

**CONFIDENTIAL**



# **Code of Conduct Assessment Report**

**Belghoria Janakalyan Samity (BJS)**

**December 2012**

**Conducted by:**

**ACCESS ASSIST**

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Belghoria Janakalyan Samity (BJS)		
<b>Legal Form</b>	Society	
<b>Date Established</b> <b>Initiation of Operations</b>	2006	
<b>Operational Area</b>	<p>BJS is registered under West Bengal Societies Registration Act XXVI of 1961 under registration number S/1L/36292 on 19th April 2006. Belghoria Janakalyan Samity is a non-governmental organization that uses microfinance as a tool for poverty alleviation and empowerment of women. Its mandate is to support poor community, especially women in attaining self-sufficiency. In order to do this it has adopted a methodology of developing Self Help Groups of target women in both rural and urban areas. The organisation disburses loans to these members for developing their household income through this platform of SHGs. BJS also provides skill development training to these SHG members and with these trainings clients can expand their micro enterprises into sustainable and profitable units and the amount borrowed from BJS gets better utilized and the clients move towards breaking their poverty shackles.</p>	
<ul style="list-style-type: none"> <li>2 Districts in West Bengal</li> </ul>		
<b>Services and Products offered</b>		
<ul style="list-style-type: none"> <li>Prerona</li> <li>Ananya</li> </ul>		
<b>Lending Model</b>	<ul style="list-style-type: none"> <li>Self Help Group (SHG)</li> </ul>	
<b>Average Score</b>	<b>Rating</b>	<b>Grade</b>
<b>3.05</b>	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Key Performance Indicators (Institutional reporting)			
	2009-10	2010-11	2011-12
<b>Active borrowers</b>	6,040	10,896	10,987
<b>Gross Portfolio Outstanding ( ` in Lakhs)</b>	248.19	607.49	544.11
<b>Portfolio Yield (nominal)</b>	29.43%	25.73%	29.14%
<b>Financial expense ratio</b>	9.96%	9.82%	12.42%
<b>Operating cost ratio</b>	10.65%	10.77%	13.31%
<b>Operational self-sufficiency</b>	105.62%	112.13%	126.54%
<b>Return on Assets</b>	1.57%	2.79%	6.09%
<b>Return on Equity</b>	35.24%	78.14%	77.60%
<b>Branch Offices</b>	7	10	10
<b>Staff</b>	19	28	24

<b>Loan Products</b>		
	<b>Prerona</b>	<b>Ananya</b>
<b>Clientele</b>	Women	Women
<b>Utilization</b>	Income generation activities	Income generation activities
<b>Loan size</b>	Rs10,000 – 15,000	Rs16,000 – 50,000
<b>Loan tenure</b>	1 year	2 Years
<b>Guarantor</b>	SHG	SHG
<b>Collateral requirements *</b>	Group (10-20 members)	Group (10-20 members)
<b>Mode of Repayment</b>	Weekly/Fortnightly/Monthly	Weekly/Fortnightly/Monthly
<b>Interest rate</b>	13.70% Flat, 26% Reducing	13.70% Flat, 26% Reducing
<b>Other charges (Insurance)</b>	1%	1%
<b>Processing Fees</b>	1%	1%
<b>Security deposit / risk contribution</b>	Nil	Nil

\* group members do not need to repay on behalf of the defaulter member.

## Highlights

### Strengths:

- Unified Code of Conduct which is customized as per the mission and vision of the organization and displayed in all branch offices and Head Office.
- Comprehensive technique with written down policies and procedures used for Group Orientation Program (GOP) and Group Recognition Test (GRT) for Self Help Group formation and loan appraisal.
- Strong laid down policies on staff conduct in operation manual.
- Pre-Service Orientation before final selection of Credit Officer which involves four days of field orientation on operations with a report writing to ensure proper recruitment of staff.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Dedicated helpline number for client feedback/grievances.
- Data sharing with credit bureau.
- Membership with Sa-Dhan.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with MIX)
- Separate Grievance Redressal committee within the Board to review Code of Conduct compliance.
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as free health and eye check up camps; child education; financial literacy program and skill development activities.

### Areas to Strengthen:

- Follow up on the Pre-Service Orientation of new staff with formal training on client comprehension and code of conduct based with dedicated modules and case studies.
- Proper induction system for the new employee at the time of joining at Head Office level.
- Internal Audit checklist does not have code of conduct compliance.
- Mechanisms to assess client awareness on a regular basis to be incorporated.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Strong MIS software for client data protection.

