

Draft Study Material



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Microfinance Executive

(Qualification Pack: Ref. Id. BSC/Q2401)

Sector: BFSI

(Grade X)

PSSCIVE Draft Study Material



PSS CENTRAL INSTITUTE OF VOCATIONAL EDUCATION

(a constituent unit of NCERT, under Ministry of Education, Government of India)

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Preface

Vocational Education is a dynamic and evolving field, and ensuring that every student has access to quality learning materials is of paramount importance. The journey of the PSS Central Institute of Vocational Education (PSSCIVE) toward producing comprehensive and inclusive study material is rigorous and time-consuming, requiring thorough research, expert consultation, and publication by the National Council of Educational Research and Training (NCERT). However, the absence of finalized study material should not impede the educational progress of our students. In response to this necessity, we present the draft study material, a provisional yet comprehensive guide, designed to bridge the gap between teaching and learning, until the official version of the study material is made available by the NCERT. The draft study material provides a structured and accessible set of materials for teachers and students to utilize in the interim period. The content is aligned with the prescribed curriculum to ensure that students remain on track with their learning objectives.

The contents of the modules are curated to provide continuity in education and maintain the momentum of teaching-learning in vocational education. It encompasses essential concepts and skills aligned with the curriculum and educational standards. We extend our gratitude to the academicians, vocational educators, subject matter experts, industry experts, academic consultants, and all other people who contributed their expertise and insights to the creation of the draft study material.

Teachers are encouraged to use the draft modules of the study material as a guide and supplement their teaching with additional resources and activities that cater to their students' unique learning styles and needs. Collaboration and feedback are vital; therefore, we welcome suggestions for improvement, especially by the teachers, in improving upon the content of the study material.

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MODULE 1: COLLECTION OF RECEIVABLES

Module Overview

In the Indian economic scenario, the role of microfinance is vital and praiseworthy. It has created a connection with the people at the lowest level of the economy. It provides credit-support to their productive activities as well as takes care of the consumption needs to some extent, with intent to ameliorate the financial standing of the Indian poor. The professional activities of the microfinance cover almost all parts of the country. Microfinance is instrumental in empowering the women lot by extending credit facilities to them.

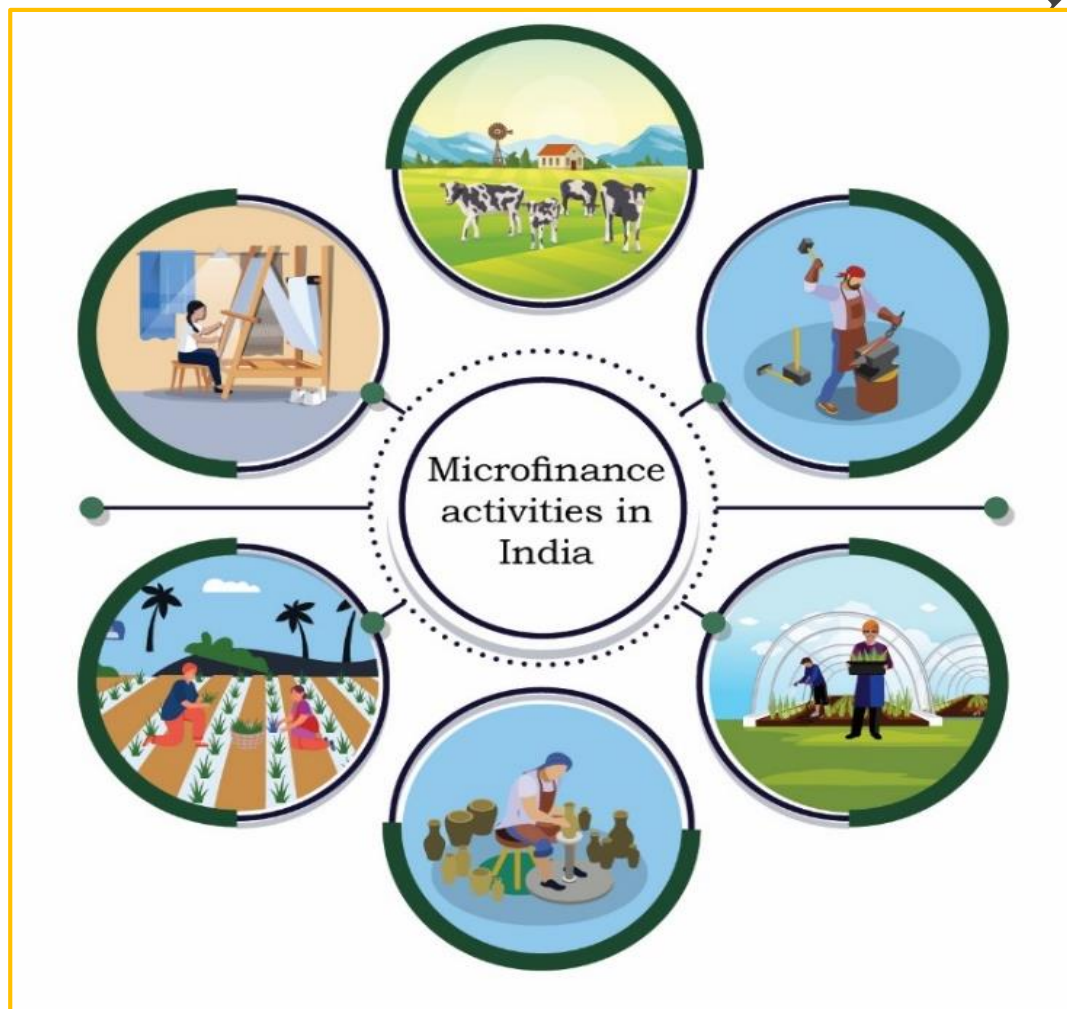


Fig. 1.1: Microfinance Activities in India

This segment, however, experienced a tough time due to wrong recovery practices adopted by some of the lenders in the state of Andhra Pradesh, in

the year 2010. Later, loan waiver declarations by some political parties in state elections affected the recovery environment adversely. Natural calamities in various parts of the country were also a reason for the suffering of the poor. All such happenings raised the delinquency level in recovery of dues in the segment of microfinance. Outbreak of the pandemic COVID-19 has also stressed the earnings of the poor and as such disrupted the recovery schedules, of this sector.

Financing to the lowest strata of the Indian population has not diluted its attraction. Banks and other non-banking institutions are very much functional in providing microfinance by extending their reach even to the far-flung areas. This sector has potential for further business expansion, in times to come. Increasing number of borrower's year by year clearly indicates the expansion of this sector's outreach.

This unit deals with the issues in 'collection of receivables'. It contains four sessions which have been designed to explain collection of loan repayments, branch reporting, settlements and fraud reporting. It is expected that the contents of this unit will improve the awareness of the students, about the topic.

Learning Outcome

After completing this module, you will be able to:

- Collect the loan repayments
- Report to branch
- Update settlements
- Report frauds

Module Structure

Session 1: Collection of loan repayments

Session 2: Reporting to Branch

Session 3: Loan Settlements

Session 4: Legal Actions and Consequences

Session 1: Collection of Loan Repayment

Microfinance is assisting the poor populace of the country by expanding its network of financial services for the borrowers from all zones of the country. Many financing institutions are affording credit to the low-earning

individuals and the groups. Distinct qualities of the loans provided by the microfinance institutions are mentioned below:

- i. The credit exposure of the lending institutions per borrower is small and for a short period.
- ii. No collateral security is, generally asked.
- iii. Loan repayment is proposed by frequent installments.
- iv. Loans are given for income generating activities and for other consumption purposes.

The potential borrowers are, normally, honest and laborious persons but possess a low level of financial literacy. Microfinance brings in higher interest earnings than the other commercial banking activity. Microfinance is doing a lot for the uplift of the low-earning people but is not a charity. Lending institutions are business units and are concerned for the recovery of their principal amount with the interest income.

COLLECTION PROCESS

Disbursement of loan is vital for the borrowers to start or continue his/her income-earning activity and collection of repayments are equally important for the lenders to recycle their funds to remain in the lending business. Over dues or uncollectible amounts are the essential components of the lending business. Collection process is a continuing procedure, designed to recover the receivables at the earliest. Various strategies are adopted by the Microfinance Institutions (MFIs) to keep the level of their over dues to the minimum. Timely recovery of repayments enables the lenders to meet out their own repayment obligations and ensure their asset-liability management. An effective collection process cuts administrative cost and create a good repayment culture among the borrowers. When repayments are not received even after a considerable delay, beyond the due dates, problems get multiplied. Collection of repayments can be visualized as an integral part of the main lending activity which fetches returns.

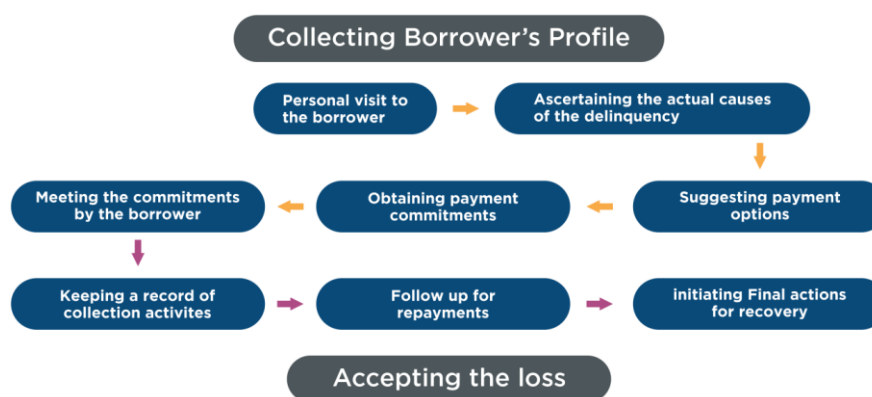


Fig. 1.2: Flow Chart of Collection Process

The process of collection of repayments consists of many activities integrated to effect recovery of the entire dues from the borrower. The process is so applied that the receivables are quickly realized by the lender with no grievance against the borrower. Maintaining good customer relations cannot be dispensed with, keeping in view the future business considerations. Normally, the process of collection consists of the following steps:

- Details about the borrower are collected to know their identity. Terms and conditions of the loan-sanction and repayment, the apparent reason for the loan becoming overdue and relevant information from CIBIL (Credit Information Bureau India Ltd.), CIR (Credit Information Report) etc., is ascertained.
- Personal visit is made to the borrower to know their location and to have a meaningful interaction, to understand the borrower's viewpoint and financial position. Ascertain the actions to be initiated to effect recovery of the overdues.
- Actual reason for the loan becoming bad is to be assessed so that an appropriate action can be initiated to collect the repayment. It is necessary to know whether the borrower being dealt with, is co-operative or willful defaulter.
- The borrower should be suggested a workable repayment option most suitable to his/her existing financial status. Advantages of timely repayments are to be advised to the borrowers with intent to enforce the repayment culture among them.
- The MFI clearly assesses the repaying capacity and obligations of the borrower. Borrower is assisted to commit as to how and when the repayment of the overdues will be made.
- The borrowers are reminded of their repayment commitments, regularly. Whether the borrower pays on the agreed dates or not?, if commitments are not met, whether the reasons given are genuine or the borrower simply makes another promise to pay or just runs off the scene. The main purpose of the collection process is not to have promises to pay. Overdues are to be recovered not by aggression but assertion and regular follow up.
- A record of all visits, interaction, reminders and negotiations needs to be kept. All actions are taken without prejudice and conform to the lender's 'collection of loan repayment' policy and the regulator's guidelines.

- Follow up for making payment is to be intensified. All concerned in the collection process should function in perfect harmony. Loan sanction authority, recovery agents or microfinance executives etc., should deal with the borrowers timely and in a coordinated way, to convince them to repay.
- Other options to recover the dues are looked in to, vis-à-vis assets available with the borrower. It is the stage, when lender makes all efforts to recover the dues, even at the cost of losing the customer forever. Legal action may also be resorted to, if considered viable.
- The collection process cannot be continued forever. If the permitted actions have failed, the outstanding amount is considered a loss asset and is written off, according to the lender's policy.

In microfinance, loans are given to the individual or self-help group/joint liability group borrowers. When repayment becomes due, the borrower repays through the visiting microfinance official or personally visits the lender's branch to deposit the instalment amount. In today's digital-technology driven economic scenario, it is imperative that the borrowers are guided to use their mobile phones for making loan repayments. Extensive use of mobile phones and easy availability of internet facilities in the country have made the access to the digital apps, user-friendly. Repayment of loans can be made like utility bills, by using the digital platform of Bharat Bill Payment System (BBPS).

GUIDELINES FOR COLLECTION

Every microfinance lending institution has its own policy to deal with the defaulters. The lenders deal with the borrowers professionally, observing guidelines framed by the Microfinance Institution Network (MFIN). The microfinance segment has become responsible and vibrant. The lenders have already accepted

- Credit data submission to the bank, on daily basis.
- No more financing to the Non-Performing Asset (NPA) borrower.
- Not to exceed the credit limits fixed for the borrower.

Still the borrowers, default in making payment on due dates. The officials of the lending institutions, engaged in collection/recovery work are required to follow the following guidelines while handling the defaulting borrowers: -

- Normally, the borrower will be contacted at the branch or place of his/her convenience.
- Visiting official should be an authorized person for collection and will disclose his/her identity to the borrower.

- Borrower's privacy is respected.
- Interaction with the borrower should be in simple language with no threat or coercion.
- The borrower will be contacted in day time between 7 AM to 7 PM or any time with borrower's consent.
- Borrower's request for, not to call at specific time or place, should be agreed to, normally.
- Record of visits and interaction will be made.
- Efforts will be made to settle the issues in an amicable manner.
- Calls/visits will not be made on unsuitable occasions.

Normally, mortgage of the property will not be available as security therefore question of repossession of the security does not arise. Borrowers' request for payment holiday, reduction in instalment amount or restructure of loan account should be considered on merits.

LEGAL GUIDELINES

Banks and the authorized lending institutions prefer to file 'Recovery Certificate' with the collector of the district, who affects recovery as per the law of the state, because amount to be recovered is small and remedy of legal suit is time taking with extra burden of legal and other expenses.

The process to get decree from the court is lengthy and time consuming. Once the decree is in hands, the problems are not all over. The procedure of its execution is again a time taking exercise with no surety of getting the decretal amount. MFIs are business units, more concerned about recovery of their debt than any punishment to the borrower. Filing of a suit against the borrower is last remedy with the lender. Before filing of a suit in court of law, following guidelines are observed: -

- All efforts including persuasion, personal contact with the borrower/ references/family members, issue of demand notice/reminders through the branch and/ or through the empaneled advocate have been made and failed. No other option is available except to initiate the legal proceedings in the court of law.
- Loan documents are complete and enforceable. Enforceability of documents have been got examined by the advocate on panel.
- Recall notice has since been issued with the approval from the competent authority.

- The lender has disposed of the available primary security and appropriated the proceeds in the outstanding loan amount.
- Details of the assets of the borrower have been gathered to put a prayer to the court for attachment.
- Efforts have been made for a negotiated settlement but in vain.

The suit should be filed through the empanelled advocate after getting the plaint approved from the competent authority. The legal officer of the lending institution should follow up with the advocate for decree from the court.

If it is felt that even the legal recourse is not going to fetch the desired result, the loan is declared a loss asset and the competent authority is convinced not to initiate the legal action and agree for writing off the loss.

BIOMETRIC VERIFICATION

A person can be uniquely identified by assessing one or more distinguishing biological traits. These biological identifiers consist of fingerprints, hand and earlobe geometries, retina patterns, voice prints and written signatures are called as biometric verification.

Fingerprint is one of the oldest forms of biometric verification. Thumbprints were used in ancient China as unique identifiers on clay seals. The development of computerized databases and the digitization of analogue data took biometric verification to the next level.

Common types of biometric verification / Authentications

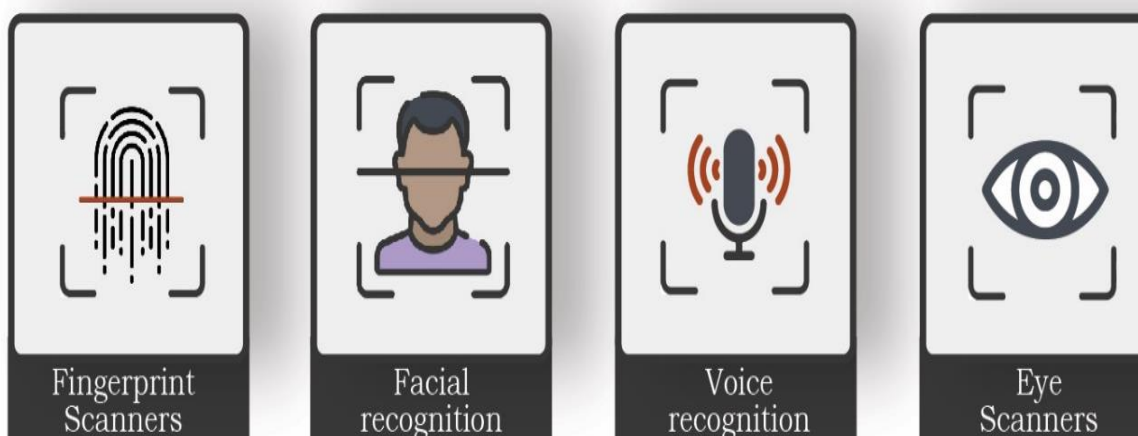


Fig. 1.3: Types of Biometric Verification

Types of Biometric Verification

There are several ways to verify accurately and securely a person's identity by biometrics. The following is a list of the more common type of verification systems and technologies that are used to facilitate accurate and reliable user authentication: -

Fingerprint Identification

One of the most common forms of biometric authentication is Fingerprint ID, because of its historical success and reliability. Now a day almost all smartphones are using fingerprint identification to quickly verify the users identify.

Facial Recognition

To authenticate a person's ID, facial recognition plots facial features and compares them to stored facial biometric data. Because of the number of unique points on an individual's face, there is one of the most common verification methods.

Iris and Retina Pattern Recognition

Iris and retina patterns are unique and diverse like fingerprints. An iris scanner can accumulate around 200 unique biometrics features. It gives the strength of security and reliability of this form of identification; most banks are using iris and retina pattern verification methods to verify ATM users.

Voice Waveform Recognition

Biometric verification can be done through not only physical features a person's voice can be a sole biometric indicator that organizations can apply to validate users. Several financial institutions use voice recognition to identify clients over the phone. Because phone calls are a common phishing practice to extract assets or information, voice recognition can help to reduce the success rate of criminals attempting to pose as known individuals.

Eye Scanner

As per the science researches every human eye has a different unique pattern and this provides us number of opportunities for biometric identification. This includes measurements of the retina, iris and eye veins. Organizations using eye scanning, typically for iris recognition, are widely installed for verification at government and law enforcement levels.

At this point in time, this biometric authentication method is one of the most trustworthy biometric identifications.

BIOMETRIC VERIFICATION IN GROUP MEETINGS

The technology of 'Biometrics' is an automatic solution for identification and/or authentication purposes. It uses the information which is distinct for every individual and involves high degree of detection and security operation. The distinctive individual qualities are used as identifiers. A key feature of this technology which makes it more acceptable than the traditional procedures is the privilege of not remembering or using the passwords. No access to any document is needed to establish the identity of a particular person. Stress of keeping the passwords secure, is eliminated altogether. The technology restricts the access of unauthorised persons to the vital information or documents, beyond doubt.

The unique features of the human body evaluated in 'Biometrics' are finger impressions, palm lines, earlobe geometry, retina pattern, signatures, etc. Thumb impression is used as biometric identifier since time immemorial. The process in biometrics consists of capturing the uniqueness in a person's characteristics and saving the same in the data base. When verification or authentication is required, a fresh record is captured and tallied with the already saved record in the database. If the new record tallies with the saved record in the database, the person's identity stands confirmed.

Some of the advantages of this technology are mentioned below

- It is very useful to ensure the entry of the authorized persons in security sensitive areas.
- It possesses high degree of accuracy and speed in identification of the individuals.
- Biometric qualities cannot be stolen or imitated and therefore security of a higher level is available.
- The technology is not prone to sudden changes as such records in database can be used for long.
- Biometrics is fast, reliable, easy to use and cost effective. No special skill is necessary to use this technology.
- Many industries can use this technology, including investigation agencies for the identification of the miscreants.
- Access to bank accounts by the right person is ensured even in mobile banking. Unauthorized access to ATMs, computers etc., can be prevented.

Use of biometric verification in the group meetings can be done to mark the attendance of the members and for vetting the minutes of the meeting. Record keeper may train the members in the meeting of Self-Help Groups/

Joint liability Groups. It will also eliminate the hesitation of the members to use technology.

ACTIVITIES

Activity 1: Prepare a flow chart to demonstrate 'Collection Process'.

Material Required: Notebook, Pen, Pencils, Eraser and access to the Internet.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a chart on the topic.
2. The students will prepare the chart on the topic of collection process.
3. The Students will include following steps in the chart of collection process:
 - a. Personal Visit to the Borrower
 - b. Ascertaining the actual courses of the delinquency
 - c. Suggesting payment options
 - d. Obtaining payment commitments
 - e. Meeting the commitments by the borrower
 - f. Keeping a record of collection activities
 - g. Follow up for repayments
 - h. Initiating action for recovery
4. The students will submit the chart to the teacher.
5. The teacher will select 2-3 charts prepared by the students.
6. The teacher will discuss and explain about the topic in the classroom.

Activity 2: Prepare a flow chart on paper showing 'Biometric verification'.

Material Required: Notepad, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic. Internet may be accessed by them to know the latest developments.

3. Every group will make a chart containing the process of biometric verification which includes steps like:
 - a. Capturing the uniqueness in a person's characteristics
 - b. Saving the same in the data base
 - c. Capture a fresh record to verify
 - d. Tally the fresh record with saved record in the data base
 - e. If tallies, person's identity stands confirmed.
4. One student from each group will present on the topic before the class.
5. The students from the other groups will ask questions to understand the topic well.
6. The teacher will assist the speakers and suggest the changes needed.
7. Incorporate the changes on the chart and submit it to the class teacher.

CHECK YOUR PROGRESS

A. Fill in the blanks

1. In microfinance the credit exposure of the lending institutions per borrower is _____ and for a _____ period.
2. Loans are given for income creating _____ and for other _____ purposes.
3. The microfinance segment has become responsible and _____.
4. _____ of legal suit is time taking with extra burden of legal and other expenses.
5. Biometric qualities cannot be stolen or _____ and therefore, security of a higher level is _____.

B. Multiple Choice Questions

1. In microfinance Loan repayment is proposed by _____
 - a) lump sum repayment
 - b) long repayment schedule
 - c) frequent installments
 - d) none of these
2. In microfinance, the potential borrowers possess _____ of financial literacy.

- a) low level
 - b) high level
 - c) average level
 - d) none of these
3. The microfinance lenders have already accepted, the credit data submission to the bureau, on _____
- a) monthly basis.
 - b) quarterly basis.
 - c) daily basis.
 - d) none of these.
4. Benefits of biometric technology are:
- a) transparency
 - b) time Saving.
 - c) fast working.
 - d) all of the above.
5. The process to get _____ from the court is lengthy and time consuming.
- a) decree
 - b) advice
 - c) amount
 - d) none of these

C. State whether the following Statements are True or False

1. In microfinance, loans are given for income creating activities only.
2. Microfinance is not a charity.
3. Borrower's request for, not to call at specific time or place, should be agreed to, normally.
4. No special skill is necessary to use the Biometric technology.
5. Biometric technology cannot restrict the entry of the unauthorized persons in security sensitive areas.

D. Match the Columns

COLUMN A		COLUMN B	
1	Vetted	A	Typical
2	Decree	B	Bharat Bill Payment System
3	BBPS	C	Automatic solution for identification
4	Distinctive	D	Checked
5	Biometrics	E	Court order

E. Short Answer Questions

1. What are distinct features of the microfinance loans?
2. Explain first two steps of collection process in microfinance.
3. Where the borrower can be contacted for collection of overdues?
4. Write any two guidelines to be observed before filing a suit for recovery of overdues?
5. What is 'Biometrics' and how it works?

F. Long Answer Questions

1. Describe the advantages of biometric technology.
2. Write a note on guidelines for collection in microfinance.

G. Check your Performance

1. Prepare a presentation on various guidelines for collection, in microfinance.

Which Biometric Verification gives accurate results in database? Demonstrate.

Session 2: Reporting to Branch

It is imperative for a microfinance institution to have internal checks and controls in its procedures to minimize the risks involved including, in particular, the operational risk. The operational risk arises due to improper methods, inadequate systems and working staff or events which may happen externally. A robust system of internal checks and controls which includes reporting to branch or higher authorities reduces the operational risk, significantly.

DEPOSIT CASH COLLECTED

Proper method of managing cash is vital for MFIs due to the reasons mentioned below-

- Many cash transactions take place daily, involving receipt and payment.
- Cash allures.
- Chances of misappropriating the cash are high.
- In absence of strict vigil, the dealing persons become manipulative and tend to become dishonest.

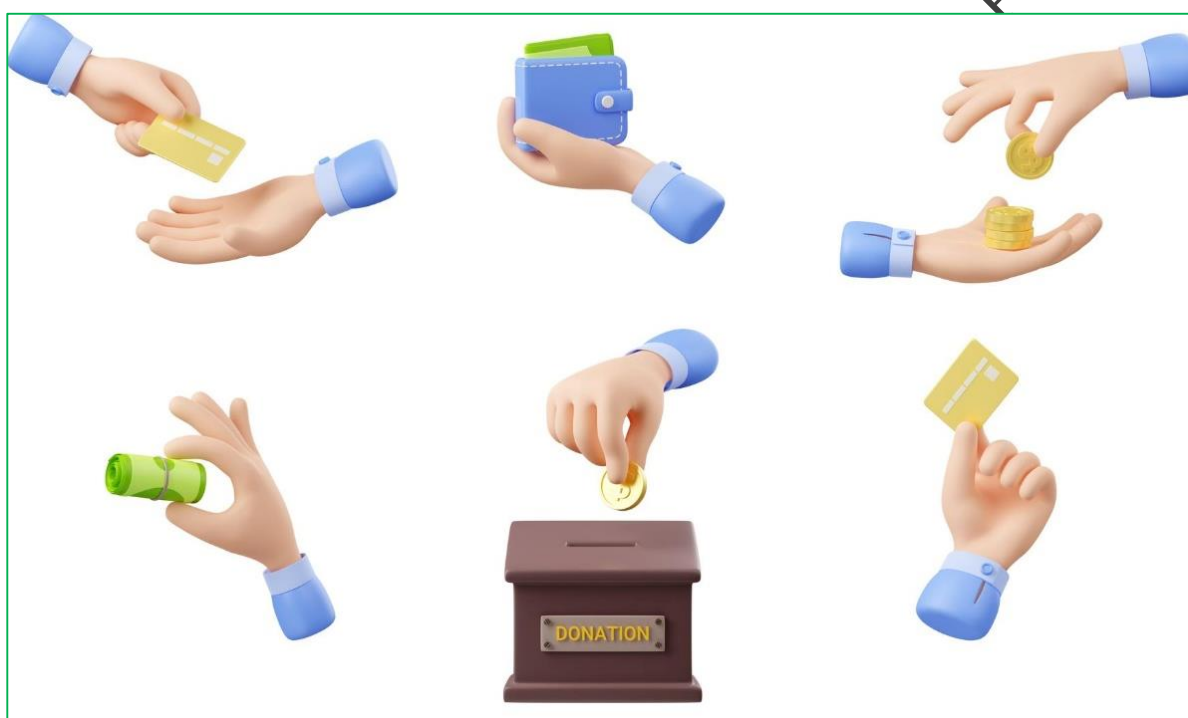


Fig. 1.4: Collected Amount Deposited

Source: shorturl.at/hmx39

The repayment of loans from the borrowers is one of the main sources of cash accumulation with the MFIs. The payments are made in the MFIs bank account directly or to the cashier at the branch or to the visiting field staff, by the borrowers. It is expected that the borrowers are advised about the repayment frequency and instalment amount at the time of loan disbursal, itself. The microfinance executive / visiting field staff should –

- Issue numbered receipt for the amount received.
- Mention each receipt in the borrower's ledger card and journal of cash receipts.

- Tally the total receipts of the day with the actual cash deposited in the MFIs bank account or at the branch.
- Ensure that all the cash receipts of the day are properly accounted for, by him/her.
- Deposit of cash in the MFIs bank account is checked and found correct by the nominated officer.
- Ensure that the laid down procedure of the MFI is followed with no short cuts.

If creditors are paid by the MFI in time, it adds to its reputation and timely repayment by the borrowers strengthens its financial standing. Observance of extant rules, by the functionaries at various levels in the MFI, keeps the trust of the borrowers intact and protects the workers, who follow the given procedures, in letter and spirit.

In a typical MFI, collections were made in the morning session by the field staff and were deposited at the branch by 12 'O' clock noon. The functionary at branch deposited the entire collected amount in bank account of the MFI. Any amount required for the loan-disbursal was separately withdrawn from another account, maintained in the bank for the purpose. At the day end, cashier at branch is left with cash pertaining to the undisbursed loans. The cashier is required to obtain approval from the designated authority to keep excess cash overnight than the prefixed limit, even in the locker of the MFI.

SIGN OFF ON THE DROP

'Sign off on' means to officially agree to something. Cash collected by the field functionaries from the borrowers should be recorded in the register and deposited at the branch, bank or the cash drop place, as per the prescribed procedure. The field staff should finally call it a day of their working after getting the collected money deposited as per procedure and obtaining the vetting of the transaction by the nominated supervisor.

ACCOUNTING FORMALITIES FOR CASH COLLECTED

Recovery of instalments of the existing loans from the microfinance borrowers is the main source of cash accumulation, on the prefixed dates of repayment. The officials engaged in recovery process are well conversant with the accounting formalities, prescribed by the employer institution. Cash basis and Accrual basis are two procedures of accounting which are prevalent for recording the business transactions. A transaction in cash basis system is taken in books when cash is actually received or paid. But in accrual basis system, the transaction is recorded when the right to receive the amount arise or liability to pay an expense amount is incurred. It is a legal binding for the companies to adopt accrual basis system in

maintenance of their accounts. The microfinance institutions other than companies may adopt any of the two methods. However, accrual basis system is considered conceptually a better option.

The proper accounting of cash by the officials engaged in cash collection work is all the way necessary. Large number of cash recovery transactions and natural attraction of cash make it compulsory to record the transactions immediately in the books, with the laid down procedure of the lending institution. The prescribed collection formalities typically include-

- Issue of printed and numbered receipt for any amount received from the borrower.
- Entering the official counterfoil in the daily cash collection sheet or book and preserved.
- Making an entry in the pass book of the borrower with the initials.
- Simultaneously, reflecting cash receipt in the loan ledger card of the borrower.
- Reconciliation of all the cash collected with the counterfoils and the cash collection sheet or book.
- Deposit of entire cash collected with the branch cashier or in the MFI's bank account, as per the prevalent instructions, without any delay.
- If the cash is deposited in the bank, deposit of bank-receipt, counterfoils of the receipt issued to the borrowers, with the branch supervisor/ cashier, under acknowledgement on daily collection sheet or book.
- Reconciliation of cash receipts and bank receipts by the cashier at branch and making suitable entries in the cash book. Cash recoveries are then reflected in the individual borrowers' account maintained in the ledgers.

The cash collecting officials should preserve the daily collection sheets/book, for future records. No short cuts in the prescribed procedure are to be followed.

INTERACT WITH TEAM

The culture of review meeting in organizations is well established. The meetings which are attended by the flat faced supervisors and wherein much is talked about the expectations of the organization and shortcomings of the team members, do not serve the very purpose of the meetings. The members make efforts to achieve the minimum required standard just to keep their employment intact and soon lose their appetite for innovations and expertise in their working. Such meetings are not interactive in true sense. The team

is not motivated instead members tend to perform below their potential. The supervisor's duty is to energise the team, make the members free from the unfounded fears, clear their doubts, listen their problems and ideas. The able supervisors endeavour for the enhanced performance and personal development of the members. Some points are given below to be kept in view while conducting interactive meetings with the field staff involved in various activities including cash collections for their better output.

- The interactive meetings should be arranged on regular intervals. These need to be conducted with due seriousness and minutes to be preserved, as an official record. Face to face, interactive meetings make the communication clear and effective more than the text messages or e-mails sent.
- Participants should be addressed in simple and meaningful language. They listen to what is said and also notice how it is said. Use of appropriate body language conveys confidence, sincerity and interest to the team-members. Any clarification sought may be trivial, should be provided with due grace. It will motivate the audience to come up with new ideas to perform better.
- Informative charts or visual clippings may be displayed to explain any information or revision in the extant procedure/guidelines.
- The opinion or an idea preferred by any of the team member should be accorded active listening. In no case, anyone is humiliated or overlooked in the meeting. Members should be encouraged to share their work experiences in the meeting. Success stories or problems faced should be listened by all with interest.
- Members should be appreciated for their efforts and achievements, in the meeting. Any member, if needs to be reprimanded or cautioned, should be tackled separately, in one- to- one interaction. Discipline needs to be maintained at all the times.
- The duration of the meetings should be kept short. However, discussion on important issues, revised procedures or guidelines or new projects, should be given sufficient time with no wastage. This will assist the management to feel the underlying currents if any, among the working staff.

A meaningful interaction between the supervisors and the field staff at regular intervals keeps the staff involved and rejuvenated.

FOLLOW-UP AND RECOVERY OF OVERDUES FROM DEFAULTER

Microfinance institutions are continuously engaged in improving the economic status of the poor by extending loans for their business activities

and consumption needs. The borrowers are required to repay the loans as per the repayment schedule advised. Lending business always carry risk of default in repayment of principal and interest. As such, MFIs are also confronted with the problem of bad loans. When the repayments are in arrears or not received in time, as per the prefixed schedule, delinquency occurs.

