

Utkarsh Micro Finance Pvt Ltd

an NBFC

{First Rating} Varanasi, Uttar Pradesh

Social Rating (Standard Comprehensive*)

December 2011

*Based on client data available with the MFI

Vision: “Be a significant microfinance institution in improving the quality of lives of the underprivileged.”

Mission: “To support opportunities for underprivileged by providing access to financial and non financial services through optimal and innovative use of resources in sustainable and scalable manner.”

Principles and values in [Annex](#)

SOCIAL RATING	$\Sigma\alpha-$	Visit: 06 - 09
RATING OUTLOOK*	Positive	December 2011

Rating dimensions	2011
Process/organisational systems	
Mission, Governance and Strategy	$\Sigma\alpha-$
Client Protection Principles	$\Sigma\alpha-$
Social responsibility to staff and community	$\Sigma\beta+$
Depth of outreach	
Depth of outreach	$\Sigma\alpha$
Client feedback and awareness	$\Sigma\beta+$

* Definition of M-CRIL grades in [annex](#)

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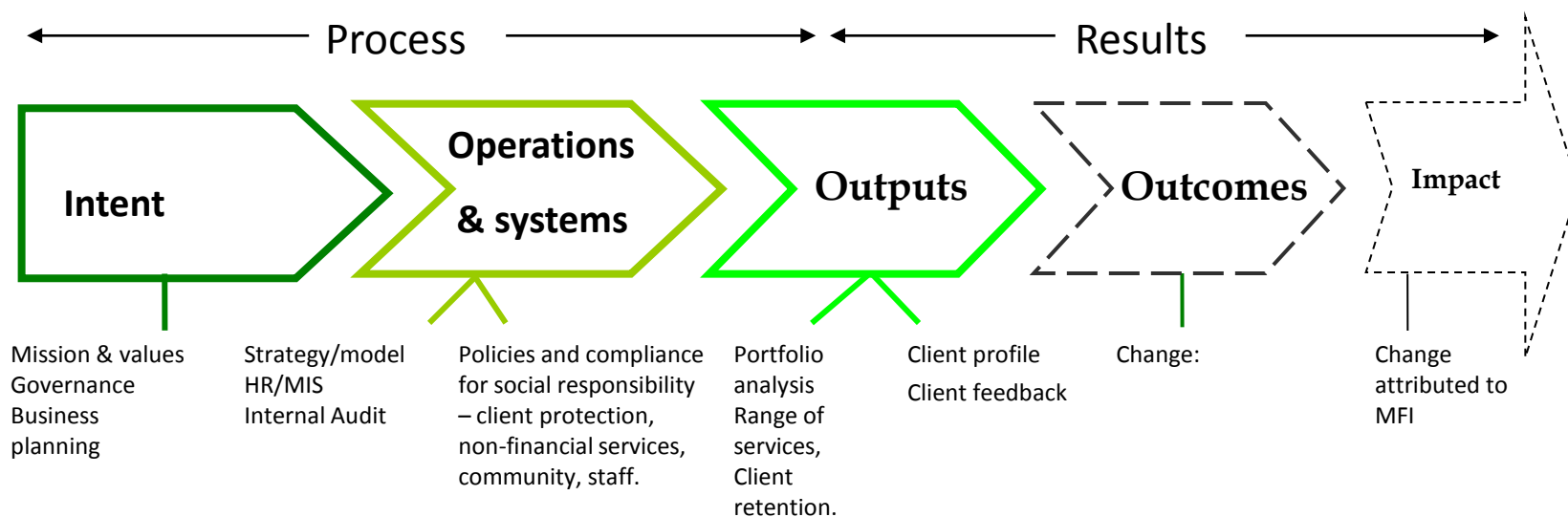
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Structure

- ▶ Synopsis & Rating Rationale
- ▶ Intent: Mission, Governance and Strategy
- ▶ Alignment of systems
- ▶ Client protection principles
- ▶ Responsibility to staff and community
- ▶ Results: outputs
- ▶ Annexes
 - Key guiding principles
 - Board members
 - Evaluation & rejection criteria for clients
 - Microfinance processes
 - Loan products
 - Types of audit and parameters covered
 - Monitoring matrix
 - Abbreviations
 - Glossary
 - M-CRIL social rating grades

Social performance pathway & what this rating covers



- ▶ Social performance is: the ***effective translation of an institution's mission into practice in line with accepted social values***
- ▶ Social performance emphasizes
 - governance and management processes,
 - outputs and outcomes, as the steps towards achieving impact
 - and generic values around outreach and social responsibilities.
- ▶ This comprehensive social rating covers three steps of the pathway, including MFI data for client outreach.

Synopsis

- ▶ Utkarsh Micro Finance Pvt. Ltd. is an NBFC based at Varanasi in Uttar Pradesh, which started microfinance operations in September 2009.
- ▶ Presently, operations are focused in 12 districts of Eastern UP and 3 districts of Bihar. It follows joint liability groups (JLG) model and lends to underprivileged women engaged in income-generating activities.
- ▶ Double bottom line focus; systems in place to monitor social performance.

Organizational overview (Sep 2011)

Microfinance model: Grameen; Joint liability groups of 5 women	
Financial Services: Credit, Insurance (through third party)	
Linked services: Financial literacy, vocational training, client meets	
Number of districts	15
Active borrowers	60,342
Clients with insurance	~100%
Total number of staff	346
Women staff	7
Staff turnover(Annualised): Incl. attrition during probation	23%

Operational and Financial Indicators (Sep 2011)

Annual growth rate in clients (Annualised for Sep)	81.8%
Client dropout rate (Annualised)	23.4%
APR(including processing fee)	27.8%
Clients/field staff	305
RoA (before tax)*	0.9%
Operating Efficiency Ratio*	8.1%
PAR (60 days)	0%
Write-offs	0%

*Ratios for the period April to September, 2011; not annualised.

Depth of Outreach indicators (Sep 2011)

Women clients	100%
Rural clients	71.4%
Clients in backward districts	~36%
Scheduled caste/Scheduled tribe	54%
New clients < \$1.25 / day at PPP	N.A.
Average outstanding disbursed	
Average loan disbursed to 1 st cycle clients	Rs10,982
Average loan size per individual client/GNI	Rs9,629
Average loan size per new client/GNI	16.4%
Average loan size per new client/GNI	14.4%
Loans < \$300	99.8%

Client Education:	MFI efforts	Client
		awareness
Interest rate on loan	Moderate	Low
Loan processing fee	High	Moderate
Insurance (premium/coverage)	High	Moderate
Process in case of client complaint	High	Moderate

^ Based on M-CRIL's focus group discussion with clients in 8 centres across 4 different branches

Strengths

- ✓ Experienced and socially committed Board with focus on the double bottom line.
- ✓ Good performance in client protection principles; it is part of training for staff, and are reasonably documented in the manuals and policies.
- ✓ Strong Internal audit and monitoring systems with a dedicated risk management department; attempt to include client protection and HR aspects in the report.
- ✓ Systems fairly tuned to avoid irresponsible lending – participative business planning, incentives capped for new client addition.
- ✓ Client profile data is integrated in the MIS. Monthly MIS reports generated include social outreach, along with operational details.
- ✓ Good outreach – Operations in poorer states; 55% of new clients from SC/ST categories.
- ✓ Development services offered to clients, along with credit, though outreach is limited.

Issues

- Mission yet to be broken down to SMART goals, and defined for tracking.
- High client dropout of 23% (Annualised) for the present financial year. Reasons for voluntary dropouts are not analysed.
- Very low client awareness on interest rate, though it is explained during the initial trainings and is printed on the loan cards. The MFI needs to make its training process more appropriate to the target client base.
- High staff attrition – 23%, for FY 2011-12 (Annualised), including trainees & probationers.
- Very low ratio of women staff; only two women in the field operations.
- Only fortnightly loans are disbursed after March 2011. Though the MFI offers flexibility in repayment (weekly, monthly or fortnightly) as per the documents, clients are encouraged to take fortnightly loans.
- A male guarantor from the household is compulsory for lending; thus, excludes women headed households from the target.

