

MicroSave India SPM Case Study 3

Sambandh – Building Client Relationships

Matt Leonard

July 2010

Mission: “To economically empower low income households by providing a broad range of client focused and responsive financial services on a continuous basis”

About Sambandh



Sambandh is an MFI operating in northern Orissa, predominantly in the urban areas of Sundargarh District. As an urban financial services initiative for low income households, Sambandh’s objective is to support micro-entrepreneurs in developing and expanding their business, thereby improving their quality of life. As a financial service provider, it has grown to nearly 6,382 clients and a loan portfolio outstanding of 5.3 crore (as of May 2010). Furthermore, as a *social business* initiative of the Regional Rural Development Centre (RRDC), they also offer other value added services (e.g. health, agriculture) to its “preferred clients”, keeping in line with its long term mission of improving their quality of life. Being a part of the “Sambandh family”, clients also have access to insurance services (*both Life and Health*) and health services in addition to reliable credit services.



As an institution, “Sambandh” has come to be known to all stakeholders as a reliable institution, with a high level of transparency and a systematic approach. The strength of the microfinance initiative stems from a highly motivated staff team, which comprises of young and dynamic individuals – led by CEO Mr. Deepak Kindo – who strongly identify with its mission and values.

SPM Diagnostic Visit

MicroSave visited Sambandh in May 2009 to undertake a social performance management (SPM) exercise.¹ Already with a strong social commitment, Sambandh looked to *MicroSave* to give it a snapshot of how well it was ‘living’ its mission, as well as concrete ways forward in its effort to expand access to finance for the urban poor and achieve sustainability. *MicroSave*’s rapid, 5-day SPM diagnostic visit involved meetings with all stakeholders, interviews with key senior managers, a thorough analysis of systems and operations, and ample time spent in the field using participatory client and staff tools and methods, including focus groups and client satisfaction surveys. Sambandh, an MFI with strong social aspirations and rigorous attention to getting its systems right, offers

many examples of effective SPM practices that illustrate the overlap between social and financial performance.

Mission-driven Culture

Sambandh’s mission, challenge statement and 10 key values are repeated at the beginning of all staff meetings, and as a result, most staff – from senior management to field levels – have internalised it well. The sense of ownership of the mission, vision and values at Sambandh fosters a strong institutional culture. Staff also report a climate of open communication with supervisors and among colleagues. Each of these forms a key part of the motivation and satisfaction of staff members – and may play a critical role in staff retention, which is important to an MFI providing quality and consistent services as well as reigning in costs.

Client Help-line

During its SPM visit, *MicroSave* observed that many clients were not using, or were not aware of, the existing helpline. Clients would call individual field officers with any issues, but the information would often fall through the cracks. As a result, Sambandh recalibrated its approach and today field staff members are trained in its functioning, and one is appointed to the helpline in each branch unit. Clients are also informed about the purpose of the helpline during group formation and then reminded at disbursement. Whereas client help-lines often have a dubious track record, the difference here may be due to: 1) appropriate training – staff are trained to operate the helpline; 2) supervision – all calls are recorded in writing, including details and action taken, with follow up from supervisors; and 3) two-way communication – to ensure clients are comfortable using this channel for regular communication, Sambandh themselves use phones to communicate meeting times, loan amounts approved and any policy changes.

Client Retention: 98.95%

Market-Oriented

Sambandh staff and leadership understand the social and financial value of listening to clients, and have also attended *MicroSave*’s training on “Market Research for MicroFinance”.² Despite limited resources to commission formal market research studies, Sambandh uses informal methods to collect information on client

¹ See *MicroSave*’s “Social Performance Management” Toolkit.

² See *MicroSave*’s “Market Research for MicroFinance” Toolkit.

needs and preferences – including field visits by senior staff to talk to clients, informal surveys and reports from field staff. Recently, to respond to client demand, the MFI introduced a new loan product with fortnightly repayments (versus weekly) for clients in the 4th cycle. This not only provides an incentive for clients to associate with Sambandh over the long term, but ensures credit risk is minimised.