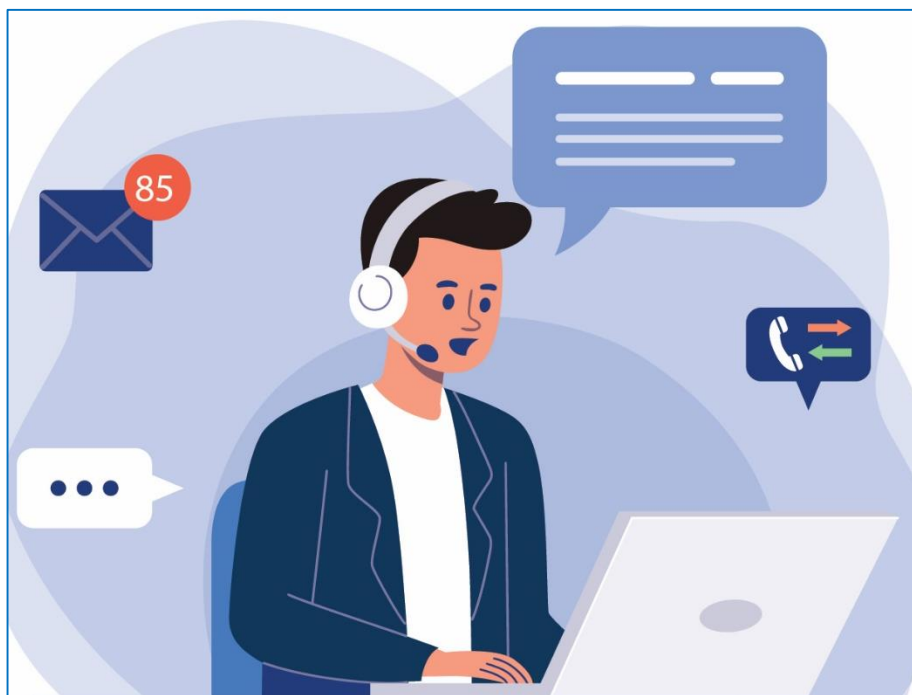


Fig. 1.5: Follow-Up Call

The borrowers are followed up for repayment. In spite of follow up if repayment is neither forthcoming nor expected, it can be said that the borrower has committed the default. Recovery of overdues becomes difficult because loans extended by the MFIs are collateral free and normally without any third-party guarantee. Further, lender cannot use any threatening or coercive means to effect recovery of the amount in default.

Timely recovery of loans is vital for the MFIs to meet their administrative and other expenses and to recycle their stock of funds to keep them functional. Whatever be the reason of delinquency, it is to be managed at the very beginning. MFIs should adopt befitting strategies to manage delinquency, well in time. The borrower should take up repayment obligation seriously. MFIs should

- Create a culture of no leniency towards non-repayment of dues on the scheduled dates, in the organization.
- Ensure that all borrowers, whose repayments are due, are followed up by timely and repeat reminders, personal contact by the field staff and through village panchayat.

- Impart training to the working staff for being problem solver and courteous but assertive in dealings with the borrowers to win their trust. The working staff should encourage timely repayments. Proper incentives may be awarded to the field staff for maintaining good customer relations and getting overdues of borrowers reduced. The dedicated workers should be appreciated in staff meetings for adherence to the institution's guidelines and avoiding deterioration in asset quality.
- Hold time to time, meetings with the borrowers in their area to emphasize the need of timely repayments and the advantages viz. larger amount loans, repeat loans, lower interest rate, support to receive govt. subsidy etc. and status in the community. It is important to have organization's image of no tolerance for delay in repayment.
- Not hesitate to change the loan period, frequency of instalment and/or amount of installment, in the deserving cases.

It is considered that poor people are not basically dishonest but at times their borrowing accounts become overdue and also turn non-performing asset. Whatever may be the reason; MFIs put their all efforts to recover the entire dues. The reason for non-repayment of the dues varies among the defaulters. With the passage of time, recovery officials possess all the relevant information about the defaulter. In the beginning stress is to recover the overdues while retaining the customer but once the account is classified as NPA, all efforts of the lending institution is directed towards recovery of the entire amount in default. The issue of customer retention is lost in the process. A typical MFI may follow an effective strategy as under.

The defaulters are divided in four groups and are dealt with separate strategies.

S. No.	Category of the defaulter	Possible reasons for non-repayment	Strategy to be applied
1	The borrowers who are ready and capable to repay the dues.	These are the persons who forgot to repay or lost memory of repayment dates. When reminded, casually entrusted the job of repayment to someone else who too did not bother.	Such defaulters should be given fresh repayment schedule after due discussion or counselling them. Overdues can be recovered and the customers may be retained.

2	The borrowers are willing but not capable to repay the dues.	Such persons have either suffered business loss or confronted an unexpected emergency or an investment made has gone bad. At present, they may be passing through an economic tough time. Expenses have exceeded the income.	The loan account of such borrowers may be considered for rescheduling and additional finance with feasible repayment options. The borrowers may be retained for long, if repayments are found satisfactory, according to the rescheduled terms.
3	The borrowers are capable but avoiding to repay the dues.	Such borrowers may be annoyed with the quality of service provided to them or are agitated on some unsettled issue with sanction terms of loan. At times, repayments are not made to achieve some rebates. Operational errors are made issue for non-repayment.	The lending institution needs to resolve if any lack in service quality has agitated the borrower or there was an unsettled issue with the sanctioned loan terms. If no such issue is there, either the cases are referred to the debt recovery agents for recovering the dues or legal action is immediately, initiated. One time settlement can also be negotiated on the terms of the lending institution.
4	The borrowers are neither capable nor willing to repay	Such borrowers have taken loan by misrepresentation or fraud. Loan might have been approved with wrong/poor evaluation. Loan amount has been misused.	Immediate legal action should be taken after due consideration of their net worth. The MFI should explore the possibility of a negotiated settlement. Such borrowers should be got rid of, at the earliest.

It needs to be emphasized that negotiated settlements should be approved by the authorized official of the lending institution. Notice of recalling the entire advance should be sent through the advocate on panel of the MFI. Legal action is a time-consuming process for recovery of dues. Legal action including filing of Revenue Recovery Certificate should be approved by the

competent authority of the lending institution. If at all, suit is to be filed; all the necessary formalities should be completed through the empanelled advocate of the MFI.

ACTIVITIES

Activity 1: Preparation of a paper describing “Deposit of cash collected and reporting to the branch”.

Material Required: Notebook, A-4 size white papers, Pen, Pencils, Eraser and access to the Internet.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a paper/ detailed note on the topic.
2. The students will prepare a paper on the Deposit of cash collected and reporting to the branch by keeping following points:
 - a. Collect cash from clients.
 - b. Verify and count the cash.
 - c. Complete receipts or vouchers for each transaction.
 - d. Prepare a deposit slip with denominations breakdown.
 - e. Reconcile total cash with receipts and deposit slip.
 - f. Securely transport cash to the bank.
 - g. Deposit cash at the bank and obtain acknowledgment.
 - h. Report detailed transactions to the branch.
 - i. Update internal records.
 - j. Address any discrepancies promptly.
3. The students will present the paper in the class with suitable method and media.
4. Handle the queries from the other students.
5. The teacher will suggest and explain about the presentation.
6. The student will note down the remarks made by the teacher.
7. Finalise the paper and submit it to the class teacher.

Activity 2: Arranging a role play demonstrating ‘Interaction with the working teams of MFI’.

Material Required: Notepad, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will form 4 to 5 groups of students in the class.
2. Ask to visit MFI's Offices.
3. The group members will discuss among themselves and note down the relevant points that they want to collect the information.
4. The group will act as a team of field-staff whose members are engaged in collection work from an MFI.
5. MFI as a supervisor or senior officer to interact with the team members to review the performance of the members.
6. Before the role play, teacher will guide the team members and the acting senior officer as to how to conduct the review meeting and the probable queries or suggestions by the team members.
7. After the role play, the teacher will evaluate the performance and will add his suggestions/ comments.
8. The teacher will assist the speakers, if required.

Check Your Progress

A. Fill in the Blanks

1. A robust system of internal checks and controls, _____-the operational risk, significantly.
2. To change the _____ frequency of installment and/or amount of installment, in the deserving cases.
3. Repayments are not made to achieve some _____
4. The lending institution needs to _____ if any lack in service quality has agitated the borrower or there was an _____ issue with the sanctioned loan terms.
5. Legal action is a time-consuming _____ for recovery of dues.

B. Multiple Choice Questions

1. The culture of review meeting in organizations is _____
 - a) not there
 - b) well established
 - c) yet to be established
 - d) None of these

2. Notice of recalling the entire advance from the borrower should be sent through the _____ of the MFI.
 - a) manager
 - b) supervisor
 - c) advocate on panel
 - d) None of these
3. Negotiated settlement may be approved by the _____ of the MFI.
 - a) field staff
 - b) cashier
 - c) authorized officer
 - d) None of these.
4. The MFI should create a culture of _____ towards non-repayment of dues on the scheduled dates in the organization.
 - a) no leniency
 - b) tolerance
 - c) let go
 - d) None of the above.
5. MFIs should adopt befitting strategies to manage delinquency_____
 - a) at the end
 - b) well in time
 - c) at the convenience of the borrower
 - d) None of these.

C. State whether the following statements are True or False

1. The duration of the meetings with field staff, should be kept short.
2. In microfinance, no rescheduling or additional finance should be considered in any overdue loan account.
3. Proper incentives may be awarded to the field staff for maintaining good customer relations and getting overdues of borrowers reduced.
4. The able supervisors endeavor for the enhanced performance and personal development of their staff members.
5. The cash collecting officials should not preserve the daily collection sheets/book.

D. Match the Columns

COLUMN A		COLUMN B	
1	No leniency	A	Strong
2	Trivial	B	Appropriate
3	Reprimand	C	Warning
4	Befitting	D	Insignificant
5	Robust	E	Zero tolerance

E. Short Answer Questions

1. Why proper cash management is necessary for the MFIs?
2. Describe any three accounting formalities for cash collected.
3. What do you understand by the cash basis and accrual basis accounting of transactions?
4. How to deal with the defaulters who are neither willing nor capable to repay?
5. What type of training, the MFI should impart to the field staff engaged in the recovery of dues, from the borrowers?

F. Long Answer Questions

1. Describe the features of meaningful interaction in the meetings with the working staff.
2. Write a note on 'follow-up and recovery of overdues from defaulters.'

G. Check Your Performance

Perform a role play demonstrating follow up for recovery of overdues from the borrowers.

Session 3: Loan Settlements

The business of lending is associated with the risk of defaults in repayment of the principal and interest, on the scheduled dates. Some borrowers have situations beyond their control for failure to repay the dues on the prefixed due dates while some commit default wilfully, with no or unfounded reason. The lender selects the most appropriate method to recover its dues. Settlement is one of the methods to deal with the defaulters to manage overdue. Compromise settlement is explained as an agreement reached

between two parties to resolve a dispute with an element of sacrifice on the part of lender for the full settlement. It can be explained that a loan settlement-

- Is an agreement between the lending institution and the borrower?
- Is by mutual consent, without any coercion.
- Is to accept a lesser amount than the total overdue by the lender.
- Is for full and complete settlement of the loan.
- Here the borrower agrees to repay as per the agreed terms and the lender agrees to write off the remaining dues that is difference of total dues and the agreed amount to be repaid.

UPDATE SETTLEMENT

Loan closure should not be mistaken as the loan settlement. Loan closure involves repayment of the entire dues as per the prefixed repayment schedule. Whereas, in loan settlement, whatever be the reason, the borrower either requests to change the original repayment schedule or offers repayment of a lesser amount than the entire dues. The lender accepts, considering the borrower's impaired capacity to repay by considering the time value of money. It is advisable to receive the money sooner for its inbuilt earning capability.

The borrowers are often allured by the loan settlements considering it an opportunity to repay lesser amount and to get rid of loan but it is a wrong notion. A loan is normally considered a non-performing asset, if it remains overdue for a period that exceeds 90 days. The lending institution makes all efforts to get rid of the NPA either by recovery or write-off of the entire/ part loan amount. In any case, it is reported to CIBIL or other such institutions which provide credit rating. After the recovery of settled amount, the loan transaction appears to have ended finally. But the loan status is updated in the records of credit rating agencies as 'settled' and not the usual closure. This conveys a caution and an undesirable credit behaviour to other lenders, with a drop-in credit score. Such information remains in the store of credit agencies, normally for about 7 years. Updating the loan status as settled/ write-off/ settled post write-off will result in drop of the credit score. In future, other lenders will either refuse any credit facility or the credit will not be provided at affordable interest rate/terms. Once the credit score of a borrower is dropped, it takes much time, 7 years or so, for revision in the score.

DOUBTFUL OVERDUE

In simple terms, the overdue loans which appear non-recoverable, partly or wholly are doubtful loss. Recovery of entire amount is not certain. Doubtful

loans are non-performing assets of the lending institution. This means that neither repayment of interest nor instalment of the principal is forthcoming. A doubtful asset is an asset that has been nonperforming for more than 12 months. Repayment of the entire overdue amount in such loan accounts is in jeopardy. There is no recognized income. Continuation of doubtful loans in the account books of a lending bank requires provision of significantly large amounts which do have a negative bearing on the profitability of the lender. Negotiated or compromise settlement is the most preferred option to recover the overdue loans, in this category. When to finalize the settlement to maximize the recovery in such accounts should be decided, according to the advice of the recovery department of the lending institution. Banks are permitted to settle the overdue even with the wilful defaulters or fraudulent borrowers but with the consent of the competent authority, without prejudice to the legal action continuing against such borrowers. RBI has used the concept of 'Portfolio at Risk' to measure the credit delinquency.

REASONS OF DOUBTFUL OVERDUE CASE

Rural and semi-urban populace is largely served by the MFIs. Borrowers belonging to the poor strata of rural and semi-urban area, in India are not financially much literate. The lenders provide small ticket loans without collateral security. The main reasons for loans turning doubtful are narrated below.

- **Credit Indiscipline-** The borrowers do not adhere to the repayment schedule due to inadequate financial literacy and low income. They normally, have over borrowings. Local Sahukars, effect recovery of their money with coercive means. Their interest rate is exorbitant. To pay them, the borrowers commit default in repayment of loans extended by the MFIs.
- **Absence of Regular Income-** Microfinance has provided easy access to the formal financial services for the poor. But the loans extended for earning activities and consumption, are not bringing the desired results in many cases. Uneconomic earning activity, no regular income and little worth, drag many honest borrowers in debt trap. They intend to repay but are not able to honour their repayment obligation. In turn their loan accounts turn doubtful.
- **Defective Appraisal –** Many a times, the genuine aspirant is not selected and/or the credit needs are not properly assessed and/or adequate credit is not afforded and/or repayment schedule fixed is not matching with the income generation, by the lending-institution. Faulty appraisal, as such, may compel an otherwise honest borrower,

to become a defaulter. This results in turning the related loan account doubtful for repayment.

- No regular monitoring or follow up- If the loan account is not properly monitored or no timely follow up is made for recovery of dues; there are ample chances of account becoming overdue and doubtful for repayment.
- Political Events- During elections, some political parties promise to waive the loans of poor people, if they achieve power. This spoils the recovery environment and many accounts turn NPA or doubtful for repayment.
- Natural Calamities- Natural calamities if occur in any part of the country, borrowers of that area may default in loan repayments because of their priority to settle themselves and also due to impaired income. For instance, unprecedented flooding in Kerala state, in 2018. Some states were devastated by cyclones like Titli, Fani and Gaja. Spread of pandemic Covid-19, had halted the economic activities of the countrymen for many months in the year 2020. Loan delinquencies are bound to rise in such situations. Loans may turn doubtful for recovery of dues.

RECOMMEND DOUBTFUL OVERDUE CASES FOR WRITING OFF

The largest asset of an MFI is its loan portfolio. The portfolio's quality is very crucial for the MFI to maintain. Portfolio at risk has emerged as an effective measure of portfolio quality. PAR comprises of all the loans which are overdue. In microfinance, it consists of doubtful and loss assets. When the MFI has sufficient reasons to believe that the entire outstanding of a loan is not recoverable, it resorts to 'write off' the loan, partly or fully, depending upon the expected unrecoverable loan amount. 'Writing-Off' is an accounting activity to remove the doubtful/loss asset from the lender's account books by debiting 'Profit & Loss' account or treating the asset as an expense. A contra entry may be reflected in the general ledger. On receipt of any loan recovery post write-off, the contra entry in the general ledger is accordingly adjusted. The figures of written off loans are mentioned in the foot notes to balance sheet. It prevents the MFI's total loan figures from being inflated by the loans that are doubtful of recovery.

The MFIs, generally, write off the loans which have become overdue for a period exceeding 180 days, as per their board approved policy or regulatory norms. These are technical write off. The loans which are categorized as doubtful/ loss assets are removed from the main books of the MFIs but a record is kept separately for making efforts for recovery by final settlement

or legal action. It releases the provision amount for use by the MFIs. Write off rules may differ among the MFIs due to tax reasons.

Write off (technical or final) of the loans require approval from the appropriate authority through the credit department of the MFI. A detailed proposal is required to be submitted to the credit department, duly recommended, for their approval/sanction. It is the duty of the credit department to examine the staff accountability report before according approval for write off. The queries raised, if any, need to be replied. The credit department should be kept updated about the efforts made for recovery and the amount recovered in each case, after the technical write off, by sending statement, at the prescribed intervals.

ACTIVITIES

Activity 1: Preparation of a paper on updating loan status and settlement.

Material Required: Notebook, A4 size white papers, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a paper/ detailed note on the topic.
2. The students will prepare a paper on updating loan status and settlement which should include following points:
 - a) Receive loan repayments from clients.
 - b) Verify payment details and amounts.
 - c) Update loan records with received payments.
 - d) Identify and address any discrepancies.
 - e) Notify clients of updated loan status.
 - f) Monitor settlements and overdue accounts.
 - g) Provide regular reports to the branch.
 - h) Coordinate with relevant departments for settlements.
 - i) Update records after settlements are completed.
 - j) Ensure compliance with internal policies and regulations.
3. The students will submit to the teacher.
4. The teacher will select 2-3 papers prepared by the students.
5. The teacher will discuss in the class to explain about the topic.

6. The students will be encouraged to ask topic related questions for better understanding.

Activity 2: Presentation on 'Recommending doubtful overdue cases for writing off in coordination with credit department'.

Material Required: Notepad, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic.
3. Internet may be accessed and highlight on the following points for the presentation:
 - a) Identify overdue accounts with little likelihood of recovery.
 - b) Analyze the client's financial situation and reasons for non-payment.
 - c) Document efforts made to recover the outstanding amount.
 - d) Coordinate with the credit department to discuss the case.
 - e) Provide recommendations for writing off the doubtful overdue accounts.
 - f) Present supporting documentation and analysis.
 - g) Collaborate on the decision-making process with the credit department.
 - h) Document the decision and update the relevant records.
4. Every group will make a detailed note on the topic and one student from each group will speak on the topic before the class. The students from the other groups will ask questions to understand the topic well.
5. The teacher will assist the speakers, if required.
6. The teacher should update himself/herself before the activity, so as to make value addition to the presentations.

Check Your Progress

A. Fill in the Blanks

1. The business of lending is associated with the risk of _____ in repayment of the principal and interest, on the _____ dates.
2. The settlement is one of the methods to deal with the defaulters to manage _____

3. Loan _____ should not be mistaken as the loan settlement.
4. The borrowers do not adhere to the repayment schedule due to inadequate financial _____ and _____ income.
5. The largest asset of an MFI is its loan _____

B. Multiple Choice Questions

1. Updating the loan status as settled/ write-off/ settled post write-off, in CIBIL or other credit rating institution, will result in _____ of the borrower.
 - a) no change in the credit score
 - b) drop in the credit score
 - c) increase in the credit score
 - d) None of these
2. A loan is normally considered a non-performing asset, if it remains overdue for a period that exceeds _____.
 - a) 3 months
 - b) 2 months
 - c) 12 months
 - d) None of these
3. Microfinance has provided easy access to the formal financial services, for _____.
 - a) the defaulters
 - b) the rich people.
 - c) the poor.
 - d) None of these.

C. State whether the following statements are True or False

1. Loan closure involves repayment of the entire dues as per the prefixed repayment schedule.
2. Loan settlement is for full and complete settlement of the loan/debt.
3. Banks are not permitted to settle the overdue with the willful defaulters or fraudulent borrowers.
4. Write off rules do not differ among the MFIs due to tax reasons.
5. Write-off releases the provision amount for use by the MFIs.

D. Match the Columns

COLUMN A		COLUMN B	
1	CIBIL	A	Unique
2	PAR	B	Portfolio at Risk
3	Propaganda	C	Credit Information Bureau (India) Limited
4	Impaired	D	Publicity
5	Unprecedented	E	Reduced

E. Short Answer Questions

1. Explain the loan settlement.
2. How the natural calamities and the political events affect the quality of loan assets in microfinance?
3. What is doubtful overdue in microfinance.
4. What is technical write off?
5. What is defective appraisal?

F. Long Answer Questions

1. Describe the reasons for doubtful overdue cases.
2. Write a note on 'write off' of doubtful overdue cases.

G. Check your Performance

Make a presentation in the classroom on reasons for doubtful overdue cases, in microfinance.

Session 4: Legal Action And Consequences

The microfinance sector in India is a fast-growing sector. Gross loan portfolio of this sector has already touched the level of ₹348339 crores on 31st of March 2023. Microfinance consists of micro credit, savings accounts and micro insurance products. Some institutions also include provision of financial and business literacy. Main objective is to assist the microfinance aspirants to become self-driven with reasonable financial standing. It is pertinent to mention the special features of lending in this sector, before

considering legal action against the defaulters in repayment of loan. These are as under-

- Normally, the amount of these loans is small.
- These are collateral free loans.
- The period for which loan granted is short.
- The aspirants are poor.
- The loans are given for income generating activities. Part of the loan may be for consumption purposes.

It is also a fact that microfinance is not a charity-oriented business. The money lent needs to be recovered together with interest. Adherence to the repayment schedule enables the lender to circulate the funds, again and again to serve the impoverished people. Sometimes, borrowings turn NPAs, due to the reasons beyond the control of the borrower. Loss incurred in the business activity or due to theft, fire or any natural calamity can force an honest borrower to become a defaulter. Legal action is a remedy to deal with the defaulters. A process to enforce any law by moving the competent court of law is legal action. As the recoverable dues are small amounts, filing of legal suit is not necessary. Other options available may be utilized.

PROOF OF LOSS FOR INSURANCE CLAIM

The borrowers, who are unable to repay the dues, because of the actual losses suffered by them, for the reasons beyond their control, deserve no strict legal action for recovery of dues. The reasons may be theft, fire, other natural calamities or business losses. In such cases, the lender makes a search for other security. In respect of consumption loans, no security is available except personal security of the individual borrower.

IN CASE OF THEFT

Insurance is a tool to manage risk, mainly used as protection in eventualities of uncertain losses. The contract-document having detailed terms and conditions, subject to which the insured will be compensated by the insurance company is an insurance policy.

Proof of losses is a vital document to inform the insurer about the damages occurred to the insured's property. On the basis of this document, the insurer starts its probe to confirm the genuineness of the happening of the incident and the loss occurred. Normally, the following information is sought in the document of 'Proof of Loss' as per Fig. 1.6.

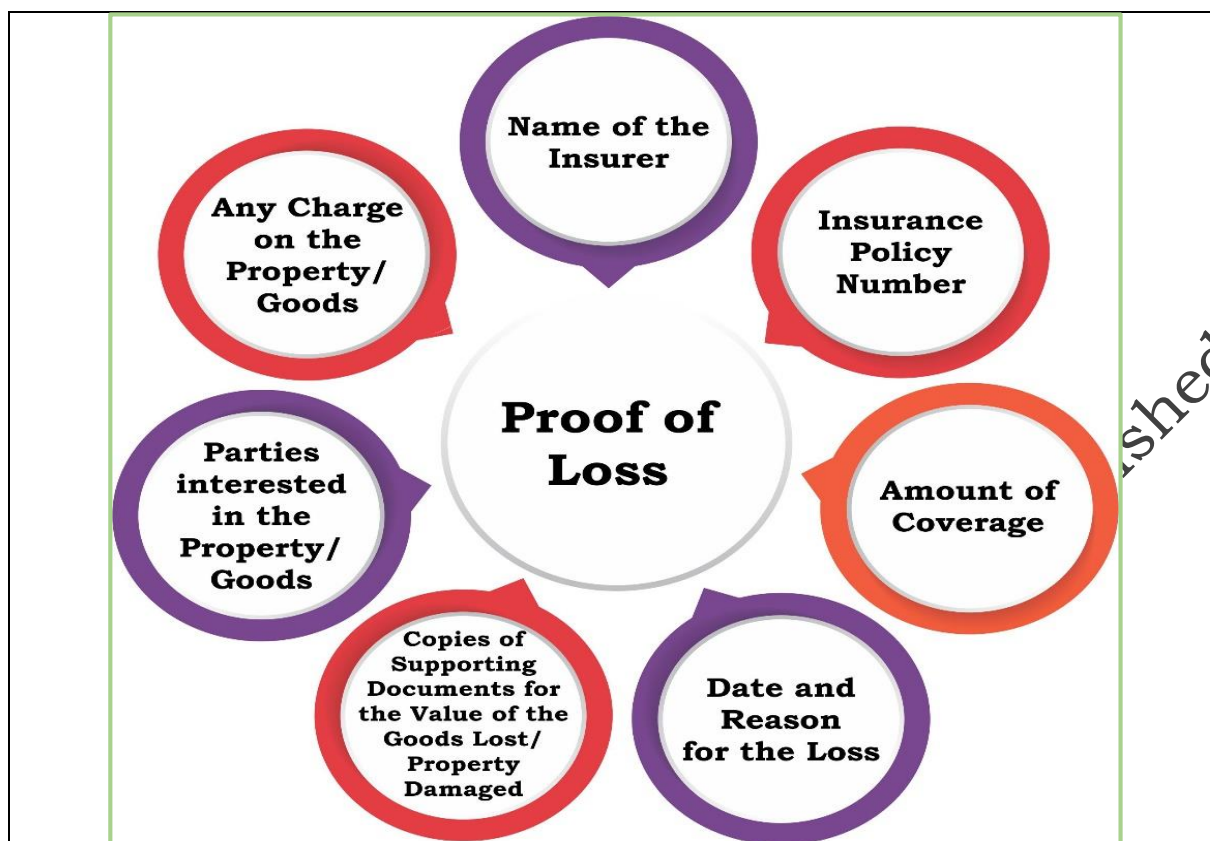


Fig. 1.6: Proof of Loss required for Insurance Claim

In case of theft, First Investigation Report (FIR) is required to be filed in the police station, having jurisdiction. The insurer should be informed simultaneously to arrange for the survey of the business premises, where, 'theft' has taken place. Findings of the police authorities do affect the decision of the insurance company. The policy holder should take the photographs without upsetting the crime site, till inspection by the police and the surveyor, is over. In case of theft, in the premises of a microfinance borrower, last statement of stock, latest statement of bank account, account books, bills, invoices, stock register, fixed asset register, cash-memos etc., should be submitted with the claim. Original insurance policy and copy of FIR/investigation report need to be attached with the claim form. The surveyor should be cooperated with honest response to the queries raised. This will help him to assess the actual loss, reasonably. It is not, at all, desirable to endeavour for making a profit from the insurance claim, by misrepresentation of the facts. It is advisable that the financing institution should extend a helping hand in submission and settlement of the claim.

IN CASE OF LOSS

If the borrower has suffered loss due to fire or any other natural calamity, the loss will be compensated by the insurance company provided risk of fire and other risks of natural calamities are covered (Fig. 1.7).



Fig. 1.7: Reasons of Loss

Source: shorturl.at/ARW04

If no foul play is suspected in case of fire, there is no need of filing the FIR. But intimation to insurance company should be sent in each case, who may send their representative to verify and assess the loss. To assess the loss of cash, copies of cash memos/sale record may be obtained, if available. In absence of cash memos or any sale record, any other document to substantiate the actual loss suffered should be arranged. 'Proof of Loss'/claim form needs to be filled in accordingly and submitted to the insurance company.

If the borrower has failed in business and suffered loss or the loan was for personal consumption purpose and has become non-performing asset, still loss to the extent of outstanding balance in the borrowers account can be compensated provided loan protection insurance policy was proposed and taken at the time of sanction of the loan. Copy of the insurance policy should be preserved by the lender. For such policy, premium is to be paid once, in the beginning. Outstanding debtors and account of expenses may indicate loss suffered. Diversion of funds to some other activity or siphoning of funds

for consumption purposes may be the reasons for business loss. In such cases, bank files the claim to affect recovery in the account.

Banks can obtain guarantee from Credit Guarantee Fund Trust in borrower accounts where no collateral or third-party guarantee is obtained. In case of borrower's account turning overdue/N.P.A., the C.G.F.T. is informed promptly. The guarantee can be invoked by the financing bank.

REPORT TO SENIOR MANAGEMENT

A detailed report and copy of the FIR filed by the customer, in the prescribed format or otherwise, should be forwarded to the senior management, as per the company rules. Officials of the senior management may scrutinize the report and advise future course of action, to recover the dues from the customer. They should also be kept informed about the developments till entire dues are recovered. It may be possible in some cases that neither the insurance company has paid the outstanding amount in entirety nor the borrower is in a position to clear the remaining balance. Such accounts will be treated as loss assets. These assets need to be cleared from the lender's balance sheet, by writing off the dues, for which concurrence of the senior management is necessary.

REPORT FRAUDULENT ACTIVITY TO VIGILANCE CELL/DEPARTMENT

A deliberate action, intended to deceive others, planned to obtain illegal benefits by the doer or to disallow legitimate right to a sufferer, is a fraud.

As soon as a fraud is surfaced, the official should bring it to the notice of the Manager. After due verification of the facts, it should be brought to the notice of the vigilance cell, through the controlling office. Vigilance Department is functional at Head Office of the lending institution. Banks/MFIs are required to report all frauds involving an amount of ₹ 1 lac and above, to their respective boards. Reporting should be comprehensive. It should contain all facts and figures inter-alia failure of the concerned officials and action taken against them (fig. 1.8). Each bank has to submit Fraud Monitoring Return in respect of each and every fraud within 3 weeks from the fraud detection date. FIR is required to be filed, if suggested by the vigilance Department/cell.

A quarterly frauds-outstanding report is submitted to RBI by each bank.

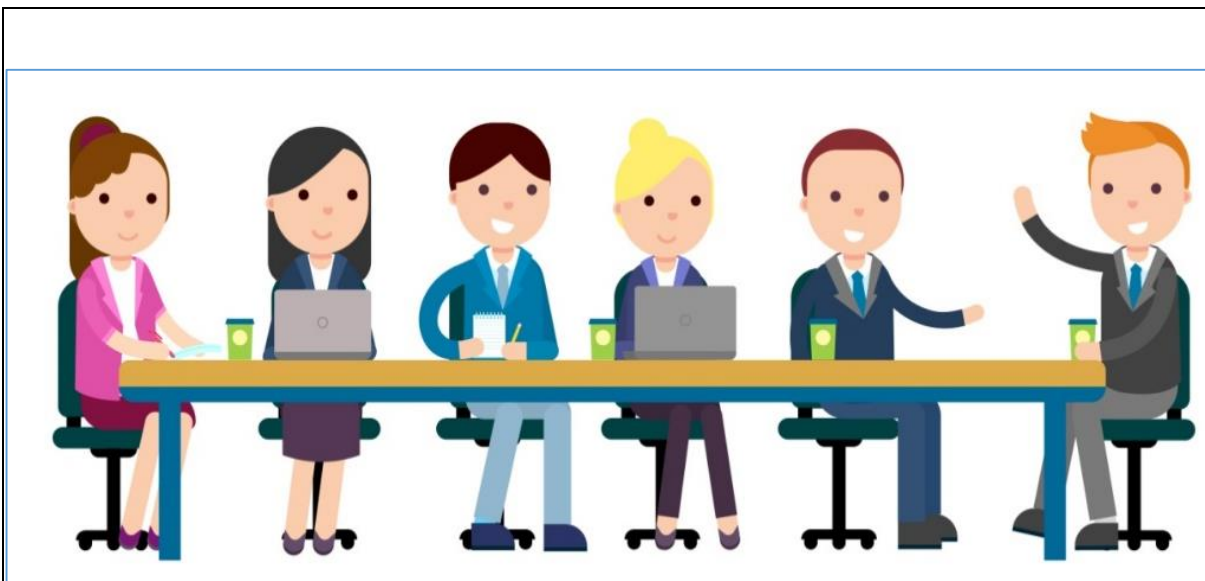


Fig. 1.8: Report Discussion

POLICY INITIATIVES

Microfinance sector has suffered a setback in Andhra Pradesh in 2010. The crisis forced the regulator to revisit the existing guidelines. To revive the speed of this growing sector, certain initiatives have been taken.

The challenges faced by microfinance sector include:

1. Inadequate availability of low-cost loan-able funds to MFIs.
2. Over borrowing by target aspirants.
3. Lack of financial literacy of the aspirants about financial products and services.
4. Indecisive attitude of the aspirants to adopt new technological driven solutions
5. Demand for new products by the aspirants

RBI and the Government are instrumental to enhance the scope and reach of microfinance to the far-away areas. Some initiatives taken are mentioned below

1. MUDRA bank was established in 2015 to financially assist the MFIs, by financing them at lower interest rates, to enable them to continue their activities of onward lending to small and very small enterprises.
2. Recognition was given to Self-Regulatory Organizations by the RBI. At present two Self-help Groups (SHGs) are functional namely, Microfinance Institution Network (MFIN) and Sa-Dhan Mission.

