of which help to gauge general customer satisfaction. The questions were distributed as follows:

- Eleven questions overlap across all three methodologies and were chosen as a basis to compare the methodologies and to generate a bigger sample for analysis.
- Sixteen questions overlap across two methodologies, most often of which were face-to-face interviews and call centers, and are less generic or straightforward.
- Six questions were asked using only one methodology, mainly during face-to-face interviews, and were designed to acquire more detailed information; in the case of IVR, these were more generic types of questions.

The table below lists the questions that were assessed and the methodology used.

Areas of investigation	Questions	Methodology
GENERAL CUSTOMER SATISFACTION	1. Overall, how satisfied are you with your MFI?	Call center and face to face
	2. What do you like about your MFI's products and services?	Face-to-face
	3. What would you most like to see changed at your MFI?	IVR, call center and face-to-face
APPROPRIATE PRODUCT DESIGN	4. How are you using the money you borrowed from MFI?	IVR, call center and face-to-face
	5. Has your loan been beneficial to you for solving the need that you took the loan out for?	Call center and face-to-face
	6. (If answered 'no' to question 5) Why didn't the loan meet your needs?	Call center and face-to-face
	7. Are you using your loan for the purpose you stated at the time of application?	IVR and face-to-face
	8. How do you feel about the size of your loan?	IVR
	9. How do you feel about the size of your loan installment payments?	IVR, call center and face-to-face
PREVENTION OF OVER-INDEBTEDNESS	10. In the last month, have you had problems making your loan payments on time?	IVR, call center and face-to-face
	11. (If answered 'yes' to question 10) Did you speak to your loan officer about your repayment problem?	IVR, call center and face-to-face
	12. (If answered 'no' or 'yet to start' to question 10) If you have problems in making a payment in the future, will you speak to your loan officer?	IVR, call center and face-to-face
	13. (if answered 'no' to question 12) Why do you prefer not to discuss payment problems with the loan officer?	Face-to-face
	14. In the last month, did you borrow money from another source to make loan payments to your MFI?	IVR, call center and face-to-face
	15. In the last month, did you forego or reduce meals to make payments to MFI?	Call center and face-to-face
TRANSPARENCY	16. Were you informed about your loan's interest rates and provided a repayment schedule before you accepted the loan?	IVR
	17. Were you provided with a loan repayment schedule during disbursement?	Face-to-face
	18. Were you made aware of the interest rate on your loan before accepting it?	Call center and face-to-face
	19. Were you made aware of the processing fees for your loan before accepting it?	Call center and face-to-face
	20. Were you made aware of the insurance premium for your loan before accepting it?	Call center and face-to-face
	21. In the last month, have you been asked to pay a different amount than what was due?	Call center and face-to-face
FAIR AND RESPECTFUL	22. Overall how would you rate your interactions with your loan officer?	Call center and face-to-face

TREATMENT OF CLIENTS	23. (If answered 'bad' to previous question) Why have your interactions been bad?	Call center and face-to-face
	24. Has your loan officer ever intimidated or disrespected you?	IVR, call center and face-to-face
	25. Has your loan officer ever required a commission in return for a quick service?	IVR, call center and face-to-face
	26. Has your loan officer ever taken money from you without providing a receipt?	Call center and face-to-face
MECHANISM FOR COMPLAINT RESOLUTION	27. If you have a problem with your MFI, is there a way for you to make a formal complaint?	Call center and face-to-face
	28. (If answered 'yes' to question 27) What complaints mechanisms are available?	Call center and face-to-face
	29. (If answered 'yes' to question 27) Have you ever made a complaint to your MFI?	IVR, call center and face-to-face
	30. (If answered 'yes' to question 29) How did you submit your last complaint?	Call center and face-to-face
	31. (If answered 'yes' to question 29) What was the last complaint you made regarding?	Face-to-face
	32. (If answered 'yes' to question 29) How long did it take for the complaint to be resolved?	IVR, call center and face-to-face
	33. (If answered 'yes' to question 29) How would you rate your MFIs' response to your complaint?	Call center and face-to-face

ANNEX III: FINDINGS BY METHODOLOGY

1. GENERAL CUSTOMER SATISFACTION

Question 1: Overall, how satisfied are you with your MFI?

	Call center				Face-to-face			
	Satisfied	Neutral	Not satisfied	Total interviewed	Satisfied	Neutral	Not satisfied	Total interviewed
Sample	99.21%	0.2%	0.6%	1,512	95.4%	4.47%	0.13%	1,544

Question 3: What would you most like to see change at your MFI?

	Call center						Face-to-face					
	Better customer service	Higher loan amount	Shorter application process	No change	Other	Total interviewed	Better customer service	Higher loan amount	Shorter application process	No change	Other	Total interviewed
Sample	5.56%	15.15%	2.38%	65.41%	11.51%	1,512	0.32%	27.7%	2.46%	59.07%	10.36%	1,544

2. APPROPRIATE PRODUCT DESIGN

Question 5: Has your loan been beneficial to you for solving the need for which you took it out?