## Code of Conduct Assessment Report for Belghoria Janakalyan Samity (BJS)

### Summary of the study

The overall grade obtained by Belghoria Janakalyan Samity (BJS) is **A**, with a composite score of **3.05**, which indicates that the organization has good appraisal systems, transparent pricing policies to ensure alignment and adherence to a developed Code of Conduct. Proper visibility/dissemination of code of conduct which is present in all the branch offices and Head Office. The client comprehension across Belghoria Janakalyan Samity (BJS) is good. More could be done to improve the staff training and awareness on Code of Conduct and client comprehension and also on client awareness assessment. Focus should be given on formalizing on the job training system for new joining staff with dedicated modules on code of conduct and client comprehension. Scope for doing better in some aspects like diversity in products and services offered, pricing policies, market entry process and system on staff feedback/grievance mechanism.

The results of the ten broad assessment categories are summarized in the following table. Detailed analysis is provided in the report.

<b>Baseline Results for Belghoria Janakalyan Samity (BJS)</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Code of Conduct</b>	3.18	<ul style="list-style-type: none"> <li>• Design</li> <li>• Visibility/ Dissemination</li> <li>• Training (Staff)</li> <li>• Refresher</li> <li>• Awareness (Staff)</li> <li>• Awareness (Client)</li> </ul>
<b>Market Entry</b>	3.00	<ul style="list-style-type: none"> <li>• Criteria for identification</li> <li>• Procedure</li> <li>• Saturation</li> <li>• Due diligence</li> </ul>
<b>Appraisal Process</b>	2.96	<ul style="list-style-type: none"> <li>• Client data collection</li> <li>• Repayment capacity</li> <li>• Debt thresholds</li> <li>• Loan History</li> <li>• Processing time</li> <li>• Approval</li> <li>• Verification</li> </ul>
<b>Client Comprehension</b>	3.13	<ul style="list-style-type: none"> <li>• Client Review Time</li> <li>• Explanatory Channels</li> <li>• Awareness</li> <li>• Disclosure of prices &amp; terms</li> <li>• Rights and obligations</li> <li>• Training (Staff)</li> </ul>
<b>Products and Services</b>	2.85	<ul style="list-style-type: none"> <li>• Design &amp; appropriateness</li> <li>• Review</li> <li>• Diversity</li> <li>• Convenience</li> <li>• Linkages</li> </ul>
<b>Pricing</b>	3.09	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Transparency</li> <li>• Fees</li> <li>• Security Deposits</li> <li>• Prepayment</li> <li>• Default</li> </ul>
<b>Feedback Mechanisms</b>	3.00	<ul style="list-style-type: none"> <li>• Existence</li> <li>• Training (Staff)</li> <li>• Client awareness</li> <li>• Usage</li> <li>• Checking</li> <li>• Staff Resources</li> <li>• Client Exit Interviews/ Drop-out surveys</li> </ul>

<b>Baseline Results for Belghoria Janakalyan Samity (BJS)</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Staff Conduct</b>	2.83	<ul style="list-style-type: none"> <li>• Rule Book</li> <li>• General training</li> <li>• Induction</li> <li>• Evaluation</li> <li>• Review of conduct</li> <li>• Incentive/ Disincentive</li> <li>• Recovery/ defaults</li> </ul>
<b>Governance</b>	3.33	<ul style="list-style-type: none"> <li>• Responsibility</li> <li>• Member experience/ exposure/ reputation in MF</li> <li>• Composition</li> <li>• Role</li> <li>• Code of Conduct Compliance Report</li> <li>• Member attendance in meeting</li> </ul>
<b>Human Resource</b>	3.31	<ul style="list-style-type: none"> <li>• Field staff experience/ exposure in MF</li> <li>• Recruitment</li> <li>• Staff Exit</li> <li>• Complaint Redressal</li> </ul>

## Code of Conduct Assessment Tool Results

CoCAT revealed the following major observations and priority areas under each component.