3. Some entities conducting the microfinance business are regulated as NBFC-MFIs by the RBI and some entities have been transformed to Small Finance Banks. Relevant guidelines have been put in place.
4. Public Credit Registry is initiated to formalize the credit. It is a storehouse of credit information related to individuals and the corporate borrowers. Lenders can have relevant information about the aspirants/customers.
5. The lending limit has been raised for MFIs to ₹ 1.25 lac per borrower to improve credit availability to the poor in rural as well as semi-urban places. It will help in acquiring more customers and in expansion of microfinance.
6. Concept of co-origination of loans initiated for banks and NBFCs to share the risks and the rewards. It is opportune for banks as well as NBFCs to come together to take up business propositions, for their mutual benefit.
7. 'Microcredit' lending is recognized as priority sector lending.
8. Household income criterion for NBFC-MFIs borrowers stands revised. The revised household income limit is up to ₹3 lac.
9. In an effort to extend liquidity support to microfinance sector, together with others, the RBI has decided to provide funds for longer duration under the "on Tap TLTRO (Targeted Long-Term Repo Operations)" scheme at policy linked floating repo rate for up to 3 years.
10. The loans which were classified as standard assets with no default, as on March 31, 2023, stand eligible for restructuring exercise. This solution has been proposed in the wake of pandemic, to avoid deterioration in the asset quality. However, allied agricultural activities are not covered by this provision.
11. E-payments and ATM card usage by the microfinance beneficiaries in the payments and loan disbursements have resulted in time-saving for the MFIs. Now, more time can be afforded for customer acquisition by the MFIs.
12. Active institutions in microfinance have come up with a Code for Responsible lending in 2019. Submission of data to the Credit Bureau (CIBIL) on daily basis, no lending to defaulters, lending within the limits fixed are other initiatives which have made the microfinance sector more responsible. To create a voluntary set of rules and practices for responsible lending in microfinance sector is the purpose of CRL (Certificate Revocation List).

13. The RBI has advised the MFIs to ensure that amount of loan should match with the repaying capacity of the borrower.

FOLLOW-UP WITH LEGAL CELL FOR LEGAL ACTION

Every microfinance institution is having its own recovery policy. As soon as the account becomes overdue, personal visits are made to know the reasons for non-repayment of the dues and to persuade the borrower to repay. Permission to recall the advance, by serving a notice by the manager or through the MFI's empanelled advocate is sought from the legal cell at the controlling office/head Office. A memorandum, in the proper format, proposing or for the waiver of legal action, is submitted to the legal cell. The legal cell may make certain queries, which should be responded to before approving the memorandum (fig. 1.9). Normally, MFIs will not prefer to file suit to recover the dues because of the following reasons:

1. Litigation is a long-drawn process, for recovery of the dues.
2. Execution of decrees, against the borrower is difficult.
3. Amount involved is small
4. Legal expenses are throwing good money after money in default.
5. If the borrower is having no capacity to repay, it is useless to file a suit.
6. In states/UTs, where public money recovery acts or agriculture credit acts are in force, recovery certificate needs to be filed for recovery of the dues, up to ₹20 lacs, with the district collector/competent authority.
7. In most of the accounts, there is no collateral or third-party guarantee.

MFIs can finance 15% of their total portfolio to others, where collateral, third party guarantee can be taken along with the primary security of goods etc. If legal action is proposed in any such case to recover the dues, suit in the appropriate court may be filed for the residual amount, after disposal of all securities available. Plaint is to be approved by the legal cell. Suit is to be filed through the MFIs empanelled advocate. Legal cell should be kept informed with the progress of the suit on each hearing.



Fig. 1.9: Serving a Legal Notice Against to the Customer

However, efforts should be made to recover the dues by persuading borrower/guarantor or compromise. Compromise offers if acceptable, needs to be approved at controlling office/ head office level.

Activities

ACTIVITY 1: Making a presentation on “Proof of Loss to claim from insurance company in case of theft and report to senior management”.

Materials Required: Writing pen, desktop computer/laptop, access to internet, reading material such as books.

Procedure

1. The teacher will divide the students into groups of 5 to 8 students each, depending on the total number of students in the class.
2. The members of each group may select one person to represent the group in making a presentation by speech in the class room and answering to the queries etc.
3. All the group members will collect material on Proof of Loss to claim from insurance company in case of theft and report to senior

management, using the information available on the internet and in books and try to highlight on following points:

- a) Name of the Insurer
 - b) Insurance Policy Number
 - c) Amount of Coverage
 - d) Date and Reason for the Loss
 - e) Copies of supporting documents for value of the goods lost
 - f) Parties interested in the goods
 - g) Any charge on the goods.
4. The presentation will be prepared by the group members and the speech will be given by the chosen student.
 5. In this way, one student from each group will speak and answer the queries of the students.
 6. The teacher will add value to the presentation by suggesting improvements / additional inputs on the topic.

ACTIVITY 2: Preparation of a chart 'follow up with legal cell for any legal actions taken on non-recoverable loans'

Materials Required: Writing pen, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books.

Procedure:

1. The teacher will instruct the students to go through the books and the Internet to collect the relevant information on the topic for preparation of a chart.
2. All the group members will collect material on follow up with legal cell for any legal actions taken on non-recoverable loans.
3. Prepare the chart and highlight on the following points:
 - a) Identify non-recoverable loans.
 - b) Document efforts to collect.
 - c) Consult with legal cell for assessment.
 - d) Provide necessary documentation.
 - e) Legal cell evaluates and recommends actions.
 - f) Microfinance executive coordinates legal steps.
 - g) Initiate legal proceedings.

h) Monitor legal actions and document progress.

4. The students will submit a prepared chart to the teacher.
5. The charts prepared by the students will be checked by the teacher, who will advise the improvements to be made.

The teacher will select one or two charts to discuss the topic in the class.

Check Your Progress

A. Fill in the Blanks

1. The money lent needs to be _____ together with _____.
2. The _____-of microfinance are poor.
3. To create a voluntary set of rules and practices for _____ lending in microfinance sector is the purpose of _____.
4. Every microfinance institution is having its own _____-policy.

B. Multiple Choice Questions

1. Gross loan portfolio of microfinance sector has already touched the level of ₹ 348339 crores on _____ .
 - a) 31-03.2019.
 - b) 30th June, 2023.
 - c) 31st of March, 2023.
 - d) None of these
2. Normally, in microfinance, there are collateral _____.
 - a) supported Loans.
 - b) free Loans.
 - c) and Guarantee Supported Loans.
 - d) None of The Above
3. In microfinance sector, loans are given for _____.
 - a) income Generating Activities.
 - b) travel Purposes.
 - c) recreational Activities.
 - d) income Generating Activities and Partly for Consumption Purpose.

4. Household income criterion for NBFC-MFIs rural borrowers stands revised to income limit of _____ .
- ₹ 1 lac
 - ₹1.60 lac
 - ₹ 2 lac
 - None of the above
5. MFIN is a _____ .
- finance company
 - Government Company
 - SRO
 - None of the above

C. State whether the following statements are True or False

- Microfinance is a charity-oriented business.
- Legal action is the only remedy to deal with the defaulters.
- Litigation is a long-drawn process for recovery of loans.
- The RBI has advised the MFIs to ensure that amount of loan should match with the repaying capacity of the borrower.
- Execution of decree against the borrower is not difficult.

D. Match the Columns

COLUMN A		COLUMN B	
1	Opportunity	A	Epidemic
2	Residual	B	Micro Units Development & Refinance Agency Ltd.
3	Pandemic	C	Self-Regulatory Organization
4	SRO	D	Remaining
5	MUDRA	E	Appropriate

E. Short Answer Questions

- What is the revised lending limit for a borrower of semi-urban place?
- What is Public Credit Registry
- Define a fraud in your own words.

4. Write any 3 challenges faced by the microfinance sector.
5. What is MUDRA?

F. Long Answer Questions

1. Which policy initiatives were taken in the microfinance sector, after 2010?
2. Write a note on the 'effectiveness of legal action for recovery of dues' from the defaulters in microfinance sector.

G. Check Your Performance

Make a presentation by speech in class-room on "Recovery from borrowers" other than legal action.

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MODULE 2**MICROFINANCE SERVICES TO CUSTOMERS****Module Overview**

In the context of a business organisation, such as a microfinance company, all activities are directed towards providing various services to customers. This is quite natural, as income of any business organisation comes from customers.

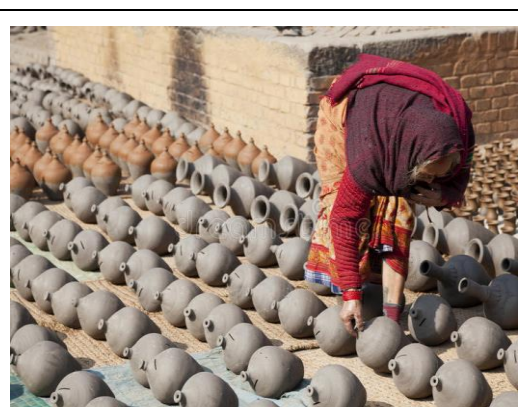
As generating income on profitable lines is the main objective of any business activity, providing best possible services to customers is of utmost importance to a microfinance company.

In this unit the following aspects related to delivery of microfinance services to customers will be discussed (Fig. 2.1):

- Scheduling and executing customer follow-up visits of microfinance executive for assessing the financial soundness of the customers and their financial requirements.
- The importance of post-sales services, the types of these services and their delivery by the microfinance executive.
- Managing customer accounts, advising customers about the existing and new microfinance products and responding to their complaints/queries.
- Dealing with loan defaulters and reporting of their default loan accounts.



Microfinance Executive interacting with customers



Microfinance Customer engaged in pottery making activity

Fig. 2.1: Microfinance Executive Interaction with Customers and their Performance

The key functionary operating in the service delivery system of a microfinance company is the microfinance executive. Hence the above aspects of delivery of microfinance services to customers will be explained keeping in view the role of this functionary carrying out these services.

This unit will focus on introduction to Microfinance services to customers. The first session covers customer and his financial soundness, the second session deals with provision of post-sale services the third session explains about advising customers on service and other products and the fourth session discusses about defaulter management process.

LEARNING OUTCOME

After completing this module, you will be able to:

- Schedule and execute follow up session
- Provide post sale consumer services
- Advising customers on service and other products
- Assisting with recovery

MODULE STRUCTURE

Session 1: Customer Financial Soundness

Session 2: Post-Sale Services

Session 3: Customer Services

Session 4: Defaulter Management Process

Session 1: Customer Financial Soundness

Assessing the financial soundness of the existing microfinance customers at the time of processing his application for a microfinance product, as also after product delivery, is a very important function of a microfinance executive. This function has to be executed periodically, on an ongoing basis. An efficient discharge of this function ensures an accurate assessment of the nature and quantum of the microfinance service sought by the customer and optimum use of the microfinance product delivered to him or her.

A microfinance executive has to deal with customers who mainly belong to the weaker sections of the society. These customers are engaged in activities such as cottage industries, small scale manufacturing, running small shops, trading of goods/commodities, agricultural and allied activities etc.

Assessing financial soundness of microfinance customers is of paramount importance as most of these customers are struggling to come above the poverty line. Further, many of them are not aware of the basic principles of financial management following of which is essential while embarking upon the path to prosperity.

SCHEDULE AND EXECUTE FOLLOW-UP VISITS BY MICROFINANCE EXECUTIVE

The key steps to be taken by a microfinance executive for assessing the financial soundness of a customer are as follows:

Scheduling a Visit: - Scheduling a visit means fixing the day and time for visiting a customer. While planning the visit to a customer, a microfinance executive has to take into consideration the following aspects:

- **Time of the visit:** This has to be decided individually for each customer when he/she is contacted for the first time over telephone (mobile) or in person. Every customer remains busy in his own way, either in business activities or in attending to private matters. For example, persons engaged in agricultural activities leave early in the morning for their fields to undertake activities such as sowing of crop, irrigation, application of fertilizers/insecticides/pesticides, harvesting etc. On the other hand, when the crop is standing, some farmers prefer to stay overnight in their fields to guard the same. Again, a person running a shop may be too busy during peak business hours to discuss a matter with the microfinance executive.
- A microfinance executive has to fix timing of every visit in such a way that it is convenient for the customer, and at the same time, not too inconvenient to himself.
- **Day of the visit:** As in the case of time for a visit, the day on which a customer is to be visited has to be decided taking into account the availability of the customer and his convenience. For example, the microfinance executive should find out on which days customer remains away from his place of visit/residence for visiting the market, selling his products etc. A visit on such a day would be nothing but a waste of time.
- **Place of the visit:** While scheduling a visit, the microfinance executive should ascertain from the customer whether he will prefer to meet him at the place of work, at his residence or some other place.
- **Informing the customer beforehand:** These days almost every person, even in rural areas, owns a mobile phone. It would be only

appropriate if the microfinance executive informs the customer on phone just before the visit.



Fig. 2.2: Visit by Microfinance Executive

Executing a Visit

After scheduling a visit, the microfinance executive has to execute the same in an efficient and systematic manner (Fig. 2.2). To ensure that a visit is meaningful, the following activities should be undertaken by the microfinance executive as depicted in Fig. 2.3:

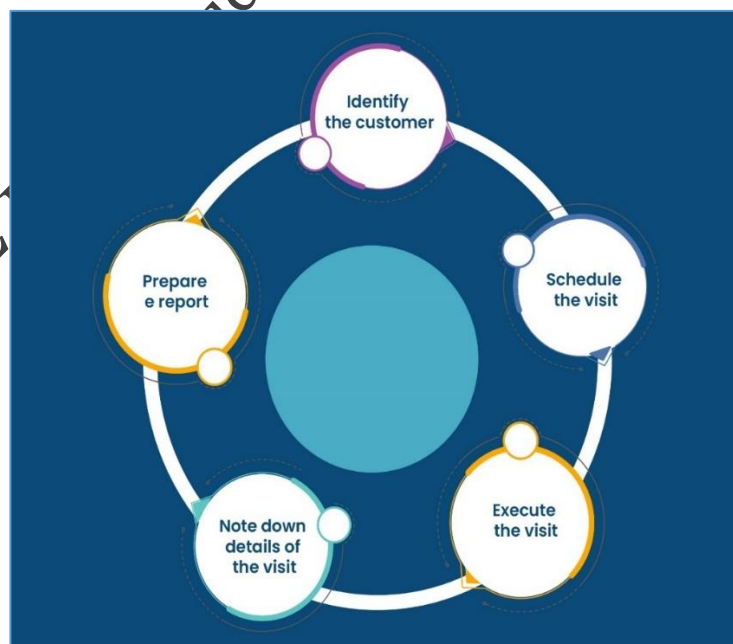


Fig. 2.3: Scheduling and Executing a Visit

- **Perusal of Daily List:** A 'daily list' is basically a diary in which activities to be done in future are recorded. The utility of a daily list diary is explained in the following example:
- Suppose on 02-04-2023 it is decided that a customer 'A' has to be visited after a month to inspect level of his business activities. Then an entry will be made against the date 02-05-2023 stating "Visit 'A' to inspect the business level". When the microfinance agent starts work on 02-05-2023, on referring to the daily list he will come to know that 'A' has to be visited that day.
- Similar entries about other customers are made in the daily list on an ongoing basis. In each entry purpose of the intended visit is also noted.
- A microfinance executive must maintain a daily list meticulously, and peruse it every day, to avoid making visits in a haphazard manner.
- **Updating information about the customer:** A microfinance executive should maintain a register for recording all the relevant information about every customer, such as:
 - i. Name of the customer, addresses of his residence and workplace.
 - ii. Details of microfinance facilities being availed by him.
 - iii. List of documents relating to these facilities, with their dates and other particulars. This is especially relevant to loan agreements as these are legally valid for only three years from the date of execution. For every loan agreement a "revival letter" has to be obtained from the borrower and guarantor (if any), well before expiry of this period, to ensure continuation of its legal validity.
 - iv. Position of the account of the customer. For example, in the case of a loan account, whether there are any arrears in repayment of dues.
- **Carrying out the visit:** After taking the aforesaid steps the microfinance executive should visit the customer. During the visit he should:
 - i. Discuss with the customer about the position of his account.
 - ii. Find out how his work is going on. This can be done through discussion with the customer and careful inspection of his business activities. The level of business activities can also be found through perusal of accounting books to ascertain purchase of raw material and other inputs, levels of semi-processed and finished goods, sales executed etc.

iii. Respond to customer queries and note down his requirements, problems etc.

- **After the visit:** The microfinance executive should note down all the findings of the visit in his register and initiate necessary action wherever required. He should also note in daily list the date and purpose of the next visit proposed.

The microfinance executive should also prepare a report on the visit in the format prescribed by his company and submit the same to his superiors. He should initiate the necessary action as per their comments and instructions.

After completing all the above activities, the microfinance executive should diarise the date of the next visit to the customer already visited, and agenda for the same.

PERIODICALLY REVIEW CUSTOMERS' FINANCIAL REQUIREMENTS

A timely and correct assessment of the financial requirements of microfinance customers increases the probability of successful and fruitful utilisation of the facilities by them. This has to be carried out periodically as per the policy of the microfinance company for which the microfinance executive works.

It would be pertinent to point out here that "microfinance" does not mean dispensing of loans alone. Today microfinance also includes various other financial activities for benefit of the weaker sections, such as promoting the habit of savings among them and providing life and general insurance cover to them to safeguard them against calamities. The process of financial review will be discussed here under with reference to the various microfinance facilities made available to a customer.

A. Loan Customers

Microfinance institutions extend loans to either individuals or to groups of persons such as Self-Help Groups (SHGs) and Joint Liability Groups (JLGs). The individuals/members of the group financed belong to the economically weaker sections. They have limited financial means and the loans provided to them are also of small amounts.

An optimum utilization of the borrower's own financial resources, and the loan given to him, has to be ensured at any cost. If these resources are not utilized in a productive manner, the activity for which the loan is given will fail to generate profits and the borrower will fall back into the trap of poverty. The best way to prevent this is to review periodically the financial requirements of a borrower, and help him to arrange for the resources as and when required. Microfinance executive is the proper person for assessing the financial requirements of microfinance borrower, as he

remains in touch with them, right from the pre-sanction stage of a loan to the ultimate liquidation of the same.

At the pre-sanction stage, the microfinance executive assists in finding out the quantum of the total amount required for starting the proposed business activity, the amount of own funds that the borrower can deploy and the balance amount that has to be provided by the microfinance agency as loan. Further, he assesses the amount required for:

- a. Acquisition of fixed assets which are to be used for a long period, such as machinery, shop, furniture, shed/building for manufacturing activities and storage etc. The loan required for these items is generally given in the form of a “term loan”, which is disbursed either in lump sum, or in a few stages depending on the nature of assets to be purchased. This loan is repayable in instalments over a period of years, as decided at the time of sanction.
- b. Meeting day to day requirement of working capital money required for purchase of raw materials and other business expenses such as labour charges, electricity charges etc. This loan is called ‘cash credit’ and is of a relatively short duration. Sometimes the financing company sanctions a cash credit limit and opens a cash credit account of the customer. The customer withdraws any amount up to the sanctioned limit and also deposits in the account any surplus money that he may have at any point in time. He has to operate his account in such a way that the debit balance does not exceed the sanctioned limit
- c. Sometimes microfinance borrowers require additional funds for meeting personal expenses of their own and those of their family members. This requirement is fulfilled through sanction of a personal loan.

As the fund requirement of microfinance borrowers is low, generally a ‘Composite Loan’ is sanctioned for meeting all the above requirements. These loans are payable in instalments, which could be weekly, monthly etc. the duration of these loans is generally one to three years.

At the post-sanction stage, the microfinance executive observes the levels of production and sales of the business enterprises. He also obtains feedback from the borrower and finds out additional requirement of funds. If such a need is noted, he advises the borrower to apply for additional loan facility for sanction by the appropriate authority.

B. Insurance Customers

Life Insurance covers the risk of losing the life of a person, and General Insurance the risk of losing assets (such as building, machinery, furniture, raw material, goods etc.) due to fire, theft, earthquake, or some other

mishap/calamity. Both types of insurance are a must for a microfinance borrower. In the absence of insurance, the borrower is exposed to great risk – any mishap or calamity can cause financial ruin, from which he may never recover.

As insurance is also a very important financial requirement, the microfinance agent should assess approximately the amount needed to cover various risks faced by the borrower. Thereafter he should arrange for the required insurance through one of the insurance agencies empanelled by the financing company.

Activities

Activity 1: Prepare a presentation on “scheduling and executing visits of microfinance executive to customers”.

Materials Required: Writing material, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers, etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries, etc.
3. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications and highlight on the following points:
 - a. Identification of customers
 - b. Schedule the visit
 - c. Execute the visit
 - d. Note down the details of the visit
 - e. Preparation of report
4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members.
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.

7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements / additional inputs on the topic being discussed.

Activity 2: Discuss the topic “Review of customer’s financial requirements by microfinance executive periodically” in small groups and prepare a presentation thereon.

Materials Required: Writing material, chart paper, sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries etc.
3. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications.
 - a) Schedule periodic financial reviews with clients.
 - b) Gather updated financial information from clients.
 - c) Analyze financial statements and performance.
 - d) Identify changes in client's financial needs.
 - e) Recommend suitable microfinance products or adjustments.
 - f) Communicate any additional services or support.
4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members.
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.
7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements additional inputs on the topic being discussed.

Check Your Progress

A. Fill in the Blanks

1. Microfinance customers generally belong to the _____ sections of the society.
2. Most of the microfinance customers are struggling to come above the _____.
3. Financial soundness of a microfinance customer is assessed _____, on an ongoing basis.
4. Scheduling a visit means fixing the _____ for visiting a customer.
5. _____ covers the risk of losing assets (such as building, machinery, furniture, raw material, goods etc.) due to fire, theft, earthquake, or some other mishap/calamity.

B. Multiple Choice Questions

1. Microfinance customers are engaged in activities such as _____.
 - a) Cottage industries
 - b) Small scale manufacturing
 - c) Running small shops and trading of goods/commodities
 - d) Agricultural
2. Personal financial requirements of a borrower are fulfilled through sanction of a _____.
 - a) Working capital loan
 - b) Term loan
 - c) Personal loan
 - d) Any of the above
3. A 'composite loan' is sanctioned to a microfinance borrower for meeting his _____.
 - a) Long term financial requirements.
 - b) Short term financial requirements.
 - c) Both the above
 - d) None of these
4. The term 'microfinance' means _____.
 - a) Giving small loans to the weaker sections of the society.
 - b) Making available other products such as deposit and insurance schemes.

- c) Both 'a' and 'b' above.
 d) None of these
5. The activities of a microfinance executive during his visits to a borrower include _____.
- a) Observing business activities of the borrower and the level thereof.
 b) Finding out additional financial requirements of the borrower.
 c) Both 'a' and 'b' above.
 d) None of these

C. State whether the following statements are True or False

- Review of the financial soundness of a microfinance customer is done by the microfinance executive at the time of appraising his application for loan.
- The amount of microfinance loan to be sanctioned is decided through financial assessment.
- Working capital is the money required for purchase of raw materials and other day to day business expenses such as labour charges, electricity charges etc.
- The microfinance executive should visit a borrower at the place of his work only.
- After sanction of a loan, the microfinance executive contacts the borrower mainly for recovery of the overdue amount of loan.

D. Match the Columns

COLUMN A		COLUMN B	
1	Working capital facility	A	Financing of fixed assets
2	Scheduling a visit	B	Updating of borrower details
3	Term loan	C	Noting down of activities to be done at a future date
4	Pre-visit activity	D	Financing of day-to-day business activities
5	Daily List	E	Fixing day, time and place of meeting.

E. Short Answer Questions

1. What are the preparations that a microfinance executive should make before visiting a customer?
2. During the visit to a borrower, a microfinance executive has to perform certain functions. What are these?
3. How does a microfinance executive assess financial requirements of an applicant of a loan product?

F. Long Answer Questions

1. What are the activities undertaken by a microfinance executive while scheduling and executing a visit to a customer?
2. How are financial requirements of a loan applicant assessed by a microfinance executive, and at what stages?

G. Check Your Performance

1. Prepare a chart explaining the scheduling and executing customer visits of a microfinance executive.

Write down the modalities involved in reviewing financial soundness a customer.

Session 2: Post-Sale Services

In common management jargon the services offered by any company, including a microfinance company, are called “products” and delivery of these services to customers is known as their “sale”. The additional facilities and services provided to a customer after sale of a product are called “post-sale services”.

The process involved in providing post-sale services to customers is called “post-sale process” (Fig. 2.4). The above concepts and implementation thereof will now be discussed in detail.

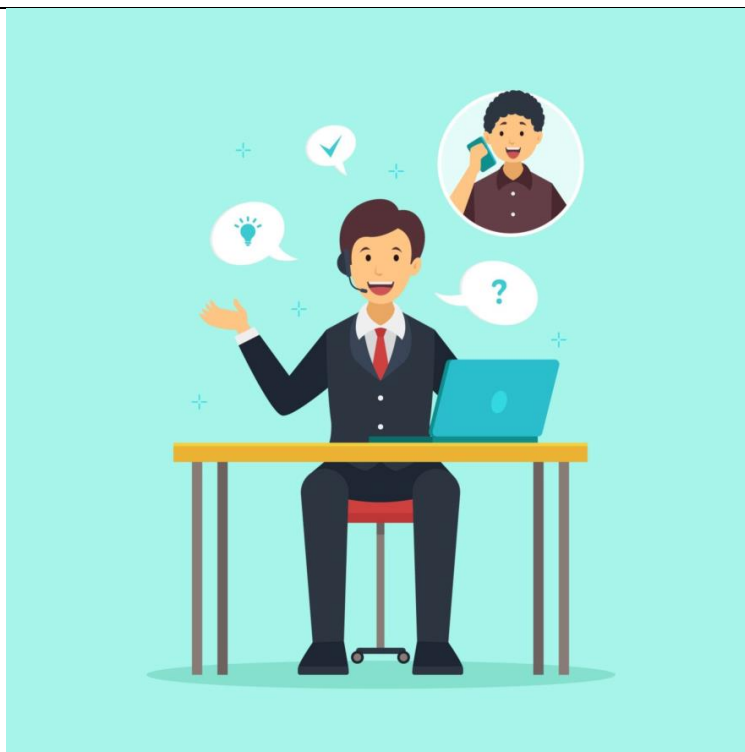


Fig. 2.4: Post Sale Services Call

POST-SALE SERVICE BY MICROFINANCE EXECUTIVE

The microfinance executive has to discharge the following post-sale services in an efficient and effective manner:

- 1. Ensuring Timely Delivery of Sanctioned Facilities:** It has to be ensured by the microfinance executive that loan sanctioned to a customer is disbursed well in time, as any delay can result in disruption of his business activities. Further, the cost of some inputs might rise due the seasonal factor or some other reasons. For example, a borrower intending to run a small flour mill will prefer to buy grains at the time of their harvesting when their prices are generally at the lowest level. A delay in loan disbursement could lead to limiting of his purchasing power at that time and force him to buy later at higher prices. A consequent dip in profitability will leave him frustrated, besides creating a negative image of the financing company in his mind.
- 2. Helping the Customer in Making Proper Utilization of the Loan Facilities Extended:** The microfinance executive should try to ensure that the finance made available to a customer is used for the purpose for which it is intended and the money is not diverted elsewhere towards expenditure on some item unrelated to the proposed business activity. Diversion of funds for acquisition of some unproductive or personal consumption can result in low business generation in the

short term, and closing down of the enterprise at some time in the future. This can be prevented through regular monitoring of business activities for which the loan has been given.

3. Obtaining Feedback from the Customer Regarding the Business

Activity financed: During his visits the microfinance executive should discuss with the customer the status of his business activities. If any adverse features are noticed, he should counsel the customer suitably. In case he is unable to provide the necessary guidance, he should report the matter to his superiors and seek their support and intervention.

4. Assessing Additional Financial requirements and Arranging for the Same:

If the discussions with a customer reveal that he is running short of funds due to increase in the level of business, escalation in cost of inputs or some other reason, the microfinance executive should bring this into the notice of the loan sanctioning authority. If it is felt that the reasons are genuine and justifiable, the sanctioning authority might consider enhancing the quantum of loan.

5. Briefing the Customers About Other Facilities Available to Him:

The microfinance executive should also brief the customers about various deposit schemes available to them. He should highlight the role of savings in strengthening the financial position of a person. The customer should be advised to gradually build up his savings portfolio which can help him to meet financial contingencies, both of a personal nature and those related to his business, which could arise in future.

6. Making Value Addition to the Product and Related Services

Value addition to a product or service means providing some extra feature or facility without charging for it, or at a reasonable cost. For example, if extra speakers are provided with a television set, and also free maintenance for a certain period, these will be called value additions.

A microfinance loan for business requirements is sometimes supplemented with a personal loan to meet the consumption needs of the borrower. Insurance cover can also be provided for the assets financed, along with life insurance of the borrower. These are also examples of value addition.

7. Attending to Queries/Grievances of the Customer and Bringing them to the Knowledge of Superiors

The microfinance executive should attend to all the queries of customers promptly. He should keep himself well versed with policies, schemes and products of his company so as to respond to the queries

then and there. However, if he is unable to do so on some occasion, he should contact his superiors on mobile phone/in person and get back to the customer as soon as possible

The grievances of customers should also be dealt with immediately, consulting the superiors wherever necessary. It should be understood by the microfinance executive that failure to respond to customer grievances will tarnish not only his own image, but also that of the company for which he is working.

The benefits of obtaining life insurance and general insurance should also be brought to the notice of customers.

The microfinance executive should keep himself equipped, during all the visits, with all the details of deposit and insurance schemes of his company for ready reference while explaining the same to the customers. The relative publicity materials, such as leaflets and pamphlets, should also be available with the microfinance executive.

IMPORTANCE OF POST-SALE SERVICE

Providing post-sale services to a customer is as important as selling the product to him. A good number of benefits accrue to a microfinance company from an efficient and meticulous delivery of post-sale services. Some of them are (Fig. 2.5):



Fig. 2.5: Importance of Post-Sale Services

- i. **Nurturing and Promoting Customer Loyalty:** A customer is said to be “loyal” to the service providing company if he approaches the

company again for obtaining similar or other types of facilities. For example, a loyal loan customer may approach the financing company for availing more loan facilities, opening deposit accounts, buying insurance products, and so on. At the same time, he recommends the company to others in need of such facilities.

- ii. **Enhancing Reputation of the Company:** When a customer receives high quality post-sale services, is satisfied and happy. Such services could even result in 'customer delight'. These services create a highly favorable impression not only on the existing customers, but also on the prospective ones. This naturally leads to widespread word of mouth publicity, which in turn adds substantially to business reputation of the company.
- iii. **Improvement in Existing Products:** While providing post-sales services to customers, the company representatives come to know about the weak points of the product sold, as also the improvements that would be welcomed in the market. This information enables the company to remove the shortcomings of the product and add value added features to the same.
- iv. **Development of New Products:** During the post sales visits, the company representatives can obtain valuable feedback regarding the financial needs of customers and the extent to which the existing products are fulfilling the same. They also come to know of the emerging requirements of the customers and their expectations from the company. Based on the feedback received, company can design new products introduction of which is sure to increase its market share in business.
- v. **Streamlining Customer Service Process:** Continuous and active conduct of post-sale services by the company, and periodical review of efficacy of the same, can enable the company to streamline the customer service process and align it with customer aspirations.
- vi. **Business Development:** A natural corollary to all the above benefits of efficient after-sale services is development of company's business. Active implementation of a dynamic and progressive after-sale process is certain to result in substantial business growth.

Activities

Activity 1: Make a presentation on the importance of post-sale services, with special reference to those of microfinance executive.

Materials Required: Writing material, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries, etc.
3. All the group members will collect material on the topic “importance of post-sale, with special reference to those of microfinance executive”, for presentation using the information available on the internet, books and other relevant publications highlighting following points:
 - a) Nurturing and Promoting Customer Loyalty
 - b) Enhancing Reputation of the Company
 - c) Improvement in Existing Products
 - d) Development of New Products
 - e) Streamlining Customer Service Process
 - f) Business Development
4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members.
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.
7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements/additional inputs on the topic being discussed.

Activity 2: Arrange for a role play by students on the topic given for Activity 1.

Materials Required: Writing material, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group will select one member to play the role of a microfinance executive, and another member to act as an observer. The observer will also note down the proceedings of the role play. He/she may also make short video clips of the proceedings using mobile phone or some other means.
3. The remaining group members will act as microfinance customers some as existing customers, and others as prospective customers. Before the role play group, members will note down the points for their respective interactions with the microfinance executive.
4. The microfinance executive will also prepare himself by writing down points of his proposed discussion with the existing/prospective microfinance customers and details of some deposit/loan/insurance products that he intends to offer to them.
5. During the role play the microfinance executive and microfinance customers will interact with each other and the observer will record the proceedings
6. The teacher will also be present throughout the role play and will note down his or her observations about each of the groups.
7. After the role play exercise, all the students will sit together and each observer will make a presentation on the role play of his group.

Final the teacher will give his or her observations on each role play, along with suggestions for further improvement. The gaps observed in the understanding of the role of microfinance executive, by the students, will be filled by the teacher.

Check Your Progress

A. Fill in the Blanks

1. The services offered by any company, including a microfinance company, are called _____.
2. It has to be ensured by the microfinance executive that loan sanctioned to a customer is _____ well in time.
3. _____ of loan money means spending it on some item unrelated to the proposed business activity.

4. The microfinance executive can obtain feedback regarding the financial needs of customers, and the extent to which the existing products are _____ the same.