Rating rationale

Governance

- Strong and experienced Board
- Minutes reflect focus on double bottom line.
- One of the independent directors was selected as SPM director, recently.

Mission and Strategy

- Strategy to expand to poorer states, and to areas with less MFI concentration
- Business plan reflects intention to reduce interest rate in future. Participative planning process.
- ❑ Mission yet to be broken down to SMART social goals
- ❑ Key terms are yet to be defined for tracking

Client targeting and Outreach

- Operations concentrated in Eastern UP and Bihar, two poor states in terms of development indicators.
- 55% of the new clients belong to SC/ST categories.
- 87% of the new clients do not have a bank account.
- ❑ Compulsory male guarantor from client's household. Screens out women headed families.

Monitoring and Audit

- Good frequency of audits – monthly audit of branches
- Branches scored on quality of documentation, staff's code of conduct, behaviour in the field and motivation.
- Well-developed monitoring systems – focus on proper client selection.

MIS

- Unique client id; client profile data integrated in the software. Reports are generated as per requirement.
- Monthly reports to top management include social outreach, and purpose of loans.
- ❑ Dropouts are broadly classified into clients to whom the MFI refused loans, and voluntary dropouts - reasons for voluntary dropouts are not analysed.

Responsibility to staff

- Staff friendly policies; scope for internal promotions
- Transparent appraisal process and incentive calculation
- ❑ Low ratio of women staff – only 7 members.
- ❑ High staff attrition – 23% for FY 2011-12, annualised; however, 80% of dropouts are trainees or probationers.

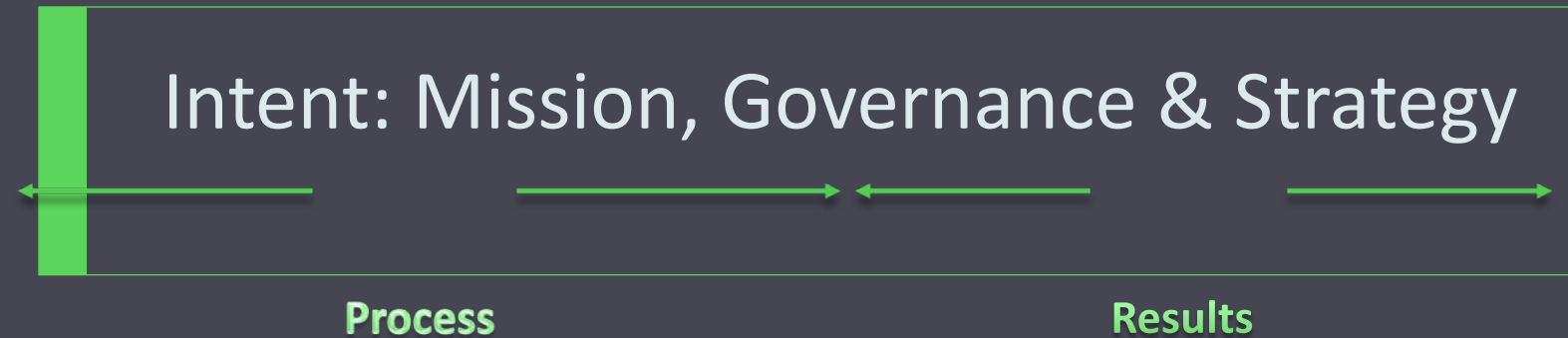
Client protection

- Good checks on over-indebtedness through credit bureau checks, and repayment capacity assessments.
- Systems in place to ensure responsible treatment of clients; it is part of trainings to staff.
- Good systems for clients' grievance redressal
- ❑ The MFI needs to make its training process more appropriate to its target client base.

Client Awareness and feedback

- Clients visited were mostly satisfied with the loan product and behaviour of the MFI staff.
- ❑ Low awareness on interest rate. Moderate awareness on other terms and conditions of the loan.
- ❑ High client dropout – 23% for FY 2011-12, annualised.

Intent: Mission, Governance & Strategy



Process

Results

Intent

Mission: clarity and communication
Governance
Strategy planning

Mission: clarity and communication

- Mission and Vision statements were formulated by the top management in 2009.

Policy	Practice
Target clients: Underprivileged	☐ Women belonging to SC/ST/OBC categories engaged in income generating activities are targeted.
Target Area: Not specified in the policy statements	☐ Target not fixed on urban or rural outreach ☐ Identified slums and <i>Harijan Bastis</i> in eastern UP and Bihar are targeted, presently. Plans to expand to Utrakhand and MP
Services: Financial services and non-financial services.	☐ Credit, along with compulsory loan-linked insurance through tie-ups ☐ Non-financial services like financial literacy, vocational trainings and market linkages are offered through Samutkarsh Welfare Services, a not for profit company promoted by Utkarsh.
For what: to support opportunities and improve the quality of lives	☐ Though 'quality of life' is not formally defined, indicators incorporated in the application form would support analysis of changes with time.

- Sustainability and scalability are emphasised by the MFI in its policy statements. The company registered itself as an NBFC, as it believed that it is most suitable for fund mobilisation and expansion.
- Utkarsh is yet to define the key terms in the Mission statement and incorporate them in the MIS for tracking. It is yet to formulate SMART social goals.
- Utkarsh is planning to review its policy statements to add more specificity, and to quantify the target outreach to clients.
- Spirit of mission and vision is stressed through trainings and manuals. Staff at all levels displayed good awareness on the Mission and objectives of the company. The statements are displayed at the branch offices.
- The MFI has defined key guiding principles for its microfinance operations, which is given as [Annex](#).

Governance

- Board members reflect rich experience across microfinance, banking and social development sectors.
- 7 [Board members](#) - 3 independent directors, 2 nominee directors and 2 whole time directors - two women.
- Mr Govind Singh, Promoter and MD & CEO of Utkarsh, has over 22 years of experience in the banking sector. He was formerly the head of Microbanking at ICICI Bank and has also served on the Boards of Cashpor Micro Credit and Asmitha Microfin Ltd as director.
- Board meetings are held every quarter; meetings are well attended and documented. Board minutes reflect good involvement of the Board members, and concerns to balance double bottom line. Along with microfinance operations, progress in credit plus activities is also discussed in the meetings.
- Reports to the Board include HR details like staff per department, staff caste break-up and women employees break-up. Social outreach to clients are not part of regular reports to Board.
- Institutional investors of Utkarsh are focused on social performance; the MFI reports to them on social performance.
- Board recently selected one of the independent directors, Mr Ajai Raj Sharma, as the SPM director. Efforts are underway to set up an SPM department, under the guidance of the director.
- Five Board level committees – audit, compensation, corporate governance, credit, and share allotment; meet every six months to deliberate on their respective areas.
- Executive committee and grievance redressal committee meet every month to discuss general policy matters and address the client/staff complaints.
- Salary of the MD (at Rs34.11 lakhs p.a.) is 38 times that of a Field Executive (at Rs90,000 p.a.)
- The MFI, as an MFIN member, has accepted the code of conduct for MFIs in India.

