



# Arohan Social Rating

**M-CRIL** - incorporating EDA Rural Systems  
*inclusive microeconomics*



M-CRIL - incorporating EDA Rural Systems  
*inclusive microeconomics*

# Arohan Financial Services Limited

## Social Rating

Finance Non-Banking Company (NBFC-MFI)

Standard Comprehensive<sup>1</sup>

Kolkata West Bengal, India

June 2022

**Vision:** To impact over 20 million lives by 2025 OR 20 by 2025.

*Sub-statement:* Aspiring to be in the Top 3 Financial Inclusion players while reaching to over 5 million households with a ₹ 25,000 crore portfolio and being in the top 3 places to work by 2025

**Mission:** To empower the underserved households and small businesses by offering a range of financial services, in a manner sustainable for all stakeholders.

1 USD = INR 75.87 (31 March 2022)

All data – as of March 2022 unless otherwise stated

<sup>1</sup>Client level information based on data available with Arohan

	2022
SOCIAL RATING	$\Sigma\alpha$
RATING OUTLOOK	Positive
Rating dimensions	2022
Process/organisational systems	
Governance and strategy	$\Sigma\alpha+$
Monitoring social goals	$\Sigma\alpha$
HR & responsibility to staff	$\Sigma\alpha$
Client protection	
Client protection	$\Sigma\alpha+$
Results/outputs – client level information <sup>1</sup>	
Depth of outreach	$\Sigma\alpha-$
Quality of services	$\Sigma\alpha$

M-CRIL: Sana Zehra [sanazehra@m-cril.com](mailto:sanazehra@m-cril.com)

Shreya Rajpuria [shreya@m-cril.com](mailto:shreya@m-cril.com)

Arohan: Siddhartha Basu [siddhartha.basu@arohan.in](mailto:siddhartha.basu@arohan.in)

Indira Ghosh [indira.ghosh@arohan.in](mailto:indira.ghosh@arohan.in)

Visit: 18 - 26 April 2022

Tel: +91 124 491 1942

Tel: +91 33 4042 7726



M-CRIL - incorporating EDA Rural Systems  
inclusive microeconomics





## Disclaimer

- Our services were performed, and this report was prepared in accordance with the Contract dated 11 July 2022, subject to the terms and conditions included therein. The information captured in this Report is based on the documentation and information received from time to time from Arohan. M-CRIL did not audit or otherwise verify the information supplied in connection with this engagement, from whatever source obtained, except as may be specified in this Report.
- In no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by any person to whom we have made information requests.
- Arohan shall be fully and solely responsible for applying independent judgment, with respect to the findings included in this Report, to make appropriate decisions in relation to future course of action, if any.
- Please note that this report has not referenced to the portfolio in Assam due to the ongoing regulatory and political scenario in the state with regards to microfinance companies





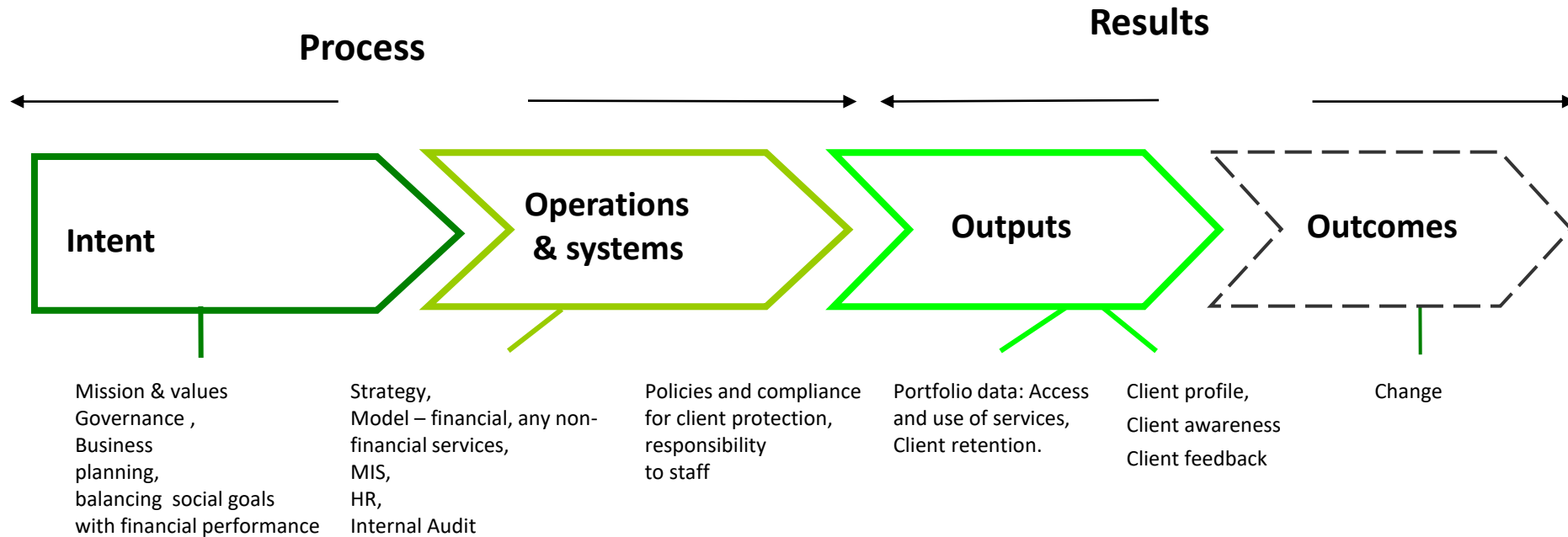
# Structure of the Report

- **Introduction – Social Performance Pathway**
- **Synopsis**
- **Rating Rationale**
- **Intent: Mission, Governance and Strategy**
- **Systems alignment**
- **Client protection**
- **Results: outputs and outcomes**
- **Annexes**





# Social Performance Pathway



- ▶ Social performance is: the **effective translation of an institution’s mission into practice in line with accepted social values**. This definition is reflected in the Universal Standards of Social Performance Management (USSPM [www.sptf.info](http://www.sptf.info) ).
- ▶ This standard comprehensive social rating covers the first three steps of the social performance pathway, drawing on FI data for results. There is no recent data for change at client level.
- ▶ This rating includes SPI4 (<http://www.cerise-microfinance.org/>) as a systems measure of the Essential Practices of USSPM.