Human Resources

Building a strong social orientation begins with an MFI's frontline staff – the face of the organisation – and thus requires a strong HR system. Sambandh's training module for induction of new staff includes a strong focus on the mission and values of the organisation, lasting for around one full day. Beyond operational aspects and job responsibilities, the induction training manual describes role plays around punctuality and a focus on proper etiquette with clients. Staff performance appraisals, which occur regularly, are well aligned with the MFI's mission and values: measuring whether staff members have lived up to the organisation's values in his or her day-to-day work. Staff report feeling confident in their roles and know what is expected of them. Indeed, very few staff leave the organisation.

Staff Retention rate: 97.8%

The Business of MFIs is Only Microfinance?

There is considerable debate in microfinance as to whether MFIs should stick to their core business. Indeed, offering non-financial services holds benefits and risks: as a value-added service it can help differentiate MFIs in a competitive environment, but if these are not provided in a fashion that meets the expectations of its clients it may be a risk. Sambandh currently offers health camps through RRDC, distributes items such as malaria nets, and provides scholarship opportunities for the children of clients through the Life Insurance Company of India (LIC). While clients expressed an interest and appreciation of health camps that give them an opportunity for health check-ups, there have been some complaints about lack of further health camps and delays in accessing scholarships. Still, remarkably, through a partnership with Healing Field Foundation, Sambandh's 4S department (Sambandh Social Security Scheme) is making health insurance available to clients. They hope to make the product viable in the near future.

Challenges

Sambandh's services cost slightly more than

Effective Interest Rate: 34.7%
Operating Expense Ratio: 19.5%

its competition. This is partly a result of its higher operating expense ratio (19.5%) and lower staff productivity levels (210 borrowers/per staff) than Indian industry standards. The result is an effective interest rate, after loan processing fees and loan/life insurance of 34.7%. However, in a bid to build a long-term

relationship, Sambandh now offers its clients discounted interest rates and the additional loan benefits mentioned above. Furthermore, following the SPM visit, senior management began to focus on process optimisation – a further way to meet clients' expectations – and improved the time from group formation to loan disbursement from 15-21 days to an average of 7-10 days today.

Due to the presence of many MFIs in the area, many of clients visited had multiple loans. Although Sambandh field staff conduct a basic cash flow analysis – there was insufficient awareness of clients' debt threshold. Senior management realised that over-indebtedness is not only a risk to clients, but to the portfolio as well. Sambandh has since added frequent loan utilisation checks, and even surprise visits by supervisors. At present, they enjoy a portfolio at risk of just 0.11%.

PAR: 0.11%

One further suggestion to Sambandh during the SPM diagnostic was to incorporate social indicators into its branch rating, internal audit frameworks and monitoring the social indicators already collected in its MIS. This could then form a part of its management 'dashboard' and inform governance and decision-making. For instance, with existing data, Sambandh could better monitor and report on client dropout rates, poverty level of clients (based on rough income data), average loan size for first cycle borrowers (as a proxy for poverty level), caste-wise distribution and/or housing conditions.



The Way Forward

Having recently acquired a non-banking financial company (NBFC), Sambandh is in the process of transformation – setting the path to increasing funding opportunities and a higher growth trajectory. As it transforms, and investors' expectations rise, Sambandh will face the typical challenges of a social business: how to balance its strong social mission with a need to improve sustainability and expand the business.

Fortunately, the lessons above – maintaining a mission-driven culture, ensuring staff satisfaction, monitoring client feedback and protecting them from over-indebtedness, and, providing clients with product better suited to their needs – provide a clear way forward. Beyond its social implications, building stronger client relationships will also help Sambandh to grow and differentiate itself in a very competitive environment.³

³ All data from DiA Vikas/Opportunity International Australia