

# FINCA Azerbaijan: Transforming clients' complaints into loyalty for life<sup>1</sup>



FINCA®



## BACKGROUND

This FINCA Azerbaijan, LLC, is a non-bank credit organization operating under limited license from the Central Bank of Azerbaijan that provides micro-credit to clients across Azerbaijan.

Since its launch in 1998, FINCA Azerbaijan has become the leading non-bank credit organization in Azerbaijan, serving more than 60 regions of the country with more than 150,000 active clients.

FINCA Azerbaijan shares in the common mission of FINCA International<sup>2</sup>, which is to provide financial services to the lowest-income entrepreneurs so they can create jobs, build assets and improve their living standards. FINCA Azerbaijan aims to be the institution that micro-entrepreneurs and small business owners turn to with their financial service needs. In order to be known and respected throughout the country, FINCA envisions becoming a permanent, sustainable financial institution with a nation-wide branch network.

FINCA is committed to providing the best possible service to clients to enable them to build successful businesses, while at the same time ensuring they are protected from unnecessary risk.

“Our passion is to offer clients the best service and most suitable products. Our responsibility is to serve micro- and small businesses that lack access to conventional finance, especially those in more remote areas. We consistently strive to reduce our costs, and service our clients' needs promptly, transparently and in a friendly way,” says Manish Sane, CEO/Country Director of FINCA Azerbaijan.

The largest MFI in the country, FINCA Azerbaijan currently<sup>3</sup> serves more than 152,004 clients (31%

women of December 2013) through 65 branches throughout the country (see **Table 1** for key performance indicators).

FINCA offers loan products as group loans, individual loans, and rural and urban loans. Its target clients are those involved in trade, service, production or agricultural activities in rural and urban areas.

This case study has been written with a specific audience in mind: microfinance providers who seek to improve their practice in relation to specific standards of the Universal Standards for Social Performance Management (Universal Standards).<sup>4</sup> This case study provides a practical overview of the process of developing and implementing Client Complaints Handling Mechanism of FINCA Azerbaijan. The case also provides recommendations on improving the effectiveness of the client complaints handling mechanism in relation to the Universal Standards, and some general lessons for practitioners.

**Table 1: Key performance indicators**

Area/year	2010	2011	2012	2013
Clients (K)	97.8	119.8	136.9	152.8
Loan portfolio (\$K)	82,007	114,745	149,620	210,869
PAR% (<30 days)	0.2%	0.2%	0.2%	0.25%
Women clients	34%	32%	32%	30.5%
Rural clients (%)	N/A	59.2%	58.5%	61.8%
Staff (total)	765	811	924	1,178
Staff turnover	14%	14%	19%	11.9%

### Box 3: The Social Performance Fund

The Social Performance (SP) Fund for Networks<sup>5</sup> is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

<sup>1</sup> Written by Sevda Huseynova (AMFA) with input from Zaur Nurmammadov (FINCA Azerbaijan), Kinga Dabrowska (MFC), and peer reviewed by Alexandra Rizzi (Smart Campaign). For more information about AMFA's work, visit [www.amfa.az](http://www.amfa.az)

<sup>2</sup> FINCA International is a global network active across 22 countries

<sup>3</sup> As of December 2013

<sup>4</sup> The Universal Standards are management standards and practices for all MFIs pursuing a double bottom line. [www.sptf.info/spmstandards/universal-standards](http://www.sptf.info/spmstandards/universal-standards)

<sup>5</sup> More information can be found at [www.mfc.org.pl/en/content/social-performance-fund](http://www.mfc.org.pl/en/content/social-performance-fund)

OVERVIEW

FINCA Azerbaijan's client complaint handling mechanism allows the organization to collect, respond and resolve customers' problems in a timely manner. This system, inherited from FINCA International, has been in place since FINCA Azerbaijan began its operations, and has been subject to continuous improvements.

