



Utkarsh Small Finance Bank

MD & CEO

11. see some spelling errors in the notes 21/5/19

COO

Ryanboy 26/4/19

26/04/2019
CEO

Date: 23-04-2019

Collections Process Manual for Retail Assets

Executive Summary:

The proposed Collections Process manual describes in details the various aspects related to Collections of over dues from the defaulting account & provides guidelines to follow with in the Debt Collection Standards of India as per the Industry Standards and Practices.

Recommendation:

It is recommended to review and approve the proposed Collections Process Manual for Retail Assets, so that it could be followed as a standard guideline for various activities related to collections of retail Assets.

Manish Vadhera
Head Collections – Retail Assets

COLLECTIONS PROCESS MANUAL

UTKARSH SMALL FINANCE BANK LIMITED

Registered Office: S-24/1-2, 1st Floor, Mahavir Nagar, Orderly Bazaar, Varanasi, Uttar Pradesh,
PIN -221002

TABLE OF CONTENTS

• INTRODUCTION TO COLLECTIONS.....	Page 2-3
• OBJECTIVE.....	Page 3-6
• COLLECTION ACTIVITIES.....	Page 6-7
• COLLECTION STRATEGY.....	Page 8-9
• ALLOCATION LOGIC AND PROCESS.....	Page 10-12
• BOUNCE AND PENAL COLLECTIONS.....	Page 12-14
• COLLECTION SYSTEM AND QUEUE MAINTENANCE.....	Page 14
• CALL CENTRE PROCESS.....	Page 15-18
• FIELD COLLETIONS PROCESS.....	Page 18-19
• RECIEPT BOOK MANAGEMENT AND AUDIT PROCESS.....	Page 19-23
• TRAIL UPLOAD PROCESS.....	Page 23-25
• PAYMENT MANAGEMENT.....	Page 26-27
• COLLECTIONS PERFORMANCE AND REVIEW PROCESS.....	Page 27-28
• VENDOR MANAGEMENT SELECTION/RENEWAL CRITERIA.....	Page 28-32
• SPECIAL E MANAGEMENT SKIP , DECEASED & FRAUD POLICY.....	Page 32-34
• RISK MITIGATION TOOL SETTLEMENT AND FORECLOSURE POLICY.....	Page 34-35
• LEGAL PROCESS.....	Page 35-38
• DEBT COLLECTIONS STANDARDS (CODE OF CONDUCT)	Page 38-45
• ANNEXURES	Page 46-54

COLLECTIONS

Past due or non-collectible loans are part and parcel of the financial sector. As past-due rates surpass expected limits, though, this piece of the credit cycle can become a true problem.

While often seen as a final step in the lending cycle, collections actually play a integral role in the overall process. In recent years' Financial institutions need to have more effective strategies for collections. This increased attention to collections is in part due to an industry-wide emphasis on credit promotion and analysis as well as to the changing and increasingly competitive environments in which Financial Institutions are operating.

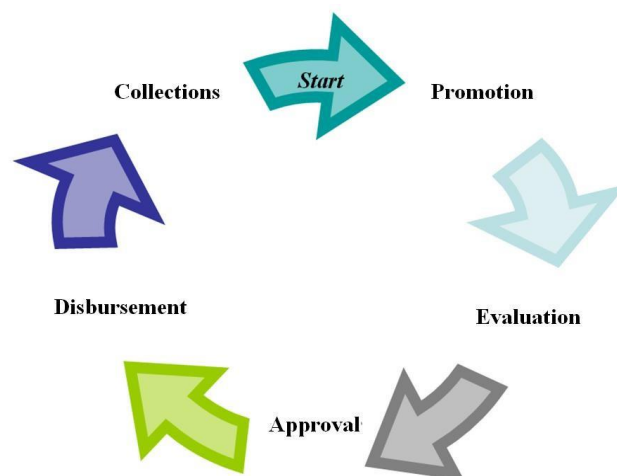
The Role of Collections

Collections at Utkarsh Bank is an important service that helps to maintain clients and free up money for lending again. A strategic process is key to generating good habits and a payment culture among clients.

It can also be seen as a business activity whose primary objective is to generate returns for the institution, converting losses into income. Utkarsh Bank views collections as an essential piece of the credit cycle, not just the final step.

During the collections process, we receive feedback on policies and activities within each sub- process of the lending cycle: promotion, evaluation, approval, and disbursement

Collections is an integral part of the credit cycle



The process of “collections” in the scope of this document addresses broadly all activities taken to encourage or persuade the customer to make repayments for the

debts owed to our Bank. Collections, is an important and essential part of the credit cycle, especially given the segment the Bank services. It ensures that credit rating of the customer is protected and this enables the company to extend the relationship in terms of services and products offered to the customer.

If a customer does not or cannot make a payment by the stipulated due date collection activity may commence to encourage the customer to avoid repayments defaults that may occur.

Past-due or non-collectible loans are part and parcel of the financial sector. As past-due rates surpass expected limits, though, this piece of the credit cycle can become a true problem.

While often seen as a final step in the lending cycle, collections actually plays a much more integral role in the overall process. In recent years Banks and Financial institutions have sought to develop new and more effective strategies for collections. This increased attention to collections is in part due to an industry-wide emphasis on credit promotion and analysis as well as to the changing and increasingly competitive environments in which Banks and Financial Institutions are operating.

OBJECTIVE:

The objective of the collection manual at USFBL is to establish awareness of collection policies and practices. It is also aimed at ensuring consistent collection practices across the board to ensure adherence to established and accepted policies and procedures of collection follow-up. The adherence to the processes mentioned in this manual is mandatory for all Collections officers of Utkarsh Small Finance bank.

The Collections Methodology:

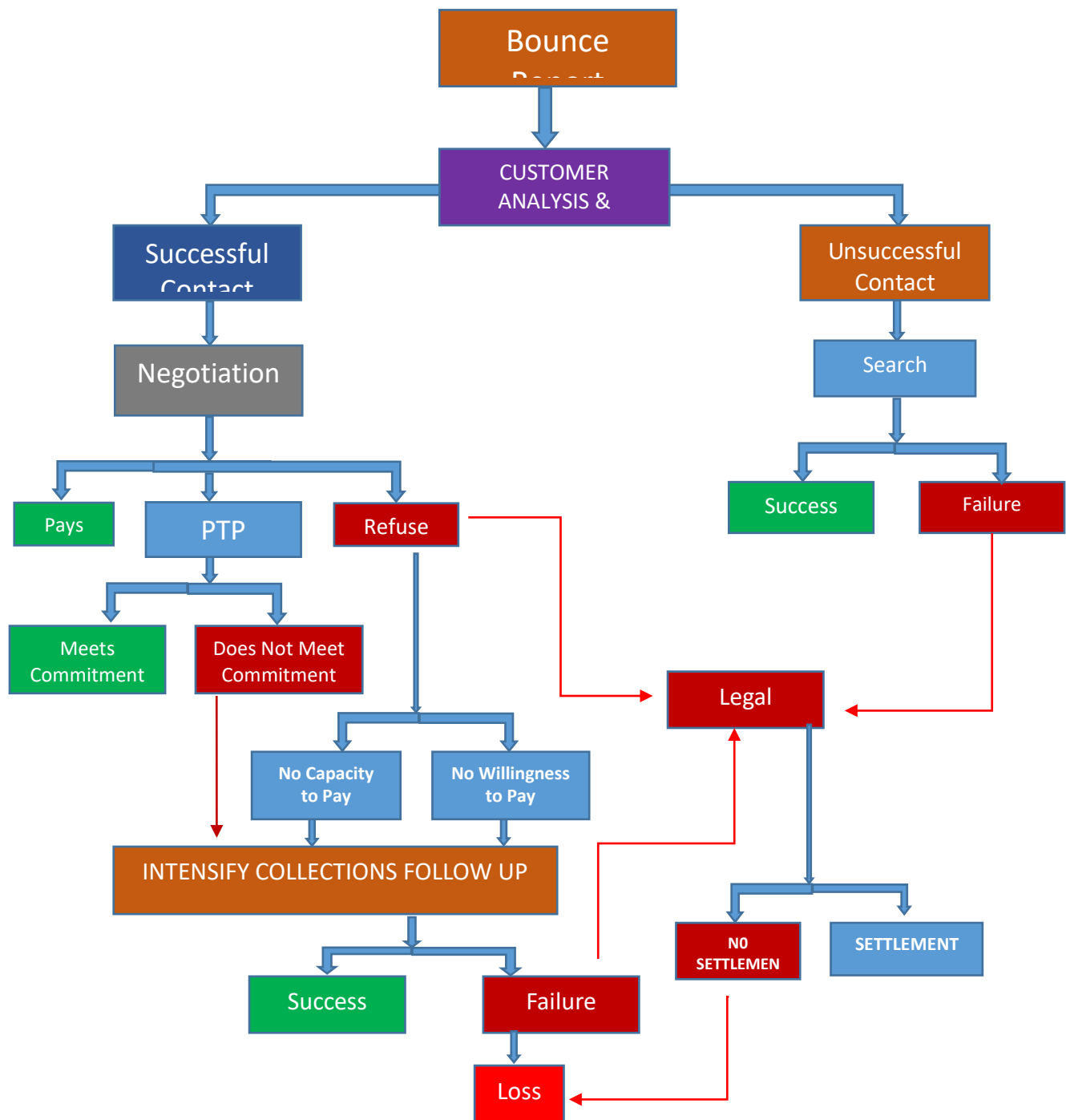
The collections process is defined as the set of coordinated, appropriate, and timely activities aimed at full collection of loans from customer.

The process is intended to convert the Bank's receivables into liquid assets as quickly and efficiently as possible, while at the same time maintaining the goodwill of the client in case of future transactions.

As such, the collections process requires significant interaction with the customers, beginning with a careful analysis of the client's situation and continuing through timely and frequent contact over the duration of the loan.

Customers should be offered payment alternatives that are timely and appropriate to each situation, and all collections activities should be recorded to facilitate continuous monitoring and follow-up as well as control of client compliance with negotiated agreements. Some typical collections activities are described below, followed by a flowchart illustrating the collections process:

- **Customer Analysis before contact:** Who is the client? What is his situation? What were the original loan conditions? Why did the loan fall past-due? Consider internal and external sources of information such as credit bureaus and bad-debtor lists, Bounce Reasons and number of bounces since disbursement etc.
- **Contact with the client:** What information does the client provide? Where is the client located? What actions were taken previously?
- **Assessment:** What problem is at the root of the current delinquency? What type of client are we dealing with?
- **Suggesting an alternative:** What are the possible solutions? The objective here is to sell the benefits of paying on time in order to foster a positive payment culture with the client.
- **Securing payment commitments:** The Field officer must clearly identify that when, where, how, and how much the client will pay and must remember, for example, how a client in a situation of over-indebtedness or decreased income will prioritize the payment of his bills. Are we able to get the customer to commit to prioritizing repayment of this loan?
- **Compliance with payment commitments:** Did the client pay on the agreed-upon date? Does the client demonstrate a desire to repay the loan? The objective here is to demonstrate consistency throughout the collections process. It is not enough to reach an agreement and depend on the client's apparent goodwill and positive attitude; collections staff must follow up on payment commitments.
- **Recording collections activities in Daily Collection Report (DCR):** Are collections activities carried out in a coordinated manner? Put yourself in the position of the staff member next in line for collections activities with that client. All follow-up details are to be recorded in a DCR and in Collections system as a trail for future references and records.
- **Follow-up on the case:** Are we aware of the client's situation and the collections activities the case has been subject to? Our follow up has to be regular and consistent.



Intensification of collections activities: What is the best action to secure collections of the loan in the most immediate manner? What assets does the client possess? How much can be collected through legal action? The sole objective when a past-due loan reaches this point is collections, even if it means losing the client.