## India Country Development

- The Indian economy is expected to grow in FY22 between 6.5% to 7.3% in FY 2022-21 (Federation of Indian Chambers of Commerce & Industry, FICCI).
- Global events and the resulting inflation are expected to delay India’s recovery from the pandemic which was marked by a slowdown even before the pandemic.
- The impact of the pandemic on the vulnerable and poorer populations has been more acute. According to one study<sup>1</sup> an estimated 75 million people were pushed into poverty due to the pandemic related economic recession.

### Poverty and Vulnerability

- India ranks at 66 (of 109) according to the global multidimensional poverty index, 2021.
- In 2021, Niti Aayog published the first multidimensional poverty index (MPI)<sup>2</sup> for all states and districts in India
- The MPI identifies 25.01 per cent of the population as multidimensionally poor.
- Bihar has the highest proportion of people who are multidimensionally poor, followed by Jharkhand and Uttar Pradesh.

Population (World Bank, 2020)	1.3 billion
Rural population (ibid)	65%
Women headed households (World Bank 2016)	14.6%
Adult literacy rate (%) women/men (World Bank 2018)	66/82
Per capita GNI (World Bank, 2020)	\$1,920
HDI rank (UN, 2021)	131/189

1 <https://pewrsr.ch/3eP3Fih>

2 The MPI combines the methodology used by the UNDP and the Oxford Poverty and Human Development Initiative (OPHI). It has three equally weighted dimensions – health, education, and standard of living; these dimensions are categorized into 12 indicators - nutrition, child and adolescent mortality, antenatal care, years of schooling, school attendance, years of schooling, drinking water, sanitation, housing, bank accounts, cooking fuel, electricity and assets





## Context – India: Microfinance and Financial inclusion

- The central bank of India, the Reserve Bank of India – is responsible for overseeing and regulating microfinance institutions.
- In March 2022, the RBI issued new guidelines emphasized on determining repayment capacity of the customers and over-indebtedness limits. RBI defines a microfinance loan as a collateral-free loan granted to a household with an annual household income of up to Rs 3 lakh.
- As on December 2021, the general loan portfolio of microfinance was Rs 2,56,058 crore with 105.8 million loan accounts.
- According to Microfinance Institutions Network (MFIN), NBFC-MFIs have 78 per cent of the portfolio in rural areas and 22 per cent in urban areas.
- In August 2021, the Assam government signed an MoU with 37 microfinance lenders for implementation of the Assam Microfinance Incentive and Relief Scheme (AMFIRS), 2021. Arohan is also part of this MoU. As a result, Arohan has halted its operations in Assam.

**Global Findex 2021** indicates levels of financial inclusion similar to 2017:

- High ownership of formal accounts - 78% of adults, which is down from 80% in 2017.
- Gender gap closed between 2017 and 2021 – 78% account ownership for both male and female in 2021.
- More males (15%) than females (10%) borrowed from a formal financial institution in 2022.
- Proportion of females saving down to 20% in 2021 from 22% in 2017 and proportion of males saving down to 25% in 2021 from 37% in 2017



## Synopsis

- Aavishkar Venture Management (20.6%) and IntelleCap (13.71) are the main promoters and shareholders of Arohan Financial Services Pvt. Ltd. Aavishkar Goodwill of AG-II (15.4%), Maj Invest (12.8%), Tano (14.1%), TR Capital (8.1%), Michael and Susan Dell Foundation (2.7%) are the other shareholders.
- Headquartered in Kolkata, West Bengal, Arohan Financial Service Pvt. Ltd. has emerged as one of the larger Microfinance institutions.
- Arohan's portfolio is spread across **14 States** and Union Territories. Over the years Arohan has focused on decreasing its portfolio concentration in West and diversifying across multiple states in the eastern part of the country. Despite this West Bengal accounts for 28.2% of its total portfolio.
- Financial services include credit for income generation and voluntary health insurance.
- The loan portfolio as of March 2022 was ₹ 4,117.7 crores (US\$542.7 mn)

Organizational overview	Mar-2022
Number of states & UTs (total)	14/28
Number of districts	224
Number of branches	734
Number of clients (lakhs)	18.92
Gross loan portfolio (₹ crores)	4,117.7
Total number of staff (women staff)	7,160()
Customers per Customer Service Representative (CSR)	384

Outreach Profile	Mar-2022
Women clients	97.8%
Rural (and peri-urban) clients	87.2%
Clients in top 10 low-income states	70.8%
SC and ST clients	1.3%
<b>New clients &lt; National Poverty Line</b>	
Av. loan outstanding	₹ 22,109/ \$291
Av. loan outstanding per client/GNI	~13.4%







## Rating Rationale

### Strengths

- ▶ Well defined mission and vision statements with corresponding social performance indicators. Adequate reporting on social goals to Board
- ▶ Experienced Board and management; focus area includes social performance management
- ▶ Adequate reporting on social goals to the Board. Monthly results are benchmarked against targets including reporting on client protection principles.
- ▶ Continued focus on capturing feedback from employees on quality of work. High score (95%) on the Great Places to Work (GTPW) survey.