	Call center				Face-to-face			
	Benefitting from business loan	Not benefitting from business loan	Does not know	Total interviewed	Benefitting from business loan	Not benefitting from business loan	Does not know	Total interviewed
Sample	95.6%	1.28%	3.12%	1,409	94.54%	3.26%	2.2%	1,411

Question 7: Are you using your loan for the purpose you stated at the time of application?

	IVR			Face-to-face		
	Using loan for intended purpose	Not using loan for intended purpose	Total interviewed	Using loan for intended purpose	Not using loan for intended purpose	Total interviewed
Sample	87.51%	12.49%	2,842	97.92%	2.08%	1,540

Question 9: How do you feel about the size of your loan installment payments?

	IVR				Call center				Face-to-face			
	Too small	Correct size	Too big	Total interviewed	Too small	Correct size	Too big	Total interviewed	Too small	Correct size	Too big	Total interviewed
Sample	18.16%	59.71%	22.13%	2,842	3.44%	92.06%	4.5%	1,512	3.95%	93.65%	2.4%	1,544

3. PREVENTION OF OVER-INDEBTEDNESS

Question 10: In the last month, have you had problems making your loan payments on time?

	IVR			Call center			Face-to-face		
	Problems with repayment	No problems with repayment	Total interviewed	Problems with repayment	No problems with repayment	Total interviewed	Problems with repayment	No problems with repayment	Total interviewed
Sample	19.08%	80.92%	2,736	5.56%	94.44%	1,510	10.12%	89.88%	1,541

Question 11: If you had problems making you loan payments on time in the last month, did you speak to your loan officer about your repayment problem?

	IVR			Call center			Face-to-face		
	Contacted loan officer	Did not contact loan officer	Total interviewed	Contacted loan officer	Did not contact loan officer	Total interviewed	Contacted loan officer	Did not contact loan officer	Total interviewed
Sample	39.46%	60.54%	522	34.12%	65.88%	85	67.95%	32.05%	156

Question 12: If you did not have problems making the loan payments on time in the last month, but should you have problems in making a payment in the future, would you speak to your loan officer?

	IVR			Call center			Face-to-face		
	Would contact loan officer	Would not contact loan officer	Total interviewed	Would contact loan officer	Would not contact loan officer	Total interviewed	Would contact loan officer	Would not contact loan officer	Total interviewed
Sample	68.66%	31.34%	2,320	91.47%	8.53%	1,430	71.6%	28.4%	1,384

Question 14: In the last month, did you borrow money from another source to make loan payments to your MFI?

	IVR			Call center			Face–to-face		
	Borrowed from another source	Did not borrow from another source	Total interviewed	Borrowed from another source	Did not borrow from another source	Total interviewed	Borrowed from another source	Did not borrow from another source	Total interviewed
Sample	20.12%	79.88%	2,769	9.1%	90.9%	1,505	16.87%	83.13%	1,541

Question 15: In the last month, did you forego or reduce meals to make payments to your MFI?

	Call center			Face-to-face		
	Eliminated or reduced meals	Did not eliminate or reduced meals	Total interviewed	Eliminated or reduced meals	Did not eliminate or reduced meals	Total interviewed
Sample	11.46%	88.54%	1,510	9.47%	90.53%	1,542

4. TRANSPARENCY

Question 18: Were you made aware of the interest rate on your loan before accepting it?

	Call center			Face-to-face		
	Aware of loan interest rate	Not aware of loan interest rate	Total interviewed	Aware of loan interest rate	Not aware of loan interest rate	Total interviewed
Sample	99.4%	0.6%	1,512	99.81%	0.19%	1,544

Question 19: Were you made aware of the processing fees for your loan before accepting it?

	Call center			Face-to-face		
	Aware of processing fee	Not aware of processing fee	Total interviewed	Aware of processing fee	Not aware of processing fee	Total interviewed
Sample	96.49%	3.51%	1,512	99.03%	0.97%	1,544

Question 20: Were you made aware of the insurance premium on your loan before accepting it?

	Call center			Face-to-face		
	Aware of insurance premium	Not aware of insurance premium	Total interviewed	Aware of insurance premium	Not aware of insurance premium	Total interviewed
Sample	98.28%	1.72%	1,512	99.16%	0.84%	1,544

Question 21: In the last month, have you been asked to pay a different amount than what was due?

	Call center			Face-to-face		
	Paid different amount	Paid correct amount	Total interviewed	Paid different amount	Paid correct amount	Total interviewed
Sample	0.53%	99.47%	1,509	0.84%	99.16%	1,541

5. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Question 22: Overall, how would you rate your interactions with your loan officer?

	Call center				Face-to-face			
	Bad	Average	Good	Total interviewed	Bad	Average	Good	Total interviewed
Sample	0.4%	1.46%	98.15%	1,512	0.26%	2.59%	97.15%	1,544

Question 24: Has your loan officer ever intimidated or disrespected you?

	IVR			Call center			Face-to-face		
	Intimidation received	Intimidation not received	Total interviewed	Intimidation received	Intimidation not received	Total interviewed	Intimidation received	Intimidation not received	Total interviewed
Sample	8.69%	91.31%	2,842	0.73%	99.27%	1,512	0.19%	99.81%	1,544

Question 25: Has your loan officer ever required a commission in return for a quick service?

