

# STUDY ON RESPONSIBLE MICROFINANCE PRACTICES BY SELECTED MICROFINANCE INSTITUTIONS (MFIs) IN WEST BENGAL

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*[Responsible finance is to do with establishing processes and products that seek to enhance value to the customer and ensure that the customers' interests stay protected. To bring in responsible delivery of financial services to the poor, the MFIs have to ensure client protection and social performance. The responsible finance movement in the microfinance sector consists of a series of well-coordinated initiatives by Smart Campaign, CGAP, IFC, SPTF & MFIN etc. The study aims to understand the theoretical construction of responsible finance and examines the responsible microfinance practices by the MFIs in West Bengal.]*

**Keywords:** *Responsible finance, Social performance, MFIs.]*

## 1. Introduction

In a financial world responsible finance is a concept where clients' benefits would be balanced carefully with providers' long-term viability, and client protection is built into the design and business at every level. Under this concept, products are thoughtfully designed, offer reasonable value-for-money, and minimize potential harm, such as over-indebtedness. Delivery practices are respectful, and do not rely on aggressive sales, coercive collections, or other inappropriate behavior. Clients receive clear, comprehensible information so they can make informed and careful choices about financial products and providers. When problems or misunderstandings

arise, customers have accessible and effective mechanisms for resolving them (McKee, Lahaye, and Koning, 2011).

Often the terms 'social performance' and 'responsible finance' are interchangeably used in the microfinance sector. 'Responsible finance' relates to a manner of dealing with acquired customers, with fair, equitable and transparent treatment of customers being the objective. Responsible finance is to do with establishing processes and products that seek to enhance value to the customer and ensure that the customers' interests stay protected. 'Social performance' takes institutions beyond responsible finance. While responsible finance looks at the existing customer base, social

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performance looks to the context in which the institution operates and engagement beyond financial transactions with potential customers as well.

Indian MFIs have been able to develop successful and sustainable business models to overcome challenges traditionally faced by the financial services sector in serving low income groups by catering to their specific needs, capacities and leveraging pre-existing community support networks. During 2007 – 2010, there has been considerable inflow of funds into MFIs leading to an exponential growth of the sector. This could also have resulted in certain lending and recovery practices which were not wholly aligned to the client interests. This led to a situation where the Andhra Pradesh Government stepped in and issued guidelines for MFIs to comply with in their operations in the state. So after the Andhra Pradesh Crisis, 2010 the social responsibilities and client protection mechanism of the Indian MFIs came under big question mark.

To bring in responsible delivery of financial services to the poor is on client protection and social performance. From the perspective of client protection, providers need to have appropriate products, policies, and practices, and clients need to have the basis for making informed choices, understanding their rights, and meeting their obligations. And effective recourse mechanisms need to be in place. These basic conditions need to hold for any provider of financial services to lower income and less experienced consumers, regardless of the provider's specific mission, profit goals, or ownership structure.

## 2. Literature Review

A numbers of studies have been made internationally and nationally on responsible microfinance practices in microfinance industry. A few of them have been mentioned below:

*Srinivasan, N. (2011)* stated that responsible finance has meaning only when these acts that are in the customers' interest are performed voluntarily without being asked. If this has to be externally stipulated, enforced and monitored on a long term, then the meaning of responsible finance is lost especially when the institutional mandate stipulates that they deal exclusively with vulnerable people for their betterment.

*Katharine, Lahaye, & Koning. (2011)* found that there is a progress in building awareness across the microfinance sector about the role of responsible finance in delivering stronger value for clients and ensuring the long-run viability of providers. Industry leaders understand the operational, reputational, regulatory, and political risks from failure and agree that action on responsible finance is the right thing to do and reflects the core business values of the great majority of market players in our sector.

*Srinivasan, Agashe & Garriott (2011)* stated that the degree to which these products are customized and aligned closely to the needs of the customers will determine the extent to which microfinance institutions perform in a responsible and socially relevant manner.