### Gaps

- ▶ Gaps in implementing poverty assessment tool – data on **PPI is collected and reported for all new clients**. Scores used to present result rather than probability of poverty.
- ▶ Low client awareness on signing up for voluntary insurance product
- ▶ Internal Audit scope does not include verifying data on poverty (PPI)



## Social Performance Indicators (SPI)

- ✓ Arohan performs better than the global and as well as the South and South-East Asia (SSEA) average for all dimensions of USSPM
- ✓ Certified on client protection principles, it has scored highest on Dimension 4.
- ❖ Social targets should be embedded in the business strategy and the key performance indicators of senior management.
- ❖ Scope to improve reporting on employee dissatisfaction.
- ❖ A lower score on Dimension 2 is largely attributable to the lack of aligning and benchmarking senior management's assessment on Social Performance Target and Board's accountability on Social Performance targets and achievements.

### SPI-4 ALINUS Scores



# Intent: Mission, Governance & Strategy



Mission: goals and objectives  
Governance and strategic planning



## Mission: Goals and Objectives

- ✓ Clear mission and vision laid out in the strategy document for the years 2019–2025; most recent revision of mission and vision done in January 2019.
- ✓ Strong commitment to monitoring social performance (SP). SP data is collected and reported quarterly to the Board.
- ✓ Approved by the Board in April 2022, Arohan has developed a customized Environment and Social (E&S) policy and put in place an Environment and Social Management System (ESMS) for implementations.
- ❑ Gaps in reporting of PPI data – analysis based on PPI scores and not poverty probability [which is determined from the scores using the PPI table](#).
- ❑ Targets for environmental performance have not yet been defined.

### 1 - Define and monitor social goals



	Old mission and vision Statement	New mission and vision Statement	Indicators/reporting
<b>Target Area</b>	➢ 10 low-income states (LIS)	➢ Beyond the LIS	➢ Extent of penetration in “underserved” areas
<b>Target clients</b>	➢ underserved	➢ underserved	<ul style="list-style-type: none"> <li>➢ Districts in underserved areas.</li> <li>➢ PPI score of new clients</li> <li>➢ Rural clients</li> </ul>
<b>Services</b>	➢ Range of financial services	➢ Range of financial services	<ul style="list-style-type: none"> <li>➢ No. of financial products offered</li> <li>➢ No. of accounts per customer</li> <li>➢ Proportion of customers with more than 1 account with Arohan</li> </ul>
<b>Outcomes</b>	➢ In a manner sustainable for all stakeholders	➢ In a manner sustainable for all stakeholders	➢ Change in PPI scores between 2019 and 2022





## Governance

- ✓ Experienced board with active participation. Board members have experience in banking, finance, development sector and microfinance (see Slide 31 in Annex for details).
- Six sub-committees for specific functions: audit, risk management, nomination and remuneration, IT strategy, CSR, share transfer and securities allotment.
- ✓ Board is chaired by an Independent Director; one-third of the Board members are independent.
- Board meetings held at least every quarter and discussions are documented. Eight meetings conducted in the FY 2021-22 to address strategy related matters.
- Reports to board include updates on financial and social performance.
- ❑ Benchmark for the ratio of highest to lowest salary is capped at 63.6 – the actual ratio for Q2 of FY 2021-22 was 100 times.
- ❑ In compliance with local laws, remuneration of the MD is disclosed in the Annual Report
- ❑ Low gender diversity on Board - one out of 12 members is a woman
- Managing director is evaluated only on business aspects; no weightage given to social aspects.

Board	Performance
Directors	12
Independent directors	4
Women director	1
Directors with SP related skills	None
Number of meetings prev. year	8
Use of social performance indicators for strategic direction	Yes
SPM committee	Yes
Achievement of social goals is part of the evaluation of the MD's performance	No
Ratio of MD's total remuneration to average field staff	100