At Utkarsh Small Finance Bank Limited (USFBL), the collection activities are follow-up done with a customer who has gone overdue on his repayment obligation. The basic methods of establishing contact with the customers to persuade them to make good their obligations are:

- By telephone
- By field visit
- By letter (in this case, general legal notices/ loan recall letters)

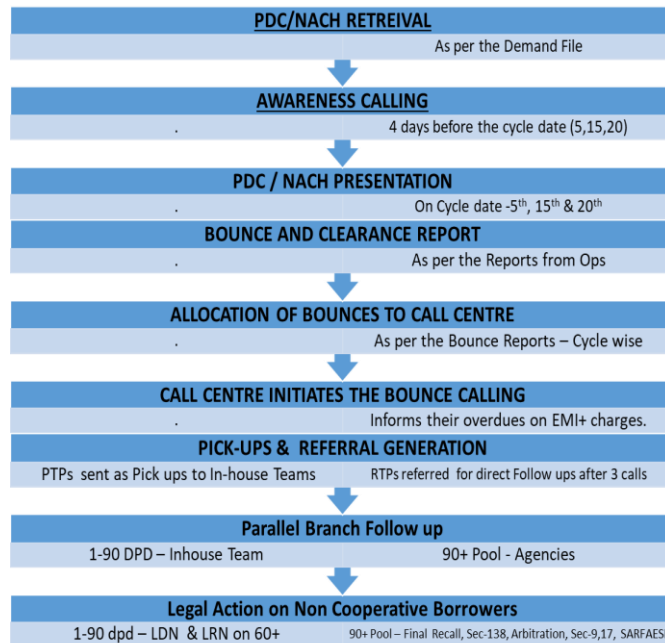
The objective of the above activities is to start collection activities in very early stages of the account being overdue and persuade the customer to repay the overdue installments and prevent the customer from going into a greater state of default.

The customers repay their loan either through postdated cheques made in favor of Utkarsh Small Finance Bank at the time of taking the loan; else they can make a payment via /Cheque/DD or NACH favoring "Utkarsh Small Finance Bank Limited. The methods by which these collection activities are pursued and tracked are covered in later stages of the collection manual.

COLLECTIONS PROCESS FLOW :

- **Retrieval of PDCs of Old Book & NACH/SI by CPC for presentation into the Bank.** Since some of the old book disbursements (Till 31st dec-17), were being done with PDCs, so currently all such live loans where customer submitted the PDCs for presentation of EMIs are being presented by Ops for EMI presentation, but after 1st Jan-18, we have moved to NACH & SI. For legal and initial hassles in NACH processing, we are collecting 3 SPDCs to secure the loan from initial delinquency in exceptional circumstance to safeguard the interest of the organization.
- Awareness Calling by the USFBL Call Centre is done 4 days before the presentation due date. Informing the customer to keep sufficient balance in their accounts for clearance of their respective Loan EMIs on due date.

**** all references to PDC in the Note pertain to PDCs obtained and held on record for existing customers.**



- Presentation of cheques in batches on 5th, 15th and 20th of every month respectively as per the cycle in which the Customer's account falls. In case of ACH advise sent by Ops to Clearing Banker
- Clearance and Bounce Reporting is done post receiving the status from the clearing bank. The details of the PDC/NACH/SI presentation bounce database is shared with the Business & Collections as clearing and Bounce Report periodically by the central team. Later the same will be uploaded in the Collection System, which is under development with the Indus Team.
- Bounce Calling by the Call Centre teams is initiated immediately after the bounce reports, informing the customer about their bounces. Pick Ups and Field Referrals are generated on daily Basis. Which are then allocated by the MIS executive at branch level on daily basis for collections from the customers accordingly. On every bounce calling the Tele-Callers has to mandatorily inform the customer about the Bounce Charges and penalty applicable on each bounce.
- Parallel Branch Collection Efforts are also initiated immediately post Bounce information is provided to the Collections Department for necessary follow-up.
- For cases where the cheques have returned, Collections Department of USFBL allocates the bounces to the respective branches as well as the Call Centre for quick follow up for collections.

- Bounce Charges are to be debited to the customer account post PDC/NACH bouncing is received from Operations & the customers would be informed accordingly with the reason of cheque bounce. Promises are generated to collect the dues from the customer, which includes the EMI due and the Charges due on their account. Bouncing and Penal charges are a part of our Income. Collecting EMIs without charges shall be considered as income leakage. Any waiver on charges must be approved by the respective authority as per the defined grid, which has been shared later in the manual
- Legal Action on Non Cooperative Borrowers: At USFBL, Legal action is initiated in parallel on the non-cooperative borrowers thru various legal notices like Demand Notice, Loan Recall Notice, Sec-138 Notice, Arbitration notice etc. for influencing their defaulting behavior and bring them to a settlement stage legally for loan recovery.

COLLECTION PROCESS & STRATEGY

At USFBL, the Collections methodology is used according to the type of customers & Reason for default. Not all customers are the same, nor are their reasons for delinquency as well. An effective collections Strategy should be based on customer segmentation, which results primarily from identifying the cause of delinquency and classifying the client based on attitude, capacity to pay, solvency and location.

An Effective customer segmentation is not achieved early as classification is a difficult task, which is why it is important to follow up with customers and monitor their number of days past-due. As the number of past-due-days increases, strategies should change as the collections officers come to know the client better. At the beginning the focus is on retaining the client, but as the number of days past-due increases the focus changes to recovering the entire loan funded.

At USFBL, we use a simple classification/ Segmentation strategy as the following:

Clients who are willing and able to pay require simple collections activities. In many cases effective negotiation of new payment conditions is enough to recover the past-due amount and maintain the client. These individuals are usually clients who forgot to pay, did not receive the awareness calls for any reason or asked someone else who did not follow through to deposit their payment for them.

Clients who are willing but unable to pay require feasible alternatives and options. In these cases, the most effective negotiating involves changing the loan conditions (restructuring, refinancing as per the Policy). Depending on the payment behavior after re-negotiating the conditions, this client could also be a candidate for renewal. Generally, these clients have experienced an unforeseen emergency, are going through a difficult situation, are victims of an investment gone bad, or are outspending their income etc.

Clients who are able but not willing to pay require a different treatment and assessment on their REASON FOR DEFAULT (RFD) as being a lack of payment due to problems with the quality of service offered to this client? If the answer is “yes,” such problems must be immediately resolved. If the answer is “no,” collections must involve an immediate and more intensive strategy. If the new strategy is unsuccessful, then immediate legal action is recommended. It is not unusual to discover that these clients initially received erroneous information, that they disagree with the loan conditions or that payments were made but were not applied because of operational error

Clients who are neither willing nor able to pay require immediate legal action. Generally, these are fraudulent clients with a bad credit history or poorly evaluated/approved credits. However, before moving forward it is important to determine their degree of solvency—that is whether the clients possess sufficient assets to obtain repayment. If they do not, any actions taken could go unproductive. The Collection Manager must evaluate the cost/benefit of any action taken with these clients.

Clients who have not taken any loan need immediate escalation to the Vigilance/FCU department to check the possibility of a Fraud in such cases be handed over from collections to vigilance as and when appropriate.

Clients who are either skip or absconded after loan disbursal need a separate tracking as Skip customers. The early MOB skips to be informed to Business & Credit & Vigilance as well. All the Skip and absconded customers need to be assigned to a skip branch or the respective branch RO for establishing contact again. Parallel Collections follow up will remain continue on such accounts as well.

It is evident from this segmentation that there is a direct relationship between the client’s intention to pay and the probability of recovering the loan—as the client’s intention to pay diminishes over time, so does the probability of loan collections. For this reason, action must be taken immediately on past-due loans in order to increase the effectiveness of collections.

At USFBL, Our Collection strategy focuses the collection efforts on the front end and to organize collection follow-up for all workable delinquent accounts in a cost-effective manner, specifically focusing the accounts in the early bucket and on high risk accounts to minimize the follow-through and losses.

Tele-calling Activity:

At USFBL, our tele-calling is primarily restricted to awareness Calling & bounce Calling only, but it could be extended to Collections across buckets and Write off as per the changing business requirements accordingly. In order to make the 90+ collections more effective, we are using Tele- calling setup as per the requirement.

At USFBL, all cases in buckets 0-29,30+, 60+ & 90+, are also allocated to the Call Centre for parallel and rigorous follow up, which helps us in early resolution of collection s & increase the roll backs and normalization at a better rate.

At Utkarsh Small Finance Bank Limited, business has reviewed its collection strategy and the necessity to outsource the activity and subsequently obtained an approval for the same for 90+ Portfolio as of now.

ALLOCATION LOGIC AND PROCESS:

At Utkarsh Small Finance Bank Limited, our Collection Strategy is linked to Allocations by way of the table indicated below.

In addition to this Allocation logic for the month is reviewed and approved by the Collection Manager designated by the Zonal Collections Head at a location level as there could be some variances given the geographical spread of business presence and in view of constraints that could be location specific.

Segment	Strategy and Allocation
Awareness Calling (4 days Before Presentation date)	Allocated to the tele-calling team, focused on establishing customer contact and detail verification. The call is a welcome call and provides details to the customer regarding loan number, presentation date of installments and the EMI amount & informing them about the NACH/SI presentation dates and ask them to keep sufficient balance in their accounts.
Post Bounce Calling (After Bouncing report of every cycle)	Allocated to tele-calling to perform first bounce calling. The customer is contacted and requested to ensure that the overdue payment is made on the promised dates with charges. Accounts could be referred for field visits if no contact with the customer has been established, customer has requested for pickup of payment, customer promised to pay but subsequently did not keep up the commitment. Call Centre will send Pickups and Field Referrals as per the customer response and contacts status accordingly.
Bucket 1 (1-30)	Allocation is done to the Branch Collections Team. The importance here is to ensure that the customer is contacted quickly and the account prevented from ageing further.
Bucket 2 (30-59)	All cases here are allocated to the Branch Collections Team. Field visits are important to ensure communications lines are open between the customer and company so that assessing financial health of the customer is easily facilitated. In this bucket we focus on collecting all the overdue EMIs along with the Charges and Penalty to discourage the bouncing behavior of the defaulters.
Bucket 3	Allocation of all cases is to Branch Collection Team. The objective here is to reiterate the importance of the customer to

(60-90)	make payments from further ageing and escalation of collection activity. Loss mitigation is initiated in this segment. Selective use of customer correction tools like demand notices is an option, if the customer satisfies the necessary criteria and shows a willingness to bring his account back on track. Field collections can be coupled with legal notices and if necessary filing of Sec 138 can also be initiated at this stage for proper legal messaging and pressure building on the defaulters with in the legal boundaries.
Bucket 4 (90+ Pool, excluding write-off)	Allocation of all cases is done to Branch Collection Team. The key objective is to contact the customer, specialized activities like skip tracing need to be done to track down defaulting customer. This is the pre-charge off segment and loss mitigation tools like offer of a structured payment plan under One Time Settlement (OTS) is used to motivate customers to pay off their financial obligations to the company. Legal action goes on in parallel for better influence on customer behavior.
Write-off	Once the account has reached the 120+ dpd stage then follow up intensity is increased. Branch has some senior officer who are allocated the higher buckets collection for better results. Allocation in the write-off portfolio is done Branch Collection Team and money recovered from these accounts are treated as recoveries. Tele-calling also may be used to assist field collections and on small balance write-off accounts as a cost effective method of recovery. We may also use our call center in the locations where the Branch team is not effective or there is scarcity of resources at some location.

Based on the treatment of the segments indicated in the grid the collection activity is carried out by tele-collections & by way of the field collection method and broadly classified into three segments on the methodology use to carry out the collection activity:

Type	Follow up action	Criteria
1 – 90 dpd	Tele-calling/In-House-Follow-up	EMI Collection
90+ Pool & Write off	Call centre + In-house + Legal action	Recoveries & Settlements

Allocation is a crucial activity of the whole collection cycle. Following points are to be noted for allocation:

Ensure rotation of cases wherever possible. It is done particularly where delay in payment or non-payment happens, allocations may need to rotate amongst the Collection officers after completion of a month. However, considering the spread of business, this will be actioned on a “best effort basis”

During the course of collection cycle, frequently reviews and based on collector feedback, decide and determine course of action to be adopted and if necessary reallocate cases.

Allocations in USFBL happen on a monthly basis to ensure good results and the Collection Manager is responsible for this crucial activity.

The allocation logic adopted by the Collection Manager is on the basis of:

- Past performance of the branch/ In-House Officer.
- Number of cases & collection officers at the branch/ Branches.
- Special skill sets with the respective collection officers.

In addition to the above the Collection Manager would ensure adequate rotation of non-paying customers by having different collection resources with different skill sets manage different segments wherever possible. E.g. Accounts in bucket 1 handled by one officer and accounts in bucket 2 handled by another. This method of sandwiching allocations (No continuous Bucket allocation) allows for better follow-up and control on the activity.

The sandwich logic approach to allocations needs to be done in all locations on best effort basis, where there are >500 collectable accounts in bucket 0-90 in any product.

Instances where the sandwich logic cannot be maintained due to constraints of availability of collection expertise in the marketplace, cost dynamics etc. may vary from location to location.

The allocation logic adopted for the month needs to be documented and approved by the Zonal or National Collection Head.

BOUNCE AND PENAL COLLECTION:

Bouncing and Penal charges are a part of our Income. Collecting EMI without charges is treated as income leakage. All the collection officers must try and collect the BCC/LPC due on each and every account as per the accrual. Any waivers will require an approval with valid reasons.