B. Multiple Choice Questions

1. Post-sale services rendered by a microfinance executive do not include _____.
- a) explaining deposit schemes to the borrower.
 - b) selling insurance products to the borrower.
 - c) pre-sanction visits to the business premises of the customer.
 - d) assessing additional financial requirement of the borrower.
2. For post-sale activities to be effective, a microfinance executive should have a good knowledge of _____.
- a) customer related policies of his company.
 - b) products and services of his company.
 - c) both 'a' and 'b' above.
 - d) None of these
3. Various features of a product/service delivered to a customer should be elaborated upon _____.
- a) while selling the product.
 - b) at the time of delivering the product.
 - c) after sale of the product.
 - d) during all the above stages.
4. Post-sale activities of a microfinance executive include _____.
- a) observing the business activities of a borrower and making suggestions for improvements required in the same, if any.
 - b) advising the customer about making his marketing efforts more effective.
 - c) Both 'a' and 'b' above.
 - d) None of these
5. If the discussions with a customer reveal that he is running short of funds due to increase in the level of business, the microfinance executive should advise him to _____.
- a) scale down his business activities till a new loan is sanctioned.

- b) apply for decrease in the loan limit.
- c) the borrower may be given the advice as per 'a' or 'b' above.
- d) None of these.

C. State whether the following statements are True or False

1. The additional facilities and services provided to a customer before and after sale of a product are called "post- sale services".
2. Post-sale activities do not contribute much to the business growth of a company.
3. Post-sale activities are more important for companies manufacturing consumer goods like TVs, refrigerators, washing machines etc. They are not of much relevance to service providing companies.
4. Making value addition to a product means increasing its selling price.
5. It is one of the important post-sale duties of the microfinance executive to advise the borrower not be too ambitious as it is dangerous to increase the level of business activities too much – it could result in shortage of working capital and/or put unnecessary strain on the installed machinery.

D. Match the Columns

COLUMN A		COLUMN B	
1	Preventing diversion of loan amount	A	Substantial business growth
2	Delivery of services to customers	B	Tarnishing of company's image
3	An offshoot of dynamic and progressive post-sale services	C	Disruption of business activities
4	Failure to attend to customer grievances	D	Regular monitoring of business activities of the borrower and his account
5	Diversion of working capital	E	Sale of 'products'

E. Short Answer Questions

1. Who is "loyal" customer of a company?

2. How do excellent post-sale services enhance the reputation of a company?

F. Long Answer Questions

1. Why is post-sale service important?
2. Elaborate upon the post-sale services rendered by Microfinance Executive.

G. Check Your Performance

1. Prepare a write-up on various aspects of post-sale services.

Session 3: Customer Services

In this session we shall be discussing various aspects of customer service provided by commercial organisations, including microfinance companies (Fig. 2.6).

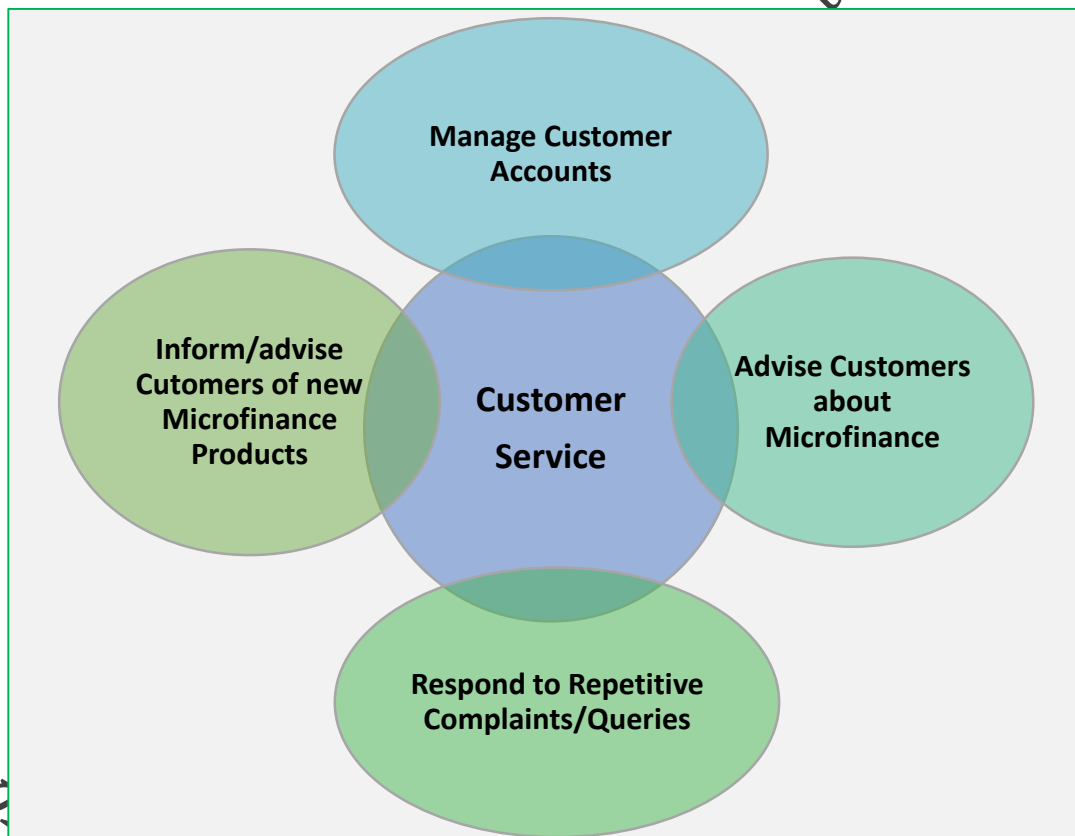


Fig. 2.6: Customer Service And Its Role In Microfinance

In the process of rendering of customer services, a microfinance executive has to:

MANAGE CUSTOMER ACCOUNTS

Managing of customer accounts is an important function of a company engaged in microfinance or any other activity. The representatives of the

company involved in account management are called 'account managers' or 'relationship managers. Each account manager is assigned accounts of some customers for the purpose of providing post-sales services.

The work relating to account manager begins after a facility has been provided to the customer by a company. For example, in the case of a microfinance company, the work of a loan account manager begins after a loan is disbursed.

The basic function of the account manager is to maintain a long-term business relationship with the account holder. He ensures that the customer remains fully satisfied with the services being provided to him and continues to deal with the company, and does not shift his business elsewhere. This function is called "customer retention", that is, retaining the customer with the company.

In large companies, different executives or teams of executives are assigned the functions of sourcing business, delivering of a product, providing post-sales services, customer account management etc.

In a microfinance company, the function of account manager is discharged by the microfinance executive in addition to his other functions such as bringing new business and assisting in delivery of services. A microfinance executive thus remains in constant touch with the existing customers and ensures that they not only continue to deal with his company, but also avail of more facilities being offered by the company.

ADVISE CUSTOMERS ABOUT MICROFINANCE

The microfinance executive should bring it to the knowledge of the existing and prospective customers that the term "microfinance" does not stand for small loans only. Today microfinance has come to mean a wide range of services, including deposit and insurance schemes, being made available to the weaker sections by microfinance agencies.

Microfinance institutions are also doing "cross selling" of products. Most of the microfinance companies have a tie-arrangement with some insurance companies. Under such an arrangement, the microfinance companies use their branch network and employees for selling the products of the insurance companies to both their own customers and to the general public.

A microfinance executive should not only advise the customers/prospective customers about various loan and deposit schemes, but also about various insurance plans being made available by his company.

RESPOND TO ALL CUSTOMERS COMPLAINTS AND QUERIES WHICH ARE REPETITIVE IN NATURE

The importance of dealing promptly and effectively with customer queries and complaints has already been discussed. Some of these complaints and queries could be repetitive in nature, that is, they crop up again and again. Special attention has to be paid to such complaints/ queries, and they have to be dealt with according to a well thought out strategy.

REPETITIVE COMPLAINTS

A complaint being received repetitively indicates that something is seriously wrong with the services being provided to the customers or their delivery. Casual handling of such complaints is sure to tarnish the image of the company and its employees. Besides resulting in adverse publicity, these complaints can prompt the aggrieved customer to escalate the complaint to higher levels such as the top management of the company, Reserve Bank of India and the Government of India. This amplifies the magnitude of the complaint and puts tremendous pressure on the local management to resolve it immediately. The functionaries at the ground level, such as the microfinance executive run the risk of disciplinary action being initiated against them.

All professional organisations, including microfinance companies, have their own policies and procedures for handling complaints and resolving customer grievances. A proper record of complaints and their resolution is also maintained, and the same is perused during various review meetings.

In a microfinance company, the employee who deals with the customers on a daily basis is the microfinance executive. As soon as it is noticed that a complaint is repetitive in nature, the microfinance executive has to swing in action and make all out efforts to resolve it at the earliest. If he is unable to do so at his level, he should immediately bring it to the notice of his superiors and seek their intervention. For example, if a borrower is repeatedly complaining of lack of working funds, the microfinance executive should discuss in detail and, if the complaint appears to be genuine, help in submission of an application to the sanctioning authority for enhancement in the existing credit facilities.

REPETITIVE QUERIES

A query being received repeatedly from a customer points towards a knowledge gap on the part of the microfinance executive and/or absence of effective communication. In such a situation the microfinance executive should seek immediately the guidance of his superiors and respond to the query as fast as possible. Needless to add, failure to respond to a repetitive query shows not only the microfinance executive, but also his superiors and the company as a whole, in a very poor light.

INFORM AND ADVISE CUSTOMERS OF NEW PRODUCTS OF MICROFINANCE

Every progressive company is continuously introducing new and innovative products/services in the market. This helps the company in retaining existing customers and bringing new customers. Bringing these products to the knowledge of existing and prospective customers enables the company not only to retain its market share, but also to increase the same.

The microfinance companies in India are also introducing new and innovative products /services on an ongoing basis. Different types of loan products, deposit schemes and insurance plans are being brought forth by these companies.

It is the duty of the microfinance executive to bring immediately all new and innovative products /services to the knowledge of his clientele and give wide publicity to the same. This will help him in developing company's business rapidly and achieving his budgeted business targets.

ACTIVITIES

Activity 1: Make a presentation on "Managing Customer Accounts".

Materials Required: Writing material, chart paper, sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries etc.
3. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications and highlight on the following points:
 - a) Accurate Record-Keeping
 - b) Regular Monitoring
 - c) Proactive Communication
 - d) Flexible Payment Options
 - e) Problem Resolution
 - f) Financial Counseling

g) Loan Restructuring

h) Risk Assessment

4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members.
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.
7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements / additional inputs on the topic being discussed.

Activity 2: Prepare a presentation on Power Point or on chart paper on the topic “Dealing with Repetitive complaints”

Materials Required: Writing material, chart paper, sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries etc.
8. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications, and highlight on the following points:
 - a) Identify Common Patterns
 - b) Root Cause Analysis
 - c) Enhanced Training
 - d) Improved Communication Channels
 - e) Proactive Issue Resolution
 - f) Client Feedback Mechanisms
3. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
4. A presentation on power point, or using chart/white board, will be prepared by the group members.

5. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.

The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements additional inputs on the topic being discussed.

CHECK YOUR PROGRESS

A. Fill in the Blanks

1. The representatives of the company involved in _____ are called 'account managers' or 'relationship managers'.
2. Each account manager is assigned accounts of some customers for the purpose of providing _____ services.
3. Every progressive company is continuously introducing new and innovative _____ in the market.
4. The function of ensuring that the business of the customer _____ with the company, and does not shift elsewhere is called "customer retention".
5. Bringing new and innovative products/services to the knowledge of existing and prospective customers enables the company not only to retain its market share, but also to _____ the same.

B. Multiple Choice Questions

1. If there is a repetitive complaint of a customer regarding lack of working funds, the microfinance executive should _____.
 - a) ascertain through enquiries and observation of business activities whether the complaint is genuine.
 - b) help the borrower in applying for enhancement in credit facilities
 - c) Both 'a' and 'b' above
 - d) None of these
2. Today microfinance has come to mean a wide range of services being made available to the weaker sections by microfinance agencies related to _____.
 - a) loan products
 - b) insurance and deposit schemes
 - c) Both 'a' and 'b' above

- d) None of these.
3. As an account manager, the microfinance executive has to _____.
- remain in constant touch with the existing customers.
 - ensure that they continue to deal with his company, and also avail of more facilities being offered by the company.
 - Both 'a' and 'b' above
 - None of these
4. A query being received repeatedly from a customer point towards _____.
- knowledge gap on the part of the microfinance executive.
 - absence of effective communication.
 - Both 'a' and 'b' above
 - None of these
5. In a cross-selling arrangement for conducting insurance business, the microfinance companies _____.
- sell the insurance products of the company with which the tie-up arrangement has been made
 - the insurance company sells the products of the microfinance company
 - both 'a' and 'b' above are correct statements
 - None of these.

C. State whether the following statements are True or False

- The work of a loan account manager begins after a loan is disbursed.
- The basic function of the account manager is to maintain a long-term business relationship with the account holder.
- The microfinance executive should bring it to the knowledge of the existing and prospective customers that the term "microfinance" does not stand for small loans only.
- The work relating to account manager ends once a facility has been provided to the customer by a company.
- An aggrieved customer of a microfinance company can also lodge a complaint with the Reserve Bank of India.

D. Match the Columns

COLUMN A		COLUMN B	
1	Repetitive complaints	A	Maintains long term business relationship with customers
2	Bringing new and innovative products and services to the knowledge of existing / prospective customers	B	Point towards knowledge gaps and lack of communication skills on the part of the operating staff
3	Account Manager	C	Rapid business development and budget achievement

E. Short Answer Questions

1. What do the repetitive queries indicate?
2. Write a short note on “Informing and Advising Customers New Microfinance Products”.

F. Long Answer Questions

1. How should the customer accounts be managed? Please elaborate.
2. Write a note on “Advising Customers about Microfinance”.

G. Check Your Performance

Prepare a comprehensive write-up on “customer account management”.

Session 4: Defaulter Management Process

In this session the role of microfinance executive in managing defaulters will be discussed.

DEFAULTER

As and when a loan is sanctioned to a customer, an agreement is entered into between the lender and the borrower. The details of the loan and the terms and conditions governing the same are incorporated in this agreement. Two important items which always appear in a loan agreement are:

- a. The loan amount and the rate of interest payable thereon.
- b. When and how the loan has to be repaid.

Loans given for a time period are generally repayable in instalments which are fixed in such a way that both the principal amount of loan, and interest

applied from time to time in the loan account, are repaid on depositing all the instalments on their due dates.

A defaulter is a borrower who fails to deposit or deposits with inordinate delay the scheduled instalments/interest on their due dates. The default in loan accounts is basically of two types:

- It could be due to circumstances which are beyond the control of the borrower, or
- The borrower is having the means to repay the loan but is not doing so intentionally, such a borrower is called “willful defaulter”.

The Reserve bank of India has issued detailed guidelines for dealing with loan accounts of defaulters. The loan accounts are classified into various categories as per their conduct and status. This is known as “Asset Classification” as loans are assets of the financing agency. These have been given using their own funds and they have legal right to recover them. The loans extended by financing agencies are classified into the following categories:

- A standard asset is a type of non-performing asset that does not disclose any problem or risk other than normal business risk.
- An asset is classified as a sub-standard asset if it remains as an NPA for a period less than or equal to 12 months.
- An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
- A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

In order to recover the amount due, the RBI has been issuing directives from time to time. While following these directives, commercial organizations such as bank also seek legal recourses such as filing court cases and initiating recovery proceedings through enforcement of act passed by the Indian Parliament, like the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest) Act, 2002.

DEFAULTER OF MICROFINANCE LOAN ACCOUNTS

Microfinance loans are mostly given to persons or groups of persons whose financial position is very weak. Further, the amount of loan given to them is very small compared to loans given to the general public and various business entities. The duration of loans seldom exceeds one or two years.

The instalments of microfinance loans are also of small amounts and are collected on a weekly/fortnightly/monthly basis. If the microfinance

executive remains alert and follow meticulously the procedure prescribed by his company for collection of dues in loan account, chances of default are low.

Because of the small loan size and highly limited financial means of the borrower, asset classification norms are not enforced stringently. However, the accounts of borrowers who default in payment of instalments are monitored closely and regular follow-up is maintained.

It may be pointed out here that the process of obtaining repayment in regular loan accounts is called 'collection', and that involved in obtaining repayment in loan accounts of defaulters is called 'recovery'.

While collection of dues in loan accounts is a routine function which is carried out with periodicity stipulated by the financing company, recovery in defaulter's loan account requires more effort, time and planning. The recovery process generally followed by microfinance companies is discussed in the subsequent paragraphs.

PREPARING A LIST OF DEFAULTERS

The most important role in the recovery process (Fig. 2.7) is played by the microfinance executive. Besides being the face of the microfinance company, he knows much about the economic conditions, culture and social ethos of the area in which he operates. He remains in touch with the borrower right from sanction of a loan to the closing of the loan account.

The first step that the microfinance executive has to take while initiating the recovery process is to prepare a comprehensive list of defaulters. He should go through the ledger account of the borrower, loan documents and other branch records to note down all the relevant details in the list of defaulters.

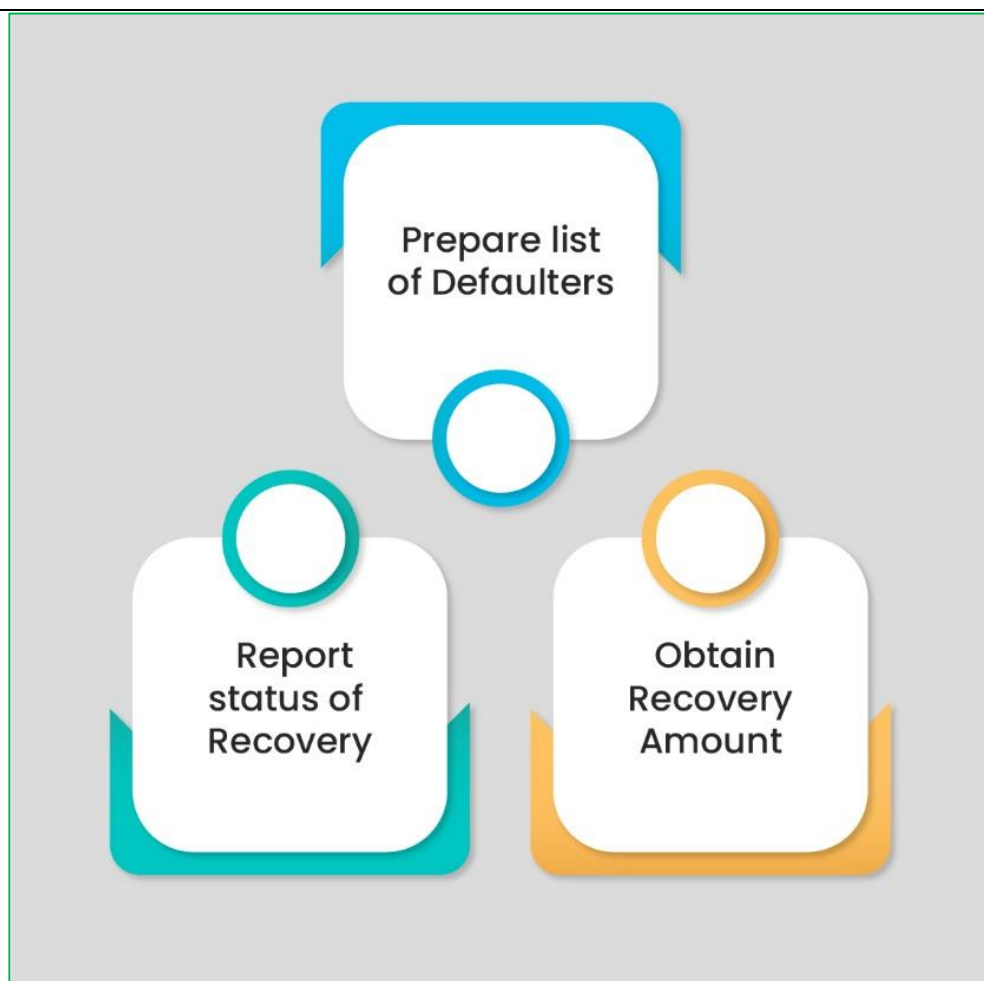


Fig 2.7: Defaulter Management Process

The list of defaulting borrowers must contain the following details:

- i. Name, address and phone number of the borrower.
- ii. Line of activity in which he is engaged.
- iii. Details of all loan accounts of the borrower, such as
 - Account number
 - Date of opening of loan account
 - Types of loan facilities sanctioned and amount of loan sanctioned
 - Present outstanding amount in the accounts
 - The amount overdue for repayment
 - Dates of previous repayments and amounts thereof.
- iv. Dates on which recovery notices sent/handed over to the borrower.
- v. Date by which the borrower promised to make repayment, when contacted previously, and the amount of proposed repayment.

- vi. Whether renewal of documents is due (loan agreements remain valid and enforceable for a period of three years from the date of their signing. Well before the date of their expiry, a Revival Letter has to be obtained from the borrowers. Abstention of this letter extends the validity of the documents for a further period of three years from the date of this letter. The printed forms of Revival Letter are available at all the branches of a microfinance institution.

After preparing the list of defaulting borrowers as above, the microfinance executive can go ahead with the recovery process.

RECOVERY IN CASE OF DEFAULT ON MICROFINANCE LOANS AS PER COMPANY POLICY

The microfinance executive has to undertake the recovery process in accordance with the recovery policy of his company. The recovery policies of most microfinance companies prescribe the following procedure;

- While proceeding for recovery in defaulting loan account, the microfinance executive should carry with him the following papers:
 - i. All the details of the loan account as listed out above.
 - ii. Copy of the last recovery notice sent to the borrower.
 - iii. A fresh recovery notice prepared as on the date of visit, containing details of the amount outstanding in the loan account and the overdue amount, in two copies. One copy of the notice has to be handed over to the borrower and the signatures of the borrower with date on the other copy as an acknowledgement to be obtained.
- The microfinance executive should not use coercion, threats or any other unlawful methods of recovery. He should rather counsel the defaulting borrower in a civilized and logical manner regarding disadvantages of not making up for the default and advantages of regularizing his loan account.
- The recovery amount may be collected by the microfinance executive, in cash/cheque/some other form either in person, or he may advise the borrower to deposit it himself, as per company's policy. If the microfinance executive receives the recovery amount himself, he should deposit it in the borrower's loan account within the time limit prescribed by his company. Under no circumstances should he keep the amount recovered with him beyond the prescribed time limit.

REPORT STATUS OF LOAN RECOVERY OF MICROFINANCE LOAN TO BRANCH MANAGER

A report should be prepared by the microfinance executive after every recovery visit detailing therein the status of loan recovery in the accounts of all the borrowers contacted. The report should be submitted to the manager of the branch of the company to which the microfinance executive is attached.

Weekly/monthly and other reports should also be submitted as per policy of the company.

Activities

Activity 1: Make a presentation on “Defaulter Management Process”.

Materials Required: Writing material, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries etc.
3. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications and highlight on the following points:
 - a) List of defaulters
 - b) Obtain recovery amount
 - c) Report status of recovery
4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.
7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements / additional inputs on the topic being discussed

Activity 2: Demonstrate how to report to branch manager under microfinance loan recovery.

Materials Required: Writing material, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books, research papers etc. (if available)

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select two persons to represent the group in making a presentation, answering to the queries etc.
3. All the group members will collect material for presentation using the information available on the internet, books and other relevant publications and highlight on the following points:
 - a) Provide Detailed Loan Recovery Status
 - b) Highlight Delinquent Accounts
 - c) Present Recovery Strategies Implemented
 - d) Report Progress of Recovery Efforts
 - e) Share Challenges Faced
 - f) Recommend Adjustments in Recovery Approach
 - g) Provide Financial Analysis of Recovered and Outstanding Loans
 - h) Offer Suggestions for Improvement.
4. Two or three members will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
5. A presentation on power point, or using chart/white board, will be prepared by the group members.
6. A presentation on the topic will be made by each group in the class. The group members will respond to the queries of their fellow students.
7. The teacher will also be present during the presentation. He/she will add value to the presentation by suggesting improvements additional inputs on the topic being discussed.

Check Your Progress

A. Fill in the Blanks

1. As and when a loan is sanctioned to a customer, an _____ is entered into between the lender and the borrower.

2. If the microfinance executive remains alert and follow meticulously the procedure prescribed by his company for loan recovery, the chances of _____ are low.
3. Loan installments are fixed in such a way that both the principal amount of loan, and interest applied from time to time in the loan account, are repaid on depositing all the _____ on their due dates.
4. The microfinance executive should not use coercion, threats or any other unlawful methods of _____.
5. The first step that the microfinance executive has to take while initiating the recovery process is to prepare a comprehensive list of _____.

B. Multiple Choice Questions

1. Which of the following refers to irregular loan accounts?
 - a) Sub-standard assets
 - b) Doubtful assets
 - c) Both 'a' and 'b' above
 - d) None of these
2. Loan agreements remain valid and enforceable for a period of how many years from the date of their signing?
 - a) Three years
 - b) Five years
 - c) Ten years
 - d) Fifteen years
3. Well before expiry of the validity period of a loan document, the following document has to be obtained from the borrower:
 - a) Fresh loan agreement
 - b) An undertaking not to default
 - c) A promissory note
 - d) Revival letter
4. While proceeding for recovery in a loan account, which of the following need not be carried with him?
 - a) The details of the loan account such as the overdue amount,

previous instalments received in the account, details of documents and other particulars of the loan amount.

- b) The loan documents in original or photocopies if due.
 - c) Copies of notices already sent and a fresh notice for handing over to the defaulting borrower.
 - d) If revival letter is due for obtaining from the borrower. a duly filled form thereof.
5. While visiting a loan defaulter, which of the following actions should not be taken by the microfinance executive?
- a) Counseling the borrower in a polite and civilized tone.
 - b) Pointing out the disadvantages of not regularizing the loan account.
 - c) Explaining the advantages of depositing all dues in time.
 - d) Warning him of the dire consequences of his not depositing the overdue amount and asking him to liquidate the entire outstanding in the loan account.

C. State whether the following statements are True or False

1. The loans given to microfinance borrowers are generally long term in nature.
2. Asset classification of a finance company or a bank means classification of both its deposits and loans in various categories.
3. The microfinance executive should deposit the recovery amount in the loan account of the borrower, maintained at the company's branch, at his earliest convenience.
4. The microfinance executive should be tough with the defaulting borrower and upbraid him only when it is absolutely essential.
5. A "wilful defaulter" is a borrower who is willing to pay the default amount after a few days.

D. Match the Columns

COLUMN A		COLUMN B	
1	Loans with very low chances of recovery	A	Collection of the amount due
2	The process of obtaining repayment in regular loan accounts	B	Recovery of installments with interest

3	The process of obtaining repayment in accounts of defaulters	C	Loss assets
4	Deposit of the recovery amount in borrower's loan account	D	Willful defaulter
5	Person who has the means but does not deposit the overdue amount in his loan account	E	As per company policy

E. Short Answer Questions

1. Write a short note on "Defaulter of Microfinance Loans"
2. What should the microfinance executive do after visiting a loan defaulter?

F. Long Answer Questions

1. Explain the defaulter management process.
2. What are the activities of a microfinance executive?
 - a. Before visiting a defaulter.
 - b. during the visit.

G. Check Your Performance

1. Write a comprehensive note on "Management of Defaulting Loan Accounts"

MODULE 3	CUSTOMER-CENTRIC SERVICE ORIENTATION
Module Overview	
<p>Customers can be well understood as persons who buy goods or services, normally for their own consumption. In a business, state of art infrastructure, latest technology, dedicated workers etc. are all expenses. Only customers are profit. Delighted customers decide the level of the success of any business. It will not be hyperbole to state that customers play a pivotal role in any business. Businesses in Banking Financial Services and Insurance sector are also no exception to it.</p> <p>The customer centric service orientation means a specific mind-set of the service-persons which is created by the culture of the employer company. In simple words, attending to the queries of the customers in the most befitting manner and providing them desired goods or services quickly are the basics of customer centric service orientation culture. Adopting customer-first approach is the essence of this culture. Proper product knowledge, transparency in dealings, communication skills with an attitude of solving the problems of the customers is some of the prerequisites of customer centric service orientation. In this culture, customers are given priority, service persons become support persons, customer's requests are responded to respectfully and quickly and delivery of sought for services or goods are made in a transparent manner. Interestingly, customer centric service mind-set is possessed by many persons as a personal excellence. Such persons need to be identified as front-line workers in the departments dealing directly with the customers. When the due importance is given to the customers, their retention becomes easier. It is a known fact that fresh acquisition of the customers is costlier than retaining the existing ones. It is not the intention that business entities should ignore their bottom-line concerns but business policies and practices should be framed keeping in view the customer-first concerns.</p> <p>The unit has been divided in to four sessions. In Session one, 'Client Relationship and grievance Management' have been discussed with emphasis on communication skills. 'Social and Cultural Aspect', has been detailed in Session two. Sufficient light has been thrown on 'Customers Communication and its Importance' in Session third. Lastly Session four has been devoted to the topic 'Regular Orientation of Customers'. Practical activities have been added in the contents of each session but the teachers are humbly requested to arrange for more like</p>	

activities, wherever felt necessary, by them to elaborate the subject matter.

Learning Outcome

After completing this module, you will be able to:

- Communicate with BFSI customer and colleagues
- Teach sensitivity in behaviour
- Communicate work output
- Maintain service orientation

Module Structure

Session 1: Client Relationship and Grievance Management

Session 2: Social and Cultural Aspects

Session 3: Workplace Communication for Customer Service

Session 4: Regular Customer Orientation

Session 1: Client Relationship and Grievance Management

While dealing with clients of banking financial services and insurance sector, microfinance executive interacts with many customers of varied nature and expectations. Communication skills help the MFE to maintain good business relations with the customers/clients and their complaints or dissatisfaction can be well addressed.

COMMUNICATION

The roots of the word 'communication' can be traced in the two Latin words 'Communis' and 'Communicare'. The meaning of the word 'Communis' is common or sharing whereas 'communicare' means make something common. According to the American College Dictionary, imparting or interchange of thoughts, opinion or information by speech, writing or signs, is communication (Fig 3.1). It may be understood as a process of interaction with the people and their environment. The most appropriate definition of communication was preferred by the author I. A. Richards in 1928 which is "Communication takes place when one mind acts upon its environment that another mind is influenced, and in that other mind an experience occurs which is like the experience in the first mind and is caused in part by that experience". A process used to give/receive information/messages to/from

others is communication. It also includes exchange of messages by physical gesture/posture and show of emotions. The process of communication may use activities like speaking, writing or reading. In exchange of information/messages, visuals, graph, chart, facial expressions, body language etc. play a vital role.

In simple words, all actions done by a person to generate understanding in other's mind is communication. Speech, listening, understanding, words, images, symbols gestures etc. are very much involved in the process of communication.

There are two major types of communication viz. Verbal and Non-Verbal. In verbal communication, words or speech is used for conveying the messages whereas visuals, facial expressions, gestures etc. are involved in non-verbal communication. The sender, receiver and a medium are required to make a communication happen. The sender is supposed to know all about the message to be conveyed and the medium to be used. The thoughts first

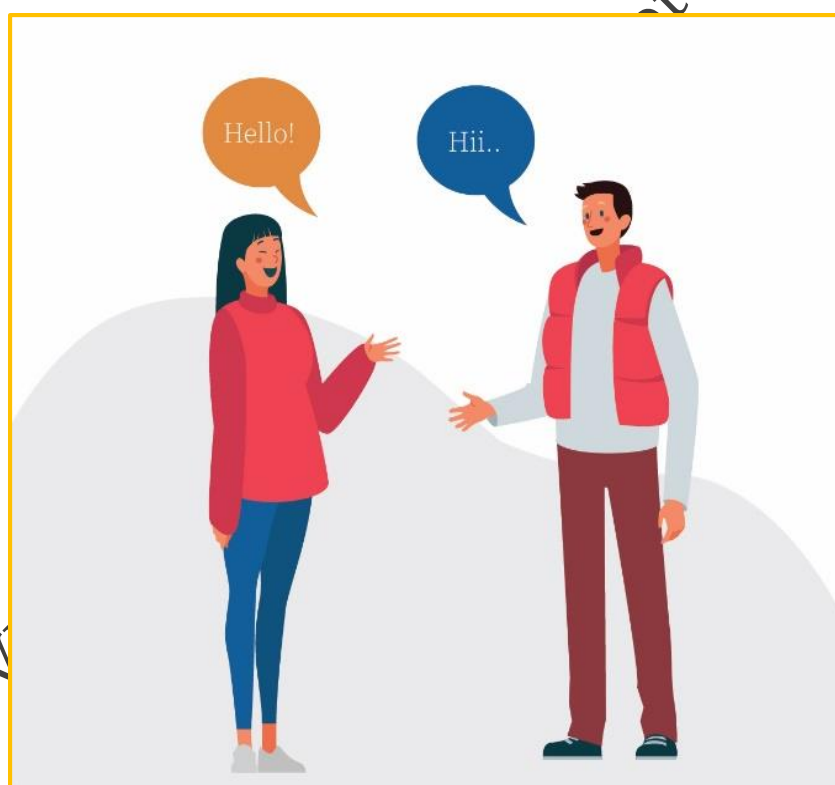


Fig 3.1: Communication

come in the mind of the sender who converts the thoughts in to a message according to his perception. The message is conveyed by verbal or non-verbal medium to the receiver. The receiver understands the message according to his perception and if he chooses to respond, it is known as two-way communication, otherwise one-way communication. A person starts

communicating from the birth itself. History of communication is very old. 'Cave paintings' are the example of non-verbal communication of ancient times. These paintings were used to convey important messages. Verbal-Communication flourished with the development of languages. The nature has blessed the human beings with a communication process which is natural, for better understanding each other and to share mutual feelings.

COMMUNICATION SKILLS

When equipped with these skills, one becomes capable to effectively interact with others. In the process of communication, better position to understand others and to be understood by them, is achieved. Learning and practice of different communication skills help to achieve expertise in communication. Few are discussed below (Fig 3.2).