Strategic Planning

- Utkarsh's operations are presently concentrated in eastern Uttar Pradesh and Bihar. The MFI plans to penetrate deeper into Bihar in the present financial year, and then to expand to the states of Uttarakhand and Madhya Pradesh, to deal with the concentration risk.
- The initial survey and market study for Uttarakhand has been conducted by the Risk Management team, and the operations may start early in the next financial year.
- The MFI, though plans to expand to areas with low MFI concentration, prefers to choose areas where clients are already familiar with Microfinance.
- According to the business plan, the portfolio is projected to grow by a CAGR of 96% till 2015, which seems high considering the external microfinance environment in the country. The portfolio is projected to increase by 165% from 2012 to 2013.
- The business plan suggests that the MFI plans to reduce the interest rate with achieving scale of operations, as reflected through decreasing yields. Though Utkarsh management is focused on increasing outreach to underprivileged population, the business plan does not specify outreach to any particular regions/sections of community.
- Separate risk management department was created in March 2011 to analyse the risks associated with Utkarsh's systems and processes, introduction of new products, and expansion into new geographies. The reports submitted by the department reflect client centric evaluation of policies and processes.
- The MFI is exploring the possibility of introducing Micro-enterprise loans of higher amounts for a new client segment, in a cluster based approach.
- 3% PBT of FY 2011-12 to be allocated for credit+ activities; 2% planned for FY 2012-13. In addition, Utkarsh has extended an interest free loan of Rs5 lakhs to Samutkarsh in the present financial year.
- MFI proposes to offer its clients savings and remittances through Banking Correspondent tie-ups. Utkarsh is in discussion with various banks for the agreement.

Alignment of systems

Process

Results

**Operations
& systems**

Model, market strategy
Products & services
Nonfinancial Services and Linkages
HR, MIS, Internal Audit

Microfinance model

- Utkarsh follows the Grameen model for lending to women clients who are engaged in income generating activities.
- The MFI's key guiding principles stress on who the target clientele is, and the appropriate and timely delivery of services.
- The clients are given detailed training on the processes and terms and conditions of the loan before their association with the MFI. The training is spread across 6 days, and the various conditions are re-emphasised across the days.
- Women clients are denied loans, if they do not have an adult male member in their household to guarantee their loans. Women headed households are thus indirectly screened out from Utkarsh's programme. This does not support the objective of the company to lend to the underprivileged.
- Strict loan utilisation checks are conducted after disbursement of each loan, which are monitored by the supervisors. It motivates the clients to use their loans responsibly, and also contributes to the MFI's relationship building process with the clients.
- Detailed process of lending is given as [Annex](#)



Market Strategy

▶ Areas

- The risk management team undertakes an area survey which includes demographic and social details of the community. Audit team also visits the area and submits their recommendations.
- Utkarsh does not plan to open branches in areas where many other MFIs are already operating. However, it prefers areas where clients are already familiar with concept of Joint liability lending.
- Clear focus on poorer states of India, in line with its mission. Operations concentrated in Eastern UP and Bihar, presently; contiguous districts chosen with reference to high concentration of scheduled caste/tribe households.

▶ Clients

- One of the key guiding principles of Utkarsh is to lend only to the under-privileged women.
- The MFI reaches the target clients through area selection. COs focus on areas where at least 100 households belonging to SC/ST/OBC category reside together.
- The operational manual gives a profile of the target clients in terms of age, asset ownership, and type of residence ([Annex](#)). The criteria are covered in the trainings, and are also mentioned in each application form.
- Utkarsh is not collecting PPI data for new clients, but loan application cum membership form has detailed information on socio-economic status of the clients, which is also captured in the MIS.
- Loan application form has a checklist for screening out clients, which includes parameters like over-indebtedness and repayment capacity.
- Groups are approved by the Area Managers after visits to clients' houses, which helps in ensuring proper client selection.

Financial products

▶ Credit

- Loan products have been changed twice since the beginning. Weekly loans were replaced by fortnightly loans in March 2011.
- The loan product was further modified to suit the regulations in May 2011; the loan limit was reduced to 15,000, and tenure reduced from 30 to 29 fortnights (Utkarsh Pragati).
- The interest rate was reduced from 31.74% p.a. on declining balance to 28.18% in March 2011. It was further reduced to 25.94% to comply with the regulations. The processing fee was also reduced from 2% to 1% of the loan amount in the same period.
- A new loan, Utkarsh Kiran, with higher loan amount (up to Rs18,000) and two year tenure was introduced in October 2011 to cater to the demand for higher loan sizes.
- On September 30 2011, 74% of the portfolio was in Pragati (current loan product), 16% in Unnati (loans with 30 fortnight tenure, currently discontinued) and 10% in Navodaya, the earlier weekly product. Very few Utkarsh Kiran loans (2 year loans) have been disbursed, reflecting low client demand.

▶ **Insurance**

- Compulsory credit-life insurance for clients and co-guarantors. Tie-up with Kotak Mahindra Insurance for providing loan insurance to clients. 1% of loan amount charged as premium.
 - Usually 45-50 death claims are reported every month. Insurance company settles the claim in 15-20 days and payment is given to the beneficiary within 7 days. No claim has been rejected so far.
 - Interim relief of Rs1000 is given in the event of death of Client/Guarantor. On receiving the claim amount from the insurance provider, the company adjusts the loan outstanding and refunds the amount repaid by the client to the survivor, after adjusting for the interim relief of Rs1000.
-

Non-financial services - linked

- Samutkarsh Welfare Society, a section 25 company, was set up last year, with a mandate to implement the credit-plus activities of Utkarsh.
- Relevant members in the Board - Dr Indu Singh, a well-known gynecologist and social worker, and Prof. Lalchand, an agriculture scientist; Utkarsh's Finance & Accounts Head, Mr Abhisheka Kumar, and the Audit & compliance Head, Mr Sulabh Jain, are also Board members of Samutkarsh.
- Utkarsh extended an interest free loan of Rs5 Lakhs for a tenure of 36 months to cover the initial costs. Further, Utkarsh contributed 0.5% of its gross revenue from October 2010 to March 2011. The MFI has earmarked 3% PBT of 2011-12 and 2% PBT of the subsequent years for Samutkarsh.
- Presently, Samutkarsh is entirely dependent on Utkarsh for funding its activities, which is a concern, given the regulatory cap on interest rate for MFIs which will reduce its margin. Samutkarsh hopes to generate revenue through BC tie-ups with banks, and are in discussions with two private sector banks.

	Vocational Training	Financial Literacy	Clients Meet
Activities	Training on agarbati making, forward and backward linkages	Training of trainers by ISMW – 4 staff trained. Module customised for Utkarsh.	Conducted every quarter – focus on awareness on social issues including financial literacy.
Date Introduced	May 2011	October 2011	Feb 2011
Target clientele	Poor women from landless households – clients & non-clients	Utkarsh clients	Clients of Utkarsh
Outreach/scale	In 2 branches - 125 women in 10 villages	Awareness camps held at different locations.	10-12 client meets across various areas

- Samutkarsh plans to intervene in the area of Health also. Health camps are planned for the next financial year, and in the long run, it plans to set-up mini-health clinics along with the branches.

HR systems – Alignment with mission & values

- Recruitment: Applications are invited mainly through internal references, and recently through advertisements in news papers. Reference checks are done for most new recruitments, though not mandatory as per policies.
 - Field staff are selected on the basis of written test and interview. Short listed candidates attend 5 days classroom training and 5 days field training, during which the nature of job is explained to the staff. The mutual fit for job is assessed at this stage. Final selection is based on assessment of learnings from the trainings. Branch managers are selected through internal promotions (~80%) and through direct recruitments (~20%).
 - Field staff with no previous experience are absorbed as Trainees for the first 3 months. On successful completion as trainees, they are on probation for 6 months.
 - Training: The initial orientation training focuses on mission and objectives of the Utkarsh, and its operational processes and systems.
 - TCOs are given refresher training on completion of 3 months. All the staff are trained at least once in every quarter. Client selection and code of conduct in the field are covered in the training.
 - Appraisal: Half-yearly, by the immediate supervisor. Checked by appraiser's supervisor.
 - Punctuality, discipline and communication with clients are scored along with achievement of operational targets and audit findings. Targets for staff are set in a participative manner.
 - Though self-appraisals are not conducted, the score and comments of the supervisors are shared with the staff.
 - Staff incentives: Incentives are based on number of clients served and the number of new clients added. New client addition is capped at 75/month to discourage irresponsible lending.
 - Only the credit officers are eligible for incentives; this avoids conflict of interest for the monitoring staff, and enables proper client selection as their income is not tied to number of clients.
-

Information and reporting – on mission

- Household income and socio-economic details are captured in the membership form and entered into the software.
- However, once the MFI sets SMART goals and defines key terms in its mission statement, it can redesign the membership and loan application forms to capture the specific details in line with the definition.