FINCA Azerbaijan has a written policy for Client Service Standards, which includes clear guidelines for staff that customer complaints should be taken seriously, fully investigated and resolved in a timely manner without bias. The policy describes the importance of customer complaints, steps for complaint investigation, review and decision-making, as well as timeframes for resolution. This system has dedicated staff resources, including Client Service Representatives and several channels to submit complaints or suggestions: a hotline, a suggestion and complaints book, suggestion and complaints boxes, and email. The policy describes the reporting system as well as which staff should be trained in its use, and how.

FINCA Azerbaijan sees its focus on client complaints as essential within the context of its outreach to poor and low-income clients. These vulnerable segments of society are often reluctant to complain out of fear of losing their benefits. Within Azerbaijan, this fear is reinforced by government agencies that pay less

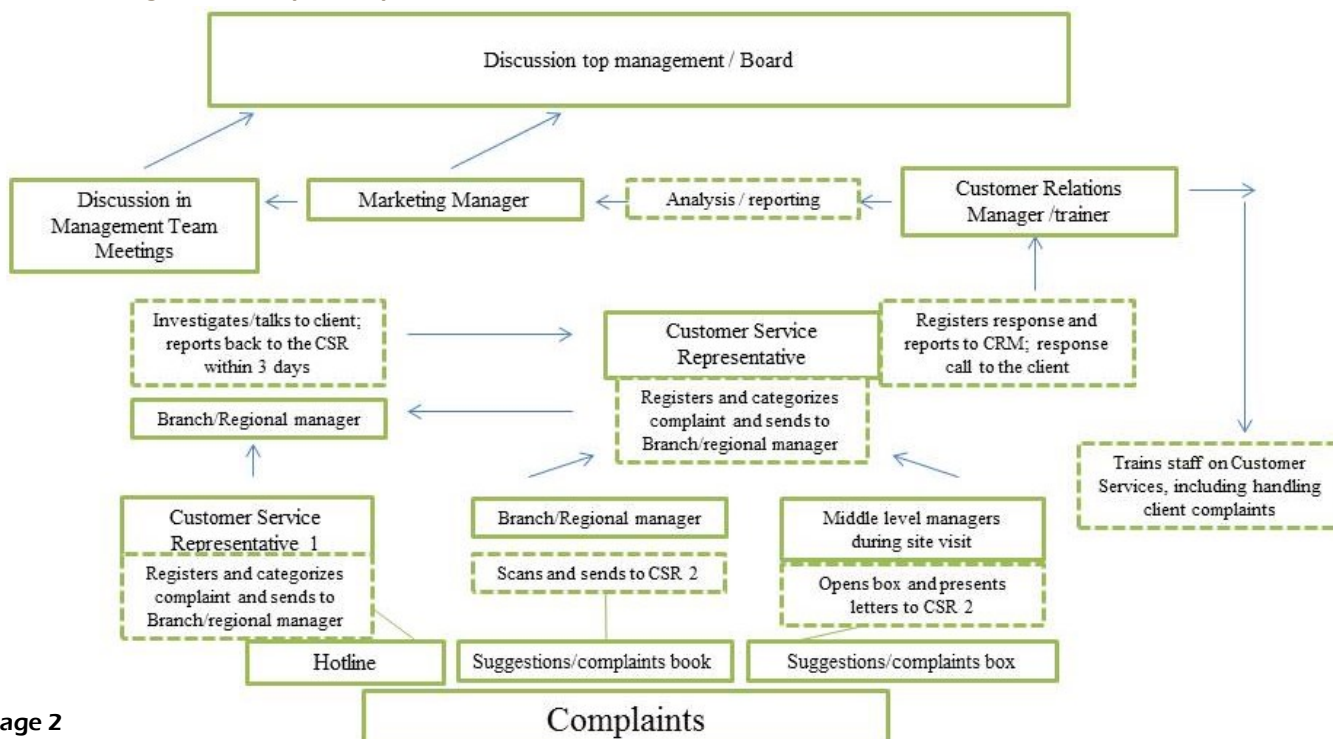
attention to the voice of poor people on the issues that affect them.