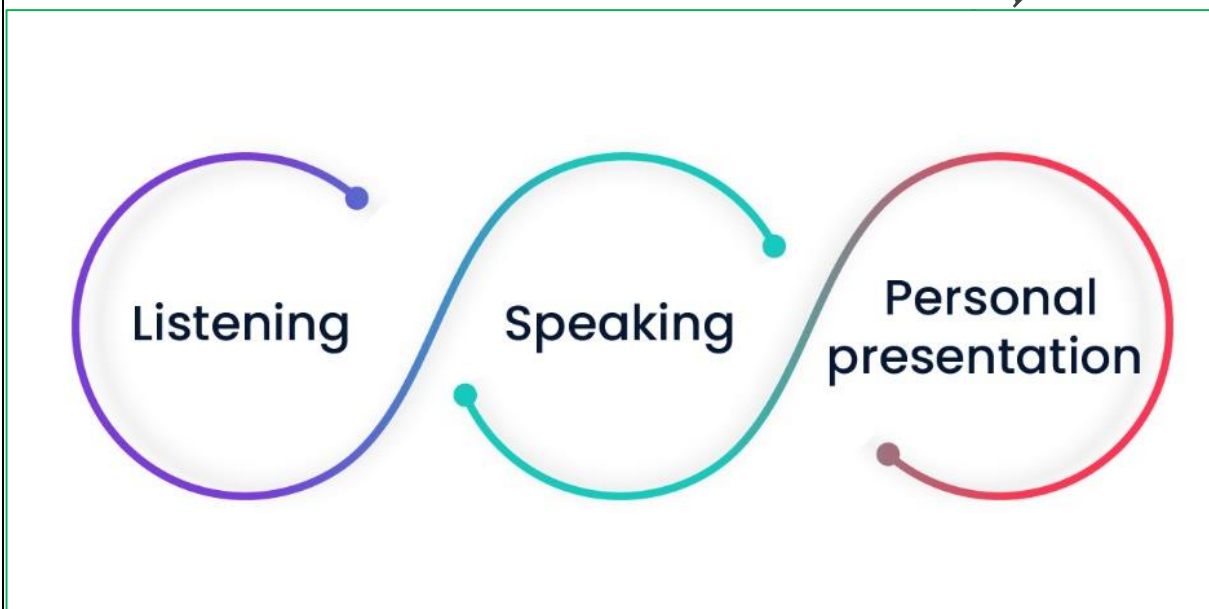


Fig. 3.2: Composition of Good Communication Skill

- i. **Listening:** One should be an active listener. Attentive listening is active listening which not only helps to understand the subject matter or the issue well but it motivates the speaker too. Generally, people listen to react in haste which is not correct. Questions may be asked to enhance the knowledge of the subject matter/issue rather than to exhibit own importance. Good listeners are respected by their colleagues. Following advantages are available to good listeners:
 - a. They understand the subject matter/issues involved better than others.
 - b. They are in a better position to decide.

- c. They are confident enough to suggest alternatives.
- d. They motivate the speakers/others to complete the speech/talk and convey them that they (speakers) have been properly listened to.
- e. Complaints are fewer.
- f. Active listening is a vital tool to address the dissatisfaction of the clients. Response to clients is more considerate from the good listener officials.

Microfinance Executives are no exception. If they learn and practice active listening, their problems with clients will reduce. They will command respect from colleagues and clients.

ii. Speaking: Developing the 'speaking skill' is very important for microfinance executives. Very often they are required to interact with the clients, colleagues and seniors. Persons equipped with such skills are able to communicate in a considerate and persuasive manner. Proper knowledge about the subject matter/issue is required to decide what to speak. Careful selection of language, dialect and proper words suitable to the occasion and the clientele, are necessary, while speaking. Short sentences and simple words are very useful to have positive impact on the listeners. It is nevertheless important, 'how one speaks'.

Considering the occasion and status of the clients, suitable pitch and tone of the voice should be used in conversation with the clients. Clarity and volume of the voice depict confidence of the speaker. Speech leaves a long-lasting impact on the clients. While communicating with others, body language of the speaker should be supportive. Interestingly, silence is the best speech, sometimes. Nobody should be hurt by our words or voice. Microfinance Executive should be aware of it.

iii. Personal Presentation

It is a communication related skill that is capable of affecting the first impression which the others carry about you. The prerequisite to have good personal presentation is 'Self-Belief'. The persons having belief in them possess a candid confidence. Confident persons when present themselves like they are, are perceived by others, as such. Being confident is a virtue but egotism is not an acceptable trait. In simple words, personal presentation is our exposure before others. A good personal presenter needs confidence in self and also self-respect. He has to know and accept himself as such. He should be well aware of positives and negatives of his character. He is required to trust his

capabilities to achieve and to manage his limitations. He should not over-think about the opinion of others about him. However, microfinance executive is supposed to give due importance to his employer, clients and colleagues.

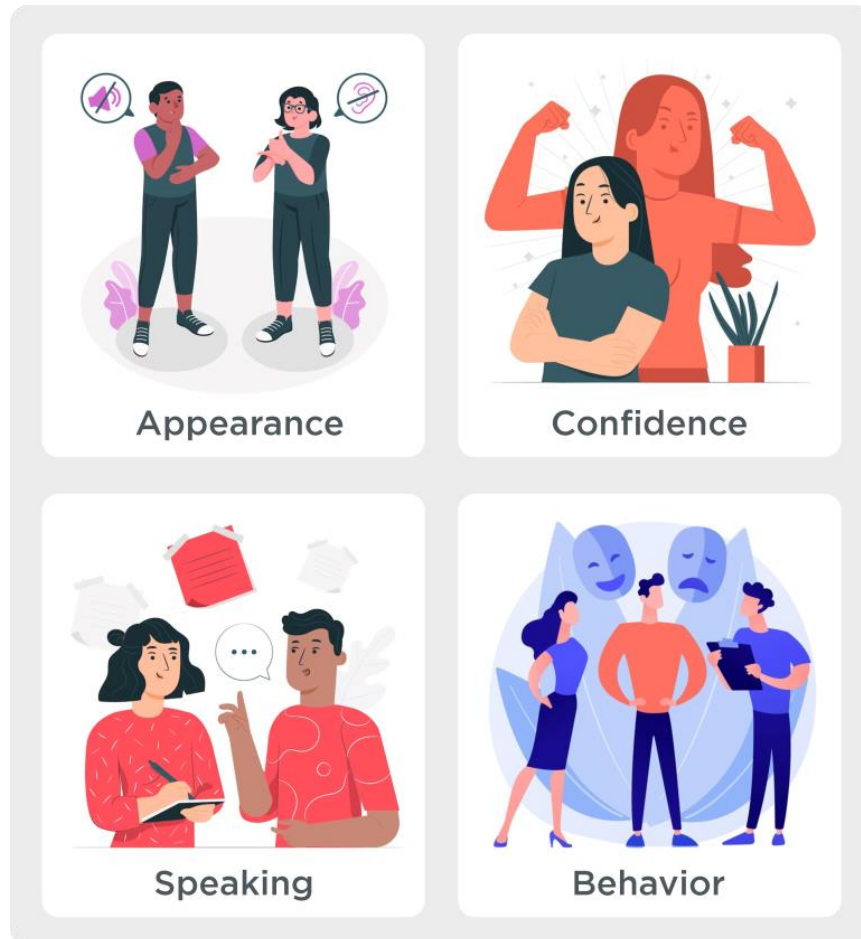


Fig. 3.3: Ways of Communication

Skill of personal presentation can be acquired and improved. Following factors influence the perception of others about you (Fig 3.3).

- **Appearance:** A good dress sense and impressive body language enable to have edge over others.
- **Confidence:** Trust in own capabilities to achieve and to manage the stressed situations raise the level of confidence of others in you too.
- **Speaking:** What is spoken and how is spoken, create a long-lasting impression on others. Appropriate selection of words in the speech may influence the opinion of even the opponents.
- **Behaviour:** Your behaviour with others affects your impression, carried by them. A good behaviour indicates as to how much you value

others. You should behave with others in the same way as you wanted to be treated by others.

Persons of good presentation skill (Fig 3.4) get respect from the co-workers and appreciation of their professional attitude from the clients.

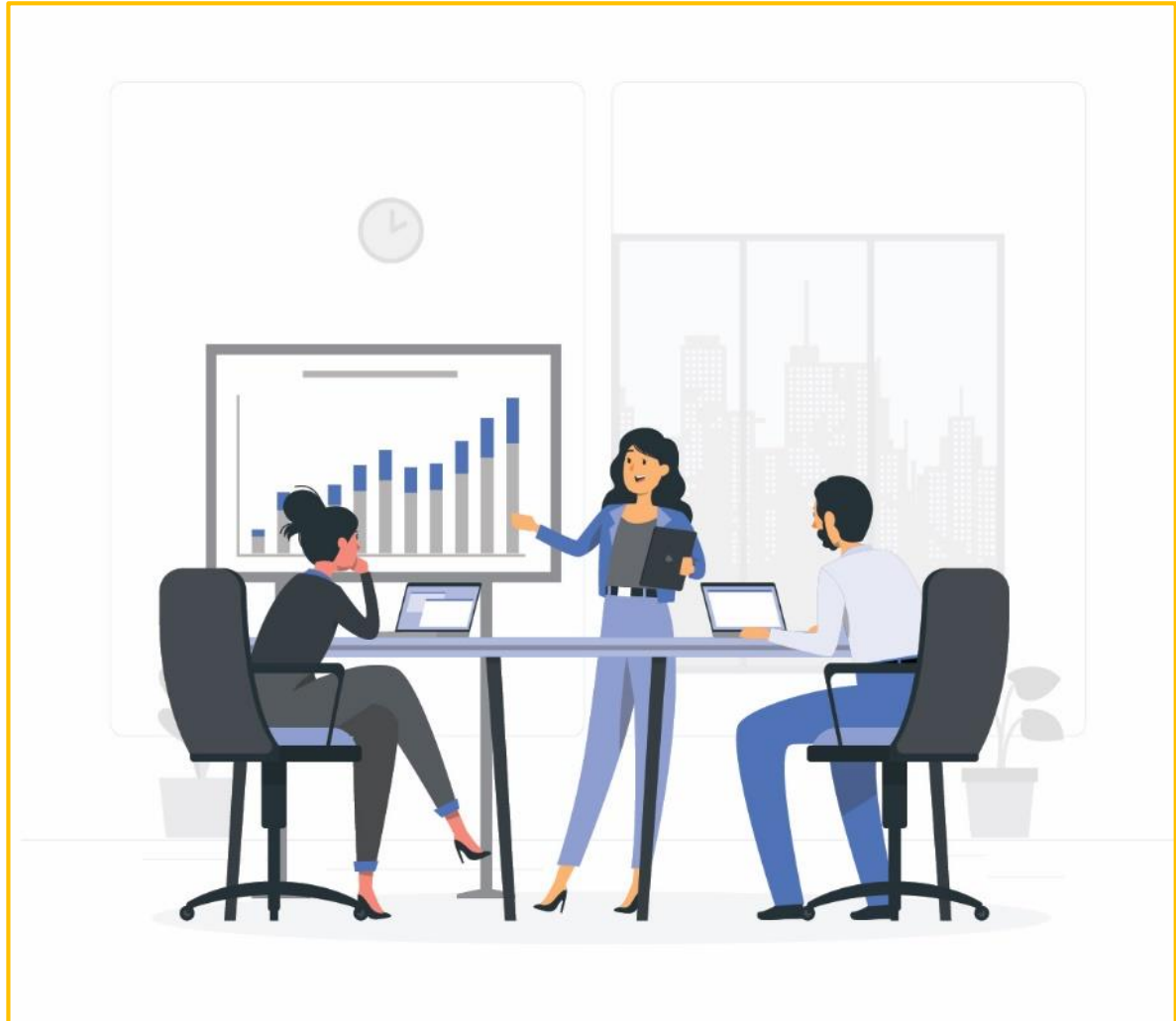


Fig. 3.4: Presentation with Team

ADDRESS ESCALATED CUSTOMER CONCERNS

A customer escalation may be understood as a situation in which the customer is displeased with the employee's conversation and wish some higher official to resolve the issue. Microfinance executives may come across such situations. Such complaints need to be attended with care. The customer may move to the competitor, if the complaint-matter is not resolved to the customer's satisfaction.

Normally, complaints may arise due to following reasons: (Here the official is microfinance executive)

- Lack of knowledge of the official

- Customer is told 'NO' without any explanation
- Low confidence level of the official
- Attitude of the official is not acceptable
- Official is not accepting his mistake
- Official's voice is not clear

To address customer escalation concerns, following steps may be followed:

1. Acknowledge the complaint at the earliest.
2. Admit your duty to resolve the issue.
3. Advise the customer as to how you propose to settle the issue.
4. Inform the customer the approximate time-period it may take to resolve the issues.
5. If many customers are raising similar type of issues, higher management needs to intervene and take remedial measures.
6. If deficiency at higher level is suspected, internal investigations may be recommended.
7. Any loss suffered by the customer due to technical errors should be compensated without asking.

The customers, who complain are good enough because they give a chance to improve than those who move away without notice.

EDUCATE COLLEAGUES ON GOOD PRACTICES ON CUSTOMER HANDLING

While working as a microfinance executive, you will be coming across customers of different nature and temperament. Experience with all of them may not be pleasant all the times. An honest analysis will apprise you of your mistakes, because first axiom in the field of customer service is 'customer is always right'. Lesson learnt from the unpleasant experiences go a long way in improving your skills to handle customers. You should share such experiences with your colleagues to educate them. It would suffice if monthly meetings with colleagues are arranged for interaction.

Knowledge is power. The colleagues should be encouraged to cultivate a habit of going through the company's business circulars and instructions, on a regular basis. Gaps in understanding can be filled in by discussion with other colleagues. Interaction with clients, colleagues and seniors will keep you and your colleagues updated, with improvement in confidence level. Colleagues should be reminded the importance of honest and transparent business dealings without arrogance. Effects of active listening should be

highlighted with examples. An attitude of helping and solving the problems, reduce the customer complaints, considerably.

Activities

Activity 1: Role plays to demonstrate communication skills

Materials Required: Notebook, Pen, Pencil, Erasure

Procedure:

1. The teacher should assign the role of a microfinance executive to one of the students and to another student the role of a prospective borrower.
2. The borrower has come to the MFE for asking the formalities to be completed for a loan of Rs. 25000.
3. The ME is to collect the requisite information from the proponent for the loan. The proponent shows displeasure on the information sought by the ME.
4. The role play is to be arranged in the class room. Other students will note deficiencies in the communication of the students acting as ME and the proposed borrower.
5. On completion of the role play the teacher will ask few students to present their observations.
6. After listening the observations, the teacher will sum up and explain how to improve communication.

Activity 2: Class- room presentation on importance of body language in communication

Materials Required:

1. Access to the Internet facility
2. Presentation equipment such as overhead projector, digital pointer etc. If this equipment's are not available, chart papers and ordinary pointer can be used.
3. Plain papers, sketch pens, pen, pencil etc.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the importance of body language in communication. Internet may be accessed by them to supplement their understanding of the topic and highlight on the following points:

- a) Nonverbal Cues Enhance Understanding
 - b) Builds Trust and Rapport
 - c) Reflects Confidence and Professionalism
 - d) Conveys Interest and Engagement
 - e) Helps Establish Authority and Credibility
 - f) Enhances Persuasion and Influence
 - g) Facilitates Relationship Building
3. Each group will prepare a presentation on the topic using PowerPoint/chart paper.
 4. The presentation prepared will be discussed with the teacher.
 5. Two or three members of each group will make a presentation before the class, and the remaining students of the group will respond to the questions put by their classmates.
 6. The teacher should update himself/herself before the activity, so as to make value addition to the presentations.

Check Your Progress

A. Fill in the Blanks

1. The meaning of the word _____ is common or sharing.
2. Communication may be _____ as a process of interaction with the people and their environment.
3. When equipped with _____ skills, one becomes capable to effectively _____ with others.
4. Generally, people _____ to react in haste which is not _____.
5. Lesson learnt from the _____ experiences go a long way in improving your _____ to handle customer.

B. Multiple Choice Questions

1. The roots of the word 'communication' can be traced in the two Latin words
 - a) 'Communis' and 'Communicare'
 - b) Community and Communicare
 - c) Communis or Communal
 - d) Community and communal

2. Factors which influence the perception of others about you are
 - a) appearance and confidence
 - b) appearance, confidence and speaking
 - c) confidence and behaviour
 - d) appearance, confidence, speaking and behaviour
3. If the complaint-matter is not resolved to the customer's satisfaction
 - a) the customer may be happy
 - b) the customer may move to the competitor
 - c) the customer waits for another opportunity to complain
 - d) None of the above
4. If microfinance executives learn and practice active listening
 - a) their problems with clients will increase
 - b) their problems with clients will reduce
 - c) the customers will avoid them
 - d) MFE will feel belittled
5. Normally, complaints may arise due to
 - a) lack of Knowledge of the Official
 - b) low Confidence Level of the Official
 - c) indifferent Attitude of the Official
 - d) All the Above

C. State whether the following statements are True or False

1. A process used to give/receive information/messages to/from others is communication.
2. The process of communication may not use activity like reading.
3. Developing the 'speaking skill' is not important for microfinance executives.
4. Appropriate selection of words in the speech may influence the opinion of even the opponents.
5. To address customer escalation concerns, acknowledge the complaint at the earliest.

D. Match the Columns

COLUMN A		COLUMN B	
1	Communicate	a	Pay Damages
2	Compensate	b	Character
3	Limitation	c	Make Something Common
4	Temperament	d	Talk
5	Conversation	e	Restriction

E. Short Answer Questions

1. How communication skills are helpful to microfinance executives?
2. What is confidence?
3. What is the first axiom in the field of customer service?
4. What is meant by active listening?

F. Long answer questions.

1. Write a note on the communication skills required for microfinance executives?
2. Explain the 'Personal presentation' skill?
3. Write a note on "how to address escalated customer concerns"?

G. Check your performance

Give a speech in class-room on addressing the escalated customer concerns.

Session 2: Social and Cultural Aspects

Communication is a wide subject. Microfinance executives are supposed to know certain factors of good communication.

SENSITIVITY TOWARDS LANGUAGE

We should feel blessed to have communication for interaction with others. The language is a vital factor in this process. Different set of rules are required to be observed in expressing in different languages (Fig. 3.5). Sensitivity towards language is being aware or acknowledging that expression in a particular language is unique by itself. It can also be stated that being mindful of the uniqueness and specific characteristics of a language, used for expression, is language sensitivity. Differences occur when different languages are used in communication because expression in

different languages needs observing a set of language-specific rules, for sentence formation.

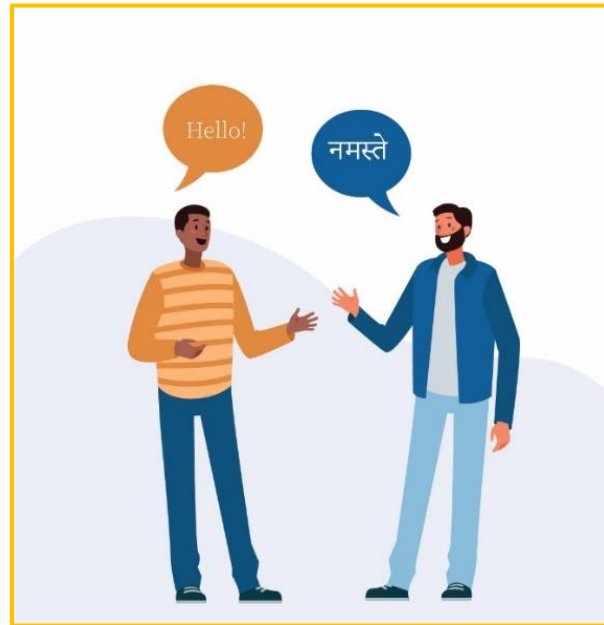


Fig. 3.5: Language

Microfinance executives should be considerate that-

1. An inclusive and bias-free language to be used in interaction with others.
2. General rules of language-specific grammar and composition to be observed in verbal communication.
3. Such words to be used which cannot be interpreted differently than the intended meaning.
4. Language used should not hurt the feelings of others.
5. In written communication, such phrases and words to be used which do not offend anyone. However, intensity of the message to be communicated is not diluted.
6. *Usage notes in the language dictionary may be referred to, for choosing the appropriate words for communication.
7. To be extra careful while communicating with elderly people, ladies and children. However, these persons should not get an impression that they are being considered weak and inactive.

Always remember that wounds created by the words are deeper and severe than the wounds made by the swords.

SENSITIVITY TOWARDS GENDER

It is a fact that men and women differ a lot in their thinking and viewpoints. Being thoughtful and admiring the feelings of the opposite gender is gender sensitivity (Fig. 3.6). The major role is played by language in exhibiting our thoughts and behaviour towards the opposite gender. Many of us are not sensitive enough in communication. It is not correct to compare men and women, for instance, indicating men are active while women are passive or men are forceful and assertive and women are timid. Such general comments, paint a gloomy picture of women. This is gender insensitivity in communication.



Fig. 3.6: Sensitivity Towards Gender

Source: shorturl.at/hGN24

Microfinance executives should be extra careful while communicating with persons of opposite gender. Few points are mentioned below:

1. There should exist a mutual sense of respect among the persons of both the gender.
2. A simple language, with carefully chosen words will strengthen the communication with people of opposite gender.
3. The language should not have any ambiguous words or derogatory remarks, for others.
4. Avoid offending personal comments even in jokes with others.
5. Normal etiquette should be observed with the opposite-gender persons.
6. Extend a helping hand to others, when requested for.

Interaction with women requires decency in all situations. Teasing them is punishable under the law of the land. Sensitivity towards people of opposite

gender is moving away from ridiculous beliefs and incorrect opinions. It includes gaining of knowledge of interaction skills with others.

CULTURAL SENSITIVITY

A culture of a particular group of people can be well recognized by its thoughts, traditions, manners and societal behaviour. It is not the same as nationality. Upbringing and surroundings of the people influence their culture. Affection for our own culture is but natural. An indifferent attitude towards other cultures is, however, not at all desirable. Cultural sensitivity is knowing and being conscious that similarities and dissimilarities are there in different cultures. Simply, awareness that people are different and no culture are superior or otherwise. No comparison of cultures is required. Cultural sensitivity creates awareness of diverse cultures and also includes the ways and means to communicate with persons of varied cultures. No discrimination for any community or culture is the essence of cultural sensitivity. The people in different cultures have their own values and beliefs which influence their awareness (Fig. 3.7). Language and dialect also have an effect on their perception.

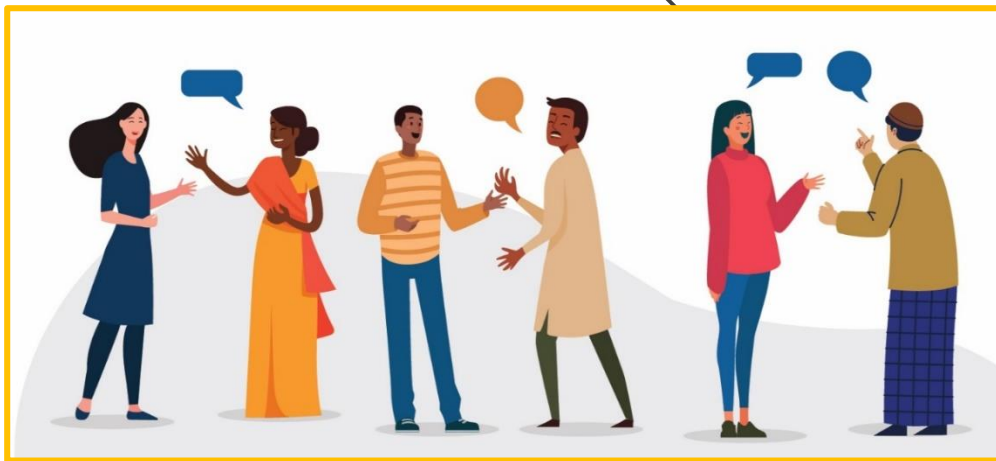


Fig. 3.7: Cross Cultural Communication

Microfinance executives should have flexible and liberal attitude while communicating with persons of different cultures. A review of their own values and beliefs is necessary to ensure that their communication with the persons of other cultures is without any barricade. It is crucial to respect and to be sensitive enough towards communities of diverse cultures. While communicating with the persons of other communities, MFEs should use carefully chosen words so that they are understood well by others. Cultural sensitivity of a person exhibits abilities and interest to work with persons of other culture, successfully. The communication with various community members without any discrimination with a problem-solving attitude also strengthens unity, in the country.

SENSITIVITY TOWARDS SOCIAL FACTORS

Our family, relatives, community, colleagues etc. are the social factors. These factors influence our life-style, thoughts, manners and interests. We adopt customs and practices prevalent in the community, we belong to. The people have natural affection for the customs and practices of their community. Social sensitivity refers to the personal expertise to observe and understand as to how others feel and their perspective. Being aware and showing appropriate respect to others and their view points, are included in social sensitivity. It is found that people connected with technical disciplines have lesser social sensitivity than others, connected with humanities and social sciences. Groups having members with a higher degree of social sensitivity have shown more collective intelligence.

Microfinance executives are supposed to be aware of psychology, customs and practices of the communities of their clients for making their communication with them effective. MFEs would be satisfied if they are well understood by the clients and could understand their points of view. Knowledge of social norms enables to have an effective verbal communication. Discussion on certain topic may be considered appropriate in a particular group but not in all. For instance, health issues may be talked about in a meet of health care professionals but may not be appreciated in other business meets.

An instance, exhibiting social sensitivity

“A small meeting was arranged in the controlling office with a dinner afterwards. You got a chance to talk to one of your peers. The conversation was all about work and interests of both of you. Both talked one after one. When one was talking the other person was actively listening and responding. After the conversation was over, you felt elated and valued. You could make out that you listened well and were listened well too, in the conversation.”

Human beings are blessed to have the tool of communication to interact with others. Some social factors can cause changes in the communication styles and inclinations.

SOCIAL DIFFERENCES

Social differences are the dissimilarities among the people in a society, based on the social qualities and prejudices. The differences are many including cast, creed, religion, race, culture, language gender etc. Inequitable distribution of national resources also creates regional imbalances. These differences cause a bias. For instance, if rich persons get more respect and recognition than the poor, in the society, then it is a cause of social difference. Discrimination among the people in the society is the root cause of many social evils and inequality. Prejudices related to the gender, skin

texture and face-appearance are due to birth of a person in a particular community. Persons having faith in a particular religion or sect, may have social differences with persons connected to other religions or sects. Rural culture differs with the urban culture. These differences have been created by the people. It is amazing that varieties exist in almost every aspect of Indian social life. The microfinance executives are required to be sensitive in their communication and behaviour with other persons, who have differences on social grounds.

CUSTOMERS

It is essential to be flexible in dealings with customers of different social styles. Same communication method cannot be used with different customers. They do not possess similar inclinations, personality and thought process. Their communication and decision-making capabilities differ. It is necessary to know the peculiarities of social style of the individual clients and to reach them with an appropriate mindset. Adapting an approach suitable to the customers' style will definitely, enhance the probability of having business outcomes. Proper knowledge of various social styles in a particular area of business activities is to be gained to understand the ways to deal with the customers. Social style of a customer is evident from their interaction. It is their natural way to deal with people. There are four divisions explaining personality of the customers as narrated below (Fig. 3.8).

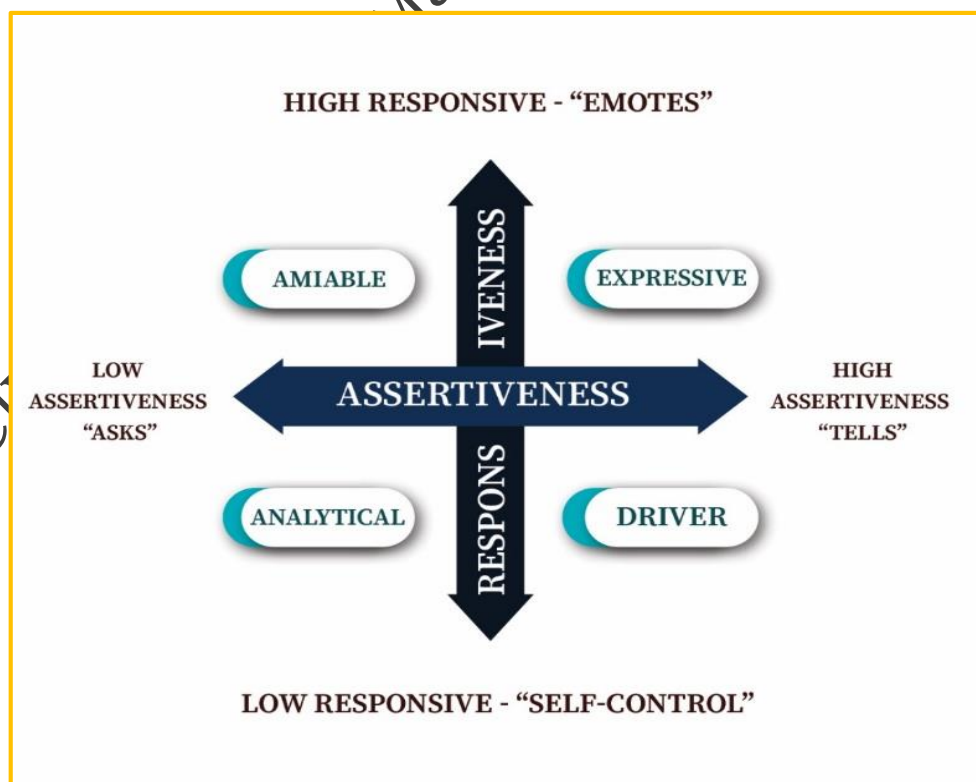


Fig. 3.8: Four Personalities of Customer

- i. Amiable:** Amiable social style customers possess pleasant traits. They are friendly, responsive and people-oriented. They are cooperative and quick decision makers. It is imperative to respect their opinions and make them aware of the suitability of the product/service for them. Offering low risk solutions is an appropriate approach to deal with such customers.
- ii. Expressive:** Expressive social style fellows are confident, assertive and creative. They love to talk much and are impatient to communicate their feelings to others. By nature, they are idea-oriented. They exhibit confidence and skills to persuade. Others perceive them as impulsive and manipulative. Such customers are to be dealt with patience. Advise them relevant details of the product/service, concisely. Expressive persons value the recommendations of the acquaintances, in their buying decisions.
- iii. Analytical:** Analytics are balanced, thoughtful and vigilant. They are more concerned with facts and data. They are inquisitive but do not open up in their interactions. Shortcuts are ignored instead Standard Operating Procedures (SOPs) are followed by them. Preferably, such customers make decisions based on their own perception and judgment. Clear and comprehensive details with supporting data about product/service are required to deal with such customers. They feel impressed, if the relevant information about product/service is conveyed to them, in a systematic manner with appropriate examples.
- iv. Driver:** Drivers are determined and action-oriented people. Their approach is focused and direct. Too much explanations and lengthy responses make them impatient because they like quick disposals. They are fast in making decisions, being independent and confident. A brief summary about product/service is sufficient for them to arrive at a decision. They like to do things in their self-determined way. It is desirable to assume an efficient and professional approach in dealings with the persons having social style of drivers. Persuade the customers logically and avoid long discussions to save their time. Brevity and relevance of information about product/service/issue make such customers satisfied.

SUPERIORS: It is observed that superiors, who have socially different, background than their team members often feel secluded. It is risky to share views about their interpersonal style, in dealing with others. Staff members wish to make their working experience with the superiors, relaxed and

happy. While dealing with the socially different superiors, it should be kept in mind-

- i. That the superior is not expected to be a superhuman.
- ii. To have polite and respectful communication with them.
- iii. To appreciate the virtues of the superior.
- iv. Not to make any negative comments about culture, cast or religion, even at the back of the superiors which may hurt their emotions.
- v. To appreciate the good practices of the community, to which the superior belongs to.
- vi. To adopt a cooperative attitude and extend helping hand whenever asked for.
- vii. To learn from the experience of the superior.
- viii. To behave with the superiors in the same way as one wants to be behaved, if placed in same position.
- ix. Not to spread rumors about your superior.

It is valuable to have a respectful relationship with the superiors.

COLLEAGUES: The connections which are developed at the workplace with colleagues remain live for lifelong. Over a period, friendship develops with some of the colleagues. This relationship is precious and voluntary. Sharing of experience and other emotional issues help each other, with no feeling of loneliness. Colleagues cannot be chosen. However, one can decide with whom professional friendship can flourish.

Colleagues may belong to different communities, casts and regions, having varied customs and practices. They may have faith in different religions or sects

While dealing with such socially different colleagues, it should be kept in mind-

- i. Not to belittle them, at any point of time.
- ii. To treat them at par with others, with no discrimination.
- iii. Not to make personal comments to hurt their feelings or emotions.
- iv. To avoid making remarks, on any cultural difference.
- v. Be cooperative and extend help, whenever sought.
- vi. To appreciate for the good work and even their small achievements.
- vii. To learn the good customs and practices, of their community.

- viii. To encourage them for promotions, to rise in the company.
- ix. Respect the colleagues, to get respect in return.

Activities

Activity 1: Make a presentation on sensitivity towards language, gender and culture

Materials Required: Writing pen, note book, desktop computer/laptop, access to internet, reading material on the topic.