- ***Bounce calling:***

In order to ensure that customers are aware of the all the charges due on their delinquent loan accounts the Calls are made to customers whose PDC's/NACH have not been cleared in central presentation, with bounce reasons. Purpose of the call is to make the customer aware that his PDC has been returned by his

bankers and will not be presented again & customer has to make a Cash payment on a particular date along with the EMI over dues. The customer is also informed about the charges as per the accruals.

The main purpose of calling early is to assess the customer from time to time and at a very early stage in the relationship between the customer and company. This is fundamental to relationship management of the customer and by talking the customer early we have the ability to assess if the customer is undergoing any liquidity issues or facing financial constraints rehabilitation of the customer begins early.

Information obtained during the course of calling on the customer should be recorded on the Collection system for future reference, as Tele-calling may also be required in higher buckets and Write off.

- **Bounce Charges** are to be accrued and must be debited to all the customer account on CBS Post every PDC/NACH bouncing is received from Operations with the bounce reason & the customers would be informed accordingly with the reason of cheque bounce. Promises are generated to collect the dues from the customer, which includes the EMI due and the Charges due on the same for bouncing and late payments. All such customers whose bounce reason is **"Insufficient funds"** must be informed the BCC & LPC charges along with the EMI amount due from them. This helps in influencing the bouncing behavior of the defaulter at later stage & helps in reducing the bouncing % of the portfolio.

The approved Bounce and Late payment charges rate as per the product policy is as follows:

- ✓ BOUNCING CHEQUE CHARGES (BCC) = Rs.300/- Per Bounce + GST.
- ✓ LATE PAYMENT CHARGES/PENALTY(LPC)= @ 2% per month + GST

(The above-referred charges are governed by the Schedule of Charges approved by the Board of Directors and as displayed on the Bank's website.)

If Bounce reason is mentioned as "SIGNATURES PROBLEM" we can ask the customer for BCC of Rs.100/- per bounce/per month + GST. But in exceptional cases where customer disputes on his signatures, then the respective officer can waive off Rs.100/-after discussion with the RCM/ZCM.

Waiver on BCC/LPC: At USFB, competent authority/ies for waiver of charges are defined in the Board Approved Delegation of Financial Powers (DFP) Matrix – the last such DFP Matrix being approved by the Board on July 21, 2018. Cases where some customers are found to be financially incapable or there is a dispute in the case due to which that customer is able to pay the EMI only, but not the charges, waiver of BCC/LPC on such case must be approved by the respective authority as per the Latest approved DFP Grid.

Waiver Process: All the Cases for a month where there is a part of full waiver on charges in a month, one single consolidated list of such accounts to be approved on mail by the Designated authority as per the approved DFP Grid only.

Our Collections MIS officer will prepare the consolidated list in consultation with the respective RCMs & ZCMs who will validate the data for their respective Regions/Zones.

MIS officer consolidates such list and sends to the HOC for further recommendations to the DFP Authority accordingly for final approvals.

This approval mail has to go before 7th day of the next month for the previous month's waiver. That means we will take the Consolidate charges waiver for a month after & within 7 days from the closing date of that month.

Waiver on Principal: At USFBL we do not promote waivers on Principal Amount as a policy. But in exceptional cases during the collection follow up for EMI and BCC/LPC a customer is found financially incapable or there is a dispute in a case due to which that customer is unable to pay in full, but can pay in part which does not cover the principal outstanding. In such cases the Principal waiver on may be considered to resolve the matter & it must be approved by the respective authority as per the Latest approved DFP Grid for Principal waivers. A Separate approval has been taken from the respective authorities to include the Principal Waivers in the approved DFP Grid of the Bank.

****This is an auditable action and is in 100% compliance on all the BCC/LPC/Principal waiver. The waiver grid is only for managing waiver s, it should not lead to high waivers at all.**

COLLECTION SYSTEM AND QUEUE MAINTAINENCE:

Utkarsh Small Finance Bank uses a Manual collection system as of now, which is Excel based. However, a Collection system is under construction to ensure smooth management of collections from the delinquent customers.

A dedicated Collection system will allow us for queuing the structure. There is a primary queue where data for all delinquent cases from the lending system will be captured on the collection system, and secondary queues.

The primary queue is used for reconciliation related activities done at the beginning of the collection cycle to ensure data integrity on the collection management system.

The secondary queues are populated based on allocations done at location levels as governed by the allocation process.

Reconciliation between the collection system and IT Reports are done on a monthly basis by a dedicated Collection MIS officer and Final MIS published by the system.

The various capabilities of the system like reports based on user driven parameters, retention of collection notes will be managed by the Collection system, which is under development as of now. Till then an excel based daily Collection reporting is being done at Branch & HO level by the respective Collection managers.

CALL CENTRE PROCESS

Tele-collections is one of the methods adopted by Utkarsh Small Finance Bank to contact the customer and facilitate in the loan repayment process.

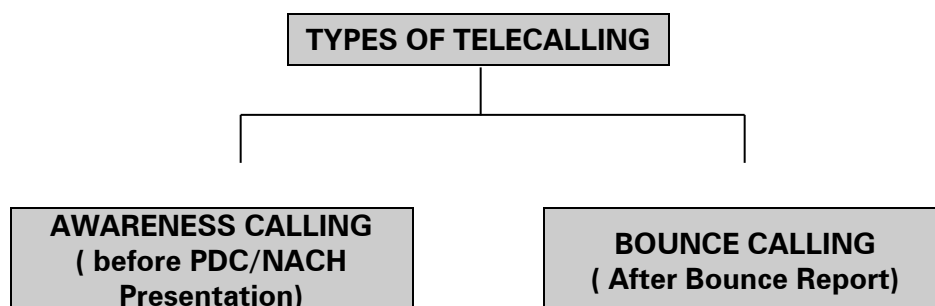
Tele-collections is an effective method of establishing contact with a large number of customers in a reasonably short span of time.

The tele-collections strategy is treated separately in the "Call Centre Strategy Document, which indicates in detail the activities pursued by the Call Centre and the timelines and treatments associated with this particular collection method. This Call Centre Strategy Document will also need to be reviewed by the Collection Head periodically and modify as per the Business requirements with approvals in place.

The call center facilitates all the calling activity under "one roof" so that it would help both in terms of control both for collections management as well give management a first cut understanding of the portfolio.

The call center would also allow for implementation of new calling strategies in a more efficient and controlled manner than if it were based out of branches. The call centers work as a "hub and spoke" model given the linguistic hurdle and spread of business, it also ensures coverage of new branches, remote locations where training and developing the collection skill set at the branch level would take some time.

The activities currently associated with collection calling are:



- As per the overall collection strategy tele-calling will be done in for the two main activities indicated above in addition to this it could also be adopted in the soft range and may also be done on a restricted basis in the midrange.

Awareness calls – These are calls made to let the customer know his due date, confirm installment and remind the customer to make funds available in his account for the installments so that he/she can ensure that their credit rating with the company remains intact. These calls are as indicated done before the presentation of EMI claims to the customer's account. This may also be used as a verification call as it is made to customers whose loans have been disbursed.

The purpose is to establish contact with the customer, educate the customer on loan details, and resolve issues/ customer queries if any, and also provide the customer service numbers for future reference.

Awareness Calling Script:

"Good Morning / Afternoon / Evening, Sir / Madam, I Am Calling On Behalf Of **Utkarsh Small Finance Bank.**"

"Can I Speak with Mr./Ms....."

(If right party....)

"Sir / Madam",

"You have got a Product Loan from us. For which we would like to provide you some important details".

"But before we move forward could you please confirm me your residence and office address & phone no's...."

"thank you so much"

"You must have received the asset/Chq. by now".

"Your New Loan Reference No. Is"

"The EMI amount for the same is"

"Your installment cheques would be presented on the 5th / 15th / 20th day and shall appear in your account by the 5th / 15th / 20th of the month. In Case of any queries please feel free to contact our customer services following numbers..... **(AS PER LOCATION).**"

Sir this is to inform you that in Case your cheque/NACH gets returned due to not maintaining sufficient balance in your account, every return from the bank your account shall be debited for Rs.300/- per Bounce as Bounce Charges + 18% GST therefore it's not in your interest to bounce your cheques and would request you to please get it cleared in the first presentation always.

In case the payment is not received within 24 hours of bouncing then there would be additional Late Payment Charges due on your account @ 2% per month + 18% GST on the total overdue.

"Please mention your loan account number, so that we can serve you better."

"Looking forward for a mutually rewarding relationship with you."

"Thank You and Have A Nice Day."

Bounce calls - Calls made to customers whose EMIs have not cleared in the cycle date presentation & now customer has to pay the same in /Online along with the charges & Penalty applicable. Purpose of call is to make the customer aware that his EMI has been returned by his bankers and will be not be presented again customer has to make a Cash payment on a particular date. The customer is also informed about the bounce cheque charges & Penalties to influence his behavior of further bouncing.

The main purpose of calling early is to assess the customer from time to time and at a very early stage in the relationship between the customer and company. This is fundamental to relationship management of the customer and by talking the customer early we have the ability to assess if the customer is undergoing any liquidity issues or facing financial constraints rehabilitation of the customer begins early.

- Information obtained during the course of calling on the customer should be recorded on the Collection system for future reference, as Tele-calling may also be required in higher buckets and Write off.
- The tele-caller will check for the following:

Details that can be confirmed are:

- *Name of Customer - surname, first name & middle name.*
- *Phone number - residence/Office.*
- *Residence/Office address.*
- *Pin code.*
- *Date of birth*
- *Mother's Maiden Name.*

If the Customers information on the system matches with that got from the Customer over the phone the information can be discussed with the customer.

- Check for previous payment history and inform Customer of his credit history if the customer desires. This information can also be used to assess the customer behavior and should be kept in mind when eliciting a promise to pay from the customer. If the customer is a chronic defaulter, inform him that his credit rating is affected.
- Start the conversation by wishing the Customer and end the conversation by wishing the Customer.
- The case, if not resolved or if the customer wants to get the payment picked up, are referred for field visits.

Bounce Calling Script:

"Good Morning / Afternoon / Evening, Sir / Madam, I am calling on behalf of Utkarsh Small Finance Bank."

"Can I Speak with Mr./Ms....."

"This is regarding your loan from Utkarsh Small Finance Bank, before I go ahead could you please confirm your Date of Birth....."

"Thank you so much"

"This is about your postdated cheque/NACH datedissued in our favor towards installment for the month ofhas been returned by your banker due to(reason)."

"The installment amount is Rs..... You are requested to kindly make the payment with charges by mode of Cash immediately. Please confirm by when shall you be visiting the Bank Branch or shall we send our officer to collect the same from your Residence or Office as per your convenience.

"In case of any queries, please feel free to contact our Customer Services at the following numbers.....(**RCM Number AS PER LOCATION**)."

For every such return from the bank has debited your loan account for Rs.300/- per Bounce as Bounce Charges + 18% GST therefore you are requested to kindly pay the bounce charges along with the EMI overdue on your account. it's not in your interest to bounce your cheques and would request you to please get it cleared in the first presentation always.

In case , the payment is not received within 24 hours from the bounce date, there would be a Late Payment Charges due on your account @ 2% per month + 18% GST. You are requested to pay the late payment charges additional in case you are not paying within 24 hours from bounce date.

"Thank You & Have A Nice Day".

CALL MONITORING:

Call evaluation is a critical aspect of assessing the overall quality of call being made and this would also provide grounds for specific feedback to be given to the respective caller so that he/she can make the requisite improvements.

The goal would be to assess the effectiveness of a caller based on various parameters that have been considered as important during the course of the call based on the objective of the call being placed. The proposed call evaluation process works on a scoring model, built around weights assigned to each parameter in the call. The score-sheet based on the type of activity has various parameters that would need to be assessed during a call. The parameters are graded/ assigned weights based on the objective of the call and ranked in that order. The rank is a weight that gets converted into a score depending on whether the caller passes or fails that particular check. The call evaluation sheet will be viewed in conjunction with call volumes of the particular tele-caller. The supervisor or call center head will be responsible for providing feedback to the caller and documenting the same on a regular basis.

FIELD COLLECTIONS

Field collections is a method of collection activity that uses an authorized Bank Collections officer or an authorized branch of the company to visit the customer & establish a contact. This method could be time consuming but is extremely effective.

Field collections, is largely done by In-house Collection teams at branches only.