For FINCA Azerbaijan, a client complaint mechanism is important for several reasons:

- **Promoting pro-client values:** FINCA puts client service (treating clients fairly and transparently, listening to clients' needs, fraud prevention, etc.) at the center of its work. Its client complaint mechanism allows the organization to promote its values and integrate them into operations.
- **Achieving client loyalty through treating clients with dignity:** Loyal clients mean maintaining portfolio quality and less investment in attracting new clients, thus lowering risk — which is important given the competitive nature of the national sector. Loyalty stems from clients knowing that their complaints will be taken seriously and resolved quickly.
- **Improving products and services:** Knowing what isn't working helps FINCA Azerbaijan improve its product and service offering.
- **Preventing fraud:** Complaints help the institution to define potential and actual cases of fraud before they cause serious harm.

*“Complaints mean client loyalty. Clients won't care about your company if they feel their voice won't be heard.” -Zaur Nurmammadov, Head of Marketing Department*

Figure 1: Complaints process flow



## SYSTEM DESCRIPTION

The Marketing Department is directly responsible for FINCA Azerbaijan's client complaint mechanism. Dedicated staff collect, process, investigate, and analyze client complaints. There are three client services representatives (CSR), one of whom oversees the hotline (call center). Another two handle written complaints from the complaints/suggestions box, book and written letters. Processed complaints are submitted to the Client Relations Management officer, who reports to the Head of the Marketing Department. Analyzed reports are discussed in monthly branch manager and management team meetings (see **Figure 1** for the process flow).

### Developing the client complaint handling mechanism

#### *Using internal and external sources to analyze the system*

Early on, the Marketing Department recognized some staff misunderstanding, and gaps in the reporting system. Based on this, FINCA Azerbaijan worked with FINCA Eurasia<sup>6</sup> to update the Client Service Standards manual in 2013. Following this, FINCA trained all staff on its Client Service Standards, including client complaint handling.

FINCA also hired a company to conduct "mystery shopping" in its branches, revealing areas for improvement in client service quality.

#### *Improving the client complaint handling mechanism*

Recently, FINCA has made a number of improvements to its complaints mechanism. These include: 1) helping staff have a different attitude toward complaints 2) improving communication to clients about complaints procedures 3) launching a complaints hotline, and 3) creating new complaints report formats that facilitate decision-making. As an indication of the success of these changes (especially encouraging staff to solicit clients' opinions), there was 77.6% increase in number of complaints, suggestions and feedback received in the year leading up to November 2013.

In regards of improving staff's attitude to complaints, FINCA Azerbaijan's Marketing Department Head used regular monthly meetings and trainings to increase branch manager and staff commitment to valuing each client complaint. "We are all client defenders now. In the past the operations and CRM didn't see eye to eye, especially when the marketing department was trying to convince and train branch staff on handling complaints at the same time as it was investigating reasons for the complaints," explains Zaur Nurmammadov, Marketing Manager.

**Table 2: Level of effort required to maintain the system**

Position	Role in brief	Time
Marketing Manager	Developing strategy for improvements, reviewing analysed reports, working with branches to train branch staff (trainings, visits, discussions). Suggesting new methods for handling complaints, reports and planning process.	15 hours per month
Management (COO, CEO)	Approving suggested policy/procedure for handling complaints, approving hiring dedicated staff, reviewing analysed complaint reports.	4 hours per month
Branch Manager	Working with staff to handle complaints, improving process and follow-up steps, investigation, meeting clients, training staff, promoting complaint mechanism to clients.	7 hours per month
Regional Operations Manager	Reviewing analysed reports, working with Branch managers on analysing reports, following up on Branch's responses to the clients, identifying process gaps, system quality control.	15 hours per month
CRM officer	Receiving calls, registering complaints, producing reports, reporting back the management, providing responses to the clients, following up with branches visits (discussions, collecting best practises, improving complaint handling process)	Full time