*Sa-Dhan (2011)* made an empirical study to examine the client protection mechanism and social performance practices by the Indian MFIs. The study

found that Indian MFIs had been focusing on financial sustainability as part of a growing industry to establish institutions to serve the client in a sustainable way while making all out efforts to follow client protection measures. Again they suggested that the sector requires certain broader interventions for ensuring social performance. *Social Performance Task Force (2012)* has fixed six standards for ensuring social performance by the MFIs.

*Srinivasan, N. (2012)*, made a study on social performance, responsible finance and customer protection. He found that responsible finance is an intra institutional issue. When MFIs choose customer well, deal with them well, market and service appropriate products and exhibit fair and ethical behavior, they would have satisfied responsible finance.

*Srinivasan, G. (2013)* suggested that the major funders of the sector, banks and investors should lead the change in MFIs for delivering social performance and adopting responsible finance practices. In their relationship with the MFIs, the investors and funders can ask questions of the MFIs and demand socially relevant and responsible performance.

*Rose and Misra (2013)* examined that the two basic aspects of responsible finance have been driving the product development and delivery by these MFIs. First is the designing of the main product, credit, in a manner that is affordable and easy for the customer to use for a variety of purposes. The second is that of offering a range of financial products and services that the customer requires, while conforming to regulatory guidelines.

### **3. Objectives of the Study**

The objective of the study is to analyse the responsible microfinance practices by the selected MFIs in West Bengal.

### **4. Database and Methodology**

The study is both *exploratory* and *empirical* in nature. The explorative part of the study is based on the existing literature on the subject including RBI guidelines and reports of different committees and web based resources of CGAP, Sa-Dhan, Smart Campaign etc. The empirical analysis has been done both on the basis of primary data collected through structured questionnaire. In this study, five MFIs operating in West Bengal have been selected proportionately as per their legal status. We have considered two NBFC i.e. Bandhan Financial Service Pvt Ltd & Arohan Financial Service Pvt Ltd, two Societies i.e. Sahara Utsarga Welfare Society (SUWS) & Vivekananda Sevakendra –O- Sishu Uddayan (VSSU), and one Section 25 Company i.e. Sarala Women Welfare Society. The questionnaires have been filled up through direct interaction with the officials of the selected MFIs.

### **5. Responsible Finance by MFIs – The Theoretical Construction**

The responsible finance movement in the microfinance sector consists of a series of well-coordinated initiatives to enhance client protection, strengthen social performance management, and define acceptable behavior for microfinance investors and donors. The most important of these are the Smart Campaign (which has mobilized almost 1000 retail providers, dozens of networks and

associations, and well over 100 funders to improve products and practices) and the Social Performance Task Force (which has just launched industry-consensus standards on social performance management).

### 5.1 International Scenario

**International Financial Corporation (IFC)** defined Responsible Finance as “a set of operational practices that focuses on the needs of end clients, encompassing issues of transparency, disclosure, fairness of pricing, dignified treatment of customers, and product and services quality, to ensure sound provision of financial services.” It has suggested advance responsible finance across three pillars:

- **Consumer Protection Regulation:** Supporting industry-wide customer protection regulation around principles of transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; mechanisms for complaint resolution; and financial education and awareness programs.
- **Financial Institutions Self-regulation:** Embedding responsible finance practices into business functions across strategy & governance, customer acquisition and relationship management, product design and delivery channels, processes and risk management, and financial education.
- **Financial Education:** Building capacity of end clients through broad-based financial awareness, financial literacy and financial education

programs at the sector level and through financial institutions.