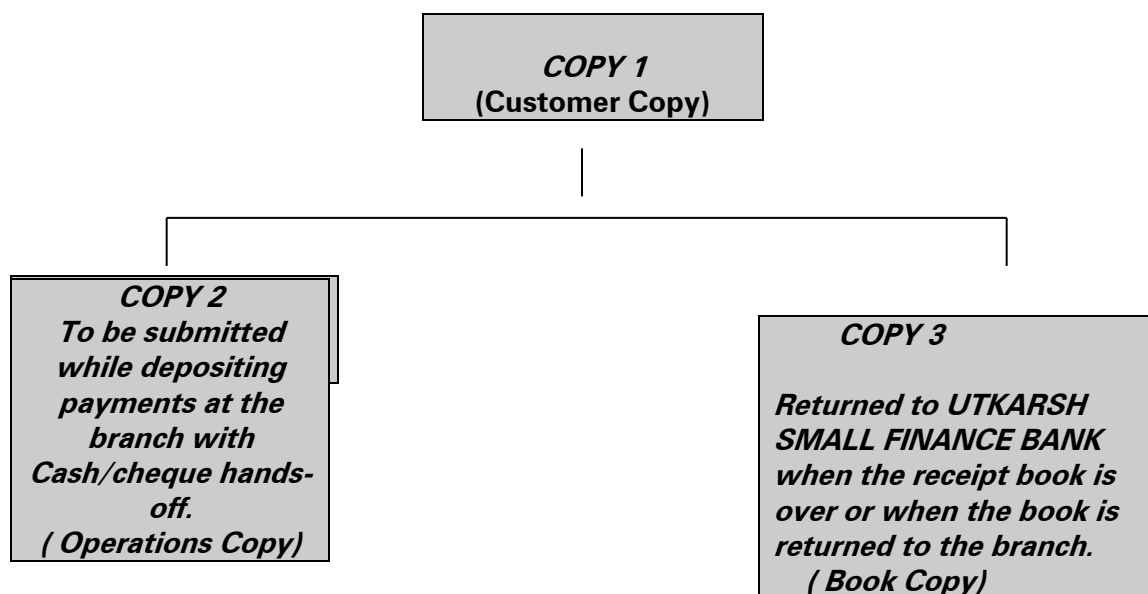
Given below is a broad set of guidelines on the collection process for in-house cases at branches.

- Cases proceeds on collection calls after the cases have been allocated by the respective collection Manager. This is done on the basis of a pre-decided/approved Allocation Logic. The branch does follow up activity on accounts allocated to them on the basis of Information provided to them over the mails.
- The collectable accounts are allocated on the basis of following parameter

- ✓ The past performance of the collection officers.
 - ✓ Payment due, both in terms of amount and days past due date.
 - ✓ The number of collection officers available in the Branch.
 - ✓ Types of Collection follow up required (Settlements/Closures).
- Care needs to be taken to ensure that load balancing is done and that cases allocated to the branch/branch should ensure that the Account to collector ratio (ACR) are in line for the location/product.
 - All payments collected by the Branch in terms of cash, demand draft, cheques, pay-order, banker's cheque are being deposited and updated in customer account within 24 hours.
 - The payment received from the branches are being deposited in the branch. The acknowledged copy of the hands-off has to be filed by collection staff as proof of payment deposited in their respective payment files in the branch & the same needs to be acknowledged by the respective branch CSO.

RECEIPT ISSUANCE PROCESS:

- Payments collected are in the form of Cash /DD/pay order/cheque. All the s ensures that the Customer Loan account number is clearly mentioned on the Receipt.
- All payments received are being acknowledged by a receipt.
- All receipts are being issued in Triplicate



- Payment are not being held back at the Branch for more than 24 hours from the time of receipt being issued. All payments are being handed over to the respective Branch CSOs on the same day. Any exceptions, due to unforeseen circumstances, are being informed to the immediate supervisor & all delayed deposits and posting being supported with the approval from HOC.
- In case, there is any problem while collections process is in progress, the same is being informed to the local Regional/ Zonal Manager before any further action is taken.

RECEIPT BOOK MANAGEMENT :

The issue of Receipt Book and its audit takes place in the following steps:

- All receipt books are being centrally printed and are governed by a serial number control. Each receipt book is assigned a receipt book number and these receipt books have a specified number of receipt sets, which are also serially numbered for control purposes. The process of printing is being managed by Admin Department & issue of receipt books to the branch is controlled by a Central MIS officer under the supervision of RCM/ZCM/HOC.
- The receipt books are issued to the branches only on receiving the formal requests from the branch by way of a request mails only.
- At a branch the receipt books received from the HO are entered into a receipt book stock tracker at the branch and kept under lock and key by the respective CSO.
- Persons other than the CSO will not have access to receipt books at Branch/Branch.
- The receipt books at the branch are tracked by way of a Receipt Book Control Register/ Stock Tracker in excel, which tracks the receipt books that have been received by the branch. All branches send the status of earlier stock along with the request for fresh stock on the mail itself to the Collection MIS officer, who tallies the same from the master tracker and in case of any gaps in Recon, escalates the same to the concerned branches and seniors.
- The branch CSO then issues these books to its' collection officers. The officer wise receipt book audit checks and controls are maintained at branch level & HO simultaneously.

- A receipt has to be issued to a customer against collections received, irrespective of the payment mode. Each receipt set contains three copies:
 - ✓ Copy 1: Customer Copy to be handed over to the customer as a proof of payment received.
 - ✓ Copy 2: Operation Copy to be handed over to the company with acknowledgement in form of a Payment hands-off sheet operations will update the payment on the basis on this copy.
 - ✓ Copy 3: Book Copy to be returned along with the receipt book when the book is completed

- In the event of a replacement of a completed receipt book, the respective branch will raise a request the branch or centralized collections for issuance of a replacement book. A receipt book return letter/mail and a subsequent request/ replacement letter accompany the return of a completed book.

- As per the Standard Receipt book management process, all the receipt books with the branch, whether used or unused, completed or still having empty unused receipts will have to be returned to the branch on completion and Expiry. E.g. Every completed receipt book issued out in the beginning of a month need to be returned at the beginning of next month before the start of the next collection cycle. All requirements in terms of a covering letter with all receipt books have to be obtained from the collection branch. The Branch Manager will be responsible to ensure that this process is adhered to strictly and there are no deviations to this.

- The Collection MIS officer receives the old book(s) from the branches by courier and a mail confirmation of dispatch with details. The MIS officer then tallies the receipt books returned against the issuance. If there is a gap, then he reconciles the same with each branch separately & updates his master Receipt Tracker accordingly.

- Each receipt has to be filled with all the relevant details and carry the customer's signature. Filling all the details required in the receipt issued is mandatory, however entering the denominations of the monies collected has to be stressed to the concerned officer using receipt books, however this will be captured on a "best effort" basis.

- At the beginning of every month a receipt book audit needs to be conducted by an independent auditor /CPA firm for all receipt issued out. Post the audit the auditor/CPA firm will issue out a formal audit report, which will detail the findings of the audit, conducted for all the receipt books. This is for both, internal & branch receipt books, affiliated to the risk department. This is under process right now.

Currently we are doing a daily Receipt Leaf recon on excel on the basis of Daily Branch reports and the daily Transaction files from IT.

- Post month end the branches return all the relevant receipt books to the HO with the designated MIS officer for the same.
- The Receipt Book Audit will be conducted on a monthly basis is fairly detailed and checks all receipt books in circulation as well as the receipt books in stock at the branch. The receipt book auditor also checks for discrepancies like delays in deposition of monies collected, break in series for receipts issued, wrong reference numbers mentioned in Cash/Chq summary etc. The Audit reports will be issued in triplicate.
- All issues highlighted in the receipt audit report needs to be closed out by the respective branches with in the stipulated time duration as mentioned by the auditor.

In case a receipt book is lost, then the following steps are to be taken:

- Branch will report the loss of books to the HO over a formal mail and will lodge a complaint with the nearest Police Station.
- Branch will also ensure that the Lost Receipt Notification gets published in 2 Local Newspapers as well in vernacular language thru the communication departments of USFBL.
- A fresh receipt book is issued to the branch/.
- Bank will ensure that no further payments are received against the receipts misplaced.

RECEIPT BOOK RECONCILIATION & AUDIT PROCESS:

RECONCILIATION:

- Reconciliation of receipt Books and Receipts is carried out on Excel by the Central MIS officer. Later we will do it on the Collection system which is under construction right now.
- IT department sends a Daily Transaction File, which is the Payments dump of the previous day, but without Receipt details as CBS does not have the option of Capturing the receipt details as of now. So collection has to manage the Daily recon & Track the Receipts & Receipt Books manually on Excel sheets.

- Besides this, MIS officer Receives a Daily Branch File from the branches in which the CSO captured the daily payments details with Receipt details on daily basis.
- On the basis of that file Collections come to know the Daily Payment status with Receipt details on daily basis for every branch
- MIS officers matches off the payment details on his master Tracker with the above 2 MISs and will escalate any gaps noticed in the Daily Receipt Recon.

Additional Control (Maker- Checker):

To counter the probable gaps in the reconciliation, we have initiated an additional check on the same.

Our RCMs are also additionally maintaining a Daily Payment File in Excel. Wherein they are capturing the details of daily payments with Receipt details viz. Receipt No, Receipt date and Receipt amount for all the s of the respective branch and sending this daily payment file to the respective RCM/ZCM and Central MIS Officer on daily basis for daily recon.

- MIS Officer, will maintain a Daily Receipt Recon Tracker for every month and publish it every day on the next morning by 11.00 o clock to all the RCMs, ZCMs cc to NCM.
- In case of any gap found on matching off the IT Transaction File, Daily Branch File and the Daily Payment file sent by the BCI, he will raise the same to the respective BCI/RCM on daily basis with CC to ZCM and NCM on the spot.
- RCM and BCI have to ensure that any payment gap raised by MIS officer get reverted and closed on the same day before EOD. All the branches with Receipt Recon Gap will be marked in Red in the Daily Receipt Recon Tracker.
- Any branch showing for more than 3 Reds in a month will have a RCM/ZCM joint call/ visit mandatory and report the issue and resolution given to the NCM on the next day & record on mail as well.
- Local Conveyance and incentives of the problematic branches/RCMs may attract penalties for more than 3 defaults in this process in a month.
- Similar Process is being followed for the Branch Receipts Control as well. RCMs are taking daily payment files from the agencies and sending it to the MIS officer for daily reconciliation of the payment records receipt wise.

RECEIPT BOOK AUDIT :

- As a Standard Process, a Receipt Book audit shall be carried out after every month end.
- Receipt book audit is to be done either by Internal Auditors of the company or an External Auditor appointed for the same.
- Generally, in case of large volumes of Receipts, this kind of audit is carried out by professional CPA Agencies, who have specialized staff for the same and relevant software to carry out such audits.
- Receipts and Receipt Book are the most important document of the organization. It is the sole proof of the Payments being collected and

deposited in to the customer's Loan Account & may be misused by Internal staff or outsourced branch staff of the company

- Any Discrepancies in the Receipts Issuance or Receipt book Process for the previous month must be audited & reported by the audit team before 15th day of the next month, so that the corrective action could be taken by collections and discrepancies be resolved with in due course of time.
- In the absence of a strong Audit Policy for Receipts/ Receipt books, collection anomalies may remain un-noticed & Un-attended, which may lead to a Cash/Payments related fraud at later stage and might get escalated by the affected customers at later stage.
- Collections of money through Receipt Books is a High Risk process and must be governed and controlled with a Strong Audit and compliance Policy and Process.
- All Branches and Agencies are answerable to revert and resolve any discrepancy which gets raised during such audits.
- It works as a Maker- Checker on the end user of the Receipts and Receipt Books.

FEEDBACK MECHANISM

The Branch wise feedback is captured through **Daily Collections Reports (DCR)**. The data from DCRs is reviewed by the RCM/ZCM periodically. The DCRs are updated using the contact mode and response codes depending on the contact mode applied and response obtained. Later we will do the Trails upload through a Collection system & Handheld machines, which is under development right now.

The contact codes and response codes to be used in the DCRs are listed below for the purpose of quick reference and also to assist in the DCR upload process with minimal error.