MIS	Information available	Analyzed and used
Client profile at entry	✓	Part of monthly reports
Loan tracking over time	✓	X
Client retention/exit	Partial. Reasons not collected	Occasionally

- Hub and spoke model followed for MIS. A hub is identified for every division (5-6 branches), based on the location and infrastructure facilities. A dedicated data entry staff inputs the data into the software. The data is shared with the HO on daily basis through emails.
- Clients have unique client ids, and cycle-wise client information is maintained to allow study on progress of clients.
- Monthly reports include religion and caste wise break-up of clients, dropout number and loan purpose wise break-up, along with other operational indicators.
- Centre attendance and LUC visits are also tracked in the software, and reported to the senior management on a monthly basis.
- Reasons for client dropouts are not part of MIS and are not analysed. Details in [slide 37](#).
- The software does not include outreach in non-financial services, and hence is not tracked.



Information and reporting – on mission...continued

- Utkarsh has recently formed a Risk Management team, which also undertakes market research for geographic expansion and for new-product development.
- The reports submitted by the team reflect client-centric evaluation of the alternatives.

Market intelligence/client feedback	Regularity	Quality
Market research for product design	Adequate	Good
Client feedback/ Satisfaction study	X	X
Client exit study	X	X
Change/profile of mature clients	X	X

- As part of SPM, Microsave recently conducted a staff satisfaction study. A client level survey involving survey of 2200 clients is planned for this financial year.
- No formal studies on client satisfaction or feedback yet. Though the Client exit reasons are collected at the branch level, it is not collated or analysed.
- Utkarsh reports regularly to Sa-dhan and recently to MIX on social performance.
- The MFI is working with Bangalore based Craft Silicon to install a new online integrated software, which will work on real time basis.
- SPM Director has been recently selected, and will be receiving reports on social performance on a regular basis.



Internal audit and control

- Internal Audit team consists of 15 members. Branches under each auditor are rotated every six months.
- Three types of audit - Snap, Short and Comprehensive. Details as [Annex](#)
- Monthly surprise audits of branches, any one of the 3 types. Compulsory comprehensive audit every quarter. Audit report submitted within 5 days of audit visit, and the Branch Managers are required to submit the compliance report within 10 days of receipt of the audit report.
- The audit process covers the procedural and operational aspects of the branch. Surprise visits are conducted to the centres; sample visits to clients' houses to verify details in the application forms.
- Client protection aspects like integrity and behaviour of COs in the field, client awareness and client selection are part of the audit checks. Auditors also verify if the monitoring visits have been conducted.
- Other social aspects like conduct of staff within the branch office, awareness on mission and objectives of Utkarsh, motivation levels, and the working environment are also scored in the comprehensive audit.
- Follow up audit on compliance to previous audit findings is part of every audit.
- The Head of Internal Audit reports to MD& CEO of the company. The summary of audit findings are presented to the Audit committee of the Board, every six months. The MFI is yet to analyse and study the trend in audit findings across branches.
- Many of the aspects in the audit scoring sheet (refer [Annex](#)) – like HR, code of conduct etc. - are subjective, and thus may affect the quality of reporting.
- The audit staff are given special training after the initial orientation. Fortnightly meetings of the auditors to discuss the common findings and issues; it also acts as a forum for training.
- Surprise audit of auditors are conducted by the senior audit staff. The internal audit team is also planning to audit the departments at HO to check for deviation from the processes defined in the manuals.
- Utkarsh has a well developed monitoring structure. The GRTs are compulsorily by the Area Managers, which helps in ensuring proper client selection. Monitoring matrix given as [Annex](#).



Client Protection

Client Protection

- ▶ Utkarsh has endorsed SMART campaign for client protection.
- ▶ Client protection issues are fairly documented in the operational manual. Reasonable checks have been built in the monitoring and audit systems to ensure compliance.

1 Appropriate product design and delivery:

Credit

- Standard loan products- not differentiated to suit the needs of different client segments.
- The earlier weekly loans were replaced by fortnightly loans, mainly to increase the productivity of the staff and thus reduce the operating costs. Informal feedback from the clients was sought before the change.
- A new loan, Utkarsh Kiran, was introduced in October 2011, to cater to the needs for higher loan amounts amongst the clients. The loan limit is up to Rs18,000 with 2 year repayment tenure (to comply with the RBI guidelines).
- The product could not generate enough demand as the clients wanted higher amounts for loans with two year tenure. Subsequently, the MFI is planning to raise the loan limit to Rs22,500.
- The MFI is presently exploring possibilities to introduce a cluster based loan product to cater to higher loan requirements. The Risk management department is in charge of product development.
- The risk management department is also involved in assessing risks and loopholes in the present processes and products. The reports submitted by the department reflect client-centric analyses.
- Though the MFI offers flexibility in repayment (weekly, monthly or fortnightly) as per the documents, clients are encouraged to take fortnightly loans. Since March 2011, only fortnightly loans have been disbursed.

Insurance

- Earlier, Utkarsh had tie-up with Birla Sunlife insurance company for credit life insurance. It was discontinued as there was delay in settling of claims.

Client Protection

2 Prevention of over indebtedness:

- Design of the loan application form enables cash-flow analysis and indebtedness check of the clients.
- Clients are denied loans if the difference between household income and expenses is less than 75% of the instalment amount.
- Utkarsh has the policy that it will not be the 3rd lender to any client, and the loans outstanding should not exceed Rs15,000. This information is captured in the loan application form, and the field staff are trained to exclude such clients.
- The checklist for rejection of clients is printed on each application form, and are to be filled by the COs. The criteria for rejection are given as [Annex](#).
- Utkarsh shares credit information of clients with two different credit bureaus –High Mark and Equifax. The MFI verifies for each client with High Mark, before disbursement, since November 2011.
- Sample check of documents suggest reasonable analysis on repayment capacity of clients.
- Groups are recognised by the Area Manager, who re-checks the details captured in the forms.
- Loan sizes start from Rs6000, thus giving the clients the option to chose a lesser loan amount, as per their requirement and capacity to repay.
- The Clients Meet organised by the MFI also emphasises self-assessment of repayment capacity and responsible borrowing from the MFIs.
- Targets are set in a participative manner involving the staff to estimate business realistically. Additionally, incentives for new client addition is capped to avoid irresponsible lending; no higher incentives beyond 75 new clients.

Client Protection

3 Transparency

- Details of the loan – Loan amount, Interest rate on declining basis, insurance premium and loan processing fees are printed on the loan cards in Hindi.
- Loan terms and conditions, including processing fee and insurance charges, are explained verbally during the initial training, and again before disbursements, and at centre meetings.
- However, since the introduction of declining rate loans, interest rate is not stressed during the trainings. Clients are educated only about the absolute amount of interest payment. Though it is printed on the loan cards, low literacy level acts as a barrier for the clients to understand.
- Clients' awareness on conditions of the loan is checked before the group is deemed eligible through GRT.
- Receipts are issued to the centre for all cash transactions. The internal audit team checks the transactions by comparing client passbooks with the branch records.
- Loan amortization schedule is printed on the loan cards. Both the clients and credit officers sign on the loan cards during centre meetings. All the clients visited had updated loan cards.