As per the **Consultative Group to Assist the Poor (CGAP)**, “Responsible Finance is a way of doing business – a never ending process of adapting your products, process and policies to keep your clients at the center.” According to CGAP, three main strategies can help advance responsible finance. The first is *consumer protection regulation and supervision*, where financial authorities set and enforce rules to ensure that retail services are offered transparently, that providers treat customers fairly and do not put them at risk from harm such as over-indebtedness, and that effective mechanisms exist to address customer complaints. The second responsible finance strategy is *action by the industry itself to improve its own behavior and services*, such as standards and codes of conduct. And the third strategy, which includes interventions that raise *consumers’ awareness and strengthen their financial capability*, helps customers behave responsibly and protect themselves from harm. The major issues that are considered are:

- *Making products and business models more responsible*
- *Balancing client vs. provider vs. investor interests:*
- *Moving from social performance process metrics to measuring client outcomes*

**The Smart Campaign** is a global campaign consisting of microfinance lenders, institutions and associations from around the world which aim is to make sure

financial service providers treat customers fairly, and avoid offering financial products that could harm or expose clients to unnecessary risks. It has developed seven core client protection principles (CPPs). These are:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

By mid-2011, Campaign endorsers numbered more than 640 retail providers, from 130 countries (serving an estimated 50 million clients), 225 associations and support organizations, and 125 funders (including most of the largest).

**The Social Performance Task Force** has launched the 'Universal Standard for Social Performance Management' which is a set of management standard that apply to all MFIs pursuing a double bottom line. Meeting the standards signifies that an institution has strong social performance management practices. To achieve this, the institution must:

- Define and Monitor Social Goals
- Ensure Board, Management, and Employee Commitment to Social Goals
- Treat Client Responsibly

- Design Products, Services, Delivery Models and Channels that meet Clients' Needs and Preferences
- Treat Employee Responsibly
- Balance Financial and Social Performance

## 5.2 National Scenario

In **India**, several initiatives have been taken during the year in terms of responsible finance. The emergence of a new industry network of commercial MFIs under the label of Microfinance Institutions Network (MFIN) has been an exciting development. This network has already secured broad based consensus among its member MFIs (which together account for more than 75 per cent of the Indian microfinance market) on the code of conduct in relation to business practices, setting in place a customer grievance mechanism, fair practice principles on hiring personnel from other MFIs and a code of competition.

**MFIN and Sa-Dhan**, the two national industry associations of microfinance institutions in India, has collaborated to create a unified Code of Conduct for their member institutions. The Code of Conduct was released on December 13th, at the Microfinance India Summit 2011 in New Delhi. The Code of Conduct (CoC) seeks to ensure that microfinance services are provided in a manner that is ethical and transparent and benefits clients in a holistic manner. The Code of Conduct for MFIs in India lays special emphasis on client protection and good governance, illustratively on mandatory training on CoC for MFI staff and

awareness building for clients, privacy of confidential client information, mandatory client data sharing with Credit Bureau, good governance structure for Member MFIs and client education.

MFIN has launched a new index named Responsible Business (RB) Index in 2012. RB Index aims to support the industry and individual MFIs in their collective effort towards building a more responsible business framework by evaluating responsible business principles and practices. RB Index is also a tool to help individual MFIs to systematically measure, manage and integrate Responsible business practice.

Considering the above theoretical construction of responsible finance, we have considered two major parameters/ issues for appraising the responsible finance by the MFIs in West Bengal. The two parameters/issues are:

#### **Products & Services designed and delivered by the MFIs**

Under this parameter the different types of products and services delivered by the MFIs have also been discussed. We have also tried to examine whether the MFIs conducts market survey to know the clients' need and demand before designing products and services.

#### **Social Responsibility to the Clients**

In this study, we have examined the Responsible Finance of the MFIs to the clients through six sub-parameters. These are: (a) Avoidance of Over-Indebtedness

(b) Transparent and Responsible Pricing (c) Appropriate Collections Practices (d) Ethical Staff Behaviour (e) Mechanisms for Redress of Grievances (f) Privacy of Client Data.