1. Code of Conduct	Score 3.18
<b>Key Elements:</b> Design, Visibility, Training, Refreshment, Awareness	
<b>a. Design</b>	
<ul style="list-style-type: none"> <li>• The Code of Conduct of Belghoria Janakalyan Samity (BJS) is customized on the institutional values, mission, vision and expectations.</li> </ul>	
<b>b. Visibility</b>	
<ul style="list-style-type: none"> <li>• Code of Conduct was displayed in all the branch offices as well as in the Head Office in local language and English and included in most of the documents (manuals, brochures, client materials).</li> </ul>	
<b>c. Training</b>	
<ul style="list-style-type: none"> <li>• There has been an exclusive training programme conducted on Code of Conduct for the staff at all levels. However, for the new staff joining as Credit Officer they are briefed during on-the-job training about the Code of Conduct and its aspects by Branch Manager as well as Regional Manager.</li> </ul>	
<b>d. Refresher</b>	
<ul style="list-style-type: none"> <li>• Refresher training on code of conduct conducted on an ad hoc basis to keep the field staff updated.</li> </ul>	
<b>e. Awareness</b>	
<ul style="list-style-type: none"> <li>• The field staff including the Credit Officers and Branch Managers were aware of the Code of Conduct and its aspects. Around 75% of the staff has understanding of overall code, details and expectations. During the meeting with branch staff, most of the staff was aware of the Code of Conduct and its aspects.</li> <li>• Around 70% clients have very good understanding of overall code, details, and expectations.</li> </ul>	



2. Market Entry	Score 3.00
<b>Key Elements:</b> Identification, Procedure, Saturation, Due Diligence	
<b>a. Identification</b>	
<ul style="list-style-type: none"> <li>The target segment is women who are in low-income group, who has no own capital, who do not have access to mainstream finance by banks and also specially those women who are economically and socially weak and helpless.</li> </ul>	
<b>b. Procedure</b>	
<ul style="list-style-type: none"> <li>Belghoria Janakalyan Samity (BJS) follows a uniform procedure for market entry - general community survey, random household visits; evaluation formats exists to evaluate new market along with the potentiality of the area / village with sources of income, percentage of women employment, transportation facilities, political information, presence of banks, educational institution, literacy level of the population and information on <i>panchayats</i>.</li> </ul>	
<b>c. Saturation</b>	
<ul style="list-style-type: none"> <li>During the market identification procedure, Belghoria Janakalyan Samity (BJS) does identify the number of MFIs working in the potential market and accordingly takes a decision based on the number of MFIs operating in the area.</li> </ul>	
<b>d. Due Diligence</b>	
<ul style="list-style-type: none"> <li>Due diligence for new area is done by at least 3 departments of Belghoria Janakalyan Samity (BJS) – Branch Manager, Regional Manager and Operations Manager and final approval is given by the Chief Executive Officer based on the area survey report.</li> </ul>	

3. Appraisal Process	Score 2.96
<b>Key Elements:</b> Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
<b>a. Client Data Collection</b>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS) staff undertakes a survey for a potential area and identifies some interested women who are willing to be a member of the organization. Credit Officer arranges a 4-day ‘Group Orientation Program’ in a certain place. On the 4th day, Branch Manager conducts a “Group Recognition Test” among the interested women. Then a Group is formed with the interested women who passed in “Group Recognition Test”. There is use of peer verification across groups, information collection from neighbours / household members. However, only primary information about the member is captured in the database along with the KYC documents. Cross-verification from group members is also done. A No Objection Certificate and guarantee on the borrowed amount is taken from the member’s guardian during the procedure for member’s admission.</li> </ul>	
<b>b. Repayment Capacity</b>	
<ul style="list-style-type: none"> <li>• Repayment Capacity is assessed during the individual primary evaluation by the Credit Officer; critically evaluated during Group Recognition Test by Branch Manager on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities.</li> </ul>	
<b>c. Debt Thresholds</b>	
<ul style="list-style-type: none"> <li>• Loans to clients are given based on the loan cycle, minimum loan size and also the repayment capacity.</li> </ul>	
<b>d. Loan History</b>	
<ul style="list-style-type: none"> <li>• Loan history of the client is also captured in the loan application form and it is checked and kept available during and throughout the appraisal process.</li> </ul>	
<b>e. Processing Time</b>	
<ul style="list-style-type: none"> <li>• It was observed through the interaction with the staff members and clients in the field that the loan processing time of Belghoria Janakalyan Samity (BJS) is 2 to 3 weeks.</li> </ul>	
<b>f. Approval</b>	
<ul style="list-style-type: none"> <li>• After all the due diligence in the field, all the loan applications are presented and discussed in the branch between the Credit Officer and the Branch Manager and gets approved accordingly.</li> </ul>	
<b>g. Verification</b>	
<ul style="list-style-type: none"> <li>• Internal Audit department exists in the organization who conducts audit of all the branch offices on a quarterly basis. Audit department verify loan documents, all client enrolment documents, transaction related documents, bank documents, detection of frauds and errors in the system, record keeping related to client data and staff information. Audit department submits their compliance report to the Chief Executive Officer. The internal audit also checks the pass book, group resolution book, group register of clients on a random basis.</li> </ul>	