Procedure:

1. The teacher will divide the students into groups of five to eight students each, depending on the total number of students in the class.
2. The members of each group may select one person to represent the group in making a presentation.
3. Another person of the same group should assist in responding to the queries.
4. All the group members will collect material on the topic “sensitivity towards language, gender and culture” and highlight on following points:
 - a) Language Diversity
 - b) Gender Sensitivity
 - c) Cultural Awareness
 - d) Inclusive Communication
 - e) Empowerment
 - f) Training and Sensitization
5. For presentation all will sit together and arrange the material systematically and in a proper order so as to use it for presentation.
6. A presentation will be made by speech, prepared by the group members. The presentation on the topic will be made by one member, from each group, using different language or dialect, depicting sensitive behaviour towards language.
7. The activity can be repeated by asking a lady student and a student from another community, having different culture to make a presentation, to illustrate sensitive behaviour towards gender and culture. The teacher may add value to the presentation by suggesting improvements / additional inputs on the topic. The students will make their own notes.

Activity 2: Chart preparation on Personalities of Customer.

Materials Required: Writing pen, pencil, chart paper sketch pens, desktop computer/laptop, access to internet, reading material such as books.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a chart on the topic.
2. The students will prepare the chart on the topic of collection process.
3. The students will include four different personalities of customer:
 - a) Amiable
 - b) Expressive
 - c) Analytical
 - d) Driver
4. The students will submit the chart to the teacher.
5. The teacher will select 2-3 charts prepared by the students.
6. The teacher will discuss and explain about the topic in the classroom.

Check Your Progress

A. Fill in the Blanks

1. The language is a _____ factor in the process of communication.
2. Differences occur when different _____ are used in communication.
3. Human beings are _____ to have the tool of communication to _____ with others.
4. Staff members wish to make their working experience with the _____, relaxed and happy.
5. The connections which are _____ at the workplace with _____ remain live for lifelong.

B. Multiple Choice Questions

1. Sensitivity towards language is being aware or acknowledging that expression in a particular language is _____.
- a) Same

- b) Difficult
c) Unique by Itself
d) Easy
2. Amiable social style customers possess _____.
- a) Non-Cooperative Attitude
b) Unpleasant Traits
c) Pleasant Traits
d) Confused Thinking
3. Drivers' approach is _____.
- a) Confused
b) Focused and Direct.
c) Not Action-Oriented
d) Slow in Decision Making
4. Discrimination among the people in the society is the root cause of -
- a) Many Social Evils and Inequality _____.
b) Justice
c) Equality
d) None of The Above
5. Expressive social style fellows are _____.
- a) Assertive
b) Idea-oriented
c) Talkative
d) All the above

C. State whether the following statements are True or False

1. Analytics are not balanced or thoughtful persons.
2. Drivers do not like to do things in their self-determined way.
3. An inclusive and bias free language is to be used in interaction with others.
4. Colleagues cannot be chosen.
5. It is correct to compare men and women.

D. Match the Columns

COLUMN A		COLUMN B	
1	Bias	A	Convince
2	Persuade	B	Briefness
3	Brevity	C	Fondness
4	Inclination	D	Open-Minded
5	Liberal	E	Prejudice

E. Short Answer Questions

1. What is sensitivity towards language?
2. What is understood by sensitivity towards gender?
3. How is the social style of the 'Amiable'?
4. How is the social style of the 'Analytical'?
5. Explain the points to be kept in mind while dealing with socially different colleagues.

F. Long Answer Questions

1. Write a note on sensitivity towards 'culture'.
2. Write a note on sensitivity towards 'social differences'.

G. Check your Performance

1. Make a presentation in the class by speech on the topic "Different social styles".

Session 3: Workplace Communication for Customer Service

The business entities are able to show their professional maturity which interact with their customers very often. They listen and value the suggestions and feedback offered by their customers. Effective communication with the customer can make a business unit to achieve newer heights of success.

COMMUNICATION AT WORKPLACE

Sharing of information, thoughts and feelings by speech, e-mails, messages, calls, facial expressions, gestures, signals etc. between individual/group, within a working organization, is communication at work place. Good

communication at workplace is necessary to motivate the employees to perform better. Communication is essential to integrate the activities of the employees, having different culture and back ground.

Communication at work place helps-

- To achieve the set goals and business-targets.
- To motivate the employees to have increased competence to perform.
- To clear doubts and misunderstandings among employees which may create conflicts later
- To spread vision and mission of the organization.
- To spread the message to deal with the cultural differences of employees, with care and respect.
- To encourage questions from the workers to fill in the gaps of their understanding.
- To appreciate the achievers and to listen the problems faced by others.
- To prompt the employees to speak out for any change in process or practice, if considered beneficial for the business.
- To make suggestions for the betterment of the organization.

Customer-meets would be arranged at the workplace to listen to them and to obtain their feedback. Suggestions made by them should be acknowledged with respect. Action taken on suggestions should be advised to the concerned customers later.

TRAINING OF STAFF TO ACHIEVE SHARE GOALS

When people work together in a group or team collectively, for a common cause or to reach to a predetermined business level or a target, it is sharing of goal. Staff members attempt to achieve the goal with joint efforts and shared ideas. Shared goal is the end result of working together. This provides the staff a shared purpose to accomplish. The goals should be well advised to the staff. Common goals prompt staff and management to come nearer. Involvement of staff in fixing and achieving the goals raise their morale and elate them. They feel appreciated and more instrumental in the business-success of their institution.

Training is a function well connected with the activities of the organization (Fig. 3.9). It is intended to coach and polish the skills of the trainees to enable them to perform in the desired direction in the given set-up. It modifies the behaviour of trainees, in a formal way. Training helps the participants to perform better with their existing assignments and also enables them to take up higher/proposed responsibilities. The new recruits are introduced to the

culture of the organization and job-knowledge by means of initial crash training programs. Training is an effective tool to bridge the gap between existing level and required level of skills, knowledge and attitude. Training develops the individuals for career growth too.

Staff is required to be adequately trained to enable them to take on their responsibilities well, in the organization. The employer should have a policy of training the staff before exposing them to the clients and others. Induction courses and 'on the job' training empower the staff. Interaction with colleagues and others during initial training programs, raise the confidence level of the trainees. A fair idea of customer centric policies of the employer-organization needs to be disseminated among the trainees. When such trained staff is put on actual job, customer escalation concerns are addressed effectively. Customer's complaints also reduce. Persons who acquire communication skills and adequate job knowledge are able to satisfy their clients well.



Fig. 3.9: Training Module for Staff

COOPERATIVE

It is an approach when people work together. A cooperative person is liked by the co-workers and often appreciated (Fig. 3.10). He is well aware of the duties and responsibilities attached to his position and know how to perform efficiently. He keeps satisfied the supervisors with his work and conduct. At times, he happily assists the colleagues in their work.



Fig. 3.10: Co-operation

Source: shorturl.at/afhIV

While working in teams, every member has independent goal with no interference from others. Everyone has to play his role. Formal communication takes place among the members. Generally, interaction is on matters unconnected with their jobs. Members are committed and feel answerable to their organization. Cooperative persons depend less on others for their work.

COORDINATE

A process to ensure that all departments of the organization are performing their duties in harmony to achieve the organizational goals with an efficient use of the given resources is coordination (Fig. 3.11). To coordinate is a verb.



Fig. 3.11: Coordinate

Source: shorturl.at/adjNP

The important features of coordination are mentioned below.

- It integrates the efforts of various staff members, to achieve the determined activity. It involves directing to ensure that planned results are obtained.
- Unity of action to prevail for achieving organization's objectives. It is that hidden force which keeps the various working units together to work for the same goal.
- It is a continuing process starting from 'Planning'. It is indirectly involved in all management functions.
- It is required for each level of management. The levels viz. top, middle and lower are dependent on each other for performing their functions.
- Actions and efforts of various working units need to be aligned in the same direction with purpose of achieving the organization goal. No coordination will result in wastage of resources. It may lead to dissatisfaction, if cooperation among employees is missing. Cooperation with coordination is essential.

Coordination is important due to the following reasons.

- With the passage of time, the organization grows and acquires bigger size with increase in the volume of various activities. This necessitates more efforts to handle the work load. More persons are employed by various units. Goals of individual unit may get priority, at times. Coordination, thus, becomes necessary to divert all towards the ultimate goal.
- Frequent communication among employees may not be permitted, when a corporate opens its offices at different places. Coordination helps in such situation, by keeping the employees together to work in unity.
- If the business is diversified with new products, new markets and new divisions, coordination reconciles the organization goals.
- To maintain harmonious rapport among different groups, coordination is vital in bringing the talented persons together.
- Combined efforts are greater than in parts. Coordination helps in achieving synergy by combined efforts of the people.
- A balance is maintained in various activities by proper work allocation among the persons to achieve organization's objectives.

COLLABORATE

Joint actions of many individuals directed towards creating or achieving the same thing are collaboration. A coordinated joint endeavour by the members of a group, having varied skills, to achieve a shared goal is collaboration (Fig. 3.12). To collaborate is a verb.



Fig. 3.12: Collaborate

Source: shorturl.at/ij249

In a collaborative team, goals and resources are shared. Leadership in such team is also shared for solving the problems which are faced while striving for achieving the same goal. Collaboration involves problem-solving with group members having expertise in varied fields.

There is a problem with the persons of varied skill sets that they are attached with the strings of thinking differently which makes communication difficult among them. Further, their priorities may be different which create disagreements. The concept of coordination and collaboration appear similar to the extent of achieving the shared goal. Effective communication among the collaborative group- members keeps them involved collectively, to accomplish the shared goal. Mutual trust, self-motivation, shared responsibility for slips and effective communication among members of a group are key stimuli for working together, for a shared purpose.

TRAIN STAFF TO GAIN CUSTOMER LOYALTY AND SATISFACTION

Survival of a business cannot be imagined without any customers. A customer for one time may be attracted by some promotional offer or discount. But to maintain a long-term rapport with the customer is not that easy. A customer may express satisfaction on the basis of interaction, behaviour and the latest business transaction. But loyal customers are repeat customers irrespective of upside movement of prices or lean periods of sale. These customers are the delighted customers who have grown over a period of time. They are aware of the company's culture. They do not express displeasure over delay in service if has occurred on one or two occasions. They enjoy respectful dealings in the company. They are life-time customers, who wish to progress together with the company. A tree cannot survive for long if its roots are not strong enough. Similarly, a strong loyal customer's base provides financial strength to the company. These are the customers who become brand ambassador for the company at their will. Their reviews and mouth publicity attract the new customers for the company and in turn increase in company's sales. Some customers look satisfied but they remain in search of better options. It is for the company to keep such customers satisfied with the service excellence so that they become loyal customers.

Training is a function concerned with company's activities aimed at improving the performance of the individuals/groups in the set-up. It is the formal and systematic modification of behaviour through learning. Training helps participants to do their current job efficiently. The new recruits are introduced to the company's culture and job knowledge by means of initial crash training programs. Training is an effective tool to bridge the gap between existing level and required level of skills, knowledge and attitude. No one is perfect to perform with the desired level of competencies, at the time of recruitment. Customer service excellence is an attribute for which companies are deeply concerned. Special training programs should be arranged for the sales-staff and all concerns periodically to gain customer satisfaction and customer loyalty.

The participants should learn and understand to -

- Be an active listener: Listen first to the customers, not to react but to understand the issue. Communicate with respect and interest. Body language should reflect confidence.
- Save time: Arrange to deliver product/service demanded, quickly, to save time of the customer.
- Provide more than expectations: If any extra benefit can be passed on to the customer, provide without asking. It goes a long way to develop or nurture the rapport with the customer.

- Be competent: Solve the problems of the customers with your competence, quickly.
- Be courteous: Attend the customers with courtesy and business etiquette. They should feel valued.
- Be trustworthy: Be clear, truthful and transparent. At no time customer should feel deceived
- Develop relationship: Send greetings or a small gift to the customer on the special days of their life. Even a phone call makes them happy
- Value customers' views: Express thanks for the feedback provided by the customers' even if contain criticism of the company. Advise action taken on the negative feedback of the customer. This goes a long way to gain customer loyalty.
- Be flexible: Rules are framed by the company for the smooth functioning and not to create hurdles. Be ready to accept minor deviations in order to gain customer loyalty

Customer service excellence is the key to have satisfied and loyal customers. It needs to be an inseparable element of the company's culture. The axiom that **"Customer is always right"** is still true.

DEAL WITH THE IRATE CUSTOMER

You may be experienced enough to attend your customers with a natural smile and to make the sales happen. Customers with different psychology, understanding and background visit you to get a fair idea of your products and services. You reply to their queries and repeated queries to satisfy them without being irritated (Fig. 3.13). But a customer, who is annoyed with your product/service/behaviour, may spoil your entire day if not handled with care.

Dealing with an angry customer becomes difficult when you take the conflicts personally. Deal with them professionally and remember that disagreements occur and to satisfy the customer is a part of your business.

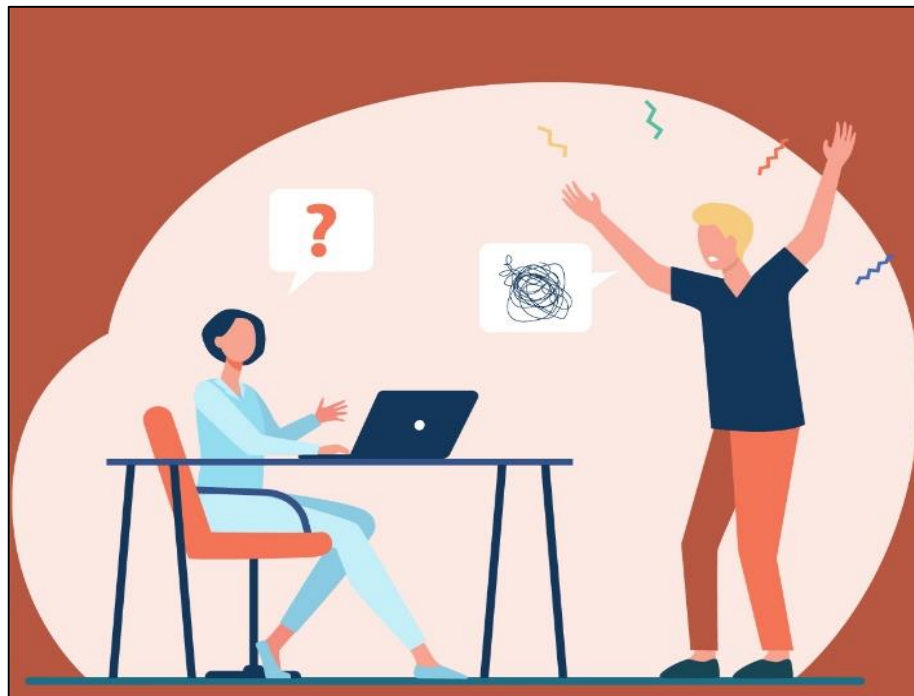


Fig. 3.13: Deal with Irate Customer

Tips narrated below will help you to diffuse the tension and satisfy the irate customer.

Maintain Your Calm: Customer is angry and frustrated but the way you react to the situation is vital for future relations with him. You might have received an angry mail or a phone call or a shouting on your head, maintain you're cool and attend professionally. Don't scold yourself thinking "why all this happen to you". There is no need to take their anger personally. It is all in business. Not being aggressive but assertive is a virtue, in customer service excellence.

Be A Good Listener: Be attentive to "what is being said" than "how is being said". Let the customer vent out his anger. Active listening will enable you to understand the main issues of conflict. You will be in a better position to decide or suggest alternatives. Being heard raises the confidence level of the customer and is helpful to diffuse the tense situation. If at all customer is not ready to listen or you are not in a position to resolve the issues involved, he may be requested to visit your senior with more administrative powers. Avoid asking of many questions to the irate customer.

Paraphrasing: To understand the customer's version, it is better to repeat back. This makes your customer comfortable to the extent that the issue has been properly heard and will be responded. Paraphrasing is a key factor of active listening.

Be thankful: Thanking the customers for bringing the matter of contention to your notice goes a long way to strengthen the relationship with them.

Share your concerns: Advise the customer your concerns about the issues raised by him and the proposed actions to address the grievances. Keep the customer informed of the progress made in that direction.

Be sincere: Exhibit your honest intentions to resolve the contentious issues. If the customer even raises voice or show anger, it is wise to diffuse the tense situation by choosing the appropriate words in the conversation. Assure the customer that the issues will be addressed, at the earliest. Act sincerely to solve the problem. At no point of time, the customer should feel ignored.



Fig. 3.14: Irate Customer to Happy Customer

Fear of losing a customer should not affect our decision making or problem solving, while dealing with a difficult or irate customer. Let the fear go off and act with common prudence to achieve customer service excellence in process to make customer happy (Fig. 3.14).

ACTIVITIES

Activity 1: A role play by students to demonstrate “Communication at workplace”.

Materials Required: Writing pen, note book, desktop computer/laptop, access to internet, reading material such as books, magazines (if available).

Procedure:

1. The teacher to make a group of 10-15 students and will ask them to sit in such a way as if they are working in a finance office.
2. The students will be asked to communicate on topics of their choice, among themselves. Other students will act as observers.
3. After 15-20 minutes of communication, the group members will share their feelings with other students.
4. The students other than the group members will seek clarification to their queries, if any.
5. The teacher will support the group members and other students, in their respective roles.

Activity 2: A role play by students to demonstrate “How to deal with the irate customer”

Materials Required: Writing pen, note book, desktop computer/laptop, access to internet, reading material such as books, magazines (if available).

Procedure:

1. The students will be advised to go through the reading material on the topic.
2. Few students will act as microfinance executive and few others will act as angry/dissatisfied customers, having different issues.
3. At a time, one student will play the role of the microfinance executive and one other student will act as an irate customer.
4. Remaining students will observe the overall characters in the play.
5. The students will note their observation to present later, in the class.
6. The teacher will support them with advice, wherever, required.

Check Your Progress

A. Fill in the Blanks

1. Customer _____ can make a business unit to achieve newer heights of success.
2. Not being aggressive but assertive is a _____ in customer service _____.
3. There is no need to take customers' _____ Personally.
4. Some customers look _____ but they remain in search of _____ options.

5. Fear of losing a customer should not _____ Our decision making or problem solving, while dealing with a difficult or _____ Customer.

B. Multiple Choice Questions

1. Survival of a business cannot be imagined with-
 - a) no brokers
 - b) no customers
 - c) no friends
 - d) none of the above
2. You might have received an angry mail or a phone call or a shouting on your head, maintain your cool and.
 - a) move away from the scene
 - b) revert back angrily
 - c) attend professionally
 - d) ask another person to attend
3. If the feedback provided by the customers contains criticism of the company-
 - a) Express no comments
 - b) Express ignorance
 - c) Express thanks
 - d) None of the above
4. To integrate the activities of the employees, having different culture and back ground, one of the essential factors is---
 - a) communication, among themselves.
 - b) no interaction.
 - c) Transfer of employees
 - d) None of the above
5. In a collaborative team, goals and resources are-
 - a) are not shared
 - b) are shared
 - c) no connection between goals and availability of resources
 - d) None of the above

C. State whether the following statements are True or False

1. Active listening will enable you to understand the main issues of conflict.
2. Dealing with an angry customer becomes easy when you take the conflicts personally
3. Customer service excellence is the key to have satisfied and loyal customers.
4. If the customer even raises voice or show anger, it is wise to diffuse the tense situation by choosing the appropriate words in the conversation.
5. Be ready to accept no deviation in order gain customer loyalty.

D. Match the Columns

COLUMN A		COLUMN B	
1	Mission	A	Duty
2	Integrate	B	Debatable
3	Nurture	C	Not concentrated
4	Contentious	D	Put together
5	Diffuse	E	Take care of

E. Short Answer Questions

1. Explain coordination.
2. What is collaboration?
3. Why active listening is necessary to deal with an irate customer?
4. Explain the term paraphrasing?
5. What is sharing of goals?

F. Long Answer Questions

1. Write a note on training of staff to gain customer loyalty and satisfaction.
2. Explain the process of coordination and its importance.
3. Describe the advantages of communication at workplace.

G. Check your Performance

Make a presentation by speech on cooperation, coordination and collaboration.

Session 4: Regular Customer Orientation

A strategy to accord priority to customer related issues over other business matters is Customer orientation. It is facilitating the customers to meet their expectations. A company with the philosophy of customers first, keeps its customers in a central position in all business propositions. It is a business culture to make the customers feel valued. It is not a short-term business strategy. It involves feeling the pulse of the customers and resolving the customer related issues, proactively.

FEEDBACK AND ITS FEATURES

It is a proven fact that a company (business unit) that values its customers, listens them and deals with their issues with an open mind, such company progresses, at a faster pace than the others. Feedback is comments about the quality of products and services offered by the business unit (Fig. 3.15). Honest feedback provides reliable information about customer's experience with your company. It is a pointer that provides insight about the company, as is perceived by the customer. Feedback is like another set of eyes which makes the company vigilant about its shortcomings.

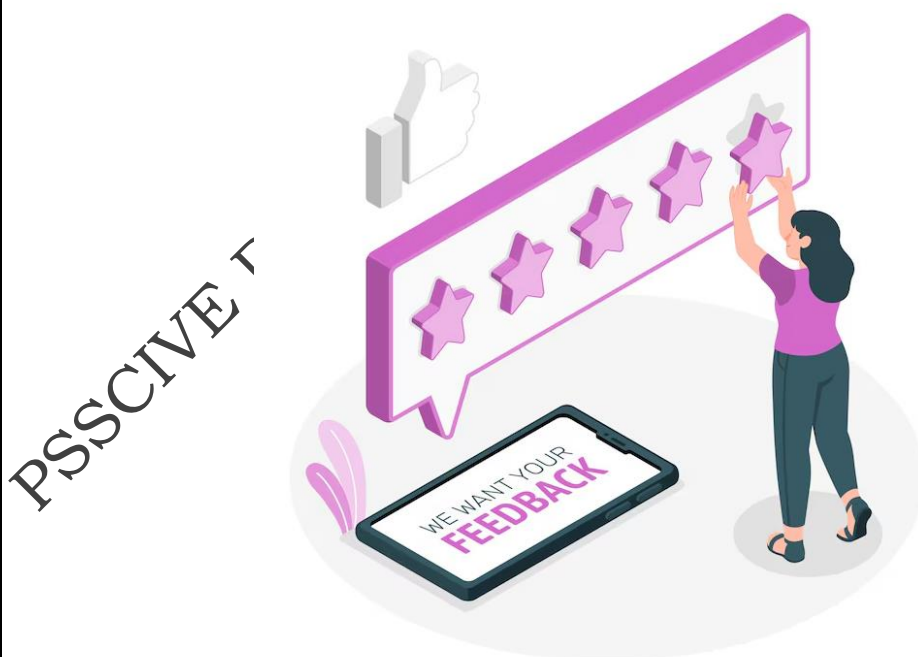


Fig. 3.15: Feedback

Features of the customer's feedback which make it important are mentioned below.

- i. The product/service is meant for the customers. It is vital to know what suits them most. The feedback comments about those facets of the product /service which need improvement. Views of the ultimate user cannot be ignored.
- ii. When opinion of the customers is sought on a particular product/service/ experience, they feel valued and connected with the company. When customers feel that they are listened to, an association with the brand is established. They share their good experience with the company. This may result in better sales. The company should note to actually consider the opinions for making decisions with intimation to the customers. The customers may, otherwise, feel ignored.
- iii. Good feedback about the product/service is nevertheless a personal recommendation. Value of "word of mouth" cannot be under estimated. Advertisement through the referrals is free and effective. New customers can be acquired by the positive feedback of the customers.
- iv. Feedback may comment on other factors which might have escaped the attention of the company. For instance, non-availability of sufficient parking place, unsafe packing styles, problems with the website etc. If the customers receive 'action taken' response, they become repeat customers.
- v. Negative feedback should not create panic in the company. The customers have given a chance to improve. Make use of the opportunity and act to take remedial measures. Never forget to compensate the customers for their unpleasant experience.
- vi. People go through the reviews before the purchase of a particular product/service. These reviews are customers' feedback, available on electronic/print media or social sites. Positive feedback attracts the potential customers.

ORGANIZE REGULAR FEEDBACK COLLECTION AS PER COMPANY'S SOP

A set of all instructions necessary to explain the steps and activities involved in any process or procedure is known as SOP (Standard Operating Procedure). The procedure is evolved with special attention to the relevant land laws and documented. SOPs include policies and procedures which are applicable to all the activities taking place in the company (business unit).

What and how standards will be maintained in the performance of various departments of the company are also mentioned in SOPs.

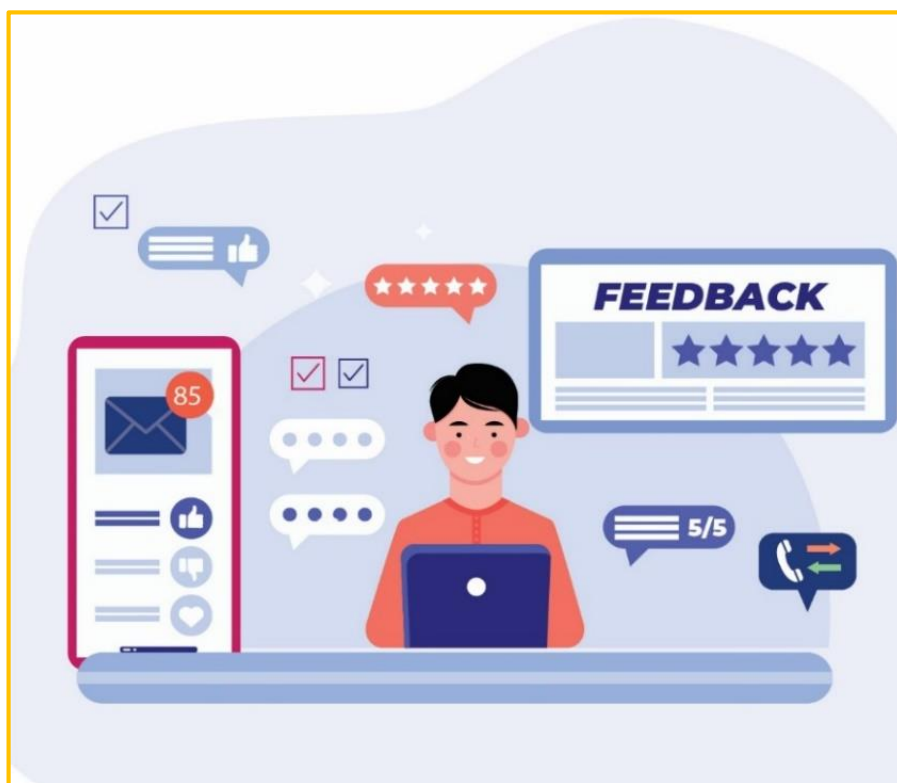


Fig. 3.16: Feedback Collection Methods

SOP also illustrates company's policy and procedure for dealing with customers' feedback. The method explained in SOP will be adopted for collection of customers' feedbacks. Some methods are narrated below (Fig. 3.16):

- i. **Feedback surveys:** There are number of questions which can be asked from the customers. Survey forms can be used for the purpose. It is advisable that questions should be open ended and related to the achievement of company's objectives. Leading questions should be avoided.
- ii. **Use E-mail:** Customers' feedback can be collected using e-mail, which is an effective tool.
- iii. **Usability testing:** Customer may be asked to respond whether website of the company is user-friendly. Responses indicate how easy it is to use the website of the company.
- iv. **Customer interviews:** Direct conversation with the customers help to get the feel of the community for the products/services and also

towards company's brand. Such interviews clear confusion and strengthen the customer-relationships.

- v. Social media:** Customers' frank opinions/feedback are available on Twitter, Facebook, Instagram, etc.
- vi. Company's website:** Customers' feedback can be collected instantly, on the company's website, equipped with on-site widget.

Collection of feedback is a futile exercise if no action is taken on them. If the feedback is listened to and acted upon, customers can transform the company for the best.

ADDRESS PROBLEMS BY QUICK DECISION MAKING

Decision making can be well understood as selecting an option from the available lot on an issue or a problem. It is a process which may be supported by the intuition or some accepted reasoning. Intuition is defined as 'gut feeling' particular to oneself. People may declare it as their God gifted sense but it is explained as a mix of knowledge, experience and personal values. A person's own likes and dislikes too play a role in the decisions making process. Reasoned decisions involve brain storming and creativity of the decision maker. Creativity is described as skill to redefine something and capability to generate multiple options.

A quick decision maker needs to acquire the desired level of professional knowledge and understanding of the culture of his institution. Focus on the problems to be solved or issues to be resolved without any emotional attachment with the decision is of paramount importance. Decisions in addressing the problems of the customers should be purpose oriented and not to be driven by the personal likes and dislikes. Microfinance executives have to deal with persons of varied nature and different psychology. The customers, in general, are either illiterate or less literate and as such, not able to manipulate the real issues. They trust the microfinance executives for solution of their all problems. Therefore, these executives are supposed to perform in different roles as of a friend, a well-wisher or a counsellor, to keep the trust of their clients intact.

A good decision maker is nevertheless a good listener. Engaged listening is to be afforded to the customers without thinking, how trivial or otherwise their problems are. An active listener is in a better position to decide and to suggest alternatives to the clients. Engaged listening gives a satisfaction of being heard to the customers. It avoids disputes and complaints. Active listening enhances the esteem of the problem solver or decision maker and helps strengthening the business bonding with their clients.

Delaying decisions is a flaw. Delay in redressing of grievances, hits the trust of the customer. Inordinate delay complicates the issues. Make use of

professional knowledge, expertise and common prudence to address the problems quickly.

Proactive approach and empathetic attitude further equip the decision maker to address the problems. Here, proactive means anticipating the things and making those happen. Empathetic attitude can be well understood as visualizing the problem/issue by putting oneself in the other's situation. Too much knowledge or gathering too many information may hamper making rational decisions. Some persons in typical situations resort to tossing a coin or following some superstition in decision making which shows lack of confidence.

PROMOTE CLARITY HONESTY AND TRANSPARENCY IN DEALING WITH CUSTOMERS AND COLLEAGUES

In this era, technology has made the access to information easier, in every field of life. We are more connected with others online. The Internet facility has made sharing of information possible and has contributed to raise the knowledge level of a common man. Incorrect information is also being put on many websites. It has created suspicions about the online contents. A company may be concealing some vital information about products/services if transparency and clarity is missing about their business practices and ambitions. As such, getting reliable and correct information has become all the way necessary.

Customers' expectations are rising, day by day, for honesty, clarity and transparency. Business entities that lack transparency and clarity about their goals and business practices are most likely to be considered as not trustworthy. A study proclaims that 85% American customers would continue to be with a business in crisis if the company has remained transparent. To have the trust of the customers intact in your business, dealings should be clear, honest and transparent. It is better to keep in mind that a business will be non-existent without the customers.

Honesty, clarity and transparency can be used to bring a change in the attitude of a dissatisfied customer, by restoring trust. Now-a-days, customers do not complain but quietly moving to the competitors. A study reveals that 1 out of 28 dissatisfied customers, only complains. Support teams to enforce excellence in customer service should attend such clients who have already made an exit or planning to do so.

The employees of customer service support teams, dealing with the customers, know them well. They are the first ones to know where the things are going wrong. Which are the products not being liked in the market or which department is not able to provide the desired level of services. Graph of sales is not directed upwards in all times. The fall in sales can be checked

provided lack of clarity is removed. Regular interaction with the customer service team is vital to enhance their understanding of business-related issues and also raise their confidence level.

DEALINGS WITH COLLEAGUES

Colleagues should be considered internal customers. Training should be imparted to them on business etiquettes. Short duration workshops should also be arranged to promote honesty, clarity and transparency. Information-Sharing sessions to be set to update the colleagues about changes in the business world. Hoarding of information is against the virtues of clarity and transparency. They should learn to strike a balance in life and work. Recreational activities should be arranged to refresh them. Clarity and transparency in the business culture is helpful in maintaining good industrial relations with the management. This in turn promotes creativity which results in better performance.

A straight communication without hiding any material information, with the colleagues is a step towards transparency. Being transparent in your dealings with your colleagues is admitting honestly your mistakes. Admitting clearly if you don't have any answer to their queries or questions. Demonstrate honesty, clarity and transparency with your actions and communication skills. Being honest is important and looking honest with your actions and deeds is equally vital. Share your views with others using a polite and respectful language in the leisure time. Be a good listener. Listen to others for not to react but to understand their view-points. Search the like-minded colleagues who advocate clarity, honesty and openness and reach them to learn from their valuable experience. Have a cooperative attitude and extend help to your colleagues, in their work, when asked for. Being transparent is a good quality but any sensitive information of confidential nature should not be parted with. Appreciate others for their honest and creative ideas. Socialize with others to win their confidence for transparent interactions.

Following attributes are essential for promoting honesty, transparency and clarity in dealing with the customers and colleagues.

- i. Credibility:** You should be truthful towards your customers and colleagues. People should believe you. Any promises, if made, should be delivered so that others do not feel deceived.
- ii. Effective Communication:** Provide active listening to others and assure them that someone is there to look after their interests. One sided communication is worthless.
- iii. Receptive:** Respond to the calls and queries of others as soon as possible. Save your time as well of others because time is precious.

Being accessible to your customers and colleagues make them feel valued.

- iv. Be Simple and Straight:** If any mistake has happened, inform in simple words without hiding the facts. It is better if remedial action taken or proposed is also communicated simultaneously.
- v. Sharing of knowledge:** Relevant changes and information should be passed on to the customers and colleagues to update them.
- vi. Open minded:** Listen to the issues related to customers and colleagues with patience and resolve, with an open mind.
- vii. Be courteous:** Your courtesy should leave a good impression on others.

Sincere efforts are required to promote clarity, honesty and transparency in the business culture to make the company a profitable proposition, for long.

EDUCATE TEAM, EVEN IN ADVERSE CIRCUMSTANCES TO AVOID MISS-SELLING AND MISINFORMATION

Miss-selling is wrong selling. It is a selling practice wherein incorrect information about the product/service or its suitability is, intentionally, passed on to the customer to make the sale happen. Earning commission by the selling agents appears the main reason for this. Sometimes, to achieve the performance targets, selling agents are prompted to sell, anyhow. Officials of the service provider become very active to achieve sales target during the period nearing end of the financial year. It is observed that mis-selling-

- Spoils the relationship between customer and the company (service provider).
- Tarnishes the image of the company.
- Adversely affects other activities of the company.
- Devalues the brand name.
- Makes customer retention and customer acquisition, difficult.
- Causes loss to the customers.
- Gives a blow to the customers' trust in the company.