#### **6. Responsible Finance by Selected MFIs in West Bengal – An Analysis**

At present 29 numbers of MFIs working in West Bengal (as per Sa-Dhan Report and AMFI-WB<sup>7</sup> Report) and among them 21 numbers of MFIs has head quarter in the state. Along with these 38 no. of Banks are providing microfinance services (Public Banks-1, RRBs- 3, DCCBs - 19). Apart from these organisations, there are several Self Help Groups (SHGs) linked under SHG Bank Linkage Programme (SBLP) to banks for savings and credit services. In the state, total no. of SHGs under SBLP are 6,85,448 along with total savings - client outreach of ` 37694.40 lakh as on 31<sup>st</sup> March 2012. Under SBLP, 33 Banks are providing microfinance services of which 17 are Public Sector Commercial Banks, 3 are RRBs and 13 are District Central Co-operative Banks (DCCBs). At present, 36,93,785 poor members are getting financial services through MFIs working in the state and 53,61,188 members are getting financial services through SBLP and the total portfolio outstanding is ` 454492.75 lakh of which the contribution of MFIs is ` 297489.38 lakh and of SHGs is ` 157003.37 lakh. A snapshot of the MFIs operating in West Bengal has been summarized in Table-1.

**Table -1: MFIs in West Bengal – A Snapshot**

Particulars	As on 31 <sup>st</sup> March 2012
Total no. of MFIs operating in the state	29
No. of MFIs having HQ in the state	21
No of districts served by MFIs	19
No of Branches	1,731
No of Staff	12,057
No of Borrowers	36,93,785
Cumulative Loan Disbursed	Rs. 9814.38 crore
Amounts of Loan Outstanding	Rs. 2974.89 crore
On time Repayment Rate	98.57%

(Sources: Sa-Dhan Report, 2012 & Association of Microfinance Institutions – West Bengal)

Among these MFIs, we have selected five MFIs proportionately as per their legal status for analyzing their responsible finance. Two NBFC i.e. Bandhan Financial Service Pvt. Ltd. & Arohan Financial Service Pvt. Ltd., two Societies

i.e. Sahara Utsarga Welfare Society & Vivekananda Sevakendra –O- Sishu Uddayan, and one Section 25 Company i.e. Sarala Women Welfare Society have been selected for the study. Table -2 shows the brief profile of the five selected MFIs.

**Table- 2 : Brief profile of the Five (5) select MFIs**

Name of the MFIs	Legal Status	Head-quarter	Loan Size	Mission
Bandhan Financial Service Pvt. Ltd.	NBFC	Kolkata	>500 cr.	Reduce economic and social poverty significantly through providing client focused, quality, cost effective, sustainable financial services.
Arohan Financial Service Pvt. Ltd.	NBFC	Kolkata	>50 & <100 cr.	To improve the quality of life of the socio economically disadvantaged in a sustainable manner through the provision of wide range of financial services and support services.
Sahara Utsarga Welfare Society	Society	Kolkata	>50 & <100 cr.	To equip the disadvantaged people with the tools needed to deal with their social, environmental, cultural and economic to establish social justice.
Vivekananda Sevakendra – O- Sishu Uddayan	Society	Ullon, South 24 Parganas	>10 & <50 cr.	Poverty alleviation and human development through microfinance.
Sarala Women Welfare Society	Section 25 Company	Howrah	>10 & <50 cr.	Poverty reduction by providing quality financial services to low income people.

Source: Compiled by researchers

## 7. Findings of the Study:

In this section, we have summarized the findings regarding the Responsible Finance practices by the five selected MFIs operating in West Bengal.

### 7.1 Products & services designed and delivered by the MFIs

#### Products

Products play a critical role as the customer interface and customer experience of the MFI is through the products. Typically vulnerable clients require small volumes of financial services whether it is in savings or credit. While volumes of savings are small, the need to put away savings may be frequent. Products for vulnerable clients can be socially relevant only when the customers' needs are fulfilled to a significant extent. The degree to which these products are customized and aligned closely to the needs of the customers will determine the extent to which MFIs perform in a responsible and socially relevant manner.

We have tried to find out whether the MFIs provide Microenterprise Loans, Consumption Loan, Housing Loan, Education Loan, SME Loan, Sanitation Loan, and Emergency Loan & Health Loan or not.