FINCA also found that staff misconceptions were reducing the effectiveness of the complaints mechanism. These were:

1. Staff used to believe that even if a complaint resolution concluded in favor of the client, this person will not be a good client in future. Management used case examples to show that clients complain when they care about the institution.
2. Staff believed that clients with a poor repayment history can't be financed in future. Management demonstrated how re-assessing these clients' repayment capacity helped them to turn into good clients.
3. Branch managers equated high numbers of complaints with poor branch performance. Through psychological market segmentation (specifically the culture of complaining), branch managers came to realize that a lack of complaints doesn't always mean a lack of dissatisfaction. For this reason, management encouraged branch managers to focus on encouraging clients to give feedback, comments and complaints.

Management addressed these misconceptions by holding bi-monthly meetings with branch managers to discuss complaints reports, and by allowing branch managers to share with each other their own experiences about resolving clients' complaints.

In terms of technical improvements, FINCA Azerbaijan reviewed its tools, changing the format of its complaints contact disclosure materials to make them more visible to clients. Its anti-corruption poster was re-designed with a bigger font to make it more visible to clients entering the branch (see **Figure 2**).

FINCA also launched a new tool — a free client hotline number. Previously the hotline was a landline to the head office, which was potentially costly for clients.

Management also developed new reporting formats, as previous formats did not facilitate in-depth analysis. The new reporting formats allow for segmented complaints analysis per region, branch, category, and staff member, as well as tracking response times. Alongside this statistical analysis, FINCA has also started to include narrative interpretation of results into its regular reporting.

FINCA also created specific guidelines for reporting and resolving complaints — generally 2-3 business days for

each complaint. In rare cases (for example, if investigation takes long due to the very sensitive issues), it can take one week depending on the level of investigation. Specific timelines for responding to, and resolving, client complaints are listed in Box 1.

FINCA also looked at how often it collected written complaint information. In the past, suggestion and complaints box keys were held by only 4 senior staff who made infrequent visits to branches. Now, FINCA ensures that the boxes are opened more often: all mid-level managers making a regional visit can be assigned a box key. In this way, the boxes are opened almost every week.

**Figure 2: Anti-corruption poster**



### Implementing the client complaint handling mechanism

Clients can complain about FINCA Azerbaijan using any of several channels (see **Figure 3** overleaf for a breakdown of how frequently these are used):

**Hotline and office line calls:** In addition to its landline, FINCA has a new, no-cost hotline for client complaints. A Client Service Representative uses a special form to gather the required information from clients on each complaint. The CSR registers the complaint, categorizes it and sends to the appropriate people for investigation (e.g. branch manager, regional manager).

**Suggestions and complaints books:** Each branch keeps a complaint books in a visible place, for those clients that

don't want to call the hotline. The pages of this register are numbered, such that pages can't be easily removed from the book. Branch managers are responsible for electronically scanning new written comments on a weekly basis and sending them to the Marketing Department and the Client Services Representatives. At that point, the CSR registers each complaint, categorizes it and starts the follow-up process.

**Suggestions and complaints boxes:** Each branch also bears a highly visible complaint and suggestion box. The box includes a sample (completed) complaint format to demonstrate how clients can present their complaint and what kind of information should be included. Keys of the box are held by each CSR, the CEO and the head office management team. When the latter visit branches, they sign out the key using a special form. Boxes are opened at least once a week, at which time a

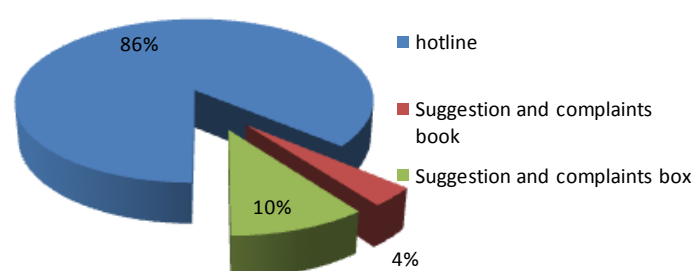
**"I appreciate the opportunity to complain, and that I am encouraged to complain if I feel dissatisfied" -Manafov Ahmad, FINCA client**

form is signed to record who opened the box and when, along with any comments. Complaints letters are then processed as above.