Client Protection

4 Responsible pricing

- Utkarsh reduced its interest rate from 31.74% to 28.18% and processing fees from 2% to 1% in March 2011. The Board minutes suggest that it was more as a response to the demands from banks and other lenders in the light of uncertainties in the regulatory environment. According to the management, it was a conscious and voluntary reduction, in line with its priorities.
- Interest rate was further reduced to 25.94% on May 15, 2011 to comply with new RBI regulations.
- Reduction in interest rate with expansion is a priority for the MFI and it reflects in its business plan.
- Premium for compulsory insurance is 1% of the loan amount. The entire premium amount collected is passed on to the insurance company. Utkarsh does not receive any commission from the company for insurance service, not even what is permissible under the IRDA guidelines.
- Utkarsh is discussing with various service providers to improve the insurance product. The company is trying to increase the coverage to 125% of the loan amount, for the same premium amount.

Loan Product		Effective cost to clients
Navodaya	September 2009 to March 2011	38.9%
Unnati	March 2011 to May 2011	31.8%
Pragati	Since May 2011	29.7%
Kiran	Since October 2011	28.1%

*The effective cost to clients, including processing fee and insurance charge.

Client Protection

5 Fair and respectful treatment of clients

- “No harsh recovery tactics or language” is one of the key guiding principles for Utkarsh.
- Respectful behaviour with clients is stressed during the initial training, though not detailed in the operations manual.
- Detailed procedure for delinquency management is given in the manual. The field staff interviewed by the rating team had good awareness on the process to deal with overdue cases.
- The operations manual gives step by step process to deal with the clients. It emphasises on ensuring credit discipline, however, appropriate/inappropriate collection practices are not clearly listed.
- Clients visited were mostly satisfied with the MFI staff’s behavior.
- Utkarsh does not collect any other documents from the clients, than the KYC requirements. The application forms are in Hindi, and are in simple language for the clients to understand.
- Company does not deny loan to poor from upper castes, but it focuses more on SC/ST and OBC communities.

Client Protection

6 Mechanism for complaint resolution

- Utkarsh has a 24 hour dedicated phone line to receive client complaints. This number is printed on the passbook in Hindi. It is also emphasised during the CGT, GRT and at the centre meetings.
- Dedicated staff at HO to attend the calls. Calls are forwarded to his personal number, after the office hours.
- The complaints/queries received, the client's phone number, and the actions taken are documented in a register. Most of the calls are about reasons for denial of loans to any client, enquiries about insurance claims, and other similar clarifications. Some of the calls were regarding staff misbehaviour.
- The complaints are followed up with the concerned Area Manager. Usually the complaints/queries are resolved within 7 working days.
- In addition, a complaint box is kept at the branches. The internal auditors opens it during the audit visits.
- Utkarsh has formed a grievance redressal committee at the head office which meets every month to discuss the issues. Nodal officer presents all the complaints and the actions taken to resolve them. The committee checks if all the queries or complaints have been satisfactorily settled; cases are closed only after approval from the committee.

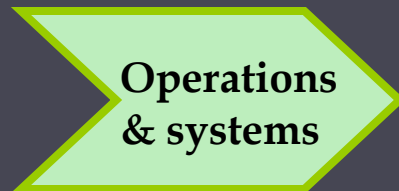
7 Privacy of client data

- Utkarsh shares the relevant client data with the credit bureaus and the Insurance company. Clients' consent is not formally taken for sharing the data with third parties. However, the clause on securitization/sale of portfolio is mentioned in the loan application form.
 - No evidence for data being misused for any other purpose.
-

Responsibility to staff and community

Process

Results



Responsibility to staff,
community and
environment

Responsibility to staff

- Newly recruited field staff have to deposit original documents with the company.
 - The field staff and the Area Managers have to pay a security deposit of Rs.5,000 and Rs.10,000 respectively, on joining. This is collected through 10 instalments deducted from the monthly salary. The amount is refunded to the employees while leaving (interest calculated at the prevailing SBI FD rate).
 - Staff are eligible for 6 Casual Leaves, 6 sick leaves and 21 earned leaves (EL). The staff are also eligible for 3 months maternity and 7 days paternity leaves.
 - All the staff of the company are insured for accidental coverage for amount up to Rs1 lakh. The field staff are also insured under the ESIS.
 - Presently, the MFI does not extend financial support to staff for purchasing vehicles. However, staff have their own bikes and are eligible for reimbursement of 17 litres of petrol every month.
 - Internal promotions are preferred by the MFI. Over 80% of the higher positions are filled through internal promotion, giving staff fair opportunity to grow within the organisation.
 - After the appraisal, the staff's performance is discussed and conveyed in a counseling session with the immediate reporting authority. Targets are set in a participative manner, to avoid undue pressure on the staff to perform.
 - The staff have to stay at the branch premises, and the MFI pays up to Rs1000 to employ a cook. Married staff are exempted from staying at the branches.
 - Utkarsh has an open door policy; and encourages open discussions and interactions with the top management. The company recently organised an Annual meet and games and other outdoor activities were organised to encourage interaction with the senior management.
 - Best performing COs are identified every month and are awarded a cash prize of Rs500; best performing BMs are awarded quarterly, a sum of Rs1000.
 - Grievance redressal committees are formed at the regional and central levels to address employees' concerns. Staff are encouraged to approach the committee; the issue is to be resolved within 14 days.
-

Responsibility to staff...continued

- Staff attrition rate is high at 23.2%, annualised for FY2011-12; it was a higher 41% for the previous year. Almost 80% of the staff who left were trainees or probationers, raising questions on appropriateness of the selection process. According to the MFI, the high attrition during training/probation is due to the tough nature of field job.
- Gender: Low percentage of women staff. One 7 women staff – one at the field and 6 at the Head Office.
- Utkarsh believes in equal opportunity for men and women candidates during recruitment.
- The operational area of Utkarsh has low female literacy and work participation rate compared to other states in the country. Also, work at Utkarsh demands extensive travel to rural areas, which deters many women from joining the workforce.
- The MFI is sensitive to the requirements of its women staff. Women are discouraged from spending late hours in office. Women are excluded from the late evening shifts in IT and Accounts.
- Utkarsh has set up a Gender Equality committee to handle issues related to discrimination against women. The committee consists of 2 female members and one male member and meets every quarter.
- Utkarsh is planning to experiment with an all-women branch. As the staff have to stay within the office premises, a mixed group of male and female staff might deter women from taking up the job.
- The women staff at HO, with whom the rating team interacted, were satisfied with the work environment and growth opportunities at the MFI.

An employee survey was recently conducted by a third party consultant. Utkarsh scored high on being well-managed, good role clarity of staff, clarity in mission/objectives, and in communication of key decisions to staff. The score was low on compensation and benefits related component. Though Utkarsh has medical assistance for its staff, employees scored Utkarsh low on this attribute too. Most of the staff interviewed planned to have a long-term career with Utkarsh, and suggested that there should be better coordination amongst the employees, and that branches should be opened in more developed locations.