All Branches are responsible to ensure that collectors use these codes while preparing DCR

Contact Mode and Description

BRANCH	BRANCH VISIT
FV	FIELD VISIT
LETTER	LETTER
LG	LEGAL NOTICE
OTHERS	OTHERS

PHONE	PHONE CALL
POST	LETTER POSTED
TC	TELECALLING – OUTGOING
TI	TELECALLING – INCOMING

Response Code and Description

CASH	CASH PAID
CHQ	CLEARANCE
LM	LEFT MESSAGE
NEGATIVE	NEGATIVE FEEDBACK
ASR	ACCOUNT STATEMENT REQUEST
BPP	BROKEN PROMISE TO PAY
CB	CALL BACK
CD	CHANGE OF ADDRESS
NPR	CHECK/NACH NOT PRESENTED
FCLR	FORECLOSED
INS	INSURANCE CASE
NA	NOT AVAILABLE
NC	NO CONTACT
NOC	NO OBJECTION CERTIFICATE REQUEST
NOREPLY	NO REPLY
OS	OUT OF STATION
OT	OTHER
PTP	PROMISE TO PAY
PREPQ	PREPAYMENT QUERY
REPOS	REPO SUCCESSFUL
REPOU	REPO UNSUCCESSFUL
SI	SERVICE ISSUE
DISP	DISPUTE
WI	WRONG INFORMATION

PAYMENT MANAGEMENT PROCESS

The respective RCMs/ZCMs need to ensure that branches and collecting money from the customer on behalf of Utkarsh Small Finance Bank Limited are deposited on time at the designated branches only.

The management of this cash will then be the responsibility of the branch cash desk. Collections will not be involved in the cash management process at the branch and will also not be involved in the preparation of Cash/cheque summary report that is sent to Centralized Operations to be updated into the respective customer accounts. The collection officers are required to be aware

of the cash deposit process as per the Branch process, but CSO is authorized to deposit the daily cash at the branch counter along with the system update and publishing a daily summary of branch collections done.

- All Cash/Payments which have been collected by the In-House teams within **the Business Hours** have to be deposited on the same day.
- In case of a delay in deposit within the working hours, the Cash in hand has to be submitted in the Cash Vault of the respective branch and the same has to be informed to the respective RCM. RCM will report the incidence to his supervisor who will raise an approval request to the ZCM/NCM for delay in deposit.
- All Cash payments which have been collected by the In-house team's members **after the Business Hours** and branch gets closed for the day. The respective officer will keep the collected Cash in his own safe custody till the next morning and inform his immediate supervisor on the spot before leaving for the day by mode of a phone call or a message. RCM will take an approval from ZCM/HOC in the next morning for delay in deposit with clear mention of this incidence & ensure that such delayed payment gets deposited in the next morning as normal process.
- **Cash Lost in Transit:** In case of an exceptional incidence of Cash lost in transit due to an unavoidable problem like Road Accident, Snatching, Medical reason or other. The Respective officer will report the incidence to the RCM/ZCM within due course of time (24 hours). RCM will document the incidence on mail and inform to the ZCM & HOS accordingly. A Police information is to be done at the respective local Police station within 24 hours. If the receipt Book has also been lost in such incidence then along with the Police Complaint, a News Paper publication in 2 major newspapers in English and Local language needs to be done for restricting the misuse of the lost Receipt Book in such incidence. In case of an incidence due to medical reason, a medical examination of such officer is also mandatory to confirm the facts within 24 hours only. The risk of cash loss in Transit for all locations is covered under the terms and conditions of the Fidelity Insurance policy taken by the Bank.
- All the collected payments for the day in a branch is handed over by the collection officers to the Branch CSO on daily basis.

Payment Accounting and Posting:

All the payments posting is done by the respective CSO at branch level only.

- **EMI Posting**: CSO posts the EMI entries on CBS via ELNREPAY for all the EMI payments. ELNREPAY mode works on **CIP** logic (Charges->Interest-> Principal). That means on EMI posting, CBS first adjusts the charges then, interest portion & then Principal.
- **Write off payment Posting**: All the payments and settlement payments of Write off accounts are posted through the ETRAN module on CBS. In this module CBS follows the **PIC** that means Principal-> Interest-> Charges. In this module CBS will first adjust Principal, then Interest and then charges against the write off accounts.

COLLECTIONS PERFORMANCE MANAGEMENT AND REVIEW SECTION

After collection cases are allocated to a Branch, area wise allocations to collectors are done by the respective RCMs. Officers start their follow-up on the cases in the descending order of Principal Outstanding of the Allocated accounts.

The Collection Manager ensures that the number of accounts allocated to an officer are limited by the **Allocation to Collector Ratio** (ACR) decided upon by the Collection Manager and Regional Collection Manager based on the product handled, ageing of the account/bucket, Geo Limits and product and in line with the location requirement.

Post the Allocation of cases regular performance reviews need to be done by Branch Manager.

Reviews done on a regular basis:

Branch/Branch performance is tracked using the Branch/branch performance tracker which is an MIS that lists out Branch/branch performance by way of roll forwards, roll backs and stabilized accounts expressed in units, value and also as a ratio to total cases allocated by way of product.

Broken promise report: This report lists out promises taken from a customer but not converted for any reason.

Contacted but no PTP report lists for the Collection Manager, the accounts where contacts have been made with the customer however the collector has been for some reason unable to convert these into promises to pay.

The Regional/Zonal Collection Heads will review:

- The Branch-wise Performance report and his one down's to track performance at a product level for locations under their span of control.

- The Collection Comparison Report is used to assess current month performance as compared to last month same time. This is under construction.
- Trail intensity report measures the effort of the collection branch on the accounts allocated to them in terms of attempts, contacts, promises to pay and promises kept.
- PAR MIS for Pre- Write off and Post Write off Pool to check the PAR increase or decrease status
- BCC/LPC Collections MIS to control income leakage.

Reviews done on a monthly basis:

The reviews are done on a monthly basis with the Branch Collection teams for target setting and performance reviews. These are done in the beginning of the month:

- Analyze branch performance on the accounts allocated the previous months as against the target set.
- List areas of concern/focus.
- State the target for the coming month. This could also be covered by way of the allocation letter for the current month along with the target decided on.

Annual review:

An annual performance review is done for collection team and is often during the time of annual appraisals & at the beginning of the new financial year.

All regular collector trainings will be the responsibility of the RCM/ZCM. They conduct planned branch Collections training on a quarterly basis and document the same for the respective branch in the Standard Training Memo format. It is necessary that every collection branch should have a training conducted once in every quarter at a minimum.

VENDOR MANAGEMENT SELECTION/RENEWAL CRITERIA:

Process Involved in Recruiting Collection Vendors.

- New Vendor to send proposal/write up to Utkarsh Small Finance Bank Limited
- Utkarsh Small Finance Bank Limited Officer to Visit Vendor Premises and fill in Site verification report and get same approved by the respective authority.
- The respective regional & Zonal Collection Manager to fill in Vendor Business Background Report and send to Seniors for further approval process.

- Fraud Control Unit/ Vigilance check needs to be positive. Deviations may be permitted post recommendations and approvals from the HOD with clearly documented reasons.
 - Request for empaneling the branch to be approved by HOD on mail.
- a) Post identification of the vendor based on the search and selection process the following checks and documents need to be obtained:
- Vendor Profile
 - Resume of proprietor/partners or directors as the case might be
 - Site Verification report.
 - CPV and TVR
 - FCU Check
 - Dedupe/CLS check
 - Copy of last 6 month's bank statement
 - Latest Income Tax Assessment Order
 - Annexure A
 - Annexure B
 - Due Diligence Checklist
 - PAN CARD/ ADHAAR/GSTIN NO copy
 - Service Tax No. Copy/ Service Tax Regn. Certificate
 - PF Regn. *
 - ESI Regn.
 - Proposed Billing grid for the new branch
 - Memo for approval from HOD.

The above-mentioned list of checks could change and are dependent on requirements circulated by the Legal and Compliance Team of Utkarsh Small Finance Bank. In that case, the necessary changes need to be incorporated and checks done to ensure vendor adherence to the same.

- b) Once the above documents have been compiled in a file. The respective manager will inform the ZCM & HOC/HOD and seek approval to proceed with the hiring process.
- c) The original physical file will be sent to HO with the above-indicated documents.
- d) The RCM/ZCM will keep a copy of the file sent with them. This is the responsibility of the respective RCM & ZCM.**
- e) The file will be forwarded to legal and Compliance team to do a document sufficiency check with the objective of having the file included into the AVL on receipt of a signed copy of the agreement.**
- f) If the document sufficiency has been met VMU will indicate the same else provide a list of pending documents.**
- g) The coordinator will follow-up with the branch for the pending documents.**
- h) On receipt of the pending documents if any the file will be considered completed.**
- i) The file will be then reviewed by both the HOC and HOD.
- j) The sign-off will be obtained on the approval memo. Format enclosed.
- k) Post approval and document fulfillment met as indicated above the file will be given to VMU.

- l) Legal team will then print an agreement along with the grid and have the same sent to the vendor to be signed off by the vendor **only**.
 - m) Post sign off by the vendor ,they will send the agreement back to HOC, who will get the agreement signed off from the respective authority (HOD)
 - n) Post receipt of the signed copy of the agreement, Legal team will send a copy of the signed agreement to the respective RCM/ZCM and the vendor as well.
- No cases to be allocated to the vendor, for collections, till the above outlined process is completed.
- Vendor Staff Hiring Process:
Staff Hiring shall be subject to following guidelines:
 - Staff to be an Adult Indian Male / Female
 - Staff Profile along with One photograph
 - Staff will be issued a valid id card carrying a photograph of the collector (if visiting customers)
 - Police Verification for staff
 - Two references from the staff.
 - The staff will have to be trained on the Code of Conduct by the respective RCM and ZCM and will have to sign the Code of Conduct which should be available in the vendor file.

***Police verifications as indicated in done by the law enforcement branch of the country and therefore the onus of response is on the police. In view of the difficulties faced due to this reason it has been decided that this process will be initiated as part of the due diligence process and proof of having initiated this will be recorded. To however assess the character of the collector two references will be taken from the collector and these references will be verified*

Additionally, on the management side of the vendor the RCM/ZCM needs to ensure that the following are tracked properly as per the existing process and approved policy.

- Receipt books & ID Cards.
- A Case Level Feedback process.
- Timely Payment hand-off & deposits, if any.
- Regular visits to the vendor.
- Vendor performance tracking is to be done on a monthly basis of targets set for that month by the Branch Manager.
- Stat Cards given to the branch for collection follow-up are returned back at the end of the collection cycle and subsequently destroyed.
- All collectors adhere to the Code of Conduct at all times during customer interactions.
- Periodic Training on CCOC for new and old Officers of the branch.

Renewal of an existing vendor:

The following documents need to be forwarded in a file to the designated co-coordinator

- a) **Three annual performance letters sent to the branch (if the previous agreement was for three years) else the latest annual performance letter in the required format.**
- b) Vendor evaluation report the last three years (if previous agreement validity was for three years) else latest evaluation report duly filled.
- c) Branch Renewal request memo format enclosed in the attached file.
- d) Proposed payout grid
- e) Both NCM and the CREDIT and RISK HEAD will review the file once received.
- f) On approval and sign off by the above the file will be sent to VMU for processing the new agreement.
- g) VMU will then print an agreement along with the grid and have the same sent to the branch to be signed off by the vendor **only**.
- h) The signed agreement will be sent to VMU, VMU will have the agreement signed by the designated Senior.
- i) AVL to be updated.

SPECIAL CASE MANAGEMENT

SKIP POLICY

“SKIP” customer is a customer who has shifted residence and office/company also and the respective contact phone numbers, if any, are invalid.

Following checks need to be completed before classifying a customer as a skip:

- Both residence and office address have been checked for confirming the customer’s presence and it has been found that the customer is missing.
- References, if any, have been verified and customer has not been traced / no clue about the customer has been received.
- Loan documentation of the customer has been checked and not lead is coming from the same.

This activity needs to be carried out by collections officer / skip tracing officer/ Branch. This is a critical activity as skips moving to higher buckets would be probable write-off cases hitting the NCL.

Once a skip is confirmed, the skip tracing action on the cases would begin through a dedicated skip-tracing branch. In such locations where such specialized services are not available or the volume of such cases is small, normal collection agencies may perform this function.

However, in higher buckets the Cases may be allocated to Senior, in order to increase focus on such cases and to verify the effectiveness of skip tracing cases.

Once traced, skip will be treated as Skip Traced Case and appropriate action as per collections strategy shall take place.

Skip Tracing process

Following process is being followed during the SKIP trace:

The respective Officer may make use of following techniques in order to skip trace such customers:

- ✓ MTNL/ BSNL CD-ROM check (if the MTNL CD-ROM is available)
- ✓ Check References from the original application form, contact them.
- ✓ Check Residence and the neighboring area.
- ✓ Check with employers (office check)
- ✓ Check with the local real estate branch, Gas & transport authorities etc.
- ✓ Check with the local post office.
- ✓ Online Check on Facebook, Google, True-caller, Job sites and other relevant apps.