**Client visits to the offices:** All clients with complaints will be met by the branch manager in branches, and the CSR in the head office.

**Official letters:** In theory, the receptionist receives all written letters of complaint and forwards them to the appropriate person. In practice, this method is not used very often by clients.

**Figure 3: Use of complaints channels (frequency)**



### Box 1: Categorizing client complaints

All complaints received to the FINCA Azerbaijan are categorized in 7 types:

1. Corruption case by FINCA officer
2. FINCA negligence in submitting receipts or other documents to the client
3. Conflict with FINCA staff member
4. Inefficient service provision
5. Dissatisfaction with loan terms and conditions
6. Rejected first loan applications
7. Rejected repeat loan applications.

The first three categories are immediately sent to the COO and the respective Regional Operations Managers (ROM). The investigation begins with a phone call to the client, to inform them that FINCA has received their complaint and to get more information. Anonymous complaints are also reviewed.

The 4th, 6th and 7th categories of complaints are forwarded to the respective branch manager, and copied to the ROM once registered.

Complaints falling under the 5th category are registered, and clients receive a call to notify them that their complaint was received and will be reviewed. CSRs send these complaints to the Marketing Department Manager at the end of each month.

Responses to the all categories of complaints (save those in the 5th category) are sent to the CSR within 3 days, at which time the CSR turns around a response within 2 business days. For complaints falling under the first 3 categories, clients do not receive information about remedial actions, due to FINCA's ethical policy. Instead, they receive notification that their complaint has been received and is being investigated.

## Reporting/registration process and tools

FINCA Azerbaijan has a well-defined reporting/registration process for client complaints. This includes:

- **Registration form for complaint and suggestion boxes:** used immediately after the box is opened, and indicates who has opened the box, the date and includes a signature.
- **Suggestion and complaint box analysis:** details the branch, the complaint, category of the complaint, client notes and response status. Based on this, the report analyses complaints per region, per branch, per category, frequency and percentage.
- **Complaint book registration and analysis form** shows the branch, date, suggestion and complaint category and any notes from the client.
- **Weekly complaint book analysis** per branch shows the number of complaints per branch.
- **Hotline complaint transfer form** (to present hotline complaints to the respective branch managers): lists the name of client, branch, place of call, date of complaint, date of response received from branch, date of response given to the client, description of problem, client contact information and complaint category.
- **Weekly complaints reports**, presented by branch managers to the CSR, show complaints to be investigated during the week, complaints pending resolution from the previous week, response period, branch response and response status (pro or against-client).
- **Monthly analysis report:** analyzes all complaints every month and produces chart-view diagrams.
- **Reporting to the Management Team Meeting**, which is held at least once in a month.

## Disclosing complaint channels to clients

FINCA Azerbaijan uses a variety of strategies for educating and encouraging clients to voice their complaints and suggestions, including:

- Suggestion and complaints boxes and complaints books in the branches are in visible, easy-to-access places in each branches (see Figure 4, left).
- The hotline number is shown on all product leaflets and on posters in branches,
- A bright yellow one-page letter from CEO greets clients in the local language and encourages them

to voice their complaints through the hotline (or other means), affirming that the purpose is to improve FINCA services. This yellow one-page letter is an annex to the loan contract, and is given to all clients during disbursement, for new and repeat loans alike (see Figure 4, right side).