4. Client Comprehension	Score 3.13
<p><b>Key Elements:</b> Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training</p>	
<p><b>a. Client Review Time</b></p>	
<ul style="list-style-type: none"> <li>The terms and conditions of Belghoria Janakalyan Samity (BJS), product features etc. are informed to the client before formation of group. There is use of verbal explanation, written documentation to inform the members.</li> </ul>	
<p><b>b. Explanatory Channels</b></p>	
<ul style="list-style-type: none"> <li>There is no other media except the loan card and the verbal communication by staff of Belghoria Janakalyan Samity (BJS). The verbal communication channels include: Training by Credit Officer during Group Orientation Program (GOP), Branch Manager at the time of field verification (GRT) and loan disbursement. Client refresher on various elements like price and terms, rights and obligations and complaint redressal mechanisms is carried out during the weekly collection meeting by the Credit Officer/Branch Manager to keep them aware from time to time.</li> </ul>	
<p><b>c. Awareness</b></p>	
<ul style="list-style-type: none"> <li>During the field visit, it was found that 90% of the clients have a fair idea / knowledge of the rate of interest (flat as well as reducing rate of interest) and the upfront processing fee of 1% of the loan amount. Within literacy limits, maximum clients are aware of the cost of loan.</li> </ul>	
<p><b>d. Disclosure of Price and Terms</b></p>	
<ul style="list-style-type: none"> <li>The price and terms of the loan are clearly disclosed to all the clients during their personal form filling, GOP, GRT, disbursement and center meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials (loan card) are supplied to the client; all pricing information is broken into fees, interest and insurance premium.</li> </ul>	
<p><b>e. Rights and Obligations</b></p>	
<ul style="list-style-type: none"> <li>The client is given loan, if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion. During the group training, the obligations and rights of the client are focussed on. Belghoria Janakalyan Samity (BJS) follows a different approach which is known as “Guardian Guarantee” through which they takes a no objection certificate from the guardian of the client declaring that if the borrower fails to repay the loan in time, she/he will be liable for paying the outstanding amount.</li> </ul>	
<p><b>f. Staff Training</b></p>	
<ul style="list-style-type: none"> <li>The field staff are provided training on how to interact with clients during the “Pre-Service Orientation” by a Senior Credit Officer/Branch Manager/Regional Manager. Moreover, staff are explained with examples and guidance for interaction with the clients for the time to time. For any new staff joining as a Credit Officer after Pre-Service Orientation, on the job training is being given by the Branch Manager on roles and responsibilities, do’s &amp; don’ts to be followed by the staff while interacting with the clients and code of conduct.</li> </ul>	

5. Products and Services	Score 2.85
<p><b>Key Elements:</b> Design and Appropriateness, Review, Diversity, Convenience, Linkages</p>	
<p><b>a. Design and Appropriateness</b></p>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS) offers two loan products to the clients and all the products are designed on the basis of clients’ needs and requirements and as per the guidelines issued by RBI.</li> </ul>	
<p><b>b. Review</b></p>	
<ul style="list-style-type: none"> <li>• Review of existing loan products and services are done on an ad hoc basis and accordingly the product features are modified.</li> </ul>	
<p><b>c. Diversity</b></p>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS) has two loan products which can be broadly classified into two, Prerona and Ananya. Although both of the loan products are almost same, the main differentiating factors are the loan size and loan tenure.</li> </ul>	
<p><b>d. Convenience</b></p>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS)’s loans are highly convenient which was also shared by clients during the client visits. The clients need to attend weekly group meetings which are held for 20-30 minutes and recoveries take place in the group meetings. However, client has to visit the Branch office usually accompanied by their spouse while disbursement of the loan.</li> </ul>	
<p><b>e. Linkages</b></p>	
<ul style="list-style-type: none"> <li>• There is only one linked products with the loan to client i.e., credit life insurance.</li> </ul>	