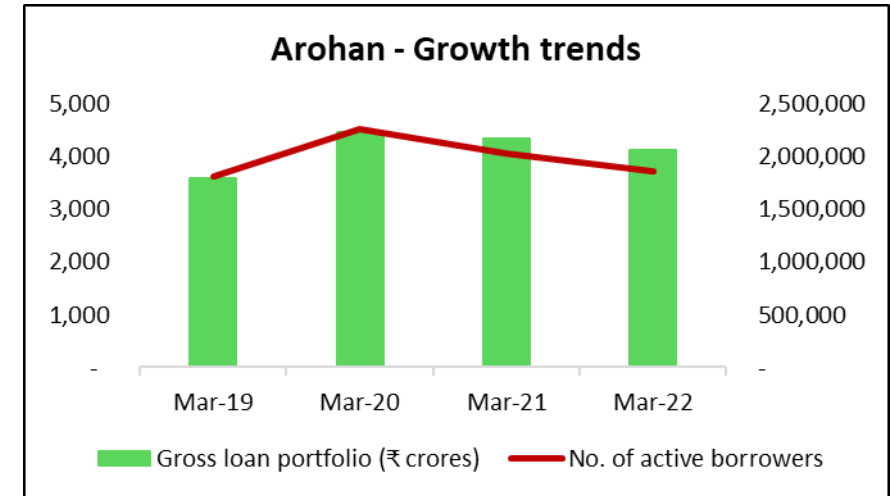
## Strategic Planning

### Growth

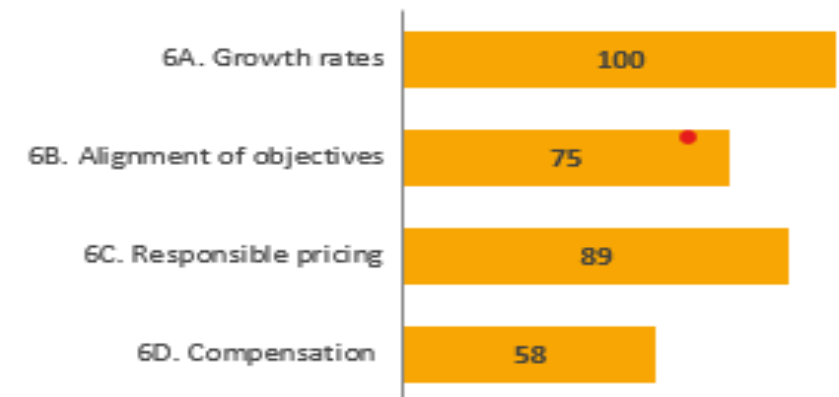
- Portfolio has been growing consistently over the past years except FY 2020-21 which saw a decrease in the outstanding portfolio attributable to the impact of pandemic.
- Decrease in client base sharper than decrease in portfolio in FY 2020-21; despite slight decrease in average amount disbursed, there was increase in the average outstanding due to the impact of pandemic on repayment capacity / portfolio quality.

### Efficiency and profitability

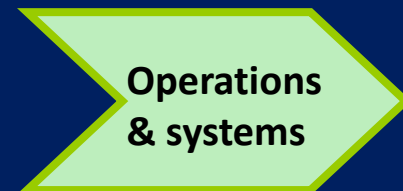
- Slowdown due to the pandemic impacted staff productivity in FY 2019-20 and FY 2020-21. It decreased from 556 clients in Mar2019-2020 to 450 in Mar-2021 and further reduced to 384 in Mar-2022. The cumulative disbursements in FY, 2022 was less than FY, 2021 due to the impact of delta wave of the pandemic in the first half of the year.
- ✓ Operating Expense Ratio increased to 6.0% in FY 2021 from 4.6% in FY 2020 and decreased to 5.6% in FY 2022 due to the increase in the outstanding portfolio.
- ✓ Arohan has managed its PAR<sub>30</sub>, which increased from 4.9% on Mar-19 to 20.1% on Mar-20 and decreased to 5.6% on Mar-21. LLER in the same periods increased from 2.1% to 1.3% to 2.5%.



### 6 - Balance social and financial performance



# Alignment of systems



Market strategy  
Products & services, non-financial services,  
Information and reporting on social performance,  
HR systems, internal audit



## Market Strategy – Areas, Clients and Systems

- Arohan operates in 11 states and most of its portfolio is concentrated in the eastern part of the country. Arohan works primarily in rural areas.
- Arohan has halted operations in Assam, which accounts for about 14.7% of the portfolio.
- Branch opening: The field staff collect secondary data from government sources on economic activities and the credit bureau. The Credit Bureau reports are available for each pincode and provides information on repayment behavior and delinquency metrics.
- Area selection: An area assessment survey is conducted to collect information on infrastructure, competition, law and order, business potential, livelihood and probable risks covering natural disasters, man-made issues, etc.
- A Head Office level credit Committee comprising of CFO and MD apart from Audit, Risk, Operations and Central Operations' Heads takes the final decision on branch opening.

**Arohan's portfolio share by state (31-Mar-2022)**

State	Proportion
Assam	14.7%
Bihar	22.4%
Chhattisgarh	1.5%
Jharkhand	6.5%
Madhya Pradesh	3.4%
Manipur	0.1%
Meghalaya	0.1%
Odisha	11.2%
Tripura	0.6%
Uttar Pradesh	13.3%
West Bengal	26.2%
<b>Total Portfolio</b>	<b>4117,69,37,696</b>







## Financial Services

### Credit [product summary in Annex, Slide 32]

- Arohan primarily lends for income generation purposes however, cross-sell loans are used to purchase consumption products necessary for daily activities of customers - mobile phone, cycles, etc.
- Loan usage by portfolio amount and purpose is not tracked.
- Majority of the portfolio is given for income generation Saral and Bazaar loans
- Bazaar loans are offered at a higher interest rates (25% per annum) as compared to other loan products (20.21% - 22.21%)

### Voluntary health insurance

- Clients can avail voluntary health insurance towards protection from loss of income due to hospitalization, accidental death and critical illness.
- As of March 2022, 45.8% clients had availed the health insurance product.
- In the FY 2021-22, 4,598 claims were filed of which 4,227 were processed; the rejection ratio was 8.1%, which is lower than the industry average for claim settlement ratio<sup>1</sup>.

1 <https://economictimes.indiatimes.com/wealth/insure/health-insurance/latest-health-insurance-claim-settlement-ratio-of-companies-in-2021/articleshow/83230938.cms>



# Social Reporting

- Data on PPI is collected by the operational team - Customer Service Representatives records it in the customer file which is verified by the Branch Manager during the Group Recognition Tests (GRT).
- Social Performance (SP) data on customer satisfaction reported through proxy indicators such as TAT and retention rate.
- SP data is reported to the Board every quarter; analysis is presented month wise.
- Customer profile dashboard developed to present trends on customer demographics and outreach through the following indicators:
  - Age buckets (18-24, 25-34,35-49, >50)
  - Gender disaggregation
  - Declared religion
  - Declared caste
  - Marital status
  - Education level
- Client Profiling over time: In 2022, Arohan assessed the change in PPI score of clients who joined in 2019. See **slide 28** for details.