Skip tracing activities may be difficult to perform on small balance accounts like personal loans and sales finance loans. The reasons being that the success rates in these segments have proved to be lower than in the bigger ticket segments.

Locations where account volume is high and depending on the availability and feasibility of skip tracing vendors, the collections department should try and make use of this opportunity. In locations where this skill set is not available or feasible then the collections unit will make use of the call centre as and when the same is fully functional, associated with that location to run the necessary detection process of a “skip” customer.

Leads obtained by the call centre will be then sent to the local collections unit for subsequent follow-up. Ideally the call centre will have a team of collectors trained in skip tracing customers through the phone. They will review the customer file and pick leads from these documents and use these leads, including references provided by the customer to try and track the customer.

Some of the methods that would be used by the call centre:

- a. Calling of references provided by the customer
- b. Numbers called in telephone verification report
- c. Speaking to previous employers for any details or contact addresses left by customer.
- d. Permanent address and contact numbers if provided by the customer.

The call centre team will document its attempts by way of trails on the account and by and large this method of skip tracing will be adopted for the small ticket personal loans and sales finance portfolio.

The effectiveness of this approach will over course of time be reviewed against the results of effectiveness of skip tracing agencies wherever present to understand if any synergies could be developed to derive an optimal solution.

CUSTOMER DECEASED POLICY

When a customer expires and the loan is running with Utkarsh Small Finance Bank, cases have to be handled very carefully. This is primarily on the account of sensitive nature of such cases. As per Indian Legal system, all liabilities of the deceased shall be passed on to his/her legal heir.

Following shall be our policy with respect to deceased customers:

- In the Case of Personal Loan where average ticket size is fairly low than ,30000 or under Loan Insurance, such cases shall be charged off immediately in the month where deceased has been identified, subject to the necessary documentation and approvals being received by operations. However, where credit shield has been sold to the customer, process of claiming the credit shield amount from the insurance company shall be initiated.

Detailed below is the process related to the Customer Deceased Policy:

Non- Insurance deceased customer account closure

For all non-credit shield deceased customer cases, following documents are required:

- Foreclosure request sheet.
- Termination report.
- Credit and risk head's approval is required.
- Original or attested copy of death certificate.

Customer account closure with Loan Credit Insurance

For all the death cases covered under Loan **Credit Shield Insurance**, we need to raise a claim on the respective Insurance Company. For this purpose, Insurance

Companies have **certain mandatory documentation** requirements (detailed below), which need to be fulfilled for successful admission of claim. In view of this, we need to ensure that at the time of closure of all Death cases covered under credit shield the docs mentioned below are sent to the Proc-Closure team along with the closure request. This is a compulsory requirement and we can entertain no deviations specifically because non-adherence can lead to financial loss due to rejection of claim.

Please note that **scanned copies of the claim documentation would not be acceptable**, since some of the claim documentation required such as death Certificate/proof of age/identity should be either submitted in original or an attested true copy should be submitted. Therefore, we would need the hard copies of the same to be sent to us, which would in turn be forwarded to the insurance company for processing of claim.

The documentation criteria for processing of claims for credit shield cases specified by the Insurance Companies is as follows:

Claims (outstanding POS at the time of death) \leq 30000.

- INSURANCE Claim Form Notification of a Death Claim (CLAIMANT'S STATEMENT)
- Original or Attested copy of the Death Certificate by Municipal Authority
- Original or Attested copy of Photo Id card with proof of age

Claims (outstanding POS at the time of death) \geq 30001 (>\$60)

1. Participation > 2 years

- INSURANCE Claim Form Notification of a Death Claim (CLAIMANT'S STATEMENT)
- Original or Attested copy of the Death Certificate by Municipal Authority
- Original or Attested copy of Photo Id card with proof of age

2. Participation \leq 2 years

- INSURANCE Claim Form Notification of a Death Claim (CLAIMANT'S STATEMENT)
- Original or Attested copy of the Death Certificate by Municipal Authority
- Original or Attested copy of Photo Id card with proof of age
- Original or Attested copy of the Death Certificate by Doctor
- Original or Attested copy of the Autopsy Report
- Physicians Statement
- Original or Attested copy of the Discharge Card of hospital
- Copy of FIR may be required in some cases, depending on the cause of death.

Please note that the participation of the loan is defined as " **The period for which the coverage is provided to the customer i.e., From the Date of Authorization to the Date of Demise of the Customer** ".

Besides the above-mentioned documents, which are required for insurance claim, we need additional documents for closure of the Case on system.

- Foreclosure request form to ensure tracking of death cases being closed has requisite documentation for claim in place prior to closure.
- Checklists for documents completed in all respects & documents as specified on the same.
- Credit and risk head's approval is required.

RISK MITIGATION TOOLS:

SETTLEMENT AND LOAN CLOSURE POLICY:

Settlements may be done in order to ensure early realization on loans which if not closed currently may have to be charged off completely at a future point of time. Settlements are a loss mitigation exercise carried out by the organization and all settlement losses need to be charged off at the time of settlement.

Settlements involve waiver of some part of the dues receivable from the customer to the company, and hence a deliberate approach to this is necessary. The settlements need to be approved on the basis of the amount that has to be waived off as per the total dues indicated on the account, and approval has to be sought as per the latest **approved DFP grid**.

Settlements can be offered to customers in these circumstances:

- If the customer has expired and proof has been provided to us by the next of kin/heirs of the customer in the form of a death certificate/medical certificate.
- The customer has filed a legal Case against the Bank and has agreed to settle outside the court with an undertaking to withdraw the same.
- Utkarsh Small Finance Bank has filed a legal Case on the customer and through legal pressure the customer has agreed to settle with us.
- There is an insurance claim pending on the asset. In the Indian context insurance cases take a fairly long time to settle and hence a settlement may be done
- In collection cases where the Collection Manager is convinced that the Case needs to be settled in the best interests of the organization. These would be cases perceived to have long term financial problem, contacts of negative nature due to which repossessions may lead to risk on the personnel/infrastructure/ reputation of the organization.

The following will need to be done at the branch level to ensure that the all details are captured and requisite approvals have been sought before an NOC is issued to the customer.

The process to be followed is:

- a) Settlement request sheet to be filled up format detailed in Annexure
- b) Waiver approval as per the latest DPF waiver approval grid
- c) The monies collected will be processed as per the Cash/chq process.
- d) In the Cash and cheque summary this amount will be indicated as Settlement.
- e) Operations will check and post receiving of clear funds from the bank will close the account on the system and authorize the branch to issue NOC to the customer.
- f) Customer Service department at the branch will do NOC issuance.

Collections will not be able to close the loan nor will be authorized to issue NOC for cases settled/foreclosed.

LEGAL PROCESS:

For purposes of recoveries in difficult collection cases, the legal process may be resorted to, as per Collection strategy formulated from time to time. All tie-ups with Law Firms and Legal Counsels to be done through exchange of letters only. The following legal action may be initiated against customers as required:

DPD	O/S	LEGAL ACTION	LEGAL INITIATOR	PROCEEDER	Legal Strategy
1-30	All	None	NA	NA	NA
31-90	ALL	Demand Notice	In-House Legal	In-House Legal	ZCM will send the requirement to the Legal manager, who will send the Demand Notices as per the requests from Collections.
90+	<10k	LRN/Lok Adalat/Conciliation	In-House Legal	In-House Legal	On low ticket cases, we will initiate the low cost legal actions & push the customers for settlements.
90+	>10k	Sec-138 NI, Arbitration, DRT/ SARFAESI	In-House Legal	Advocate	As per the Agreement Clause & applicable Statutes.

- Civil Recovery cases
- Cases u/s 138 of Negotiable Instruments Act, 1881

CIVIL RECOVERY SUIT

- For initiating any Civil Recovery Suit care must be taken to send a Loan Recall Notice (LRN) on Legal Counsels' letterhead through Registered A/D post, asking for payment of the complete account outstanding within 7 days.
- Apart from the above the following need to be handed over to the legal counsels, while requesting them to initiate action:
 - Loan Application/ Hire Purchase /Loan agreements/Sanction letter (original or photocopy, as required by counsel).

-
Ensure that the same are completely filled up and signed by UTKARSH SMALL FINANCE BANK Officer(s) of relevant vintage (as per date mentioned on agreement).

- Irrevocable Power of Attorney.
- Promissory Note duly filled up.
- Detailed Statement of Account.
- Copies of Loan Recall Notices / General Legal Notices (with postal receipt attached).
- Disbursement Proof (if required by Counsel).

Ensure that a UTKARSH SMALL FINANCE BANK Officer, holding a Power of Attorney signs the applications being filed in the Courts.

Case U/S 138 OF NEGOTIABLE INSTRUMENTS ACT

- Case u/s 138 of Negotiable Instruments Act (Section 138), may be filed against chronically delinquent customers who have bounced multiple cheques / PDCs. Bounced PDCs / Cheques, for each customer, need to be retrieved and represented within 30 days, together as this makes the Case filing exercise very cost-effective.
- The Legal process takes place in the following steps:
Legal Process can be initiated for cases greater than Bucket 2 except in non-starter and frauds.
- PDC/NACH/SI should be within 6 months of validity.
- Sec138 notice to be sent within 30 days of the memo date of the PDC.

The customer is given 15 days to pay the due amount from the date the letter is sent to the customer. Case can be filed within 30 days from the date of GLN sent to the customer.

- Once PDCs/NACH/SI get returned dishonored, the following need to be sent to the legal counsels for sending notices u/s 138 of N.I Act giving the customer(s) 15 days in which to pay up:
 - Original Bounced Cheques
 - Original Return Memos
 - Customer Reference #
 - Customer Name Customer Addresses (all addresses as per system – so that notices can be sent to all the addresses).

- Reason for bounce in the above Return Memos should **not** be any of the following:
 - Payee's endorsement required.
 - Payee's endorsement irregular.
 - Payee's endorsement in language other than English or the local regional language required bank's confirmation.
 - Cheque irregularly drawn.
 - Collecting bank's confirmation requires clearing bank's authentication.
 - Crossed to two banks.
 - Specially crossed to _____ Bank.
 - Drawer's signature required.
 - Drawer's signature differs from specimen on record.
 - Drawer's signature incomplete.
 - Withdrawals from account stopped by drawer's death/insolvency/lunacy.
 - Operation on the account suspended under court's restraint order/attachment under of IT authorities.
 - Amount in words and figures differ.
 - Alteration in date/figures/words requires drawer's signature.
 - Cheque /pay draft/order is multi-dated/postdated/out of date.
 - Cheque /pay draft/order is multi-dated, requires bank guarantee.
 - Cross entry either incorrect or illegible.
 - No account.
 - Amount/name of payee differs from that on advice.
 - Wrongly delivered.
 - Drawing contrary to savings bank rule.
 - Not payable as Cheque contains extraneous matter.
 - Drawee's bank's funds with the (Name of the sponsor banks).
 - Payee's receipt incomplete.
 - E.C.D Form A-7 approved by the exchange control required.
 - Drawer's signature authority to operate on the account not received at this office.
 - Weekly off of bank.
- If the above customer(s) do not pay up within specified number of days, legal counsels to be asked to file case against these customers
- Ensure that the Officer filing these cases has a Power of Attorney from the Utkarsh Small Finance Bank.

Legal Strategy:

Since the legal remedy involves a cost component, it is therefore utilized according to the case value. Like cases above Rs.20,000 of Outstanding only are being pursued for recoveries through legal tools, whereas cases below Rs.20000 of value shall be continue for collections actions as a standard procedure and low cost legal actions like Lok Adalat etc.

DEBT COLLECTIONS STANDARDS :

Utkarsh Small Finance Bank. - Code of Conduct

The Clients of Utkarsh Small Finance Bank. (hereinafter referred to as “Clients”) are, inter-alia, engaged in providing of Consumer Finance products in India. The product range consists of:

- MSME Loans
- Personal Loans
- Housing Loans
- Mortgage Loans
- Business Loans

This booklet contains policies on collection methods/practices. This booklet will enable you to understand the following:

- Utkarsh Small Finance Bank’s debt collection policy;
- When you may attempt to call a customer;
- Where to contact a customer;
- Which language and mode of address you may use;
- How often the customer may be called;
- With whom the customer’s obligation may be discussed
- Appropriate conduct when dealing with the customer;
- When and where the customer may be visited;
- What may be done if the customer declines to pay;
- How to manage disputed accounts;
- The appropriate dress for meetings with customer.

1.0 Summary

The Clients must be treated with respect, dignity, courtesy and fairness in debt collection efforts. Utkarsh Small Finance Bank believes this is not only the right thing to do, but also the most effective.