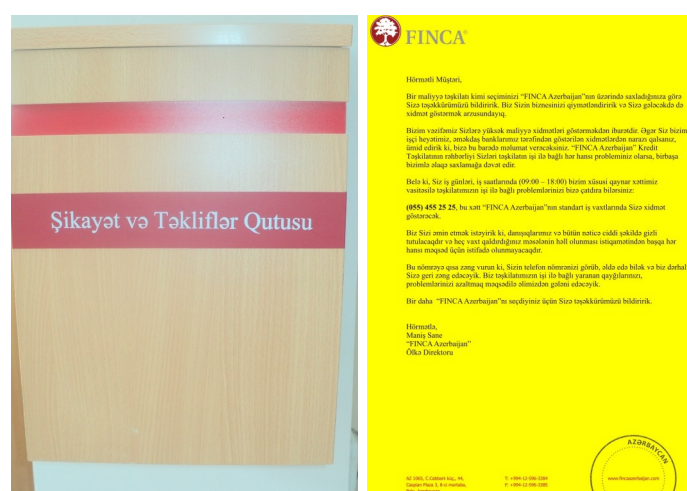
- Anti-corruption posters hang in every branch office, and include the hotline number for reporting fraud cases or complaints (see Figure 2).
- During the disbursement process, loan officers clearly spell out to clients how they can use suggestion and complaint box, book and hotline.

## Staff training

FINCA trains its staff thoroughly on how to handle client complaints. These trainings are conducted by the Head of the Marketing Department or by a Client Relations Management Officer, for all new staff as part of orientation (approximately 2 hours of each training session, which generally last 3 days) and to all branch staff as a “refresher” training when process changes are introduced. The Client Service training module contains a 2-hour session on handling client complaints, dealing with aggressive clients, demonstrating empathy and creating loyal clients. Importantly, the training includes group role-play so that staff can practice their skills.

During trainings and senior management meetings, FINCA reinforces the message that more complaints mean better services, rather than being a cause for alarm. Senior management reassures branch managers that complaints will not affect their branch and/or personal performance, but rather will improve service quality and branch performance over time.

Figure 4: Disclosing complaints channels



### System monitoring

CSRs provide a weekly complaint report (including information on resolution) to the Chief Operational Officer. Additionally (and despite a lack of written procedures requiring complaint handling audits), in 2014 Internal Control will review monthly reports regarding complaints and how they were solved.

## IMPROVING THE COMPLAINTS SYSTEM

FINCA plans to continue its work on improving its complaints mechanism. This includes:

- **Visiting clients following complaint resolution:** Responding to clients on the phone should be followed by a client visit to ensure that clients are satisfied, and agree with the outcome of their complaint.
- **Adding the criteria of "Satisfied/not satisfied" to the reporting format:** After informing the client of the response to each complaint, it would be useful to know how many clients are satisfied with the final decision.
- **Broadening the system:** The Marketing Department approached the MIS/IT department to include a special module in the MIS system to create a new system whereby all staff (irrespective of their position) can input complaints they hear from clients into the centralized system.
- **Phasing in new technology:** FINCA sees official letter responses to clients as an inefficient means of communication. Thus, FINCA plans to launch an SMS information system for delivering responses to clients regarding their complaints, which would then be followed up by phone calls as usual.
- **Adding a new complaint category:** Based on looking at common complaint themes, FINCA has identified the need to add a new category of complaints: "delay in lending process".

## BENEFITS

For FINCA Azerbaijan, the main benefit of this solution is achieving client loyalty, more satisfied clients and maintaining high competitiveness in the marketplace. "If complaints are reviewed, analysed, and reacted to, this is a big success. We are not losing our clients, and indeed loyal clients bring in more new clients – so when we increase our outreach it's a value chain

process," explains Zamina Aliyeva (Customer Service Representative). Most organizational systems benefit from having the complaints mechanism in place:

**For the branch,** it means client loyalty and satisfaction which indirectly results in less costly (in terms of loan officer time) client outreach.