	IVR			Call center			Face-to-face		
	Commission required	Commission not required	Total interviewed	Commission required	Commission not required	Total interviewed	Commission required	Commission not required	Total interviewed
Sample	5.21%	94.79%	2,842	0.26%	99.74%	1,512	0.06%	99.94%	1,544

Question 26: Has your loan officer ever taken money from you without providing a receipt?

	Call center			Face-to-face		
	Receipt provided	Receipt not provided	Total interviewed	Receipt provided	Receipt not provided	Total interviewed
Sample	99.47%	0.53%	1,512	100%	0%	1,544

6. MECHANISMS FOR COMPLAINT RESOLUTION

Question 27: If you have a problem with your MFI, is there a way for you to make a formal complaint?

	Call center				Face-to-face			
	Reports that there is a complaint mechanism	Reports that there is not a complaint mechanism	Don't know if there is a complaint mechanism	Total interviewed	Reports that there is a complaint mechanism	Reports that there is not a complaint mechanism	Don't know if there is a complaint mechanism	Total interviewed
Sample	82.64%	2.78%	14,57%	1,544	92.86%	4.56%	2.58%	1,512

Question 28: If there is a way to make a formal complaint, what complaint mechanisms are available?

	Call center			Face-to-face		
	Hotline is an option	Hotline is not an option	Total interviewed	Hotline is an option	Hotline is not an option	Total interviewed
Sample	71.3%	28.7%	1,512	51.72%	48.28%	1,278

	Call center			Face-to-face		
	Complaint box is an option	Complaint is not an option	Total interviewed	Complaint box is an option	Complaint is not an option	Total interviewed
Sample	3.84%	96.16%	1,512	1.25%	98.75%	1,278

	Call center			Face-to-face		
	Customer care is an option	Customer care is not an option	Total interviewed	Customer care is an option	Customer care is not an option	Total interviewed
Sample	11.77%	88.23%	1,512	56.26%	43.74%	1,278

	Call center			Face-to-face		
	Loan officer is an option	Loan officer is not an option	Total interviewed	Loan officer is an option	Loan officer is not an option	Total interviewed
Sample	25.2%	74.8%	1,512	23.4%	76.6%	1,278

	Call center			Face-to-face		
	Knows options	Doesn't know options	Total interviewed	Knows options	Doesn't know options	Total interviewed
Sample	88.62%	11.38%	1,512	100%	0%	16

Question 29: Have you ever made a complaint to your MFI?

	IVR			Call center			Face-to-face		
	Made complaint	Did not make complaint	Total interviewed	Made complaint	Did not make complaint	Total interviewed	Made complaint	Did not make complaint	Total interviewed
Sample	10.36%	89.64%	1,052	1.06%	98.94%	1,512	1.21%	98.79%	1,324

ANNEX IV: KEY INDICATORS

Indicator (FY 2013)	Cashpor	Satin	Sonata	Ujjivan	India (median)
Gross Loan Portfolio (INR)	6,310,297,070	10,560,554,562	3,465,068,318	16,172,679,339	513,416,615
PAR30	0.03%	0.44%	0.19%	0.1%	0.28%
PAR90	0.01%	0.02%	0.12%	0.07%	0.19%
Write-off ratio	0.01%	0.41%	0.09%	0.08%	0.03%
Average outstanding balance (INR)	9,517.62	13,200.23	12,180.02	12,333.27	9,234.69
Average loan balance per female borrower (INR)	9,625.8557	12,934.7046	12,362.5724	12,460.3734	9,430.27435
Average loan balance per borrower / GNI per capita	10.82%	14.83%	13.89%	14.01%	10.82%
Number of loans outstanding	663,012	800,028	284,488	1,311,305	62,360
Microenterprise loans	98.76%	100%	100%	73.17%	100%
Solidarity group (methodology)	100%	93.76%	96.82%	97.84%	100%
Number of active borrowers	655,557	800,028	280,287	1,297,131	62,360
Female borrowers	100%	93.76%	100%	99.95%	100%
Rural borrowers	86.86%	93.76%	74.08%	0%	73.39%
Borrowers per loan officer	426	594	384	528	483
Loans per loan officer	431	594	390	533	490
Personnel allocation ratio	67.13%	68.79%	65.44%	52.69%	59.42%
Operating expense/ loan portfolio	8.83%	7.33%	7.78%	8.88%	10.38%
Personnel expense/ loan portfolio	7.1%	3.07%	5.26%	5.99%	6.37%
Average salary/ GNI per capita	2.35	1.58	1.49	2.22	1.71
Cost per loan (INR)	800.3321	890.1232	837.661	1,041.58	846.10435

Return on assets	3.27%	1.67%	2.32%	3.5%	2.06%
Return on equity	37.83%	11.77%	8.77%	15.66%	11.06%
Operational self sufficiency	1.17	1.14	1.23	1.31	1.15

Source: MIX Market

info@themix.org

2020 Pennsylvania Avenue NW #353
Washington, DC 20006 USA

www.themix.org