It is imperative that all persons at USFBL, who are involved in collection related activities, follow this policy. All must agree to abide by this policy and the detailed policy described below prior to beginning collection activities with respect to the Customers of the Bank. This policy applies to all employees of Utkarsh Small Finance Bank Limited and/or its affiliates (Collection Agencies) that may be retained to collect consumer debts on behalf of Utkarsh Small Finance Bank Limited.

He/ She must read, understand and agree to abide by these guidelines prior to commencing collection of debts owed by the clients.

Failure to comply may result in permanent termination of employment with Utkarsh Small Finance Bank.

The following are the core underpinnings of the collection process. These are an extract of the USFBL's collection values:

1. Customers deserve to be treated with dignity. Collection Officers should always remain professional during telephone conversations and visits. No written or verbal threats, abuse or rudeness is permitted. Collection Officers should use only acceptable business language, even if the other party does not.
2. Collection officers may refer the customer to a branch senior, or end calls when a customer becomes abusive or threatening. Customers should be informed prior to termination of such calls. All calls where the customer becomes abusive or threatening should be appropriately documented.
3. Collection officers should always identify themselves and the company at the beginning of every conversation with customer.
4. Customers are entitled to privacy. Privacy policies apply to all conversations with third parties.
5. All collection activities should be consistent with the guidelines provided in this document. All letters, telegrams and other communication must be in the format approved by compliance and/or legal counsel.
6. Customers should be called only between 09.00 Hrs and 19.00 Hrs unless exceptional circumstances described in this Code warrant deviation from this timeframe & approved by supervisor.
7. Customers should be called no more often than is reasonable in the context of the debt, and the conversations logged on the system.
8. Customer requests that calls/visits to place of work be stopped are to be honored if he/she provides a suitable alternate where he/she may be reached during collection working hour. Such customers should be asked to provide an alternate address/phone number where they may be reached in writing.
9. Customer's questions should be answered in full. They should be provided with information requested, given assistance and issues resolved. Accounts with unresolved issues are to be escalated to management.
10. Customer or third party requests for supervisor names or requests to speak with supervisor should always be honored.

11. Collection Officers note in the DCR should be clear, concise, accurate and free of editorial comments. All attempts, contacts, conversation and actions are to be noted on the collection system.

2.0 Why you may contact a customer?

A customer is to be contacted for debt collection only under the following circumstances:

- When not paying despite various calling & messages so may impose an additional cost on the customer in terms of charges and penalty , which may also impact the customer's credit history/rating
- When the customer has not paid on payment date (including grace days) and this is likely to impact the customer's credit history and/or is likely to cause a financial loss to the Clients.

3.0 When you may contact a customer?

It has been Utkarsh Small Finance Bank experience in India that individuals with full-time employment routinely are awake by 07:00 hrs. in order to be at their jobs at the time required. Accordingly calls must normally be limited from 07.00 hrs. to 19.00 hrs. A customer may be contacted at a time when the call is not expected to inconvenience him/her.

Calls either earlier or later than normal hours, while effective in contacting the customer, are also likely to be inconvenient to the customer and could be viewed as harassment. Calls earlier or later than the prescribed time may be placed only under the following conditions:

- When attempts to contact the customer have resulted in information that the customer is normally only available outside these hours and no alternate telephone number is available to contact the customer.

3.1 Where you may contact the customer?

The customer should ordinarily be contacted at his/her residence. However, should the customer provide an office address as the mailing address, then attempts to contact him/her may be made there.

4.0 What kind of language is to be used?

A Collection officer must use the language with which the customer is comfortable. The officer must not attempt to force the customer to speak in English if he/she is not comfortable. This may be offensive to some customer. If the Collection Officer is not comfortable with the language spoken by the customer, the account may be referred to another Collection Officer or the conversation should be continued in English/alternate language with the consent of the customer.

4.1 What mode of Address is to be used?

Collection officers should use the formal mode of address in the language of choice of the customer.

Customers deserve to be treated with dignity. Accordingly, officers must be professional. As the situation requires, they may also be assertive and firm. In any event, courtesy and respect are mandatory. Collection Officers may not become abusive, visibly irritated or demean the customer in any fashion.

4.2 How often should the customer be called?

The purpose of a collection call is to bring to the customer's notice the obligation and to seek a commitment to pay on a specified date. Once a promise is elicited, the customer may only be called on the day prior to the day committed to remind of the commitment and on the date of the commitment for confirmation of payment.

In the event a commitment is not forthcoming or has been broken, calls may be made at reasonable frequency, based on amount owed, product, aging of debt and account history. Excessive number of calls or calls closely bunched together may be construed to be harassment.

5.0 Can the customer's debt obligation be discussed with anybody else?

Utkarsh Small Finance Bank. respects a customer's privacy. The customer's debt/obligation may normally be discussed only with the customer.

The officer should verify the identity of the customer at the beginning of the call.

The customer's debt may only be discussed with others, such as the customer's accountant, secretary or lawyer if the customer has previously permitted that practice. A record of such permission or routine practice must be available on the collection system and on the status. This situation occurs, for example, with self-employed businessperson who asks the Collection Unit to resolve issues with their accountants and with senior officers working in companies who delegate this task to their secretaries.

Collection Officers may always communicate with a third party about the customer's debt when and to the extent doing so is necessary to enforce a decree obtained in a lawsuit against the customer.

5.1 Leaving messages and contacting persons other than the customer

Calls must first be placed to the customer. In the event the customer is not available, a message may be left for the customer. The aim of the message should be to get the customer to return the call. Ordinarily, the message text should be restricted to:

“Please leave a message that XXXXX (Name of officer) from Utkarsh Small Finance Bank. and/or Collection Branch called and request him to call us back at ZZZZZZ (phone number)”.

As a general matter, the message must not indicate:

- That the customer is overdue on his/her obligation; or
- That the call originates from the Collection Unit.

Therefore messages such as: “Please ask him to call back XXXXX at the Collections Unit of...” or “ Please let him know that his credit payment is overdue and ask him to contact XXXXX at...” are prohibited.

If the system trails show that the customer has not responded to a message in the format mentioned above in the recent past, then it is permissible to indicate that the call pertains to a credit /other obligation of the customer.

In situations where the customer has alienated the property financed/pledged, the Collection Unit may discuss the fact that the customer has an overdue obligation with the third party in possession of the asset. For example, if the customer has sold the Asset financed/hypothecated to its Clients, to a third party, the person in possession of the asset may be put on notice that its Clients have a prior claim on the vehicle.

Collection Officers may communicate with third parties to obtain customer’s location information – home address, business address, home phone number and workplace phone number. This may be done when the customer’s present location is either unknown or uncertain. While obtaining such information the Collection Officer must clearly identify himself/herself but not state that the customer owes a debt that is overdue.

If the customer has provided a financial guarantee from a third party, the third party may be called and the customer’s obligations discussed. In such a situation, the guarantor may be treated as the borrower. Further, if the customer is deeply delinquent (more than or equal to 2 months behind on his/her repayment) then customer’s debt/obligation may be discussed with references provided, after receiving approvals from the Supervisor.

6.0 No misleading statements/misrepresentation are permitted

Officers should not -

- Mislead the customer on the action proposed and consequences thereof;
- Mislead the customer about their true business or organization name, or falsely represent or imply that the Collection Officer is an attorney (lawyer), government official, officer of any court etc.;
- Threaten legal action when none is expected to be taken;
- Threaten repossession of pledged assets when such action is not immediately planned;

- Threaten with imprisonment or even mention imprisonment unless legal action planned or currently underway could result in imprisonment;
- Threaten with arrest/detention by the police unless, prima facie, the customer's actions indicate criminal intent that could lead the police to arrest/detain – for example, if a customer has sold the Asset financed or has falsified documents at the time of application, the customer may be prosecuted leading to arrest/detention.

7.0 Precautions to be taken on visits

• **Residence**

- ✓ should :
 - ✓ Respect personal space – maintain adequate distance;
 - ✓ Not enter the customer's residence against his/her wishes;
- Not restrict the customer's movement or restrain him/her from entering or leaving the house/room;
- Not visit in large numbers. The may visit with supervisor if required – under exceptional circumstances of disputes, large balances etc.
- Not remain in the customer's house if he/she were to leave for any reason including to collect money from a bank/elsewhere;
- Respect the customer's privacy – do not embarrass the customer in the presence of his/her neighbors;
- Not make visits at the customer's residence if the customer –
 - a) Expressly forbids such visits and provides suitable alternate address where he/she is contactable during collections working hours;
 - b) Has suffered a bereavement, or a customer's family member is gravely ill;
 - c) A social engagement is in progress.
- If the customer is not present and only minors/elderly/infirm are present at the time of the visit, the Collection Officer should end the visit with a request that the customer call back. He should not enter the house. He should not wait for the customer in the customer's residence.

• **Workplace**

- should:
 - ✓ Respect personal space, do not restrict the customer's movement.
 - ✓ Not visit in large numbers, should normally be just the officer and the Supervisor. For disputes, large balances etc. the officer may visit with the supervisor and a senior if required.
 - ✓ Not discuss the customer's debt where others can overhear the conversation.

7.1 What is to be done if the customer requests us to stop visiting at the office?

In such a case, the customer should be asked to provide an alternate location where the meeting can take place during the working hours of the Collections Unit. This location must be recorded on the collection system. All future contacts with the customer should be restricted to this location.

However, if the customer is not available at this location and two attempts have been made to contact the customer, the customer may be contacted at his/her office again.

7.2 Gifts or bribes

Collection officers deserve to be treated with dignity. They should refer to management or end calls when the customer or third party is abusive or threatening. s should inform the customer that the call will be terminated prior to ending the call. All calls, where customer becomes abusive or threatening should be documented on the collection system and reported to management.

Officers should not accept gifts from customers or bribes of any kind. Any officer offered a bribe or payment of any kind by a customer must report the offer to his/her management.

7.3 A Collection officer should not:

- ☒ Offer to assist the customer by driving him/her to the bank/any other spot from where money to repay the debt can be collected;
- ☒ Agree to collect payment from third parties;
- ☒ Have discussions of a personal nature with the customer – Maintain a professional distance. Restrict conversation to the debt owed and the customer's proposed repayment plan;
- ☒ Use means that are unfair, for example –
 - Collect sums in excess of total debt of the customer;
 - Threaten to take extra judicial action (e.g. physical threat or any unlawful action) to expropriate and dispose of customer assets when no such right exists;
 - Apply payments received (in case the customer has multiple debts) to accounts other than those indicated by the customer.

8.0 What is to be done if the customer declines to pay?

If the customer declines to pay, the consequences of such a decision are to be explained to him/her:

- Impact on credit history;
- Possible inclusion in restricted list of the company;
- Possible legal action and its impact;
- Cost of defending legal action, if such action is contemplated.

Should the customer refuse to pay on the account, then such accounts must be referred to the Supervisor. The Supervisor shall, after discussing with the Branch

Manager allocate the account appropriately. Further calls on the customer who communicates in writing his/her refusal to pay will follow an escalation matrix as below:

- Branch Manager
- Unit Head
- Regional Collection Head
- Country Collection Head.

9.0 What is to be done if the Customer disputes the debt?

The account must be referred to the Customer Service Unit for resolution of the dispute through the Supervisor. In the event, the customer disputes only a part of the debt, collection calling may continue for the remainder.

10.0 Other important aspects - Appearance & dress code

Collection Officers must be appropriately dressed –

- For men this means
 - ✓ Well ironed trouser
 - ✓ Well ironed shirt
- For women this means
 - ✓ Well-ironed formal attire (Saree, Suit etc.);
 - ✓ Well-groomed appearance.

11.0 How should letters & other communication be handled?

Communication to the customer either through mail or through telegrams shall be handled directly by its Clients as appropriate. Mail dunning/telegrams/phonograms shall be in a format approved by Compliance Unit of its Clients. All such mail shall be in envelopes that do not bear any marking on the outside to indicate their content (aside for origin – Clients and return mail address). Posts/other open media are not to be used.