**For management,** this system allows clear view of branch performance, and can provide an early-warning signal in case of problems. On the other hand, it also implies a certain cost and time devoted to detecting fraud or additional training for staff (for example loan officers) before his/her annual performance review.

**For management,** the system provides a means for focusing changes in products and services. For example, client complaints contributed to the improvement of the payment system, by introducing a new payment channel that allows clients to make repayments not only at cash desks of FINCA offices and partner banks, but also individually through a nationwide network of cash-in terminals.

Having a client complaint handling mechanism in place also keeps staff more "tuned in" and responsible to clients. For example, branch managers now eagerly receive and investigate complaints, and proactively try to re-build good relations with complaining clients. For the CSRs, having this system means both efficient time management and tangible result-based performance. From the clients perspective, the benefits of this system is that the client will feel their voice is heard by the MFI, making them in turn more open and sincere in their interactions with the institution.

### For more information:

**Key documents from FINCA Azerbaijan:** <https://www.dropbox.com/sh/n6ajzetpdevu05u/PIXpEz5ezS>

### Information on project partners:

FINCA Azerbaijan: [www.fincaazerbaijan.com](http://www.fincaazerbaijan.com)

FINCA on the MIX: [www.mixmarket.org/mfi/finca-aze](http://www.mixmarket.org/mfi/finca-aze)

Azerbaijan Micro-finance Association: [www.amfa.az](http://www.amfa.az)

The Microfinance Centre: [www.mfc.org.pl](http://www.mfc.org.pl)

Social Performance Task Force: [www.sptf.info](http://www.sptf.info)

**Standard 4e: 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**

	<b>Essential Practice</b>	<b>Notes on FINCA's system</b>
4e1	<p><b>The institution's clients are aware of how to submit complaints.</b>                      IND 1) The institution informs clients about: 1) their right to complain; and 2) how to submit a complaint to the appropriate person (or where they could find that information if they don't know it first-hand).</p>	<p>During the disbursement process, clients are informed about their right to complain. Client also provided a yellow one-page letter listing various channels to lodge complaints, as part of the standard loan disbursement documentation.</p>
4e2	<p><b>The institution's employees are trained to handle complaints.</b>                      IND 1) The institution's dedicated employee induction training includes a session on how the complaints mechanism works, the loan officer's role in the process and how to appropriately manage complaints until they are completely resolved (how to handle complaints and refer them to the appropriate person for investigation and resolution).</p>	<p>New employees are trained on how to handle client complaints during orientation. Changes to the system are covered in "refresher" trainings.</p>
4e3	<p><b>The institution's complaints resolution system is active and effective.</b>                      IND 1) The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism.                      IND 2) The institution has an effective, appropriate system in place to resolve complaints in a timely way.                      IND 3) The institution has assigned someone to handle complains and refer them to the appropriate person for resolution, at least on a part-time basis.                      IND 4) The institution has a clear reporting system in place to ensure that complaints from branches/POS reach complaints-handling employees.                      IND 5) The complaints mechanism is actively used by clients.                      IND 6) The institution's clients receive a timely response to their issues, within a month of complaint submission.                      IND 7) The institution's internal audit or other monitoring system checks that complaints are resolved satisfactorily.</p>	<p>The mechanism covers channels for collecting, processing, investigating complaints and responding to the client.</p> <p>The policy is part of the Client Relations Management manual and covers all phases of the complaint mechanism.</p>
4e4	<p><b>The institution uses client feedback to improve practices and products (Client Protection standard 7.4).</b>                      IND 1) The institution uses information (from client feedback) to correct mistakes, omissions and activities that may be harmful to the client.                      IND 2) The institution uses complaints information to improve the organization's operations/products/communications.</p>	<p>The institution analyzes client feedback and management uses this to detect problems (e.g. fraud) and to improve products and services (e.g. improving the payment system).</p>