



Responsible & Ethical Collection – An Indian Perspective
Conference on Cambodia's Microfinance amid Global Economic Crisis
Phnom Penh, August 20th, 2009.



Responsible & Ethical Collection- An Indian Perspective



Agenda

- Indian Microfinance –Brief Overview
- Ujjivan- Brief Overview
- Types of Defaults faced in India
- Collection Practices for Different Types of Defaults
- Bad Collection Practices
- Good Collection Practices

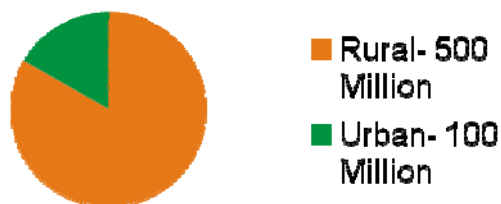
Responsible & Ethical Collection- An Indian Perspective



Indian Microfinance- Brief Overview

- Microfinance in India is 15 years old
- Estimated number of poor in India

Population of the Poor In India



Two Approaches to Microfinance in India	Outreach (Millions)	Loans Outstanding (\$ Billion)
Self-Help groups directly funded by Banks	64	4.8
Microfinance Institutions	23	2.44
Total	87	7.32

- Registered Microfinance Institutions- 233

Responsible & Ethical Collection- An Indian Perspective



Ujjivan: Brief Overview

- Started operations in November 2005 with a focus on Urban and Semi-urban poor

- Currently operates across India

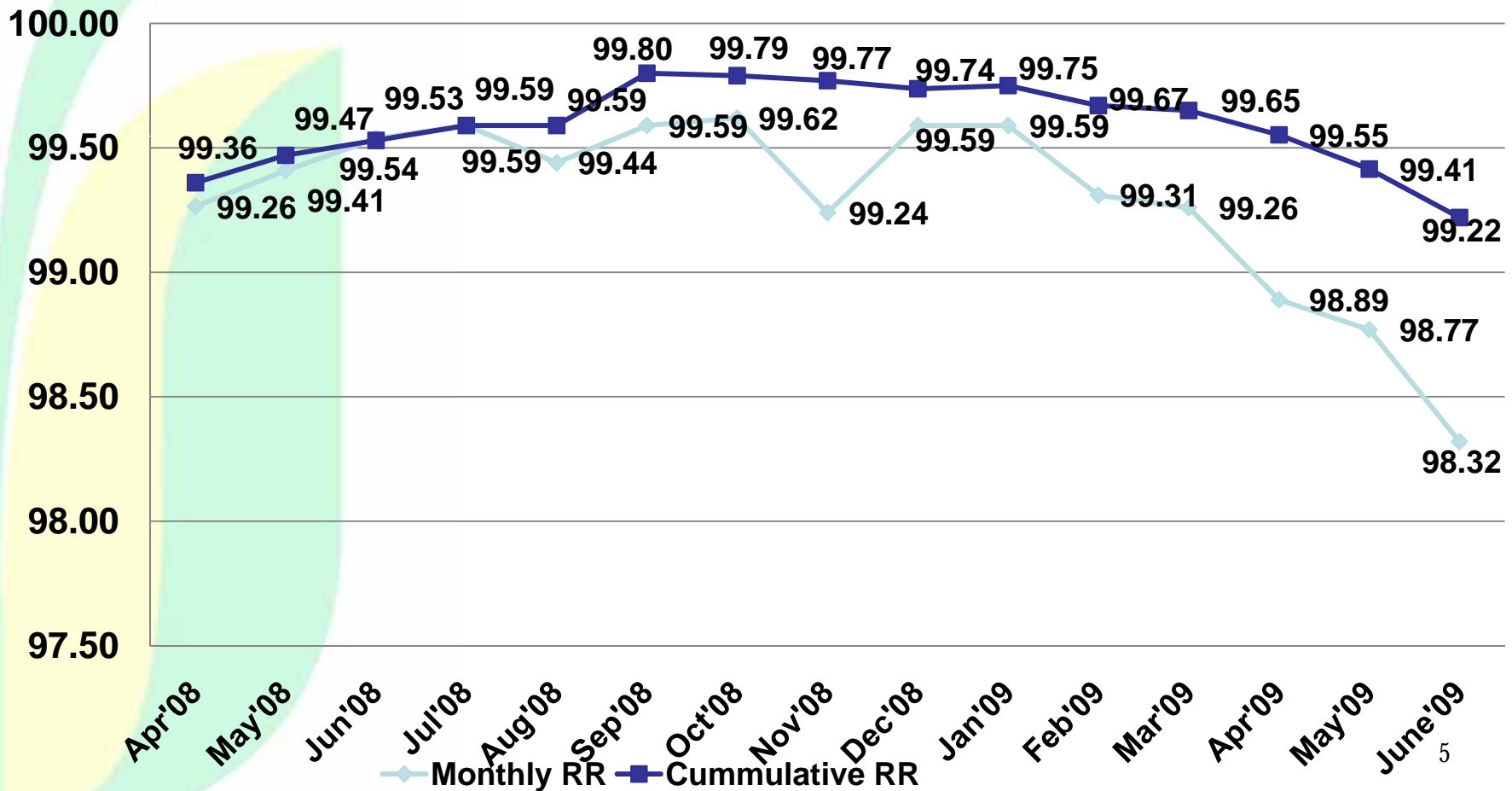
Branches:	179
Employees:	2,281
Customers:	412,239
Loan Outstanding:	US\$ 55 million
Repayment Rate:	99.05%
PAR 30:	1.27%