ANNEXURE-1

Code of Conduct for Collections

	Do's	Don't's
When and where to Call or Visit	First Call at Residence or at shop Between 7.00 hrs to 19.00 hrs unless for several visits customer is not available at that time. Customer may be contacted late up to 21.00 hrs in some Cases where the customer contact could not be	Do not call before 7.00 hrs or after 19.00 hrs in the first few calls or visits. In exceptional situation a customer may be called up to 21.00 hrs, if no contact could be established during various trials between 7.00 hrs to

	established despite several visits between 7.00 hrs to 19.00 hrs.	19.00 hrs.
How to start and continue the call or meeting	Introduce yourself and the company	Do not use false identity to get through to the customer
	Ask for reasons for non - payment	Do not abuse, threaten or misrepresent or present information to threaten customer.
	Stay professional, use the language the customer is comfortable with.	even if the customer abuses or gets abusive, do not abuse or threaten.
	Update the conversation with the customer in trails on the accounts in the collection system	Do not visit the customer in large groups.
	If the customer refuses to pay state impact or consequence - negative credit history, difficulty of future credit.	Do not stand in the presence of others discussion the customer's debt/ overdue amount where others can over hear.
	Send letters or telegrams or any written communication in the approved format.	Do not discuss customer's debt with anyone other than the customer, immediate family or chartered accountant or lawyer.
	Stay professional, and do not abuse even if the customer is shouting/ abusive. If required leave the customers place immediately if the customer is threatening.	Do not discuss personal matter,
		Do not accept bribes or gifts from the customer.
When collecting and depositing	Issue and give the receipt to the customer for the correct amount.	Don't pay the customer's EMI or from your money (No EMI funding)
	<ul style="list-style-type: none"> • Deposit the collections same day to the branch. • In Case there is a delay in deposit for any reason, the same needs to be reported to the immediate supervisor over the phone call/ Message. Mail. 	Do not pocket the customer's money for personal use or use to fund another customers' EMI.
		Do not make corrections in the receipt without customer countersigning them.

	<ul style="list-style-type: none"> Take Approval from the ZCM/ NCM for delayed deposit on the next day. 	Do not fudge receipts or not use receipts or make alteration in the reconciliation.
If customer is non contactable	Leave a message with the adult member of the family asking customer to call back	Do not discuss amount overdue or status of the customer with any other person.
	Ask when and where the customer can be contacted.	Do not threaten the family members or shout outside the customer's house to embarrass them.
	If customer is overdue for a large amount for a long period of time, share details of amount overdue only with immediate adult family member or customers Chartered Accountant or lawyer.	
If PTPs are broken	Highlight consequences (impact on credit history, inclusion in CIBIL, cost of legal route) to customer. Intensify collection visits and update trails on Collection system.	Do not shout or give written or verbal threats.

Confirmation of Understanding for CCOC of
Utkarsh Small Finance Bank.

To whom so ever it may concern, I hereby confirm that:

- I have successfully attended the Collections Code of Conduct Training Session on date _-----_

- The training was organized in my local language and I have understood all the topics mentioned in the Training successfully.
- Name of my trainer is_, who's designation is_at Utkarsh' Small Finance Bank at Location _____.
- I am hereby ready to abide with the contents of the Collections Code of Conduct as prescribed and described by Utkarsh' Small Finance Bank.
- I fully understand the Consequences of Breach of CCOC of USFBL, that a breach of the same may lead to a disciplinary action against me, which can include my termination/ Legal action as per the Company Policy and Local Laws.

Photograph of the
Trainee attending
the CCOC training
of USFBL

Training date: ____/____/____

Name of the Trainer: _____, Emp/ ID of the Trainer _____

Name of the Trainee _____, Emp/ID of the Trainee _____

Signatures of the Trainer: _____, **Signatures of the Trainee:** _____

Name and Signatures of the Branch Supervisor: _____

Branch Stamp (If Branch Staff) _____

ANNEXURE-2

DAILY COLLECTIONS REPORT FORMAT (DCR)

DAILY COLLECTION REPORT (FOS)								
Date: // //		FOS NAME: _____		EMPLOYEE ID: _____				
S.No.	DATE OF VISIT	Time of Visit	Distance (KM)	LOAN NO	CUSTOMER NAME	VISIT REMARKS	NEW CONTACT NO	NEXT FOLLOW UP DATE
1	05-May			1122070980899	RAJ KUMAR	MEET ON WIFE LEFT MESSAGE TO HER ON MS OUT OF STATION WILL COME ON 10TH	9555422897	10-May
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
PARAMETERS		PARAMETERS		REVIEW MATRIX (Tick Mark)				
Total Visits made		Phone Calls		No. of Visits made per day (Satisfactory/Not Satisfactory)				
Customer Contacts		Customer Contacts		Quality of Visits (Good / Bad/ Satisfactory/ Excellent)				
No. contacts		No. contacts		No. of Receipts per day (<5 / >5)				
Payment Receipts		PPS Generated		Following CCL (Y/N)				
PPS Generated		RP- Initiation		Receipts Book checked (Y/N)				
RP- Initiation		RP- Funds Prob		Discrepancies Notices in Receipt Book (Y/N)				
RP- Funds Prob		Left Message		Payments deposited within in TAT (Y/N)				
Signs		Others		Overall Performance (Bad/ Satisfactory/ Good/ Excellent)				
Left Message				Others				
Signatures of the FOS: _____				Name of the Supervisor Reviewing: _____		Review Date: // // : Signatures of the Supervisor Reviewing: _____		

ANNEXURE-3
LEGAL MIS FORMAT

[illegible]

ANNEXURE – 4

COLLECTIONS REVIEW AND MIS FORMAT

S.No	Client ID	Account ID	Branch	Fis Name	Client Name	Contactability Status	Collection Status / Paid / Unpaid	Feedback Code	FEEDBACK	RFD	NET ACTION	PROTECTION
1	208762	1375350000000051	GODWALA	JN Associates	Santosh Kumar Jainwal	NO	Unpaid	NC	NotContactable and addrees is not found	NA	NA	FLOW
2	2576122	1354060000000071	GORAKHPUR	Ashutosh Sarraf	VUW	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
3	2385011	1356060000000067	MEL VASIA	Sushil Kumar Upadhyay	SANJAY SINGH	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
4	2029593	1354060000000054	GORAKHPUR	Sandra Nand Yadav	BHARAT KUMAR	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
5	267985	1356260000000060	DEORIA	Dilip Pandey	HARISHAH SHARMA, SHOBHA DEVI	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
6	3035301	1354060000000083	GORAKHPUR	Ashutosh Sarraf	PARVEZ AHMAD, FARUKH AHMAD	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
7	293788	1354060000000083	GORAKHPUR	Anurag Tiwari	VINASH KUMAR GUPTA, LAXMI GUPTA	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
8	256668	1354060000000073	GORAKHPUR	Ravi Tiwari	ABHISHEK KUMAR YADAV	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
9	205462	1356060000000037	MEL VASIA	Abhishek Pathak	DURGESH KUMAR SHUKLA, SANITA SHUKLA, SRIVISHWAN	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
10	204394	1354060000000054	GORAKHPUR	Ashutosh Sarraf	ANISHA YADAV, REETA YADAV	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
11	205493	1356060000000038	MEL VASIA	JN Associates	Sabin Sabinque	YES	Part Paid	Part Paid	er is facing financial issue, due to business loss, we are in regular follow up, customer is giving part p	Business Loss	others	others
12	200955	1351060000000053	Vaarasai	JN Associates	Vinod Yadav	NO	Unpaid	NC	NotContactable and addrees is not found	NA	NA	FLOW
13	202948	1354060000000042	GORAKHPUR	Ravi Tiwari	Jugal Kishor	YES	Part Paid	Part Paid	er is facing financial issue, due to business loss, we are in regular follow up, customer is giving part p	Business Loss	others	others
14	256655	1356060000000060	MEL VASIA	Abhishek Pathak	KANAKA SINGH	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
15	275888	1354060000000055	GORAKHPUR	Anurag Tiwari	JAPRAKASH, JEELAVATI	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
16	260732	1356060000000030	MEL VASIA	Abhishek Pathak	RAHESH PRASAD JASWAL	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
17	205403	1356060000000017	MEL VASIA	Sushil Kumar Upadhyay	RAKESHVAR GUPTA	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
18	201879	1351060000000052	Vaarasai	JN Associates	Mohd Hanif Khan	NO	Unpaid	NC	NotContactable and addrees is not found	NA	NA	FLOW
19	205338	1356060000000051	MEL VASIA	Santosh Kumar Rai	DIMARUKA KUSHWAHA	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM
20	220774	1356060000000039	MEL VASIA	Sushil Kumar Upadhyay	RAVI PRATAP	YES	Paid	PR	PAYMENT RECEIVED	NA	NA	NORM

ANNEXURE -5

CALL CENTRE REVIEW AND MIS FORMAT

Over All Performance									
Product Split	(All)				Product Split	(All)			
Bpo/Fr	BPO				Bpo/Fr	BPO			
Cycle Date	(Multiple Items)				Cycle Date	(Multiple Items)			
Representation Status	(Multiple Items)				Representation Status	(Multiple Items)			
Sum of Outstanding Loar	Column Labels				Count of Loan No	Column Labels			
Row Labels	Paid	Unpaid	Grand Total	Res %	Row Labels	Paid	Unpaid	Grand Total	Res %
East	17790490	1307960	19098450	93%	East	12	6	18	67%
North	131253661	10402822	141656484	93%	North	110	20	130	85%
South	208896816	26049766	234946582	89%	South	219	49	268	82%
West	87943946	14062577	102006523	86%	West	123	22	145	85%
Grand Total	445884913	51823125	497708038	89.6%	Grand Total	464	97	561	82.7%

Caller Wise Performance									
Product Split	(All)				Product Split	(All)			
Bpo/Fr	BPO				Bpo/Fr	BPO			
Cycle Date	(Multiple Items)				Cycle Date	(Multiple Items)			
Representation Status	(All)				Representation Status	(All)			
Sum of Outstanding Loar	Column Labels				Count of Loan No	Column Labels			
Row Labels	Paid	Unpaid	Grand Total	Res %	Row Labels	Paid	Unpaid	Grand Total	Res %
ANUKUL BISHWAS	180716629	3140843	183857472	98%	ANUKUL BISHWAS	81	9	90	90%
Bharti Raj	63196892	4464191	67661082	93%	Bharti Raj	77	12	89	87%
JAY PRAKASH	85769157		85769157	100%	JAY PRAKASH	107		107	100%
Jins Thomas	34622981	5712286	40335267	86%	Jins Thomas	81	13	94	86%
POONAM SHUKLA	62834235	3540299	66374534	95%	POONAM SHUKLA	74	11	85	87%
PUMMY KUMARI	45538683	12994599	58533282	78%	PUMMY KUMARI	73	10	83	88%
Sanjeev Rao	47148236	4619947	51768183	91%	Sanjeev Rao	73	13	86	85%
SUNIL MANTRI	33928401	4194327	38122728	89%	SUNIL MANTRI	64	9	73	88%
UMA UMA	102606541	11253343	113859884	90%	UMA UMA	68	11	79	86%
SHALINEE RAJ	33977307	1903291	35880598	95%	SHALINEE RAJ	63	9	72	88%
Grand Total	690339061	51823125	742162186	93.0%	Grand Total	761	97	858	88.7%

Ticket Size Performance									
Product Split	(All)				Product Split	(All)			
Bpo/Fr	BPO				Bpo/Fr	BPO			
Cycle Date	(Multiple Items)				Cycle Date	(Multiple Items)			
Representation Status	(All)				Representation Status	(All)			
Sum of Outstanding Loar	Column Labels				Count of Loan No	Column Labels			
Row Labels	Paid	Unpaid	Grand Total	Res %	Row Labels	Paid	Unpaid	Grand Total	Res %
> 30 L	250076357	19061089	269137445	93%	> 30 L	38	3	41	93%
0 - 10 L	276808593	26999387	303807980	91%	0 - 10 L	630	90	720	88%
10 L-20 L	77310107	5762649	83072756	93%	10 L-20 L	58	4	62	94%
20 L -30 L	86144005		86144005	100%	20 L -30 L	35		35	100%
Grand Total	690339061	51823125	742162186	93.0%	Grand Total	761	97	858	88.7%

SAME TIME LAST MONTH COMPARISON SHEET									
LMTD Performance	31st July' 18								
Product Split	(All)				Product Split	(All)			
Bpo/Fr	BPO				Bpo/Fr	BPO			
Cycle Date	(Multiple Items)				Cycle Date	(Multiple Items)			
Representation Status	(All)				Representation Status	(All)			
Sum of Outstanding Loar	Column Labels				Count of Outstanding Lo	Column Labels			
Row Labels	Paid	Unpaid	Grand Total	Share %	Row Labels	Paid	Unpaid	Grand Total	Share %
East	32226240	1135670	33361910	97%	East	25	4	29	86%
North	119223198	7643897	126867095	94%	North	164	23	187	88%
South	275133764	#####	378890897	73%	South	385	43	428	90%
West	140782815	2518173	143300988	98%	West	198	16	214	93%
Grand Total	567366017	#####	682420890	83.1%	Grand Total	772	86	858	90.0%