Responsibility to Community & Environment

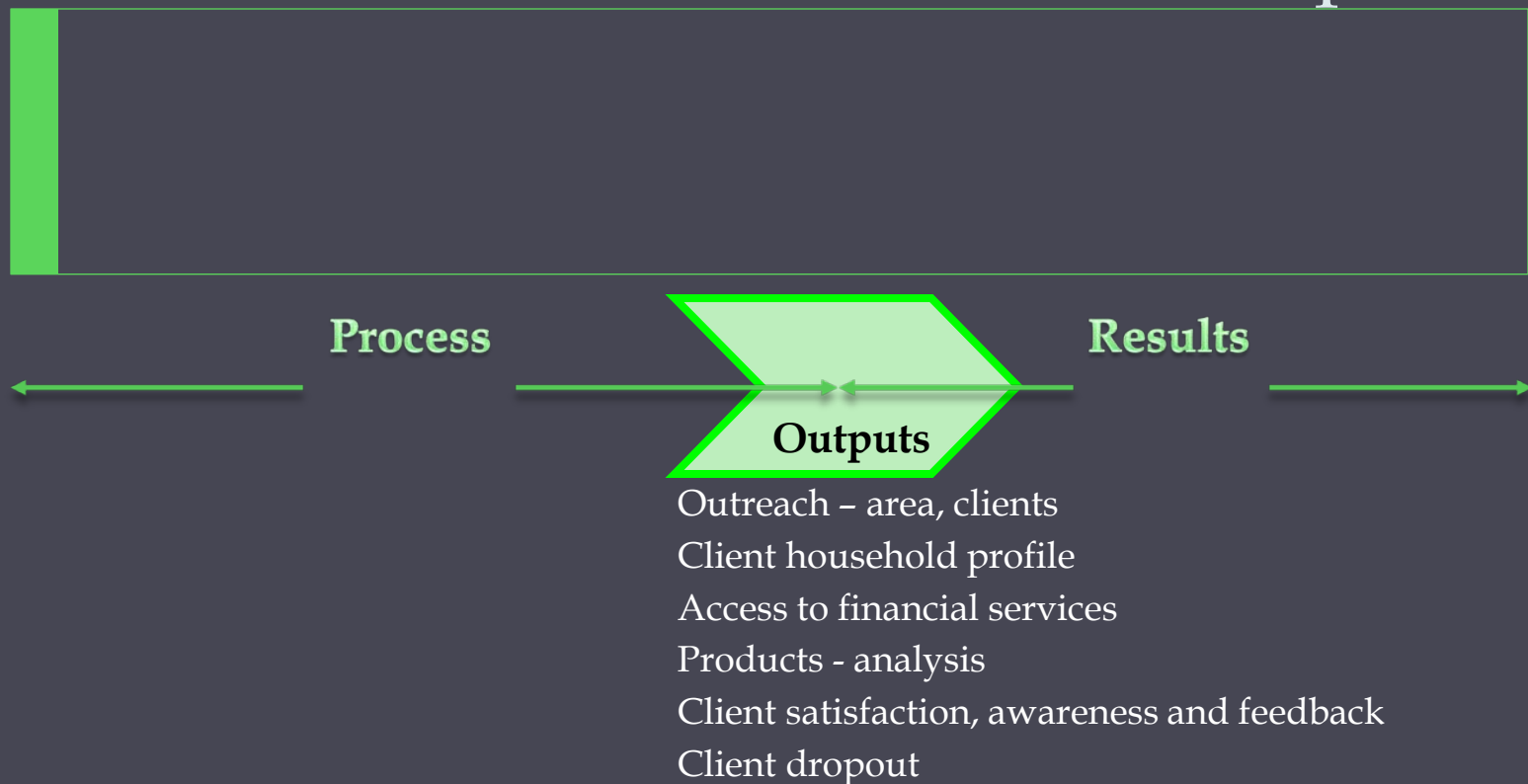
▶ **Community**

- Utkarsh prefers to recruit its field staff from the under-privileged sections of society. The break-up of social profile of the staff are part of regular reports to the Board.
- The non-financial activities through Samutkarsh, like the vocational training programme, is open to non-clients also. Many of its planned programmes will benefit the entire community in the operating areas.

▶ **Environment**

- Utkarsh has a policy to not fund illegal activities. It follows the IFC exclusion list for its lending.
- The company's policies prevent it from lending to businesses with negative social value.
- However, Utkarsh is yet to list out potentially harmful enterprises; it does not form a criterion for audit or loan utilisation checks.
- As most loans are used for micro enterprises at household level, the potential for environmental risk is negligible.

Results: outputs



Outreach – Area

- ▶ The operational area of the MFI – eastern UP and Bihar - is one of the most under-developed regions in the country. UP and Bihar ranked 13th and 15th respectively (out of 15 states ranked), in the 2001 HDI report.
- ▶ Utkarsh focuses its operations mainly in rural areas. 51 out of 65 branches are located in rural areas; 71% of the MFI’s clients are from rural areas.
- ▶ Utkarsh plans to expand to Uttaranchal in the near future, which is also a poor state.
- ▶ Development indicators on Area of clients’ residence is captured in the loan application forms by the MFI. 26% of the client households are located at a distance of more than 3 Kms from a PHC.

Distance from Primary Health Centre (PHC)	% of new clients
less than 1 Km	45%
1 - 2 Km	15%
2 -3 Km	14%
More than 3 Km	26%

Source: Utkarsh’s MIS

Distance from school	% of new clients
less than 1 Km	92%
1 - 2 Km	4%
2 -3 Km	1%
More than 3 Km	3%

Source: Utkarsh’s MIS

Clients by State, level of development

	Uttar Pradesh	Bihar	India
HDI score ¹	0.388	0.367	0.472
GDI score ²	0.509	0.479	0.590
% Below poverty line ³	20%	28%	17%
Portfolio share by state	60%	21%	100%

Sources:

¹National human development report, 2001

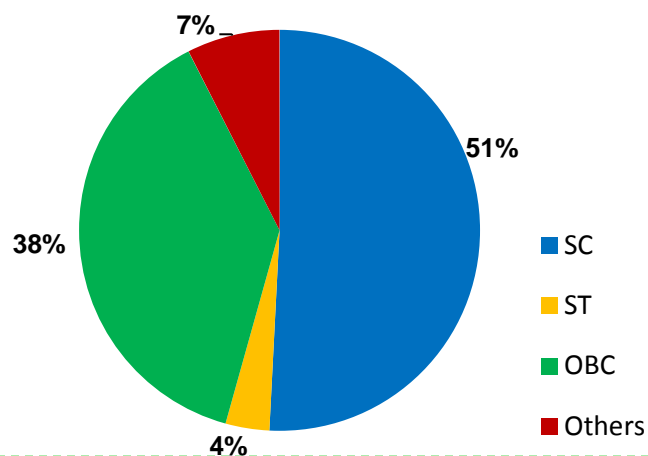
²Ministry of women and child development
www.wcd.nic.in

³NSSO round 62

Outreach – clients

- 96% of Utkarsh’s clients are Hindus, and the rest 4% is mainly Muslims.
- More than half of the new clients (55%) belong to SC and ST. Other backward castes constitute 38% of the new clients.
- Almost three-fourth of the clients have their household income within the RBI limit for rural areas. Only a quarter of clients have household income above Rs5000 per month.
- None of the new clients owns more than 5 Acres of land.

Caste break-up of new clients



[Source: Utkarsh’s MIS]

Household income	% new clients
< Rs3000	0.5%
Rs3001-Rs5000	74.3%
>Rs5000	25.2%

Client Occupation	% of new clients
Not employed	87%
Self-employed	12%
Other employment	1%

Religion	% new clients
Hindu	96.2%
Muslim	3.7%
Others	0.1%

Household profile

- Almost all the new clients own the houses they live in. This is preferred by the MFI during client selection.
- It is noteworthy that only a quarter of the households have electricity connection.
- 91% of the households do not use LPG as cooking fuel. The major dependence is on cheaper sources like wood or dung cakes.

Electricity connection	% households
Yes	26%
No	74%

Cooking fuel	% households	
	Using	Not using
Kerosene	3%	97%
Gas	9%	91%
Wood/dung	96%	4%

Source: Utkarsh's MIS

Access to financial services

- 87% of the new clients do not have a bank account, and are excluded from the formal financial sector.
- On September 2011, 26% of Utkarsh's new clients had loans with other MFIs.
- Bihar and Uttar Pradesh have low financial inclusion compared to the rest of the country, as shown in the table.