Many complaints, related to the miss-selling of the financial products, were received by the Reserve Bank of India.

MISINFORMATION

It is fake information that is passed on with no intention of misleading or deceiving others. Such information is very common in our daily life. If one

hears something and shares something else, without knowing that whatever shared is wrong then it is an example of spreading misinformation. There is another word-disinformation that means a fake information, that is passed on with a deliberate intent to damage or deceive.

The technology has enabled spread of information speedily and easy. People use social sights to share any information without bothering for the authenticity. Misinformation creates problems for everyone. However, disinformation is spread, by anyone, knowingly with a wrong motive. It is destructive and powerful enough to create chaos in the society.

In businesses too, fake information is spread by the co-workers without knowing the truth. This may create, sometimes, emotional breakdowns. But fake news about the business passed on to the stakeholders by the promoters or any agency is hiding the facts. This destroys the credibility of the business unit.

Staff and all concerns in a company should be trained to avoid miss-selling and misinformation. Because effecting sales by misleading and spreading rumours, hit the trust of the customers. Even in difficult times, the company should not pressurize the sales/marketing officials to achieve targets, anyhow. Ethical business practices should not be compromised. Training/workshops may be arranged, periodically-

- To ensure that sales persons have proper knowledge of products and services.
- To create awareness about the dangers and consequences of miss-selling and misinformation.
- To explain, how to prepare a checklist of the process to avoid any shortcuts.
- To educate the supervisors to oversee all the sale contracts to ensure due observance of the process.

Sales executives should be asked to identify the prospective customers and their needs meticulously. Practice of obtaining a letter of satisfaction from the customers after delivery of the product/service may be helpful in avoiding miss-selling. The employer company should propagate a message among the sales staff and other concerned, that avoiding miss-selling and misinformation is a virtue.

ENHANCING BRAND VALUE OF THE COMPANY THROUGH SUPERIOR CUSTOMER SERVICE

Companies use special name or mark or symbol to differentiate their products from others. Same brand mark cannot be used by others in the market without the permission of the owner. Worth of the brand is brand

value, which the companies show as goodwill, on the asset side of the balance sheet. However, Customer's opinion and feelings about the brand is known as Brand equity. It is Brand equity of the business that impacts the brand value. When customers are attached to a brand, new players hesitate to enter the market. The customers' liking or disliking a product affects its visibility in the market. In turn brand value increases or decreases. Therefore, customer is a key factor for a brand value. The customers' views can affect sales and market shares of companies in the market.

To enhance the value of a brand, research is needed about market conditions and appropriate strategies. All companies understand the value of customer centric orientation. A business is non-existent without customers. Customer service excellence or the superior customer service than the peers is the key factor that makes the difference. Few tips are narrated below, to enhance brand value of a company.

- i. Understand the customers: Study the nature of the product/service and the target customers. Likes and dislikes, taste, need, purchasing power, social culture etc. of the customers are required to be well understood. Something extra should be there as an added feature. For instance, a masculine fragrance may be added in the body-lotions, meant for men.
- ii. Impressive logo: Business symbol should be simple and catchy for the viewers. It should be designed to reflect the functions of the company.
- iii. Advertisement: To market the product extensively, short, simple and informative videos may be put on electronic media. These videos should be ethical. Advertisements posted on social sites and print media should spread respect for the culture of region and should not hurt emotions of anyone.
- iv. Use technology: Get one adequately designed website for displaying the salient features of the products and services. Ask the customers to share their experience on the website.
- v. Maintain quality and trust: Never compromise with the quality of your goods/services. To keep the trust of customers intact, provide according to promises made or indicated in the advertisements.
- vi. Competitive pricing: Price of the product/service should match with the quality. Other factors affecting price are type of product/service, target customers, price offered by the competitors etc. It is also a fact that customers are ready to pay more for the better-quality products.

A superior customer service will include listening to the customers in all situations. Respond them with a word of thanks. When they point out certain faults or show disagreement, attend them quickly to save their time.

A dis-satisfied customer gives a chance to improve and mend the mistakes. Customer complaints should be attended on top priority.

Encourage the customers to write Reviews about the product/service, they used. Customers may be requested to send their feedback on the business site or by e-mail. Feedback should be acknowledged and acted upon. Many adults of have said that friendly customer service convinced them to love a brand. Consistency in dealings is required to have a long-term relationship with the customers.

If the customers are kept happy, they feel valued and attached with the company and they market the products/services, spreading a word of mouth, at their own.

Activities

Activity 1: Paper presentation on “How to organize regular feedback collection as per company policy”

Materials Required: Writing pen, note book, desktop computer/laptop, access to internet, reading material such as books, magazine (if available)

Procedure:

1. The teacher will ask the students to write and submit a detailed note on how to organize regular feedback collection as per company policy, after going through the relevant reading material.
2. The students will highlight on the following feedback collection methods in the write-up:
 - a) Feedback surveys
 - b) Use E-mail
 - c) Usability testing
 - d) Customer interviews
 - e) Social media
 - f) Company’s website
3. The students will submit the write-up to the teacher.
4. After checking the notes submitted, the teacher will discuss the topic again to enhance the understanding level of the students.
5. The best note writer will be asked to read the note in the class and other students will be encouraged to clear their doubts by raising queries.

Activity 2: Presentation on “how to educate team in adverse circumstances to avoid miss-selling and misinformation”

Materials Required: Writing pen, note book, desktop computer/laptop, access to internet, reading material on the topic.

Procedure:

1. The teacher will ask the students to prepare for a speech on the topic given, by going through the reading material.
2. The students will highlight on the following points:
 - a) Meaning of miss-selling
 - b) Effects of miss-selling
 - c) Meaning of misinformation
 - d) Effects of misinformation
 - e) How to overcome miss-selling and misinformation.
3. The teacher will fix date and time for the presentation.
4. Accordingly, on random basis, the teacher will ask few students to deliver a speech on the topic.
5. The teacher may add value to the presentation by suggesting improvements/ additional inputs, on the topic.
6. Other students will make their notes.

Check Your Progress

A. Fill in the Blanks

1. A strategy to accord _____ to customer related issues over other business matters is Customer orientation
2. Feedback is _____ about the quality of products and services offered by a business unit.
3. _____ is wrong selling.
4. Never _____ With the quality of the goods/services.
5. Business _____--should be simple and _____ for the viewers.

B. Multiple Choice Questions

1. When customers feel that they are listened to, an association with the brand is
 - a) Established

- b) Not Involved
c) Incorrect
d) None of the above
2. When customers point out certain faults or show disagreement, attend them
- a) At Ease
b) Quickly
c) With No Extra Care
d) None of these
3. Customer's opinion and feelings about the brand is known as
- a) Brand Value
b) Brand Ambassador
c) Brand Equity
d) None of these
4. Avoiding misinformation and miss-selling is
- a) A virtue
b) avoiding efforts
c) loss-making
d) None of the above
5. Disinformation that means a fake information is passed on with a deliberate intent to
- a) Create Troubles
b) Damage
c) Deceive
d) All the above

C. State whether the following statements are True or False

1. Companies use special name or mark or symbol to differentiate their products from others
2. Miss-selling makes customer retention and customer acquisition, difficult.
3. To market the product extensively, informative videos should not be put on electronic media

4. Hoarding of information is not against the virtues of clarity and transparency.
5. When opinion of the customers is sought on a particular product/service/ experience, they feel valued and connected with the company.

D. Match the Columns

COLUMN A		COLUMN B	
1	Strategy	A	Standard Operation Procedure
2	Propagate	B	Get Away
3	Panic	C	Approach
4	Escape	D	Spread
5	SOP	E	Terror

E. Short Answer Questions

1. Explain in short, the problems caused by mis-selling.
2. Differentiate between misinformation and disinformation.
3. Write a short note on “how to address customer’s problems by quick decision making.
4. Write a short note on superior customer service. importance of customers’ feedback.
5. What is meant by the terms “proactive approach” and “empathetic attitude”?

F. Long Answer Questions

1. Write a note on clarity, honesty and transparency in dealing with the customers.
2. Write a note on enhancing brand value through superior customer service.

G. Check your Performance

Make a presentation in the class-room on the topic “importance of superior customer service in business”.

MODULE 4**INTEGRITY, BANKING ETHICS
AND TEAM WORK****MODULE OVERVIEW**

Banking Ethics alludes to the arrangement of good standards and rules which would be directly applied to business. "Banking Ethics" is the set of guidelines and moral principles that govern the behaviour of bank workers, both individually and collectively." According to Cater McNamara, Business being a social organ will not be led in a manner unfavourable to the interests of the general public and the business area itself.

"Business/Banking morals in short can be characterized as the deliberate investigation of moral issues relating to the business, industry or related exercises, foundations and convictions. Morals are the precise treatment of qualities in business and industry." — John Donaldson. Every calling or gathering outlines certain customs for its individuals. The individuals are given a norm in which they should work. These guidelines are impacted by the predominant monetary and social circumstances. The implicit rules are occasionally audited to suit the evolving conditions.

Ethics ought to be fixed for absolutely everyone working within the banks at any stage and their implementation ought to be connected with praise-punishment device. Any violation of ethics ought to be detected on the earliest and remedial measures taken immediately. Ethics should be based totally on wide suggestions of what must be accomplished and what have to be averted. The ethics ought to be based on the belief of what is right.

The unit has been divided into four sessions. In session-1, 'Banking ethics and Team work' have been discussed with emphasis on maintaining the 'banking integrity and fairness in the banking transactions. Protection of customer's information has been discussed in detail in session-2. Sufficient light has been thrown on 'Ethical behaviour with customers and colleagues' in session-3. Session-4 has been devoted to the topic 'Developing healthy team climate'. Keeping in view the reading material being for the 10th class students, efforts have been made to limit the contents in sessions, suitably. Practical activities have been added in the contents of each session but the teachers are humbly requested to arrange for more like activities, wherever felt necessary, by them to elaborate the subject matter.

Learning Outcomes

After completing this module, you will be able to:

- Maintain the Integrity of banking transactions
- Maintaining data security as per company policy
- Practicing ethical behaviour
- Developing healthy team climate

Module Structure

- Session 1: Integrity of Banking Transactions
- Session 2: Customers Management Information System (MIS) and Data Security
- Session 3: Ethical behaviour and its Implementation
- Session 4: Customer Relationship

Session 1: Integrity of Banking Transactions

Banking is no ordinary business. Banks are “special” business units which, as financial intermediaries, borrow money from savers to on-lend for productive ventures.

Since it involves money, banking business is associated with a lot of risk. Banks run on public trust which, in turn, is a function of ethical principles and moral values they follow. The moral principles that banks follow ought to be of a higher order than those accompanied via every other corporation.

BANKING INTEGRITY

Integrity is an effective operational principle for any employee and any economic institution as a whole.

Whether it's a bank, a get around fund or a loan provider, customers will be more likely to put in a company that operates according to principles of integrity. Mainly followings are considered Banking Integrity.

TESTING INTEGRITY

We need a way to assess both the leadership culture of banks – and the actions taken to win back trust. These have to be a fundamental part of stress tests and preferred regulatory responsibilities. Several banks have rules on anti-corruption and anti-cash laundering but their song report on enforcing them is bad: the financial motion mission force robotically reviews

low compliance with its policies and banks have currently paid billions of greenbacks in settlements for anti-cash laundering failings. Sincerely the management way of life in banks has failed to place integrity into practice in a broad, holistic framework.

That is an issue that issues transparency international, as we agree with banks want to show an active willingness to coaching and value integrity. High-quality exercise we propose banks should frequently report on what they may be doing to enhance integrity in selection making at some stage in all levels of the company, from hiring and advertising, to whistle blowing systems and compliance with anti-cash laundering regulations. Hiring: banks have to use a hiring test similar to the mandatory integrity check the chartered institute for securities and funding added for its partners in 2013.

Pay and Bonuses:

New repayment fashions are wanted that do not awareness completely on backside line success. There must be an 'integrity bonus' for those who constantly carry out their fiduciary duty and this ought to be just as appealing to future bankers as a 'signing bonus' or a 'overall performance bonus'. In place of incentivizing unethical behaviour as it leads to the fast win, banks have to take non-economic overall performance into account in overall performance evaluations, advertising and pay decisions.

Transparency and Conflict of Interest:

Money laundering: Banks should increase transparency in their contributions to the financing of politics and to mitigate conflicts of interest. There have to be clean rules on what bankers, investors and brokers own in their non-public money owed, which will address insider trading. Following recent media publicity, Goldman sachet reportedly devoted to updating its warfare of hobby guidelines and prohibiting bankers and different employees from trading person shares and bonds on their own accounts.

Banks can limit the float of corrupt cash by ensuring compliance with due diligence responsibilities at the owner and source of finances. Banks have to guide the advent of public registers of useful possession. This would help them in their due attentiveness. Also, it might save you from corrupt money ending up of their debts.

UNFAIR TRADES

The phrase unfair trade practices may be defined as any commercial enterprise practice or act that is misleading, fraudulent, or causes damage to a purchaser. These practices can encompass acts which can be deemed illegal, which include people who violate a consumer protection law.

A few examples of unfair trade strategies are: the false illustration of a service; fake unfastened present or prize non-compliance with production standards; false advertising and marketing; or misleading pricing.

To avoid heightened scrutiny by bank regulators and potential violations of unfair and misleading change exercise laws, beneath is a no exhaustive list of a number of the best practices advised by financial institution regulators: review all promotional materials, marketing scripts, customer agreements and disclosures organized through the bank and any third party to make certain they do no longer misrepresent terms, both affirmatively and by way of omission.

Ensure that those materials do now not use fine feature separate testimonial or inconspicuous confession to correct doubtlessly misleading headlines. Draw the eye of customers to key terms, including obstacles and conditions that are important in allowing clients to make a knowledgeable selection about a product. Genuinely disclose all fabric barriers, or conditions at the phrases or availability of products. Inform clients in a clear and well-timed way approximately any expenses, consequences, or different prices.

Whilst the usage of terms inclusive of “preapproved” or “guaranteed,” virtually disclose any boundaries, conditions or retractions at the provide. Surely divulge a telephone wide variety of mailing deal with that clients may use to contact the bank or the 1/3-birthday celebration company regarding any court cases, and maintain appropriate techniques for resolving proceedings. Actually, tell customers when the account terms permitted by using the bank for the consumer are much less favourable than the advertised terms or phrases previously disclosed.

Tailor classified ads, promotional substances, disclosures and scripts to take account of the sophistication and enjoy of the audience. Do not make claims, representations or statements that mislead the audience about the price, price, availability, value financial savings, advantages or phrases of the product.

CORRUPT PRACTICES

Corruption is a form of dishonesty or crook offense undertaken by using a person or corporation entrusted with a role of authority, to accumulate illicit advantage or abuse energy for one's personal benefit.

Banking Practice means that business segment of the Seller focusing primarily on compensation consulting for community banks, executive and director benefits programs and bank-owned life insurance to the bank market, including incentive consulting and working with banks in the design of ownership succession programs.

Different types of business banking services include:

Business loans, Checking accounts, Savings accounts, Debit and credit cards, Service provider services (credit card processing, reconciliation and reporting, take a look at collection), treasury offerings (payroll services, deposit services, and so forth.

REFRAIN FROM INDULGING IN UNFAIR OR CORRUPT PRACTICES

Fair Practice Code developed by Individual Banks based on RBI's guidelines. RBI has advised the below actions for all the banks and financial institutions to be implemented after these guidelines were issued. All the Banks & Financial institutions need to draft their own Fair Practices Code. They have the freedom to develop and enhance the scope of the document, but care needs to be taken that there is no infringement on the underlying spirit of the guidelines provided. This Fair Practices Code would require the approval of the Board of Directors.

The honest practices code ought to be positioned up on the respective web sites and wishes to be publicized appreciably. A complaint redressed mechanism needs to be stored in area to resolve any disputes. Those disputes need to be right away reviewed and disposed. A periodical evaluates of the compliance to the fair practices court room desires to be carried out by way of the board of directors and a consolidated file needs to be prepared and submitted regularly. Accordingly, most of the Banks and Financial institutions have developed their own Fair Practice Code for lenders. This code is put up and can be seen on the websites of the respective banks.

MAINTAIN RECORDS AS PER COMPANY POLICY

The Reserve Bank of India (RBI) has asked banks to keep records of all transactions with clients for not less than 10 years from the date of transaction. This has been finished in order to protect the amount of money involved in illegal activities.

The RBI has changed in advance round detailing KYC 'know your customer' recommendations, issued to banks on 1 July 2009, in bid to make sure that transactions are kept song of in compliance with the regulations for preventing money laundering.

The prevention of money-laundering (upkeep of statistics of the nature and value of transactions, the method and manner of keeping and time for furnishing information and verification and maintenance of data of the identity of the customers of the banking businesses, financial establishments and intermediaries) policies, 2005 PMLA (Prevision of Money Laundering Act 2002) guidelines will permit reconstruction of character transactions - both domestic or global (including the quantities and kinds of

forex worried, if any) - that allows you to provide, if necessary, proof for prosecution of folks concerned in crook hobby," RBI said in its circular.

However, facts bearing on the identity of the client and his address (e.g., copies of files like passports, identity playing cards, driving licenses, pan card, utility payments etc.) obtained whilst opening the account and in the course of commercial enterprise courting, as indicated in the grasp circular dated 1 July 2009, would continue to be preserved for at the least 10 years after the enterprise dating is ended, RBI said.

AVOID USING COMPANY'S FUND FOR PERSONAL USE

The biggest losses, however, are often due to those in upper management positions misusing company funds.

When managers take business assets for personal use, the atmosphere of dishonesty their action creates makes it easy for employees to follow suit. Whether someone is taking lunch money out of the petty coin's drawer or direct company price range into a private account, the scale and frequency of the misappropriated amounts tend to grow until the robbery is detected. Some executives aren't quite so guiltless. They may feel like they are more deserving, so they take what they want from the business and often fake records to hide their doings.

Some benefit not directly by padding the statistics by claiming as trade expenses and payback for family members, many of whom perform smallest, if any, services for the business. As well as misuse of company funds, the IRS regards those kinds of transactions as tax evasion. Individuals tend to disagree, considering their actions as part of the game of reducing what they have to pay in taxes. It should be stopped immediately.

Activities

Activity 1: Demonstrate the unfair and corrupt practices in banking

Material Required: Pen/pencil, notebook, checklist of practices

Procedure:

1. It should be arranged under the supervision of the teacher, wherein some students act as a bank employee, turn by turn, who replies to the queries on various questions of the bank, raised by other students acting as customers regarding unfair and corrupt practices.
2. Make informal groups in the class and ask one of the students from each group to act as customer.
3. Brief the remaining students regarding the procedure for complaint against corrupt practices.

4. Ask the students to list out the nature of unfair and corrupt practices like:
 - a) False illustration of a service
 - b) Non-compliance with product specification
 - c) False advertising
 - d) False marketing
 - e) Misleading pricing
5. The teacher will discuss about the demonstration and give the final remark.

Activity 2: Prepare a format to maintain the records as per the policy

Material required: Pen/pencil, notebook, checklist

Procedure:

1. Make informal groups in the class of 6 to 7 students.
2. Ask them to prepare the chart of maintain the records as per company policy according to the RBI guidelines. ©
3. The chart must highlight on the following points:
 - a) Time period for keeping records
 - b) Know your customer documents like identity of the client and his address (e.g., passports, identity cards, pan cards, driving license, etc)
 - c) Prevention of Money Laundering Act
4. Each group presents their chart in the classroom in the presence of teacher.

The students will exchange the notes from each other in the guidance of teacher.

Check Your Progress

A Fill in the Blanks

1. Banking Ethics refers to the system of _____ and rules of the conduct applied to business.
2. The members are given a _____ in which they are supposed to operate.
3. The basic needs of the employees as well as the managers compel the organizations to be _____

4. Ethical values of an organization create _____ in the public eye.
5. Respect for moral values will force a management to take various _____ into considerations while taking the decisions.

B. Multiple Choice Questions

1. Moral executives are worth of agree with, display fidelity and loyalty to persons and institutions by friendship in adversity, assist and devotion to obligation is called _____.
 - a) Loyalty
 - b) Integrity
 - c) Fairness
 - d) Accountability
2. Ethical supervisory and fair and just in all transactions; they do no longer exercise strength arbitrarily, and do no longer use overreaching nor indecent method to gain or maintain any gain nor take undue benefit of some other's mistakes or complicatedness include in which of the following _____.
 - a) moral
 - b) CRM
 - c) fairness
 - d) accountability
3. To obtain the 'agreed' level of earnings, they artificially hold deposit charges low and lending prices excessive so what is maximized?
 - a) Net hobby margin
 - b) Loyalty
 - c) Integrity
 - d) Fairness
4. Which manual is predicted to outline and truly set out what will be deemed to be applicable behaviour?
 - a) Integrity Manual
 - b) Account Manual
 - c) Ethics manual
 - d) All of above

C. State whether the following statements are True or False

1. Banks' balance-sheets and profit and loss accounts along with other statutory disclosures must reflect the true scenario of banks.
2. To achieve the agreed level of profits, bank artificially keep deposit rates low and lending rates high so that NIM is maximized.
3. A depositor saves his hard-earned money in a bank, not for 'safety' and then 'return'. By 'safety' we do not mean from theft or burglary alone but also safety of the intrinsic value of money
4. Banks should not increase transparency in their contributions to the financing of politics and to mitigate conflicts of interest.
5. The phrase unfair trade practices can be defined as any business practice or act that is deceptive, fraudulent, or causes injury to a consumer.
6. Corruption is a form of dishonesty or criminal offense undertaken by a person or organization entrusted with a position of authority, to acquire illicit benefit or abuse power for one's private gain.

D. Match the Columns

COLUMN A		COLUMN B	
1	UNFAIR TRADES	A	Encompass acts which can be deemed illegal, which include people who violate a consumer protection law.
2	CORRUPT PRACTICES	B	Changed in advance round detailing 'know your purchaser' recommendations, issued to banks on 1 July 2009
3	RBI	C	Accounting statement
4	P & L and BALANCESHEET	D	Fairness
5	CODE OF CONDUCT	E	is a form of dishonesty or crook offense undertaken by using a person or corporation entrusted with a role of authority, to accumulate illicit advantage

E. Short Answer Questions

1. What is corruption?
2. Give the definition of Integrity, fair practices and unfair trades.

F. Long Answer Type Question

1. Prepare a chart of code of conduct for fair practice according to the RBI

G. Check Your Performance

1. Prepare a chart of RBI guidelines to maintain the record in the banks.
2. Write a short note on corrupt practices.

Session 2: Customers Management Information System (Mis) and Data Security

A management facts system is a fixed of mixed procedures that gathers and produces dependable, relevant, and nicely prepared data that supports the choice making system of an employer. To sum up, it is a set of methods via which statistics is received, looked after, and displayed in a beneficial way for selection-making functions. Management statistics systems are very beneficial equipment for the reason of reviewing and controlling organization's operations.

The primary aim of those structures is to prepare all facts collected from every stage of the enterprise, summarize it, and gift it in a manner that allows and improve the fine of the choices being made to growth the business enterprise's profitability and productiveness. These structures are commonly computer based which includes either easy excel sheets or more complicated platforms. The facts being accumulated and accumulated for the gadget generally comes from both outside and inside sources.

CUSTOMER INFORMATION

The factors outrank the elements along with the place, hobby fees, layout, banking hours, and so on. The bank has an extensive variety of clients like people, institutions, trusts, commercial enterprise companies, authorities, and local bodies. The banks cope with a few transactions, which also vary widely regarding period and complexity (Fig. 4.1). The bank customer, like some other provider industry, is interested by getting very last effects speedy.

The specific service in banking makes a way for solving the customers' problems within the monetary matters, and the single maximum broadly used degree of quick provider is the elapsed time of transaction execution. For example, the time is taken for crediting the quantity, withdrawal of coins, the sanction of a mortgage or credit facility, and many others are the norms of figuring out an outstanding provider.

The MIS in banking industry revolve round this component. The customer of the bank would like to recognize the fame of the account very rapid to

make selections on withdrawals or payments. He is inquisitive about obtaining the loan help for his particular need with a reasonable charge of interest. A few clients would be inquisitive about tax consulting and tax making plans. Mother organization of customers might be interested in investment guidance for making an investment in stocks and securities.

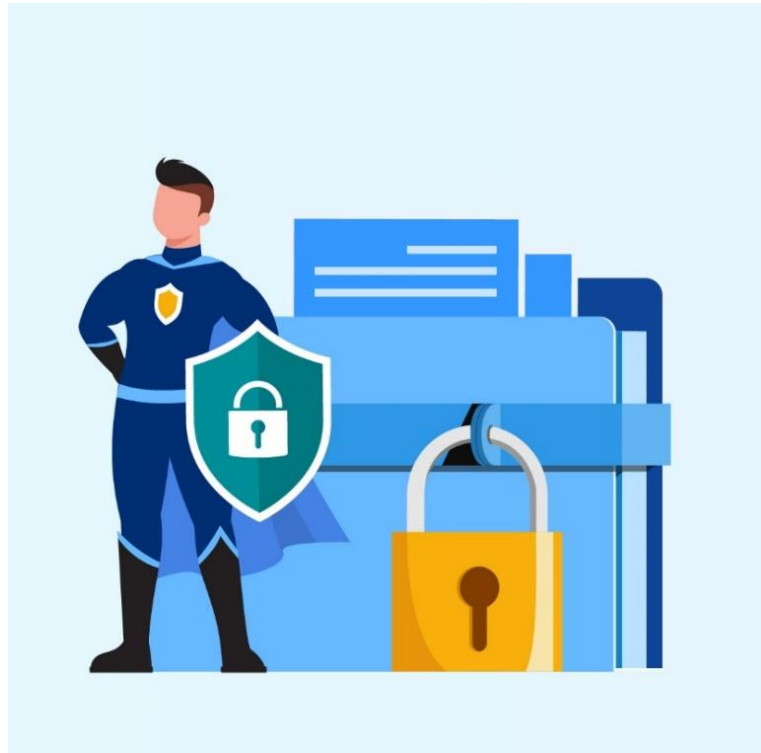


Fig. 4.1: Data Security

To avoid the inconvenience of going to some places for charge of small amounts, clients want provider at the counter to pay energy bills, telephone bills, taxes and responsibilities to the neighbourhood bodies and the authorities. As a result, the MIS is to be designed to discover, decide and develop a service strategy for imparting a different provider to the wide variety of customers in search of an expansion of carrier needs.

PROTECTION OF CUSTOMER INFORMATION

The protection of customer information as per their expectations and perceptions revolve around the following factors (Fig. 4.2):

Customer- individuals, company, institutions, etc. Operator - housewife, employee, the officer of the organization, etc.

The management of the bank should create a customer database and analyse the wishes of the customers occasionally to create suitable service bundle. Carrier to the account holders the customers (account holders) want constant advice on the fame and its operations. Most of the customers use

their account for routine payments affecting the balance. Normally the account holds a huge amount and it isn't always transacted for any purpose.



Fig. 4.2: Data Security for Customer

RBI RULES FOR PROTECTION OF CUSTOMER INFORMATION

The subsequent steps shall be in use concerning preservation, upkeep and reporting of client account information, on the subject of necessities of PML act and regulations. Hold all important information of transactions between there and the purchaser, each domestic and worldwide, for as a minimum 5 years from the date of deal; maintain the records bearing on the identity of the clients and their addresses obtained while commencing the account and for the duration of the route of business association, for as a minimum five years after the enterprise courting is ended; make available the identification statistics and transaction records to the capable government upon request; introduce a machine of maintaining proper report of transactions prescribed underneath rule 3 of prevention of cash laundering (maintenance of records) guidelines, 2005 (PMLA guidelines, 2005); hold all vital facts in recognize of transactions prescribed beneath PMLA rule three in order to allow reconstruction of individual transaction, consisting of the following: the nature of the transactions; the quantity of the transaction and the currency

wherein it became denominated; the date on which the transaction turned into performed; and the parties to the transaction.

Evolve a device for correct protection and upkeep of account data in a way that allows records to be retrieved without problems and speedy on every occasion required or whilst requested by way of the ready government; hold data of the identification and cope with of their customer, and data in appreciate of transactions stated in rule 3 in difficult or smooth layout.

AVOID IP INFRINGEMENT

In this type of weakness, an email is sent to user (bank's customer) that appears from the genuine source, this technique is powerful as it bypasses the firewall as IP (internet protocol) address looks to be external.

This method gives access to financial system (server) to external parties which can damage the system as a whole or steal information.

RULES FOR TRANSPARENT DEALING WITH CUSTOMER

Banks shall maintain secrecy regarding the purchaser records which arises out of the contractual courting between the banker and customer. At the same time as thinking about the requests for data/facts from government and different corporations, banks shall satisfy themselves that the data being sought isn't of one of this nature as will violate the provisions of the legal guidelines referring to secrecy inside the banking transactions.

The exceptions to the said rule shall be as beneath: where disclosure is under compulsion of regulation in which there may be an obligation to the public to reveal, the hobby of bank calls for disclosure and where the disclosure is made with the specific or implied consent of the consumer. NBFCS shall preserve confidentiality of records as furnished in phase 45nb of RBI act 1934.

REGULATION FOR TRANSPARENT DEALING WITH CUSTOMERS

Government of India has authorized the CERSAI (Central Registry of Securitization Asset reconstruction and security interest of India), to act as, and to carry out the functions of the CKYCR vide gazette notification no. S. O. 3123(e) dated November 26, 2015. The 'live run' of the CKYCR (Central KYC Registry) could begin with impact from July 15, 2016 in phased manner starting with new 'man or woman debts'.

Accordingly, Regulated Entities (REs) shall take the subsequent steps: SCBS (Scheduled Commercial Banks) shall perpetually add the KYC statistics bearing on all new character debts opened on or after January 1, 2017 with CERSAI in phrases of the provisions of the prevention of money laundering (maintenance of facts) rules, 2005. SCBS are, however, allowed time up to February 1, 2017 for importing date in admire of money owed opened in the

course of January 2017. Res apart from SCBS shall add the KYC records referring to all new man or woman money owed opened on or after from April 1, 2017 with CERSAI in phrases of the provisions of the prevention of money laundering (preservation of information) policies, 2005.

Operational Guidelines for uploading the KYC statistics have been launched by means of imperative registry of securitization asset reconstruction and safety interest (CERSAI). Similarly, 'check surroundings' has additionally been made available by CERSAI for the use of REs.

Activities

Activity 1: Preparation of a paper describing "RBI rules for protection of customer information".

Material Required: Notebook, A-4 size white papers, Pen, Pencils, Eraser and access to the Internet.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a paper/ detailed note on the topic "RBI rules for protection of customer information".
2. The students will highlight on the following points:
 - a) Secure Storage of Customer Data
 - b) Limited Access to Confidential Information
 - c) Encryption of Sensitive Data
 - d) Regular Security Audits
 - e) Implementation of Data Protection Policies
 - f) Consent-Based Data Usage
 - g) Reporting Data Breaches Promptly
3. The students will prepare the note on the topic and submit to the teacher.
4. The teacher will select 2-3 notes, prepared by the students.
5. The teacher will discuss in the class to explain about the topic.
6. The students will be encouraged to ask topic related questions for better understanding.

Activity 2: Presentation on 'Transparent dealing with customer'.

Material Required: Notepad, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic. Internet may be accessed, if required.
3. The students will highlight on the following points:
 - a) Clear Disclosure of Terms and Conditions
 - b) Honest Representation of Products and Services
 - c) Transparent Pricing Structures
 - d) Providing Accessible Information
 - e) Educating Customers on Financial Options
 - f) Open Communication Channels
 - g) No Hidden Fees or Charges
4. Every group will make a detailed note on the topic and one student from each group will speak on the topic before the class. The students from the other groups will ask questions to understand the topic well.
5. The teacher will assist the speakers, if required.

The teacher should update himself/herself before the activity, so as to make value addition to the presentations.

Check Your Progress

A. Fill in the Blanks

1. _____ Systems are very useful tools for the purpose of reviewing and controlling company's operations.
2. Make available the _____ and transaction data to the competent authorities upon request;
3. Maintain all necessary information in respect of transactions prescribed under _____-so as to permit reconstruction of individual transaction, including the following: the nature of the transactions;
4. IP method gives access to financial system to external parties which can damage the system as a whole or _____.

B. Multiple Choice Questions

1. Which is a fixed of mixed procedures that gathers and produces dependable, relevant, and nicely prepared data that supports the choice making system of an employer.
 - a) MIS
 - b) CRM
 - c) Information system
 - d) Management facts system
2. What is outranking the elements along with the place, hobby fees, layout, banking hours, and so on?
 - a) The factors
 - b) Management
 - c) MOS
 - d) Personal data
3. What we include in individuals, company institutions, etc. Operator - housewife, employee the officer of the organization.
 - a) Management
 - b) Customer
 - c) Banking System
 - d) Bank statement
4. Most of the customers use their account for what
 - a) Routine payments affecting the balance
 - b) Deposits
 - c) Loans
 - d) Withdrawals

C. State whether the following statements are True or False

1. Service to the account holders the customer's needs constant advice on the status and its operations.
2. The MIS is to be designed to identify, decide and develop a service strategy for offering a distinctive service to the broad range of customers seeking a variety of service demands.
3. The unique service in banking mostly means solving the customers' problems in the financial matters, and the single most widely used measure of quick service is the elapsed time of transaction execution.

4. Management Information System is not group of processes through which data is obtained, sorted, and displayed in a useful way for decision-making purposes.