SP Data	Description
Outreach to underserved segment	<ul style="list-style-type: none"> <li>✓ No. of districts covered in underserved areas</li> <li>✓ Average PPI score for new customers</li> <li>✓ Proportion of rural customers</li> </ul>
Customer satisfaction	<ul style="list-style-type: none"> <li>✓ Disbursement within the turn around time (TAT)</li> <li>✓ Insurance claim settlement within TAT</li> <li>✓ Customer retention rate</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>✓ Staff retention rate</li> <li>✓ Lowest to highest salary ratio</li> </ul>
Customer accessibility	<ul style="list-style-type: none"> <li>✓ Percentage of customers with mobile phone</li> <li>✓ Proportion of customer with bank account</li> </ul>
Client protection principles (CPP)	<ul style="list-style-type: none"> <li>✓ No. of financial products offered</li> <li>✓ Avg. no. of accounts/customer</li> <li>✓ Proportion of customers &gt; 1 account</li> <li>✓ Customers trained on CPP</li> <li>✓ Staff refresher trainings on CPP, PPI, confidentiality clause</li> <li>✓ Proportion of complaints resolved within TAT</li> </ul>



# Human Resource is aligned to Mission and Values

- ✓ Induction training for field staff (classroom +field) includes introduction to mission and vision. Refresher trainings (4 times a year) focus on client protection principles, poverty probability index (PPI) and confidentiality clause.
- Monthly incentives commissions paid to field staff depend on achievement of business targets: no. of disbursements, normal and overdue collection. **This does not consider social targets.**
- ✓ The performance evaluation of staff is based on Key Performance Indicators (KPIs) related to business targets and key competencies. The key competencies include behavioural indicators such as quality of interaction with customers.
- No incentive to employees for the quality of social data collected or onboarding of customers in line with the social goals.
- ✓ Significant improvement in representation of women staff primarily at the CSR level; six women (of 55) in the senior management (up from nil in 2019)

## 2 - Commitment to social goals



## Staff Data (March 2022)

Management levels	No. of staff	Women (%)
Senior management	61	9.8
Middle management (upto BMs)	1,746	8.8
Field staff (CSR)	4,998	20.5
Administrative and support staff	355	13.8
<b>Total</b>	<b>7,160</b>	<b>17.2%</b>





# Internal Audit

- Arohan has a well staffed HR team that handles recruitment, trainings, compensation, appraisals, transfers, promotions, exits and grievances.
- Staff turnover has been on the higher side and increased to 30.7% in FY 2021-22. This was attributable to the high movement of staff at the field staff level.
- ✓ Arohan regularly conducts in the Great Places to Work Survey to determine the quality of work life as compared to peers.
- Between 2019 and 2021, the **trust** index score decreased from 92 to 88. In 2021, Arohan lagged 1 point behind the average index score for the Top 25 companies to work for in India.
- The indicators that impacted the score significantly include: workplace politics, fair promotions, honest mistakes, job security.

CPP related aspects verified by IA	
✓	Evaluation of clients' businesses
✓	Review of Credit Bureau report
✓	Loan utilization
✓	Awareness on loan terms
✓	Review of sample of customer complaints
✓	Completeness of client loan cards
✓	Awareness on health insurance
✓	Overdue clients

### Distribution of branches across audit grades

Grade	Score	Proportion (branches)
A+	> 85	1%
A	75 – 85	10%
B	65 – 75	40%
C	50 - 65	47%
D	< 50	2%





# Client Protection

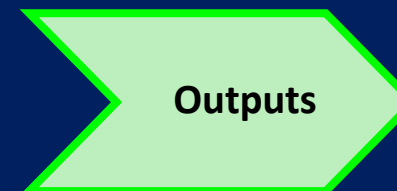


## Client Protection Principles

- Arohan Financial Services underwent a client protection certification in February 2022.
- The results are from the post progress phase and the following gaps were identified that need to be addressed –
  - The cash flow forms in LOS accepts only upto 50% of the monthly net income as loan instalment. This is applicable to all the loans - both group and individual.
  - Credit risk has averaged to more than 10% for last 2 quarters in FY 2020-21 owing to external factors relating to COVID pandemic. Policies and process are put in place to reduce the overall credit risk going forward.
- ✓ Various terms and conditions related to over-indebtedness, loan amount, tenure, income, purpose etc. as per RBI guidelines are communicated to the clients.
- ✓ Timely reports related to market saturation are presented to the board members.
- ✓ The grievance addressal team at Arohan conducts a satisfactory survey every month with the clients and this is used as a key input towards product design and delivery.
- ✓ Clients have access to multiple channels to register their complaints apart from contacting the field staff.
- ✓ The BMs and AMs conduct regular monitoring visits to ensure compliance with policies and processes. The Internal Audit team audits branches on a quarterly basis checks the awareness of clients on product terms and conditions.
- ✓ The process of client data privacy is well defined in the operation manual. As observed by the M-CRIL team, staff is provided adequate training for the same during the orientation period.
- ✓ All client information is stored on a secured network; the core banking system has adequate password protection. Only authorised staff has access to the loan files. All requests to access loan documents have to be routed through the Central Operations team.