Bank Account	% new clients
Yes	13%
No	87%

Source: Utkarsh's MIS

% Adult population with bank accounts	
Bihar	33%
Uttar Pradesh	57%
India	59%

Source: Indian Institute of Banking and Finance;
www.iibf.org

Products – analysis

[Source: Utkarsh's MIS]

- Most of the loans were taken by clients for livestock and trade in this financial year. 17% of the loans were taken for services.
- Being a new MFI, majority of Utkarsh's clients are in the first loan cycle. 40% clients are in the second loan cycle.
- Two-third of the loans disbursed fall between Rs5,000 and Rs10,000. The MFI has not disbursed any loans above Rs15,000, this year till September.
- 100% of the loans disbursed after March 2011 are fortnightly loans.

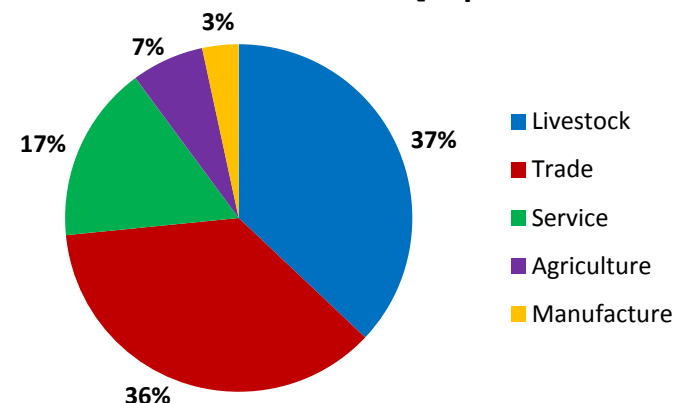
Clients and portfolio break-up by loan cycle [September 2011]

Loan cycle	% of clients	% of portfolio
1 loan	57%	47%
2 loans	40%	48%
3 loans	3%	5%
4 loans	0% (1 client)	0%

Loan disbursement by Number [Apr -Sep 2011]

Loan size	No of loans	% of total loan
<Rs5,000	0	0.0%
Rs5,001-Rs10,000	40,088	66.4%
Rs10,001-Rs15,000	20,254	33.6%
>Rs15,000	0	0.0%

Purpose wise number of loans outstanding [September 2011]



Client satisfaction, awareness and feedback

- Many of the visited clients expressed the need for higher loan amounts.
- Some of the clients suggested that the COs should collect repayments from the members during the centre meetings, instead of the clients depositing it at the branches.
- Most of the clients were happy with the staff behaviour. One of the clients visited felt that the CO and BM did not treat them with respect, as one of their centre members was not regular in attendance; the Operations Head was present during the meeting, and has promised to enquire about it.
- While most of the clients were happy with fortnightly repayments, some of the clients preferred weekly repayments, as it suits their cash-flow better.
- All the visited clients had their loan cards updated.
- Clients had high awareness on joint liability and repayment tenure, and moderate awareness on other terms and conditions of the loan, except on interest rate. Very few clients were aware of the interest rate; the others were aware only of the absolute amount of interest.

Client Awareness on*	Level of awareness
Group liability	Very High - All the clients visited were aware
Interest rate	Very low
Processing fee	Moderate
Repayment tenure	Very High
Prepayment conditions	Low
Insurance premium	Moderate
Insurance cover	Moderate. Most clients were partially aware.
Grievance mechanism	Moderate

Client protection*	Yes
Clients possess updated loan cards	100%
Clients were explained all the terms and conditions before taking the loan	100%
Abusive behaviour to group members, or threats to them and their families	0%
MFI staff asking gifts, bribes etc.	0%
Discrimination amongst members	0%

* Based on M-CRIL's focus group discussion with clients in 8 centres across 4 different branches.

Client dropout

- Utkarsh drops a client if she does not borrow within 2 months of repaying her previous loan.
- Unique client id for clients enables the MFI to calculate and track the dropout rate.
- New clients ids are issued if dropout clients rejoin at a later time.
- The MIS generates a list of dropout clients and sends it to the branches at the end of every month. Formal client exit surveys are not conducted. The COs record for each case, if the MFI has denied loan to the client or it is a voluntary dropout. Reasons for voluntary dropouts are not collected.
- According to the management, migration of clients to other areas, reluctance to attend meetings or business failure are some of the major reasons for clients leaving the programme. A number of clients have also been purposefully dropped out by the groups or the MFI, owing to poor credit discipline or over-indebtedness. Monitoring visits include visits to dropout clients.
- Dropout rate is 23.4% for 2011-12, annualised for 7 months till October 2011.
- The operations department recently conducted an analysis of dropout reasons, by studying the branch reports. The study claims that 65% of the dropout clients are intentionally dropped out by the MFI. Only 35% of dropouts left on their own accord.

Clients:	FY 2010-11	FY 2011-12
a Total at end of year (period)	55,506	65,431
b New clients during year/period	62,166	50,486
c Dropout during the period (As reported by the MFI till Oct, 2011)	5,024	14,473
Rate of exit: $c/(c+b)$ (Annualised for 2011-12)	7.2%	23.4%

Annexes

- Key guiding principles
- List of Board members
- Evaluation and rejection criteria for clients
- Microfinance processes
- Loan products
- Types of audit and parameters covered
- Monitoring matrix
- Abbreviations
- Glossary
- M-CRIL social rating grades

Key guiding principles

- ▶ Utkarsh Microfinance has defined 10 key guiding principles for its operations:
 1. Exclusively for under privileged Women
 2. Joint Liability Groups
 3. Compulsory Attendance
 4. Small loans for Income-generation
 5. Timely, Honest & continuous loan Disbursement
 6. Checking Loan Utilization
 7. Fortnightly Repayment
 8. Appropriate Interest Rate
 9. Provide Insurance Products
 10. No Harsh Recovery Tactics or Language

Board members

	Board Member	Position on Board	Experience	In the Board since:
1	Mr. Ajai Raj Sharma	Independent Director	Administration	2010
2	Mr. Ajay Bhupendra Maniar	Nominee Director	Finance	2011
3	Mr. Henning Haugerudbraten	Nominee Director	Finance	2011
4	Ms. Ramni Nirula	Independent Director	Banking and Finance, Social Development	2009
5	Ms. Vijaylaxmi Das	Independent Director	Micro Finance	2010
6	Mr. Govind Singh	Promoter Director	Banking, Finance and Micro finance	2009
7	Mr. Trilok Nath Shukla	Executive Director	Micro Finance	2009

Evaluation and rejection criteria for clients

Evaluation parameters:

- ▶ Cash flow analysis – Household should have maximum Rs 5000 (rural) and Rs 10000 (urban) Cash flow per month.
- ▶ Household assets should not be more than Rs 20000 (in rural) and Rs. 30000 (in urban)
- ▶ Value of livestock owned should not be more than Rs 20000 (in rural) and Rs 30000 (in urban)
- ▶ Rooms per household should not exceed 2.
- ▶ Land holding should not be more than 2 bigha irrigated and 3 bigha non irrigated.
- ▶ Parameters to be used to assess the Loan-
 - Household cashflow analysis
 - Business seasonality analysis
 - Commitment to business in terms of years of experience
 - Delinquency ratio in case of existing Loan.
 - Mutual guarantee to repay the Loan on behalf of other members

Clients are rejected loans, if:

- ▶ Client is involved in illegal activities
- ▶ Client already has loan from 2 other companies
- ▶ The outstanding loan from other agencies is more than Rs15,000
- ▶ Client has hidden information from the company
- ▶ Client's spouse or guarantor is a government employee
- ▶ There are 2 clients from the same household
- ▶ The difference between household income and expenses is less than 75% of the instalment for proposed loan.