After analyzing the questionnaire we have found that:

- 100% of the MFIs provide microenterprise loan to their clients and this is the main products of the MFIs surveyed. Among these only Bandhan, Arohan and VSSU have diversified their loan products as per the need and capacity of the clients.

But the rest of the MFIs provide only single loan products for all clients.

- Arohan and VSSU only provides loan for the male clients.
- 40% of the MFIs provide consumption loan. Two MFIs i.e. Bandhan & VSSU provide Small & Medium Enterprise loan. None of the MFIs provide housing loan & emergency loan to their clients. One of the important products i.e. sanitation loan is provided only by two MFIs i.e. Bandhan & VSSU.
- Only two MFIs i.e. Bandhan & VSSU provide Education Loan. In few cases VSSU provides interest free education loan.

#### Services

Along with the loan products, the MFIs are providing various services like financial literacy, pension services, education services, insurance etc to their clients. The major services that are delivered by the MFIs surveyed are as follows:

- All of the 5 MFIs provide Financial Literacy services.
- 40% of the MFIs provide Business Development Services.
- 60% of the MFIs provide Health related services. Three of these MFIs offer Basic Medical Services to their clients. But, only one MFI i.e. Sarala provides health services through Out Patient Clinic.
- 40% of the MFIs provide Education Services. We have visited one of the Bandhan's pre primary school in Haringhata Branch (Nadia District)



and found that it is running very successfully.

- Only two MFIs provide Pension Services i.e. Bandhan & Arohan.
- Only one MFI i.e. Bndhan is providing Remittance Services in collaboration with Western Union Money Transfer.
- Only one MFI is providing savings services i.e. VSSU.
- All of the MFIs have Compulsory Insurance with the loan products. This insurance is mainly the Credit Life Insurance which is offered by all the surveyed MFIs. Only two MFIs i.e. Arohan & VSSU provide Voluntary Insurance. Only one MFI i.e. VSSU provide Health Insurance. Only two MFIs i.e. Arohan & VSSU offer Life Insurance.

### Market Research for Designing the Products

The products & services of the MFIs should be designed as per the need and capacity of the clients as they belong to the poor section of the society. So, proper market research and survey is necessary before designing the products and services. The following issues have been addressed to the MFIs:

- MFI use market research to identify the need of the clients;
- MFI consider employee feedback for product designing;
- MFI interview with drop out clients;
- MFI interview with existing clients for product designing.

The major findings are:

- All of the 5 MFIs conduct market research to identify the need of the clients before designing the products & services. But only Bandhan has separate Research & Development wings for doing the field & market research.
  - 100% of the MFIs interview with existing clients.
  - Only one MFI i.e. Sahara considers Employee's feedback.
  - Only one MFI i.e. Bandhan interview with Drop out clients.
- 80% of the MFIs consider Mandate of the Institution before designing financial products & services. All of the 5 MFIs consider market demand for designing. 60% of the MFIs consider profitability of their products.

### 7.2 Social Responsibility to Clients

Client protection emphasizes on product and delivery quality, from ensuring that microcredit products will not result in further impoverishment of already poor clients to providing reliable channels for addressing client complaints. Adoption of client protection measures by MFIs ensures that the clients are treated with transparency, respect, and prudence. This is especially important because MFIs operate within limited government regulations and the clients that are served by MFIs are vulnerable. The social responsibility to the clients can be measured through six sub-parameters i.e. Avoidance of Over-indebtedness, Transparent & Responsible Pricing,

Appropriate Collection Practices, Ethical Staff Behavior, Mechanism for Redress of Grievances, Privacy of Client's Data.

### **Avoidance of Over-indebtedness**

Over-indebtedness has become a big issue of concern for the MFIs in India after the Andhra Pradesh crisis 2010. The Reserve Bank of India, Malegam Committee and Microfinance (Development and Regulation) Bill 2012 have added various clauses for preventing over-indebtedness of the microfinance borrowers. In this study, the following issues have been addressed to the MFIs to know about their initiatives for preventing over-indebtedness.