# Results: outputs

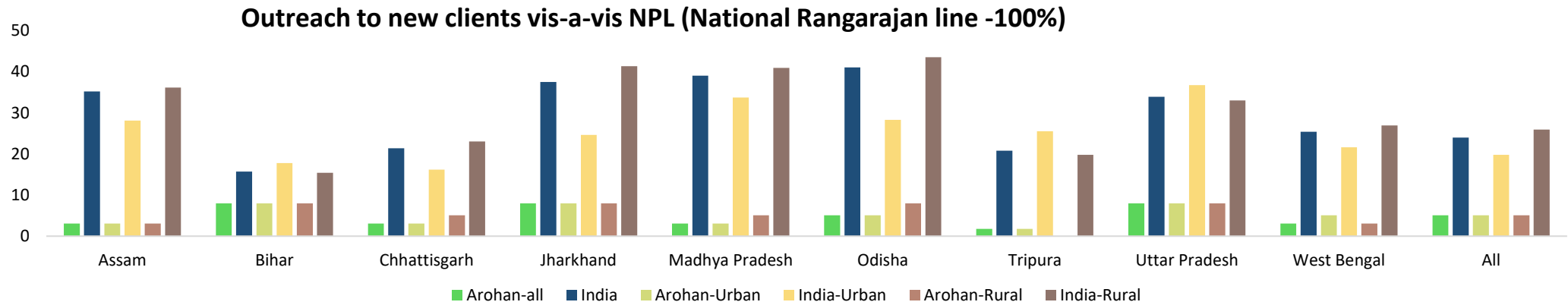


- Outreach – area, clients
- Client feedback
- Client exit
- Change

# Outreach

- ✓ Arohan operates primarily in the low-income states in India as defined by the multidimensional poverty index (MPI) developed by Niti Aayog in 2021.
- ✓ 44.7% of the client base is from the poorest 5 states and 70.9% of the client base is from the poorest 10 states as defined by the MPI developed by the Niti Aayog (see adjacent table).
- Arohan has targets for poverty scores with average PPI score for new clients being on the range 0 – 25.
- Poverty rate of new clients indicates lower poverty outreach as compared to the benchmarks for the national poverty level at the national and state level.
- ✓ Arohan operates in underserved districts as defined by the RBI – in Q2 of FY 21-22, more than 75% of Arohan’s operational districts were classified as underserved against. **Arohan’s target for operating in underserved districts is 50% of all operational districts.**

State	MPI	MRI rank (descending)
Assam	0.156	6
Bihar	0.265	1
Chhattisgarh	0.134	9
Jharkhand	0.202	2
Madhya Pradesh	0.173	4
Manipur	0.08	15
Meghalaya	0.157	5
Odisha	0.136	8
Tripura	0.075	17
Uttar Pradesh	0.18	3
West Bengal	0.097	13
<b>India</b>	<b>0.118</b>	



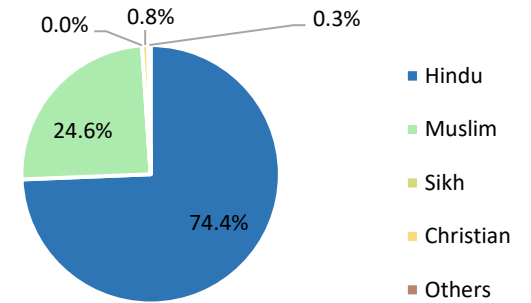




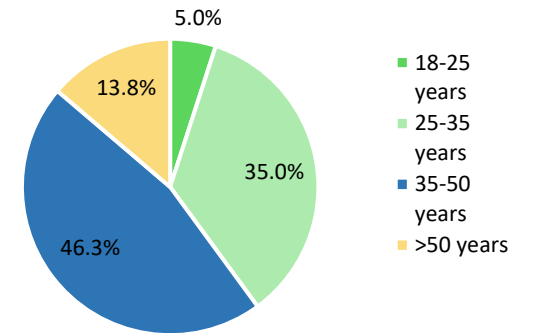
## Client Profile

- ✓ Outreach to rural areas is tracked – as March 2022, 87.2% clients were from rural areas against the institutional target of 80.0%.
- ✓ As of March 2022, 98.0% clients were women – an increase from 95.7% as of March 2020. This is attributed to decrease in Bazaar loan clients who are typically male.
- Outreach to vulnerable classes: gaps in tracking outreach. According to data provided, 1.0% clients identified as belonging to scheduled castes and 0.3% as belonging to scheduled tribes. 8.6% were from the general category and the majority - 87.6% - were unclassified.
- ✓ Outreach to minority religions: high outreach to largest minority religion as compared to their proportion in population (24.6% vs 14.2%).
- Majority of the customer base (81.3%) are between the 25 and 50 years of age.

Religion wise break-up



Age wise break-up





# Client Retention

- ✓ Arohan considers client retention rate as one of the parameter during performance appraisal of field staff.
- As per MIX formula, the client retention as of March 2022 declined to 79.6% from 83.4% as of March 2020 and 84.9% as of March 2021
- Arohan was able to maintain a higher retention rate in the FY 2020-21 despite the impact of the pandemic. This seems primarily due to a lower drop rate even though fewer new people availed loan during the same period.
- During the pandemic, Arohan prioritised lending to its existing clients as can be seen from the data on cycle-wise clients over the past 3 years.
- In the past 3 years, the proportion of clients in higher loan cycles has been increasing consistently.

Client retention – group loan clients (MIX formula)

Borrowers	31-Mar-20	31-Mar-21	31-Mar-22
a At beginning of the period	18,17,591	22,65,243	20,30,906
b New during the period	897,373	126,997	312,140
c At end of the period	22,65,243	20,30,906	18,64,394
<b>Rate of retention [c/(a+b)]</b>	<b>83.4%</b>	<b>84.9%</b>	<b>79.6%</b>

Clients by loan cycle, %, y-o-y trend

Loan cycle	Mar-20	Mar-21	Mar-22
1	54.4%	25.1%	22.7%
2	28.9%	36.6%	24.9%
3	11.6%	18.9%	28.8%
4	3.9%	7.8%	14.7%
5+	1.0%	2.7%	5.9%
>5	0.4%	1.0%	2.9%
<b>Total</b>	<b>22,69,307</b>	<b>20,30,906</b>	<b>18,76,869</b>

Note: the difference in total number of customers in the two tables is due to error in the MIS