D. Match the Columns

COLUMN A		COLUMN B	
1	Customer Information	A	NBFCS shall preserve confidentiality of records as furnished in phase 45nb of RBI act 1934
2	Protection of Customer Information	B	The management of the bank should create a customer database and analyze the wishes of the customers occasionally to create suitable service bundle
3	IP Infringement	C	The factors outrank the elements along with the place, hobby fees, layout, banking hours, and so on.
4	Transparent Dealing with Customer	D	CKYCR vide gazette notification no. S.O. 3183(e) dated November 26, 2015. The 'live run' of the CKYCR could begin with impact from July 15, 2016
5	Regulation for Transparent Dealing with Customers	E	This method gives access to financial system (server) to external parties which can damage the system as a whole or steal information.

D. Short Answer Questions

1. What do you know about MIS?
2. What is CKYCR?

E. Long Answer Type Questions

1. Describe in detail IP infringement.

F. Check your Performance

1. Prepare a chart of Regulation for Transparent Dealing with Customers.

2. List out the Rules for Transparent Dealing with Customer.

Session 3: Ethical Behaviour and Its Implementation

Ethics can be distinct as a system of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good and bad. Professional ethics regulates the relationships of contributors of the applicable profession with each other and with society, and defines organizational ethics and in-residence behavioural culture by way of imposing certain policies for decision of problems originating from internal or out of doors the company (Fig. 4.3).



Fig. 4.3: Ethical Behaviour

Appearing the funding and saving features via gambling the role of a unifier and mediator in the society between parties presenting and stressful price range, banks, as a part of market, in particular and clearly goal the profitability and productiveness standards, which calls for them to function in strict compliance with positive expert and organizational ethics concepts?

Departing from the targets of growth of banking system, enhancement of banking carrier satisfactory, great use of sources, advent of a fair and sincere competitive surroundings among banks, and prevention of unfair competition, banks are required and anticipated to alter their members of the family with every other and different agency, and with their clients, shareholders and employees in accordance with those ethical concepts.

AVOID MISREPRESENTATION OF MISINFORMATION

The fundamental cause of these ideas of banking ethics meant to be implemented in all types of affairs and relations of banks with each other or with their customers, shareholders and personnel, and with different businesses is to guarantee sustainability of the prevailing popularity and reliability of banking profession inside the public, and to beautify and hold

such reputation and reliability feelings termed as expert dignity, and to shield and hold balance, consistency and self-assurance in banking zone.

PRACTICES OF ETHICAL BEHAVIOUR WITH CUSTOMERS

Now not only for the functions of defensive the rights and hobbies of savers, and assuring self-assurance, stability and consistency in economic markets, and ensuring effective operation of deposit, credit score and fee structures, and preventing transactions and practices which may also lead to material damages and losses in economic system, however additionally with a view to supervising the public benefits and social software and shielding the environment, banks are required to act in tandem with the general standards outlined herein below.

Integrity: Stick to the precept of integrity in all their members of the family inside the course in their operations; and neutrality: departing from the basic precept of “respect toward human underlies the achievement.”, do not ever discriminate among their personnel and customers, and chorus from biased behaviours; and abstain from any discrimination of ethnical origin, faith, monetary and social fame, or sex in provision of their offerings.

Reliability: Offer clean, understandable and correct facts to their clients inside the body of mutual consider in all their services and operations, and carry out their customer offerings well timed and absolutely.

Transparency: Keep their clients honestly, understandably and albeit knowledgeable approximately their rights and obligations, and benefits and risks concerning the products and offerings presented to them; and earlier than giving any product, carrier or advice, successfully examine their customers and monetary capacity, status and wishes of their customers, and provide their services and products for this reason.

Environment: In all of their activities, do not most effective target profitability, but additionally take pains in supporting and sponsoring social and cultural occasions and activities within the mild of the principles of supervision of public advantages and respect to surroundings.

COLLEAGUES

In their relations with public entities and companies, the banks act in line with the integrity, duty and transparency ideas, and cope with disclosure of all facts, files and information as may be asked for audit and manage functions pursuant to the applicable laws appropriately, completely and well timed. The succeeding may be very huge in this favour:

- Exchange information of every kind with each other appropriately and systematically to the volume authorized by means of the relevant laws; and employees' actions.

- Refrain from all sorts of actions and practices which could cover the manner for unfair competition in employment-related matters; and keep for the freedoms of contract and motion in employment pursuant to the labor act and different applicable legal guidelines and rules, problematic to make sure that their employment does not motivate any interruption in services of different banks; and for act definitely and objectively when supplying records requested about their ex-employees via other banks; and
- Take all forms of moves on the way to make certain that their personnel who have previously labored in other banks carry out their activity obligations in compliance with their secrecy and non-disclosure obligations as in step with the applicable banking rules.

AVOID DEFAMING PRODUCTS AND SERVICES OF COMPANIES IN COMPETITION

The opposition as a valid race among all relevant entities operating inside the banking quarter which assures freedom in financial selections, and to this end, in their sports and operations carried out inside free marketplace economy, besides safeguarding their own pastimes, they abstain from statements and behaviours inflicting unfair opposition, in the frame of the ideas of:

- a) Sustainability of general trust in banking industry; and
- b) Endeavoring for improvement of banking industry; and
- c) Protection of marketplace surroundings required by way of opposition laws.

This precept isn't always most effective valid for banks as criminal entities, however additionally relevant on statements and behaviours of employees of banks. While offering services to their clients, banks can't offer or provide any blessings to an employee of some other financial institution.

CONSULT SUPERVISOR IN DIFFERENTIATING BETWEEN ETHICAL AND UNETHICAL PRACTICES

In the framework of global norms and country wide applicable legal guidelines and policies, adopt it as an important precept to fight towards laundering of proceeds of crime, corruption and comparable different acts, and act willingly to cooperate with every other and with different applicable entities and companies and worried respectable government, and take the desired movements in their own organization, and organize training applications for his or her personnel; and records abuse: take all varieties of measures and moves on the way to save you abuse of insider statistics of themselves and their customers with the assist of superiors.

Activities

Activity 1: Demonstrate the ways to avoid misrepresentation of information.

Material required: Pen/Pencil, Notebook, Checklist

Procedure:

1. Each of the students should list out the customer's rights as per the banking service.
2. A local branch executive may be invited to tell the students about to gain customer loyalty and faith. The others may also be learned from the executive:
 - a) Customer behavior
 - b) How to identify customer's need?
 - c) How to satisfy the customer?
 - d) What should be the language used
 - e) How and when the customer refers to the superiors
3. The students should be asked to form groups and prepare presentations on the topic
4. Match with the information given by the local branch executive.
5. The teacher will give remarks about the presentation.

Activity 2: Demonstrate and practices ethical ways in day-to-day processes and dealing with customers and colleagues

Material Required: Pen/Pencil, Notebook, Checklist

Procedure:

1. Bank employee always deals with their customer fairly. Following should be known for transparency:
 - a. Must have the complete knowledge about rules and regulations
 - b. What has to be known to the customer according to his/her need
 - c. Deliver right information always
 - d. Nothing to be hiding at the time of conversation.
2. List out the information as above
3. Make informal groups in the class of 6 to 7 students
4. Some student will group play the role of customer and other as bank employee.

5. The teacher will supervise and give the remark.

Check Your Progress

A. Fill in the Blanks

1. Ethics can be defined as a _____ - of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good and bad.
2. basic purpose of these Principles of Banking Ethics intended to be applied in all kinds of affairs and relations of banks with each other or with their _____
3. Departing from the basic principle of _____ the success does not ever discriminate among their employees and customers
4. Provide clear _____ -to their customers within the frame of mutual trust in all their services and operations, and perform their customer services timely and completely.

B. Multiple Choice Questions

1. Exchange information of every kind with each other appropriately and systematically to the volume authorized by means of the relevant laws; and _____
 - a) Employees' actions
 - b) Integrity
 - c) Loyalty
 - d) Fairness
2. Take all forms of moves on the way to make certain that their personnel who have previously labored in other banks carry out their activity obligations in compliance with their secrecy and non-disclosure obligations as in step with the _____
 - a) CRM
 - b) MIS
 - c) RBI
 - d) Applicable banking rules
3. _____ can be distinct as a system of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good and bad.

- a) Integrity
- b) Loyalty
- c) Fairness
- d) Ethics

C. State whether the following statements are True or False

1. Ethics cannot be defined as a system of criteria and measures examining the values, norms and rules underlying the individual and social relations on such moral grounds as right and wrong or good and bad.
2. Exchange information of every kind with each other accurately and systematically to the extent permitted by the applicable laws; and Personnel Movements.
3. No need to take all kinds of measures and actions in order to prevent abuse of insider information of themselves and their customers with the help of superiors.
4. Stick to the principle of integrity in all their relations in the course of their operations.

D. Match the Columns

COLUMN A		COLUMN B	
1	Employees' actions	A	Surroundings required by way of opposition laws. This precept isn't always most effective valid for banks as criminal entities
2	Applicable banking rules	B	Individuals' ideology of morals is issued in reliance upon the provisions of 2d paragraph of article seventy-five
3	Ethics	C	Can be different as a scheme of criterion and procedures groping the values, norms and rules primary the human being and social relations on such ethical grounds as true and incorrect or fine and awful.
4	Banking regulation no 5411	D	Who have previously labored in other banks carry out their activity obligations in fulfillment with their silence and non-disclosure duty as in step with the

5	Protection of marketplace	E	Switch over in turn of every kind with each other correctly and steadily to the volume authorized by means of the relevant laws; and member of staff deed
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E. Short Answer Questions

1. State, why should avoid defaming products and service of companies in competition
2. Define ethic
3. In which way exchange information of every kind with each other, explain.

F. Long Answer Questions

1. Prepare a chart containing the situation in which you will consult with your supervisor.

G. Check Your Performance

1. State why there is a need of ethical behaviour in colleagues.

Session 4: Customer Relationship

One of the banks' finest assets is their understanding of their customers. Banks can use this positive feature and flip it into a key aggressive advantage through maintaining the ones customers who constitute the highest lifetime fee and prosperity. Banks can increase consumer relationships throughout a huge spectrum of touch factors including bank twigs, kiosks, ATMs, Internet, electronic banking and get in touch with canters. Customer Relationship Management (CRM) is not a brand-new phenomenon inside the industry. Over the years, banks have invested heavily in CRM, mainly in growing their goodwill. In future, name facilities will evolve to embody more than just value reduction and improve performance. In line with Gartner group, greater than 80 according to cent of all us banks will increase their name facilities as opportunity transport channels and revenue facilities, to be used for the transport of present products and services. But to be successful, a bank wishes more than the ability to handle customer service calls. It desires a complete CRM approach wherein all departments within the bank are incorporated.

TEAM WORK AND ITS FEATURES

Leaders/Mangers in a bank should have an important role by sharing CRM team's vision with the management. The leaders' role has to be that of a facilitator for implementing CRM (Fig. 4.4).



Fig. 4.4: Team Work

Source: shorturl.at/fHPS4

Effective Leadership skills result in the success of CRM initiatives. Innovative managers work with his team, make decisions by consulting his team, while still maintaining control over the group as well as appreciate all the feedbacks in the organization related with CRM implementation and strategies and try to integrate people into it because CRM is the backbone of communication, manager's communication coaching skills, and understanding with the employees are important in CRM implementation in any bank.

DEVELOP HEALTHY TEAM ENVIRONMENT

Persuasion, judgment and selection-making capabilities are the primary attributes of great management. Whilst there may be a mild threat of having an enterprise but the patron is hesitating or in a restoration, or not in a position to determine properly, it need to be followed up by means of the connection supervisor by affected person listening to, mild counselling and to stand via the facet of the possible purchaser to help clear his doubts and to make him sense glad by realizing that he goes inside the right course and he is proper in selecting his necessities

The following points may be found helpful in this regard:

1. It is to be converse to all human resources that all consumers should be given an appropriate hearing and it should be supported from all stage.
2. Ways and means should be identified and practiced in getting and staying closer to customers.

3. Proper regard should be extended to the customers. All relevant information about them should be collected from them with a humble and discrete approach. Proper value should be given to their feedback.
4. There should be proper rejoinder to the in turn and feedback provided by the clientele in conniving, on the increase and providing preferred products at within your means cost.

BUILD MUTUAL TRUST

The relationship with the customer must be primarily based on a together useful courting (Fig. 4.5). A bank must not listen its attention towards earning of income best; however, awareness should be directed to the customers' wealth creation or cost enhancement with the motto of earning via service. As an example, we will talk of a savings account that's 'fixed up' to provide a purchaser greater interest.

It ensures that any stability on your savings account above a certain amount, say, ₹ 3,000 routinely gets transferred to a hard and fast deposit to provide you higher returns, so that it will be swept back into your financial savings

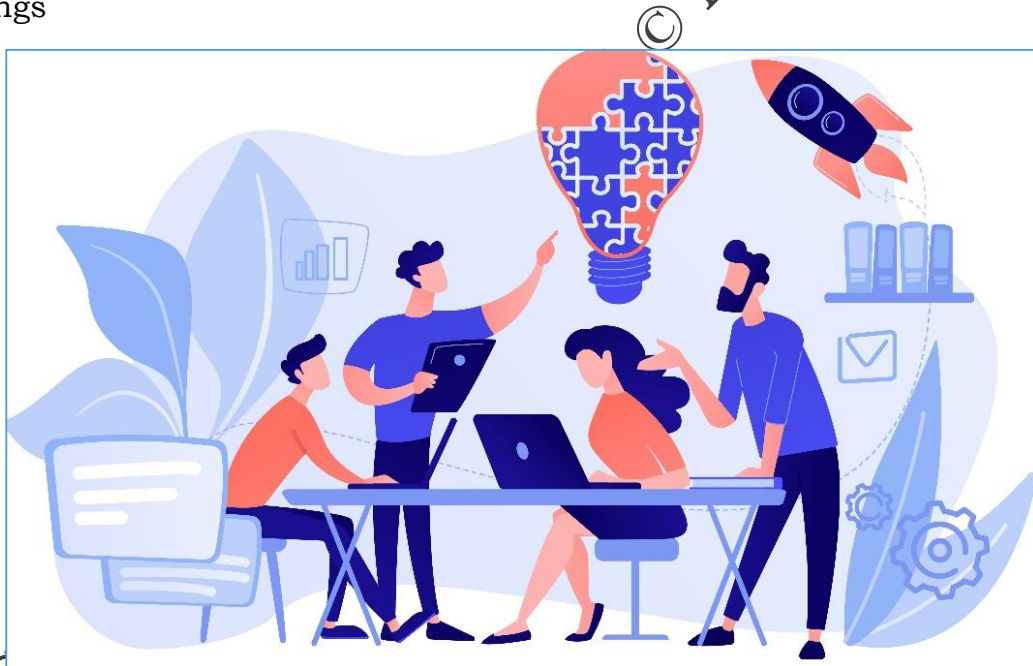


Fig. 4.5: Mutual Trust

Account, when you need it. Sometimes, other benefits are also extended, such as, free personal accident insurance coverage along with fixed deposit scheme above a certain amount and above a certain term. Banks are no longer confine their activities to put down and advances; rather they work with the motto of offering 'integrated total package solutions' to all needs of a customer.

Banks have gone to the volume of booking cinema tickets, paying software bills, college costs and many others. For the benefit in their customers who're very busy and do not locate time for such works.

FACTORS TO KEEP IN MIND TO BUILD MUTUAL TRUST

A lot of such activities are not worthwhile in terms of time and efforts spent through the financial institution. But banks are wearing out such offerings for mutual benefits, which will pay in the end. Wealthy people are inside the dependency of putting all varieties of demands on their personal bankers and a financial institution has to respond to such requests not simply for profits era but as a gesture of goodwill and at instances such sports upload an enormous percentage to a bank's rate-based profits. In a mature relationship, such charge-primarily based earnings are an everyday feature and is very much essential in these days' banking wherein hobby spread is getting decreased because of competition and charge-primarily based earnings can increase the bottom line. But frequently, the fees in phrases of time, attempt, recognizing man or woman desires and providing a custom designed funding answer are excessive. Retention of customers and building an extended-lasting relationship is the main standards below this idea.

EXCHANGE, DEFEND AND RETHINK OF IDEAS

Continuous improvement in the client relationship through the condition of value-added services at a favourable cost. Business processes in the areas of finance, system integration, human resource management etc. are to be automated and optimized with an aim to increase the efficiency and effectiveness of operations.

The most effective way of improvement lies in innovation and change management. Today's successful organizations must stimulate and foster innovation and master the art of change. Companies that hold their flexibility, spontaneity and unpredictability, usually enhance their first-class and beat their competitors within the market vicinity with a steady flow of modern services and products. They may be the winners. The most important areas to be targeted are: enhancing the effectiveness of advertising and marketing.

1. Enhancing the effectiveness of advertising.
2. Enforcing multichannel trigger driven advertising and marketing.
3. Imposing a strategic analysis capability to aid strategic selection making and the capability to supply the increasing tiers provider demanded via clients.

4. Additionally, constructing an obvious verbal exchange gadget and employee participation to better define the desires of the clients and supply the right products and services are equally crucial.

SUPPORT TEAM MEMBERS WORK

Consumer courting control manages to place the consumer at the point of interest of the business enterprise which will cater to his desires, satisfy him and for this reason maximize its income with help of assisting team participants. CRM is aware the needs of the customer and integrates it with people, generation, resources and enterprise tactics. It focuses on the present statistics to be had inside the agency and makes use of it to improve its courting with the customers. Banking CRM uses facts and analytical gear to relaxed patron cognizance. Hence, it is absolutely essential that banks put into effect CRM which will at ease maximum advantage all-round.

GROUP DECISION MAKING

Group decision-making is also known as collective decision-making or collaborative decision-making (Fig. 4.6). It is a situation confronted when individuals collectively take a decision from the alternatives. The decision is then no longer attributable to any single individual who is a member of the group. Client courting management answer supports commercial enterprise automation for techniques and commercial enterprise activities, getting rid of guide tasks and lowering process time. Straight through processing abilities beautify discount in turnaround and processing time, growing output and permitting fast crowning glory of tasks. The multilingual net-based totally unmarried repository of data enables remotely placed bankers to collaborate and transact seamlessly.



Fig. 4.6: Group Decision Making

Source: shorturl.at/ESY23

DEAL PRODUCTIVELY WITH CONFLICT

Banks need to identify customers, tailor products and services to get together their needs and sell these products to them. CRM achieves this through campaign management by means of analyzing records from banks' inner applications or with the aid of uploading records from external programs to assess patron profitability and designing complete client profiles in phrases of character life-style choices, profits tiers and other associated criteria.

Based totally on these profiles, banks can become aware of the most prospective clients and client segments, and execute focused, customized multi-channel advertising campaigns to attain those customers and maximize the lifetime value of these relationships.

These days, clients are waiting for even greater character interest, responsiveness and product customization, but are unwilling to pay a top rate for those offerings. They may be willing, but to construct a protracted-term relationship with banks that offers differentiated and greater personalized offerings. This is wherein electronic banking can offer a competitive benefit. A hit CRM implementation in electronic banking wishes to combine statistics from all consumer contact points, employee remarks or even shareholders' perceptions.

If used effectively and in an innovative way this approach will enable banks to develop a strategy to deliver to the customer the most appropriate products and services.

Activities

Activity 1: Preparation of a paper describing “How to deal with conflict to improve with productivity”.

Material Required: Notebook, A-4 size white papers, Pen, Pencils, Eraser and access to the Internet.

Procedure:

1. The teacher will ask the students to go through the available reading material and to prepare a paper/ detailed note on the topic “How to deal with conflict to improve with productivity”
2. The students will highlight on the following points:
 - a) Open Communication
 - b) Conflict Resolution Training
 - c) Mediation and Negotiation
 - d) Address Underlying Issues
 - e) Focus on Solutions
3. The students will prepare the note on the topic and submit to the teacher.
4. The teacher will select 2-3 notes, prepared by the students.
5. The teacher will discuss in the class to explain about the topic.
6. The students will be encouraged to ask topic related questions for better understanding.

Activity 2: Presentation on “Support to team members to accomplish goals”.

Material Required: Notepad, Pen, Pencil, Eraser and access to the Internet.

Procedure:

1. The teacher will form groups of students.
2. The group members will discuss among themselves and note down points relevant to the topic “Support to team members to accomplish goals”. Internet may be accessed, if required.
3. The students will highlight on the following points:
 - a) Goal Setting
 - b) Training and Development
 - c) Guidance and Mentorship

- d) Delegation
 - e) Feedback and Recognition
 - f) Motivation
4. Every group will make a detailed note on the topic and one student from each group will speak on the topic before the class. The students from the other groups will ask questions to understand the topic well.
 5. The teacher will assist the speakers, if required.
 6. The teacher should update himself/herself before the activity, so as to make value addition to the presentations.

Check Your Progress

A. Fill in the Blanks

1. There should be proper _____ to the information and feedback provided by the customers in designing, developing and providing desired products at-_____.
2. Banks are no more _____-their activities to deposit and advances
3. Customer Relationship Management manages to place the customer at the _____ of the organization in order to cater to his needs.
4. Banks need to identify customers, _____-and services to meet their needs and sell these products to them.

B. Multiple Choice Questions

1. One of the banks finest assets is their understanding of Customers
 - a) Customer relationship
 - b) MIS
 - c) Personal relation
 - d) Motivation
2. It desires a complete approach wherein all departments within the bank are incorporated.
 - a) Value
 - b) CRM
 - c) Calcification of information
 - d) Leadership
3. Effective skills result in the success of CRM initiatives

- a) MIS
 - b) Affection
 - c) Motivation
 - d) Leadership
4. The leaders' role has to be that of a facilitator for what of CRM.
- a) Relationship
 - b) Managerial
 - c) Maintenance
 - d) Implementing

C. State whether the following statements are True or False

1. Leaders/Mangers in a bank should have an important role by sharing CRM team's vision with the management.
2. Persuasion, judgment and decision-making abilities are not required for attributes of quality leadership.
3. It is to be communicated to all employees that all customers should be given a proper hearing and it should be supported from all levels.
4. A bank should concentrate its attention towards earning of profits only, but focus should be directed to the customers' wealth creation or value enhancement with the motto of earning through service.

D. Match the Columns

COLUMN A		COLUMN B	
1	Enhancing The Effectiveness Of Advertising	A	It can to assess patron profitability and designing complete client profiles in phrases of character life-style choices, profits tiers and other associated criteria.
2	Mutual Trust	B	The multilingual net-based totally unmarried repository of data enables remotely placed bankers to collaborate and transact seamlessly
3	Support Team Member Work	C	which will cater to his desires, satisfy him and for this reason maximize its income with help of assisting team participants

4	Group Decision Making	D	The most important areas to be targeted are: enhancing the effectiveness of advertising and marketing.
5	Productively with Conflict	E	A lot of such activities are not worthwhile in terms of time and efforts spent through the financial institution

E. Short Answer Questions

1. Customers are expecting even more individual attention, responsiveness and product customization, yet are unwilling to pay a premium for these services. Elucidate
2. What do you understand with CRM?

F. Long Answer Questions

1. Prepare a complete chart of proper re-action to the information and feedback provided by the customers in designing, developing and providing desired products at affordable cost.

G. Check your performance

1. Give the Advantages of Electronic Banking.

ANSWER KEYS

MODULE 1: COLLECTION OF RECEIVABLES

Session 1: Collection of Loan Repayments

A. Fill in the Blanks: 1. small, short 2. activities, consumption 3. Vibrant 4. remedy 5. imitated, available

B. Multiple Choice Questions: 1. c 2. a 3. c 4. d 5. a

C. State whether the following statements are True or False: 1. False 2. True 3. True 4. True 5. False

D. Match the Columns: 1. D 2. E 3. B 4. A 5. C

Session 2: Reporting to Branch

A. Fill in the Blanks: 1. reduces 2. loan period 3. rebates 4. resolve, unsettled 5. process

B. Multiple Choice Questions: 1. b 2. c 3. c 4. a 5. b

C. State whether the following statements are True or False: 1. True 2. False 3. True 4. True 5. False

D. Match the Columns: 1. E 2. D 3. C 4. B 5. A

Session 3: Loan Settlements

A. Fill in the Blanks: 1. default, scheduled 2. overdue 3. closure 4. Literacy, low 5. portfolio

B. Multiple Choice Questions: 1. c 2. c 3. c

C. State whether the following statements are True or False: 1. True 2. True 3. False 4. False 5. True

D. Match the Columns: 1. C 2. B 3. D 4. E 5. A

Session 4: Legal Actions and Consequences

A. Fill in the Blanks: 1- recovered; interest 2- aspirants 3- responsible, CRL 4-recovery

B. Multiple Choice Questions: 1-c 2-b 3-d 4-b 5-c.

C. State the following statements are True or False: 1-False 2-False 3-True 4-True 5-False

D. Match the Columns: 1-E 2-D 3-A 4-C 5-B.

MODULE 2: MICROFINANCE SERVICES TO CUSTOMERS

Session 1: Customer Financial Soundness

A. Fill in the Blanks: 1. Weaker 2. Poverty line 3. Periodically
4. Day and time 5. General Insurance

B. Multiple Choice Questions: 1. a 2. c 3. c 4. d
5. c

C. State whether the following statements are True or False: 1. False
2. True 3. True 4. False 5. False

D. Match the Columns: 1. D 2. E 3. A 4. B 5. C

Session 2: Post-Sale Services.

A. Fill in the Blanks: 1. "Products" 2. Disbursed 3. Diversion 4. fulfilling

B. Multiple Choice Questions: 1. c 2. c 3. d 4. c 5. d

C. State whether the following statements are True or False: 1. False 2.

False 3. False 4. False 5. False

D. Match the Column 1. D 2. E 3. A 4. B 5. C

Session 3: Customer Services.

A. Fill in the Blanks: 1. Account management 2. post-sales
3. products/services 4. Remains 5. Increase

B. Multiple Choice Questions: 1. c 2. c 3. c 4. c 5. a

C. State whether the following statements are True or False: 1. True 2. True 3. True 4. False 5. True

D. Match the Columns: 1. B 2. A 3. C

Session 4: Defaulter Management Process

A. Fill in the Blanks: 1. Agreement 2. Default 3. Installments 4. Recovery
5. Defaulters

B. Multiple Choice Questions: 1. c 2. a 3. d 4. b 5. d

C. State whether the following statements are True or False: 1. False 2. False 3. True 4. False 5. False

D. Match the Columns: 1. C 2. A 3. B 4. E 5. D

MODULE 3: CUSTOMER-CENTRIC SERVICE ORIENTATION

Session 1: Client Relationship and Grievance Management

A. Fill in the Blanks: 1- Communis. 2- Understood. 3- Communication, interact. 4- Listen, correct 5. Unpleasant, skills.

B. Multiple Choice Questions: 1- a, 2- d, 3- b, 4- b, 5- d.

C. State whether the following statements are True or False: 1- True. 2- False. 3- False. 4- True. 5- True.

D. Match the Columns: 1-c. 2-a. 3-e. 4-b. 5-d

Session 2: Social and Cultural Aspects

A. Fill in the Blanks: 1- vital 2- languages 3- blessed, interact 4- superiors
5- developed, colleagues

B. Multiple Choice Questions: 1-c. 2-c. 3-b. 4-a. 5-d

C. State whether the following statements are True or False: 1- False. 2- False. 3- True. 4- True. 5- False

D. Match the Columns: 1- E. 2- A. 3- B. 4- C. 5- D.

Session 3: Workplace Communication for Customer Service

A. Fill in the Blanks: 1- communication. 2- Virtue, excellence. 3- Anger. 4- Satisfied, better. 5-affect, irate.

B. Multiple Choice Questions: 1- b. 2- c. 3- c. 4- a. 5- b.

C. State whether the following statements are True or False: 1-True. 2- False. 3- True. 4- True. 5- False.

D. Match the Columns: 1- A. 2- D. 3- E. 4- B. 5- C.

Session 4: Regular Customer Orientation

A. Fill in the Blanks: 1- priority 2- comments 3- miss-selling. 4- Compromise 5- symbol, catchy.

B. Multiple Choice Questions: 1- a 2- b. 3- c. 4- a. 5- d

C. State whether the following statements are True or False: 1-True 2. True 3. False 4. False 5. True

D. Match the Columns: 1 - C. 2 - D. 3 - E. 4 - B. 5-A

MODULE 4: INTEGRITY, BANKING ETHICS AND TEAM WORK

Session 1: Integrity of Banking Transactions.

A. Fill in the Blanks: 1. Moral principles 2. Standard 3. ethically oriented 4. Credibility 5. Economic, social and ethical aspects.

B. Multiple Choice Questions: 1- a. 2 - c. 3 - a. 4 - c.

C. State whether the following statements are True or False: 1. True 2. True 3. False 4. False 5. True 6. True.

D. Match the Columns: 1 - A. 2 - E. 3 - B. 4 - C. 5 - D

Session 2: Customers Management Information System (Mis) And Data Security

A. Fill in the Blanks: 1. Management Information 2. Identification records 3. PML Rule 3 4. Steal information.

B. Multiple Choice Questions: 1 d 2 a 3 b 4 a.

C. State whether the following statements are True or False: A. True B. True C. True D. False

D. Match the Columns; 1- C. 2 - B. 3 - E. 4 - A. 5 - D

Session 3: Ethical Behaviour and Its Implementation

A. Fill in the Blanks: 1. System 2. Customers, shareholders and employees 3. Respect towards human underlies 4. Understandable and accurate information.

B. Multiple Choice Questions: 1-a, 2- d, 3- d

C. State whether the following statements are True or False: 1. False 2. True 3. False 4. True

D. Match the Columns: 1- E. 2 - D. 3 - C. 4 - B. 5 - A.

Session 4: Customer Relationship.

A. Fill in the Blanks: 1. Re-action, affordable cost 2. Restricting 3. Focal point 4. Tailor products.

B. Multiple Choice Questions: 1-a 2- b 3- d 4- d.

C. State whether the following statements are True or False: 1. True 2. False 3. True 4. False

D. Match the Columns: 1 - D. 2 - E. 3 - C. 4 - B. 5 - A.

GLOSSARY

Agenda: Programme, plan or scheme of things.

CONFLICT: A difference between two or more ideas, wishes, a fight or an argument

CREDIBILITY: The quality that somebody has that makes people believes or trust

Customer Queries: Enquiries made by customers or questions asked by them.

Diversion of funds: Using the funds for some purpose other than the one for which they had been provided.

ETHICAL VALUES: Ethical value denotes something's degree of importance

ETHICS: Ethics is a system of moral principles

Executing: Carrying out a task to its completion.

Feedback: Obtaining a reaction of people and their opinion regarding something. For example, *obtaining feedback from customers regarding services rendered to them.*

Financial soundness: The health of financial position of a person or some other entity like a firm, company etc.

General insurance: An insurance that covers the risk of losing assets (such as building, machinery, furniture, raw material, goods etc.) due to fire, theft, earthquake, or some other mishap/calamity.

INDULGING: To give in to something

INTEGRITY: The quality of being honest and having strong moral principles

Life Insurance: An insurance that covers the risk of losing the life of the person who is insured.

Loan Defaulter: A person or some other entity which fails to repay instalments of loans and/or interest on the loan as per the repayment schedule fixed at the time of sanctioning the loan.

LOYALTY: giving or showing firm and constant support or allegiance to a person or institution.

Meticulously: Carefully, methodically

Periodically: At regular intervals, from time to time.

Post-sale Services: Services provided to customers after selling a product or service to them.

Pre-sale services: Services provided to prospective customers before selling a product or service to them.

Productively: Doing or achieving a lot: working hard and getting good results

Review: To have another look at, re-examine or reassess.

Scheduling: Planning as to when various tasks are to be performed, and the sequence in which this has to be done.

Streamlining: Making more efficient

Unfair Trades: Practices refer to businesses using deceptive, fraudulent, or otherwise unethical methods to gain an advantage or turn a profit.

BANKING SHORT TERMINOLOGY

- CPS= Customer Point services
- KYC = Know Your Customer
- CIF = Customer Information File
- MFIN = Microfinance Institution Network
- SHG = Self Help Groups

- JLG = Joint Liability Groups
- ATM = Automated Teller Machine
- MFI = Microfinance Institution
- MFE = Microfinance Executive
- NPA = Non-Performing Assets
- IMPS = Immediate Payment Service
- MMID = Mobile Money Identifier
- BC = Banking Correspondents
- FD = Fixed Deposit
- PAN Card = Permanent Account Number Card
- CIBIL = Credit Information Bureau India Ltd.
- FIR = First Information Report
- CGFT = Credit Guaranty Fund Trust
- PAR = Performance and Accountability Reporting
- AEPS = Aadhaar Enabled Payment System
- DRA = Debt Recovery Agent
- MUDRA = Micro Units Development and Refinance Agency Ltd.
- NBFC = Non-Banking Financial Company
- TLTRO = Targeted long-term repo operations
- CRL = Certificate Revocation List
- NPS = National Pension System
- PFRDA = Pension Fund Regulatory and Development Authority
- PM JBY = Pradhan Mantri Jeevan Jyoti Bima Yojana
- PMSBY = Pradhan Mantri Suraksha Bima Yojana
- APY = Atal Pension Yojana
- PMMY = Pradhan Mantri Mudra Yojana
- SOP = Standard Operating Procedure
- DICGC = Deposit Insurance and Credit Guarantee Corporation
- EMI = Equated Monthly Installments
- NIM = Net Interest Margin

- PLR = Prime Lending Rate
- BPLR = Benchmark Prime Lending Rate
- STDR = Special Term Deposit Receipt
- RD = Recurring Deposit
- FI = Financial Institution
- IP = Internet Protocol
- PMLA = Prevention of Money Laundering Act
- CERSAI = Central Registry of Securitization Asset reconstruction and security interest of India
- CKYCR = Central KYC Registry
- OTP = One-Time Password
- SCBS = Scheduled Commercial Banks
- RES = Rights and Especially
- CRM = Customer Relationship Management

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