- Whether the MFI evaluate the repayment capacity of borrower before loan approval;
- MFI use peer assessment for checking;
- MFI checks Credit History & existing debt of the clients;
- Is there any Internal Audit to check the household debt exposure?
- Whether the MFI is linked to any Credit Bureau?

The findings are:

- All of the 5 surveyed MFIs-
  - Evaluate repayment capacity of borrower before approval of loan.
  - Checks credit history & existing debt of the clients before approval of loan.
  - Audited (Internal) and check the household debt exposure, unauthorized refinancing & multiple borrowing.

- 80% of the MFIs used Peer Assessment (in group methodologies) for checking the over-indebtedness of their clients and are linked with Credit Bureau for registering client's data base. The Credit Bureau that is mainly working with these MFIs is High Mark, CIBIL & Equifax.

### **Transparent & Responsible Pricing**

The MFIs in West Bengal have become more conscious regarding Transparent and Responsible pricing after the AP Crisis and many MFIs have cut down their rate of interest to fulfill the legal obligation and to prove themselves as responsible lender. The major findings are:

- All of the 5 MFIs surveyed:
  - Disclosed Interest Rate, Insurance Premiums, Terms and Conditions of financial products and services to the clients prior to sale.
  - Communicate in written in local language to the clients above all terms & conditions.
  - Train their staffs to communicate effectively with the clients.
  - The MFIs surveyed does not charge any penalties & pre-payments fess in any cases.
- 80% of the MFIs stated their rate of interest in Declining Balance Method, as per the RBI Guidelines. Only one MFI i.e., VSSU stated their rate of interest in Flat Rate method.
- 80% of the MFIs took processing charge for sanctioning loan. The rate of processing charges for all of the MFIs is 1% of the loan amount. All of

the MFIs take Insurance charge against loan. Only one MFI i.e. VSSU used to collect deposit from the members for joining the MFIs.

### **Appropriate Collection Practices**

The MFIs are often blamed for following coercive methods and pressurizing their clients in case of non-payment of installment. The efforts have been made to find out:

- Collection methods of the MFIs;
- Steps taken by the MFIs in case of Failure in Payment;
- Collection Practices followed by MFIs.

The major findings are as follows:

- 4 of the MFIs followed Group/Centre collection method & only one MFI i.e. VSSU followed both Centre & Individual collection method.
- None of the MFIs pressurized their clients in case non-repayment of installments. For three MFIs (i.e. Arohan, Sahara & VSSU), the group members paid the defaulter's installment. But in reality, all of the 5 members follow this in field level. All the MFIs provide grace period in case of failure in repayment.
- All of the MFIs usually explain the customer's right; responsibilities & collection practices before the loan is disbursed. 80% of the MFIs clearly mention acceptable and unacceptable debt collection practices & time frame in the Staff rule book. 60% of the MFIs offer training to the staff on collection practices & loan recovery procedure. 100% of the MFI's Code assures respect & dignity to the clients in case of failure also

### **Ethical Staff Behavior**

The following issues have been addressed to the MFIs surveyed to know whether the MFIs follow ethical staff behavior or not. These are:

- Whether the MFI's culture values and rewards high standard of ethical staff behavior and customer services?
- Whether Anti-Corruption policy is there?
- Staff behavior are monitored & supervised from different levels or not;
- Staff's unacceptable behavior can result in termination;
- Board approves code of ethics.

The findings are as follows:

- All of the 5 MFI's culture, values and rewards are high standard of ethical staff behavior and customer services. One MFI i.e. Bandhan has Anti-Corruption policy for ensuring ethical staff behavior.
- 40% of the MFIs i.e. Bandhan & Sarala monitored & supervised the staff behavior from different levels.
- In 60% MFIs Staff's unacceptable behavior can result in termination. 40% MFI's Board i.e. Bandhan & Arohan approve code of ethics for the staff.