Microfinance processes

- ▶ Once a village is identified for operations, projection meetings are conducted by Credit officer (CO) in the presence of BM in the village/community. Company's mission, vision, goal, methodology, product etc. are discussed in the meeting.
- ▶ After projection meeting, women are motivated to form joint liability groups of 5 members. 2-6 groups are clustered to form a centre.
- ▶ 5 days Continuous Group Training (CGT) is provided to group members on the objectives, rules and regulations, systems and procedures of the credit program. 100% attendance is mandatory for conducting CGT. Loan application forms are filled during the training.
- ▶ After the CGT, Group Recognition Test (GRT) is conducted by the Area Managers (AM). The AMs visit the client households and verifies their identity and repayment capacity. Groups are rejected if they lack cohesion, or lacks understanding of loan products.
- ▶ Loan proposals are appraised during the GRT process and disbursements are made at the Branch Office by BM. At the time of disbursement, members are required to be present along with their guarantors.
- ▶ Credit Officer conducts LUC for all borrowers within 14 days of disbursement. Branch Manager and Area Manager conduct LUCs for 50 % and 20% respectively of total borrowers, CO wise.

Loan products

Terms	Product Name	Utkarsh Navodaya (discontinued)	Utkarsh Unnati (discontinued)	Utkarsh Pragati	Utkarsh Kiran
Date of introduction		September 2009	March 2011	May 2011	October 2011
Model of lending		Group	Group	Group	Group
Min amount (Rs.)		Rs6,000	Rs6,000	Rs6,000	Rs18,000 fixed
Max amount (Rs.)		Rs18,000	Rs18,000	Rs15,000	
Term		46 weeks	30 fortnights	29 fortnights	52 fortnights
Frequency		Weekly	Fortnightly	Fortnightly	Fortnightly
Rate of interest		31.74% p.a. Reducing	28.18% p.a. Reducing	25.94% p.a. Reducing	25.94% p.a. Reducing
Upfront charges		2%	1%	1%	1%
APR		36.5%	30.0%	27.8%	27.0%
Share in portfolio 30 September 2011		10.6%	15.7%	73.6%	0.0%

* Utkarsh Navodaya and Utkarsh Unnati have been discontinued. New loans are not disbursed in these products.

Types of audit & parameters covered

Type of Audit	Criteria for Selection of Branches	Duration	Scope of Audit
Snap Audit	New Branches which are 3 months old or mature branches for any specific issue	One day	Random check of office procedures such as collection of processing fees, and maintenance of relevant books & registers.
Short Audit	New Branches having 500 clients or Branches which are 3 months old whichever is earlier	2 to 3 days	Short Audit will focus on field processes such as Group Formation, CGT, GRT, Centre meetings in Branches with 500 clients
Comprehensive Audit	Comprehensive audit is full fledged branch audit and will be carried out at least once in a quarter in each branch.	6 to 8 days	80%to90% of all the field activities are covered. Auditor has to attend minimum 3 centre meetings per day as well as 2 other activities of any CO to check the adherence to processes and procedures.

Performance Areas (branch level)	Weights
Statutory Compliances & Infrastructure	2%
Fixed Assets	2%
Record keeping	15%
Field Operations	35%
Cash Management	10%
MIS	5%
HR	6%
Monitoring Mechanism	15%
Code of conduct	10%
Total	100%

Monitoring matrix

	Branch Manager	Area Manager	Divisional Manager	Regional Manager	Zonal Manager
Projection meeting	Thrice a week	Twice a week	Once a week	Once a week	Once a week
CGT	1 daily*	2 per day	1 per day	Thrice a week at different branches for different COs	
GRT		Conducts all the GRTs	At least 2 in a week	At least 2 in a week	At least 2 in a week
Centre Meeting	2 per day. All centres must be visited every quarter	2 per day. Meetings of all the Cos to be visited monthly	2 per day. Meetings of all the COs to be visited quarterly	1daily. Meetings of all the COs to be visited half-yearly	1daily. Meetings of all the COs to be visited annually
Branch visit		Twice a week	Once a month	Once a quarter	Once in every 6 months
*BM should visit CGTs for those centres whose projection meeting was not attended					

Abbreviations

BM	Branch Manager	HR	Human Resource
CAGR	Compound Annual Growth Rate	LUC	Loan Utilisation Check
CEO	Chief Executive Officer	MD	Managing Director
CGT	Continuos Group Training	MFI	Microfinance Institution
CO	Credit Officer	MIS	Management Information System
COO	Chief Operations Officer	NPL	National Poverty Line
EIR	Effective Interest Rate	OBC	Other Backward Caste
EL	Earned Leave	OER	Operating Expense Ratio
ESIS	Employee's State Insurance Scheme	PAR	Portfolio at Risk
FGD	Focus Group Discussion	PBT	Profit Before Tax
FY	Finacial Year	PHC	Primary Health Centre
GDI	Gender-related Development Index	PPI	Progress out of Poverty Index
GNI	Gross National Income	RBI	Reserve Bank of India
GRT	Group Recognition Test	RoA	Return on Assets
HDI	Human Development Index	SC	Scheduled Caste
HO	Head Office	SPM	Social Performance Management
		ST	Scheduled Tribe

Glossary

- ▶ National poverty line: Rs14.25/person/day in 2006 (Rs2,815/household/m).
- ▶ Backward districts: Listed in Planning commission's 100 poorest districts (excluding Delhi, Goa, Bihar and Orissa) for Govt's backward district programme (RSVY) and for Bihar from Poorest Area Civil Societies programme of DFID
- ▶ Dropout rate: $\text{Number of dropouts reported} / (\text{No. clients at the beginning of the year} + \text{No. of new clients joined during the year})$
- ▶ Staff turnover rate: $\text{Number of staff who left or dismissed} / (\text{No. of staff at the beginning of the year} + \text{No. of new staff joined during the year})$
- ▶ Portfolio at risk (PAR (>60days)): Ratio of the principal balance outstanding on all loans with overdue greater than or equal to 60 days to the total loans outstanding on a given date.
- ▶ Effective Interest Rate EIR: The full financial costs of borrowing to the client , including interest (on declining annual basis) , and all associated fees.
- ▶ Operating Expense Ratio: Ratio of salaries, travel, administrative costs and depreciation expenses to the average loan portfolio.

M-CRIL social rating grades

M-CRIL Grade	Description
$\Sigma\alpha+$	Strong social commitment, excellent systems, evidence for strong and comprehensive adherence to social mission and values.
$\Sigma\alpha$	Strong social commitment, very good systems, evidence for good adherence to social mission and values.
$\Sigma\alpha-$	Strong social commitment, good systems, evidence for good adherence to social mission and values.
$\Sigma\beta+$	Good social commitment, reasonable systems, evidence for reasonable adherence to social mission and values.
$\Sigma\beta$	Good social commitment, moderate systems, evidence of partial adherence to social mission and values. Many aspects of social performance need to be institutionalized.
$\Sigma\beta-$	Weak social commitment, weak systems, evidence of partial adherence to social mission and values.
$\Sigma\gamma+$	Weak social commitment, weak systems, no evidence reflecting social mission or values.
$\Sigma\gamma$	Very weak social commitment, very weak systems, no evidence reflecting social mission or values.

***Grade $\Sigma\alpha+$ also requires significant poverty outreach, in addition to performance in other aspects.**

In addition, a 'Positive' outlook given by M-CRIL suggests that the institution is expected to improve its rating in one year period to one higher notch, 'Neutral/Stable' suggests that the institution is likely to retain its rating till the end of one year from the rating, and 'Negative' outlook suggests that it is expected that the institution may lower its rating performance by one notch in one year period.