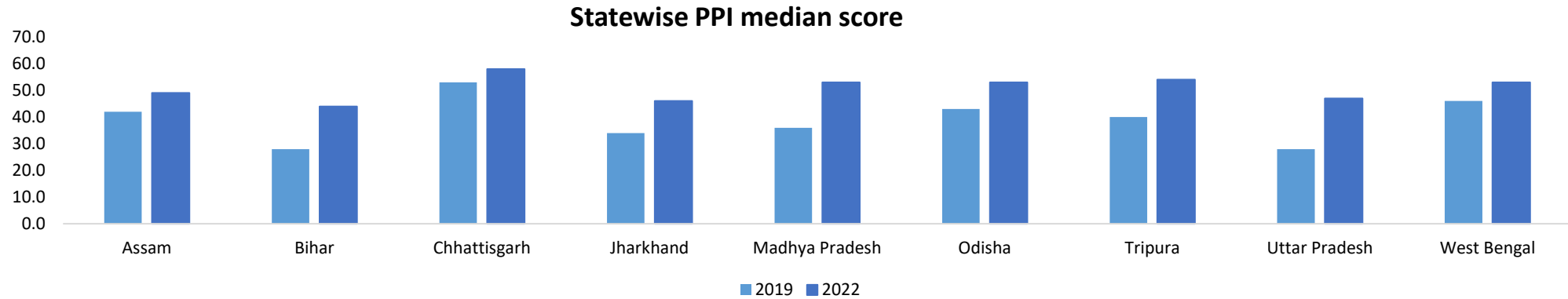




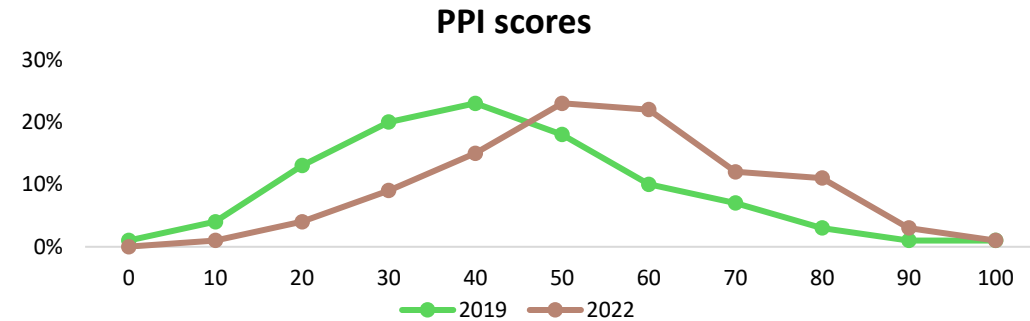
# Outcomes for Clients

## Change in the PPI

- In May 2022, Arohan analysed the changed in the PPI for existing clients in 2022 who had joined Arohan in 2019.
- The figure below shows change in the median PPI score for the states in the two periods.



- A review of the bucket wise scores (10 points) over the two period shows that the movement of the score to the next 10-point bucket in 2022 as compared to 2019. The median score increased from 36 in 2019 to 49 in 2022.





# Annexes



## Profile of the Board

Name	Board Position	Education	Board member since
Dinesh Kumar Mittal	Independent Chairman	Management, Banking	2018
Matangi Gowrishankar	Independent Director	Management, HR	2016
Sumantra Banerjee	Independent Director	Management, IT	2014
Rajat Mohan Nag	Independent Director	Banking, Economics	2015
Anurag Agarwal	Nominee Director - AVMS	Management, Finance	2012
Vineet Chandra Rai	Nominee Director - AVMS	Management, Finance	2013
Shri Ram Meena	Nominee Director - SIDBI	Banking, MSME	2019
Wilhelmus Marthinus Maria Van Der Beek	Nominee Director - AG II	Finance	2016
Paul Robine	Nominee Director - TR Capital III	Finance, Banking	2019
Kasper Svarrer	Nominee Director - Maj Invest	Management, Finance	2017
Piyush Goenka	Nominee Director - Tano	Management, Finance	2015
Manoj Nambiar	Managing Director	Management, Banking	2012





# Social Performance Management \_FY 21-22\_Q2

Social Performance Management Report 21_22					
<b>Social Goals</b>		<b>Benchmark</b>	<b>July</b>	<b>August</b>	<b>September</b>
Serving the underserved segment	a) Number of districts covered		218	218	217
	b) Percentage of districts in the "underserved area"	50%	75.25%	75.25%	75.15%
	c) Average PPI score for new customers	0-25	16.40	13.12	13.18
Rural Clients	a) Percentage of rural clients	80%	80.00%	80.00%	80.00%
<b>Client Protection Principles</b>		<b>Benchmark</b>	<b>July</b>	<b>August</b>	<b>September</b>
Appropriate Product design and delivery	a) No. of financial products available to clients	3	3	3	3
	b) Average number of accounts per customer	2	1.34	1.33	1.36
	c) Percentage of our total customers who have more than one Arohan account	50%	78%	81%	81%
Transparency	a) Percentage of clients trained through CPP	100%	100.0%	100.0%	100.0%
Responsible pricing	a) Annual Interest Rate	As per the regulation	19.9%	20.1%	20.1%
Fair and respectful treatment of clients	a) No. of RTPs on CPP	Once half yearly	Yes	Yes	Na
	b) No. of RTPs on PPI	Once half yearly	Yes	Na	Na
Privacy of client data	a) No. Of RTPs on confidentiality clause	Once half yearly	Na	Yes	Na
Complaint Resolution	b) Percentage of grievance closed within TAT	100%	79%	93%	100%
<b>Customer Satisfaction</b>		<b>Benchmark</b>	<b>July</b>	<b>August</b>	<b>September</b>
New customer	a) Percentage of new clients	60% (MOM)	22%	19%	19%
Disbursement	a) Percentage of clients to whom loan was disbursed within TAT (verification to disbursement)	80%	61%	68%	74%
Insurance Claim settlement	a) Percentage of clients whose claim was settled within TAT (from document received till settled)	100%	99.78%	100.00%	98.44%
Client Retention Rate	a) Client Retention Rate	90%	84%	82%	83%
<b>HR Composition</b>		<b>Benchmark</b>	<b>July</b>	<b>August</b>	<b>September</b>
Staff Retention rate	a) Staff Retention rate	80%	94.67%	95.95%	95.08%
Salary Ratio	a) Lowest to Highest Salary Ratio	11,000:700,000	11,000:11,00,000	11,000:11,00,000	11,000:11,00,000
<b>Miscellaneous</b>		<b>Benchmark</b>	<b>July</b>	<b>August</b>	<b>September</b>
Accessibility to services	a) Percentage of clients with Mobile phone	100%	93.88%	94.10%	94.52%
	b) Percentage of customers with bank account	90%	66.54%	67.74%	69.97%