Responsible & Ethical Collection- An Indian Perspective



Ujjivan: Brief Overview

TREND IN REPAYMENT RATES FOR UJJIVAN

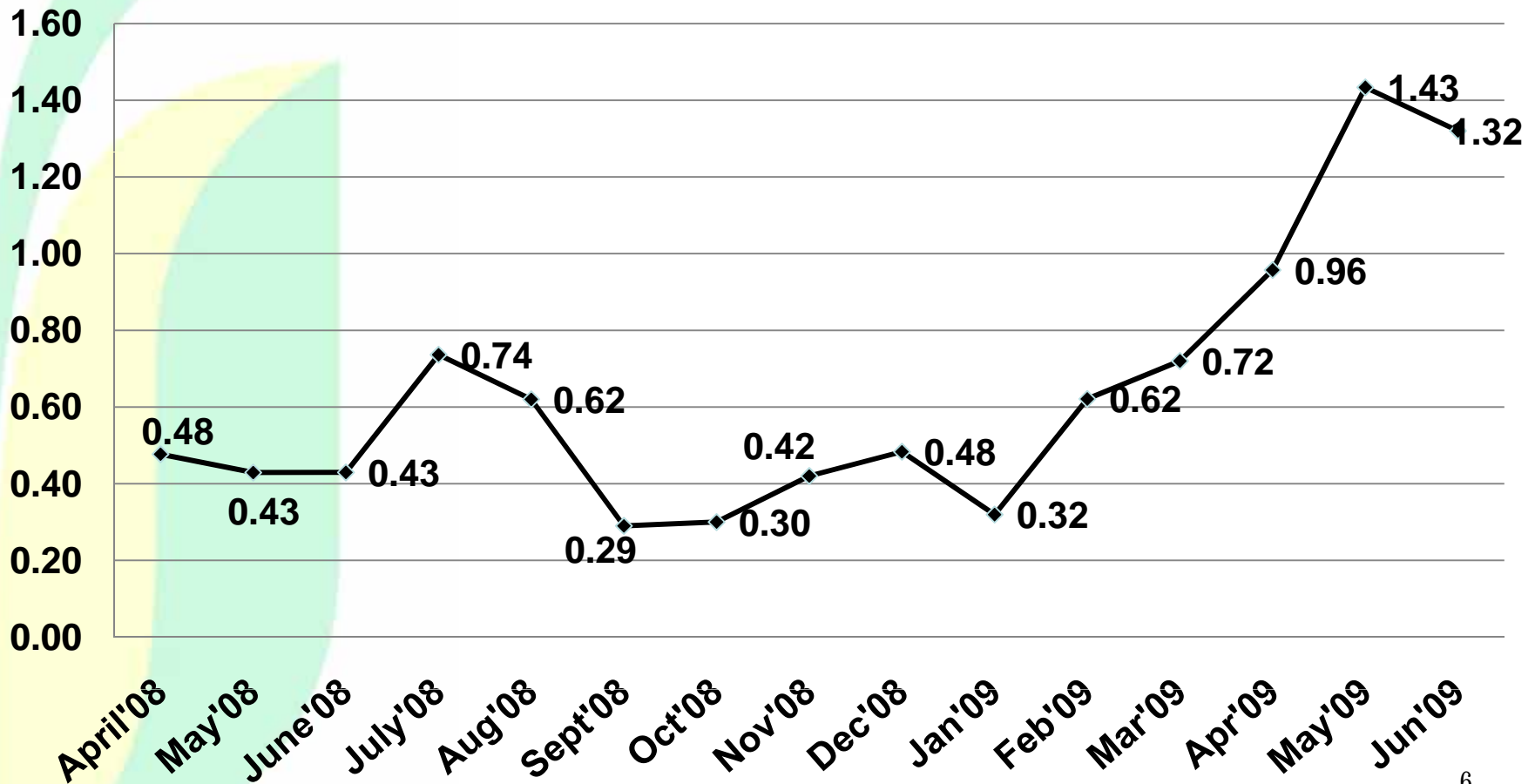


Responsible & Ethical Collection- An Indian Perspective



Ujjivan: Brief Overview

TREND IN PAR 30 (in %)



Responsible & Ethical Collection- An Indian Perspective



Types of Defaults in India

- Temporary Defaults- Uneven cash flow of customers
- Permanent Defaults- Skips and intentional defaulters
- Long term Default (1)- Major setback of economic condition of customer
- Long term Default (2)- Multiple borrowing and over exposure of customer
- En-mass Default by customers

Responsible & Ethical Collection- An Indian Perspective



Temporary Defaults & Permanent Defaults due to skips and intentional Defaulters

- Joint liability & group guarantee
- Internal group lending for temporary default
- Group accountable for skips and intentional defaulters

Responsible & Ethical Collection- An Indian Perspective



Long Term Default: Major economic setback of customers

- Reschedule and adjust to customer's cash flows. (50%provision)
- Grameen II methodology
- Relatively rare

Responsible & Ethical Collection- An Indian Perspective



Long Term Default: Multiple borrowing and over-extension of Credit

- Long term solution- Credit extension with credit bureau
- MFIs internal self-discipline and policy on branching an extending credit. (SRO)
- Work in jointly managed association to resolve the issue and coordinated rescheduling of loans

Responsible & Ethical Collection- An Indian Perspective



En-mass Defaults

- Normally engineered by powerful stakeholders in society
- 2005-06: Andhra Pradesh
Two large MFIs Vs.
Local Government Administration
- 2009: Karnataka
Communal Organisation Vs.
MFIs operating in the districts

Responsible & Ethical Collection- An Indian Perspective



Bad Practices in collection

- Group liability/ pressure goes out of control if expectations are unrealistic
 - Grameen Bank experience
 - In India, customers pushed to commit suicide
- Unending Centre Meetings till all payments are made
- Holding customer's personal documents like ration cards etc as collateral
- Abusive behavior and harassment of customers at all hours by field staff

Responsible & Ethical Collection- An Indian Perspective



Good Collection practices

- Good customer selection process
- Policy to avoid multiple lending
- Group liability weakens as business matures
- Professional collection policy and process
- Credit bureau is very important for credit extension
- Solidarity and united program by MFIs against many dangers that the industry will face



Question & Answer

**Thank You for your
interest and time!**

www.ujjivan.com