### **Mechanism for Redress of Grievances**

To examine the mechanism of redress of grievances, the following issues have been addressed to the MFIs surveyed:

- Whether the MFI is with proper Customer complaint redresses mechanism?

- Whether the Telephone No. for complaint registering is printed in local language?
- Phone numbers / Toll free number for registering complaints.
- MFI provides suggestion and Complaint Box in each place of business and branch offices.
- Are specialized person designated to handle with the complaint?

The major findings are:

- 100% of the MFI is with proper Customer complaint redresses mechanism.
- 60 % of the MFIs i.e. Bandhan, Arohan & Sarala provide Phone numbers / Toll free no for registering complaints. These MFIs print their Telephone No. in local language for complaint registering.
- All of the MFIs provide Suggestions and Complaint Box in each place of business and branch offices. There are specialized person designated to handle with the complaint for all the MFIs.

#### **Privacy of Client's Data**

The following issues have been addressed to the MFIs to know about their policy regarding privacy of client's data. The issues are:

- Whether the MFI inform clients about privacy of their information?
- Client's consent required for sharing data.
- IT system to protect data.
- Written Policy for privacy of client's data.

- Staff gets training on controlling multiple borrowing.
- Staff gets training on Grievance Redressal.

The major findings are:

- All of the 5 surveyed MFIs inform clients about privacy of their information. 60% of the MFIs required Client's consent for sharing data. 80% of the MFIs have IT system to protect data. 40% of the MFIs i.e. Bandhan & VSSU have written Policy for privacy of client's data.
- 80% of the MFIs offer staff's training for controlling multiple borrowing. Again 80% of the MFIs offer staff's training on Grievance Redressal.
- 80% of the MFIs offer staff's training for controlling multiple borrowing. Again 80% of the MFIs offer staff's training on Grievance Redressal.

#### **8. Conclusion & Recommendations**

The above analysis shows that maximum of the surveyed MFIs mainly provide single loan product. The MFIs surveyed are lacking in terms of providing services. However, all the surveyed MFIs provide 'credit life insurance', but only few are providing life insurance, health insurance services, children education services, pension services and remittance services. All the MFIs fulfilled maximum of the parameters of the client protection principles. MFIs are taking various initiatives to control over the over-indebtedness.

The MFIs in West Bengal should diversify their products and services to fulfill the need and capacity of the clients as only

Bandhan & Arohan have done the same. Loan information is clearly spelled out to the clients before sanctioning the loan and the clients have also accepted that. The rate of interest charged by the MFIs is within the prescribed limit of RBI i.e., 26% and the clients are also somewhat satisfied with it. Regarding the privacy of client's data, maximum MFIs used to store the data through computerized MIS. But the clients are not so aware or worried about the privacy of their information.

Response to client needs to be triggered a wave of innovations and took MFIs forward in the path towards responsible finance. Leading MFIs designated product design teams and conducted action research and demand estimation studies to elicit feedback and assess client needs. Many MFIs have fine-tuned their products to suit client requirements as well as their own institutional priorities.

To ensure better social responsibilities by the MFIs, the Governments may regulate with clear, enforceable, and "access friendly" market conduct rules. It can also help catalyze consumer awareness and financial capability initiatives. Donors and investors can create appropriate incentives by supporting standards development and rewarding improved products and practices. The media and civil society can help by shining a spotlight on irresponsible practices and supporting consumer awareness and rights.

The Government has tabled the revised Microfinance Institutions (Development and Regulation) Bill, 2012, in the Parliament that has been referred to the Standing Committee on Finance of Parliament. As early as the Bill will be

passed, the sector will be more transparent and safe for all the stakeholders. To satisfy responsible finance, the MFIs have to increase their outreach among the vulnerable sections of people and the poorest of the poor of the society at reasonable cost. So, it is the time for self appraisal of responsible finance & social performance for the MFIs working in the state, because if the responsible finance is ensured the poor will be benefited most.

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