## Financial Products - Credit

Name of the product	Saral Basic and Plus/Retention	Saral Plus Plus/Retention	Saral basic Vriddhi	Saral HHN	Saral Prime	Saral Sarathi	Saral Taktal	SCA Saral
Clientele	Group	Individual	Individual	Group/Individual				
Expected client type	Women							
Loan size (₹) – (min. – max.)	10,000 – 50,000	52,500 – 75,000	25,000 – 50,000	10,000 – 35,000	10,000 – 75,000	10,000	6,000 – 18,000	20,000 – 30,000
Loan term (months)- (min. – max.)	12 to 24	24	18 to 24	12 to 24	12 to 24	12	12 to 24	12 to 24
Moratorium	No	No	No					No
Guarantor (if any)	No	No	No					Yes
Collateral requirements	No	No	No					Yes
Nominal interest rate	20.49%	20.49%	20.49%	20.49%	21.49%	21.49%	20.49%	20.49%
Repayment Schedule	Monthly							
Interest rate/APR	22.12% - 22.49%							
Method	Declining							
Processing fee - (% of loan amount)	1%							
Insurance fee	₹ 5.50/- per person per ₹ 1,000/- sum assured per annum							





## Financial Products - Credit

Name of the product	Bazaar / Retention	Bazaar Tatkal	Cross sell
Clientele	Group	Individual	Individual
Expected client type	Men/Women		
Loan size (₹) – (min. – max.)	15,000 – 50,000	6,000 – 18,,000	1,099 – 19,630
Loan term (months)- (min. – max.)	12 to 24	12 to 24	3 to 18
Moratorium	No	No	No
Guarantor (if any)	No	No	No
Collateral requirements	No	No	No
Nominal interest rate	25.0%	25.0%	25.0%
Repayment Schedule	Fortnightly		
Interest rate/APR			
Method	Declining		
Processing fee - (% of loan amount)	1%		
Insurance fee	₹ 5.50/- per person per ₹ 1,000/- sum assured per annum		

Note: The interest rates are for December 2021







## M-CRIL Branch Visit Details

Branch	Type of branch	No. of staff	No. of clients
Danapur, Bihar	Rural		Saral: 20; Bazaar: 3
Phulpur, UP	Rural		Saral: 18
Salkia, WB	Rural		Saral: 17; Bazaar: 2
Rajarghat, WB	Rural		Saral: 10; Bazaar: 3
Agra, UP	Semi-urban		Saral: 24;
<b>Total</b>			Saral: 89; Bazaar: 8

Note:

- Interactions with staff through FGDs and in-person, involving: Customer Service Representatives and Branch Managers
- Interactions with group clients done through FGDs during centre meetings.





# Abbreviations

<b>AG II</b>	Aavishkar Goodwell	<b>PA</b>	Performance Appraisal
<b>APR</b>	Annual Percentage Rate	<b>PAR</b>	Portfolio at Risk
<b>BM</b>	Branch Manager	<b>PPI</b>	Poverty Probability Index
<b>CSR</b>	Customer Service Representatives	<b>RBI</b>	Reserve Bank of India
<b>FI</b>	Financial Institution	<b>RoA</b>	Return on Assets
<b>GDI</b>	Gender Development Index	<b>RoE</b>	Return on Equity
<b>GDP</b>	Gross Domestic Product	<b>SME</b>	Small and Medium Sized Enterprises
<b>GNI</b>	Gross National Income	<b>SP</b>	Social Performance
<b>GTPW</b>	Great Places to Work	<b>SPM</b>	Social Performance Management
<b>HDI</b>	Human Development Index	<b>SPI</b>	Social Performance Indicators
<b>HR</b>	Human Resources	<b>SPTF</b>	Social Performance Task Force
<b>M-CRIL</b>	Micro Credit Ratings International Limited	<b>USSPM</b>	Universal Standards for Social Performance Management
<b>MD</b>	Managing Director		
<b>MFI</b>	Microfinance Institution		
<b>MPI</b>	Multidimensional Poverty Index		
<b>NFS</b>	Non-Financial Services		
<b>OER</b>	Operating Expense Ratio		





## Glossary

APR: The annual rate that includes all fees, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan.

Client retention:  $\frac{\# \text{clients at end of the year}}{(\# \text{ clients at beginning of the year} + \# \text{ new clients joined during the year})}$

GNI: Gross National Income comprises the total value of goods and services produced within a country, together with its income received from other countries (interest, dividends, etc.), less similar payments made to other countries.

HDI: Human Development Index is a composite statistic of life expectancy, education, and income indices.

OER: Ratio of salaries, travel, administrative costs and depreciation expenses to the average loan portfolio

PAR: 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.

PPI: A set of proxy indicators that are used to score the likelihood that clients fall below a particular poverty line. Statistically derived from the NSSO sample survey.

RoA: Annual profits before grant upon average assets

Staff turnover:  $\frac{\# \text{ staff who left or were dismissed}}{(\# \text{ staff at beginning of the year} + \# \text{ new staff joined during the year})}$

Yield on portfolio: Annual income from portfolio upon 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.



Thank You



M-CRIL - incorporating EDA Rural Systems  
*inclusive microeconomics*