6. Pricing	Score 3.09
<b>Key Elements:</b> Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
<b>a. Competition</b>	
<ul style="list-style-type: none"> <li>• Pricing of the loan product of Belghoria Janakalyan Samity (BJS) is competitive and adhere with the norms of RBI.</li> </ul>	
<b>b. Transparency</b>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS)'s pricing is highly transparent. The pricing information is displayed in all the branch offices and the individual loan cards. Further, pricing information is made available to the client in the form of total interest amount, processing fee and insurance charges and each pricing is explained to clients in terms of amount per Rs1,000. BJS shares data with MIX.</li> </ul>	
<b>c. Fees</b>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS) charges two types of fees i.e. Loan processing fees of 1% of the loan amount and insurance fee of 1% of the loan amount.</li> </ul>	
<b>d. Security Deposit</b>	
<ul style="list-style-type: none"> <li>• Belghoria Janakalyan Samity (BJS) has stopped collecting security deposit from their client against their loan.</li> </ul>	
<b>e. Prepayment</b>	
<ul style="list-style-type: none"> <li>• There is no prepayment penalty. Only interest for that week is collected and the clients can prepay their loans at any given point of time during the tenure of the loan.</li> </ul>	
<b>f. Default</b>	
<ul style="list-style-type: none"> <li>• There is no description of the penalties for default. Operation policy describes recovery practices in case of default and recommended to use persuasion and frequent interaction with the defaulting groups and members for ensuring loan recovery. Few cases of default were observed in the field.</li> </ul>	

7. Feedback Mechanisms	Score 3.00
<p><b>Key Elements:</b> Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys</p>	
<p><b>a. Existence</b></p>	
<ul style="list-style-type: none"> <li>• In Belghoria Janakalyan Samity (BJS), three level feedback mechanisms exist. Dedicated client helpline number for addressing feedback/grievance exists in the organization with a system where complaints are processed, considered and resolved. Complaint Box exists in the branch offices where clients are free to write /drop their feedback. Regional Manager has the authority to open it during the branch visit. Feedback Register is maintained at all branch offices for registering a feedback/complaint. In addition, BMs, RMs who visit the field do take the feedback from the clients.</li> </ul>	
<p><b>b. Staff Training</b></p>	
<ul style="list-style-type: none"> <li>• Training is provided in client awareness and client relations to the field staff. Specific modules on feedback mechanisms designed for staff training.</li> </ul>	
<p><b>c. Client Awareness</b></p>	
<ul style="list-style-type: none"> <li>• Almost 90% of the clients have shared that there were no complaints and they are aware of the complaint number given on the loan card as well as the complaint box at the branch office and also have the option of calling up the Branch Manager and even visiting the branch office. Clients are well-versed in critical feedback and know that it is their right and obligation to express a complaint.</li> </ul>	
<p><b>d. Usage</b></p>	
<ul style="list-style-type: none"> <li>• Feedback mechanism usage is very limited by clients across different branch offices. However, few clients have used the feedback mechanism regarding loan related queries.</li> </ul>	
<p><b>e. Checking</b></p>	
<ul style="list-style-type: none"> <li>• Systems are in place within the organization at the Head Office to ensure that complaints are processed, considered and resolved. After receiving a call from the client regarding any feedback / complaint, the staff (at Head Office level) circulates the same to the concerned staff at field level. The concerned staff / department need to discuss with the complainant and should respond within a specified period of time (based on the intensity of the complaint).</li> </ul>	
<p><b>f. Staff Resources</b></p>	
<ul style="list-style-type: none"> <li>• For client feedback mechanism, there is adjunct responsibility of head office staff.</li> </ul>	
<p><b>g. Client Exit Interviews/ Drop out Survey</b></p>	
<ul style="list-style-type: none"> <li>• Client exit interviews/drop-out surveys are conducted and an informal analysis has been done to find the reasons for dropouts.</li> </ul>	

8. Staff Conduct	Score 2.83
<p><b>Key Elements:</b> Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p><b>a. Rule Book</b></p>	
<ul style="list-style-type: none"> <li>• The rule book clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour. Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the client, among others and written down penalties for major and minor misconduct. The rule book has employee friendly HR policies like:               <ul style="list-style-type: none"> <li>✓ Provident Fund</li> <li>✓ Employee State Insurance</li> <li>✓ Residential facilities for the branch office staff</li> <li>✓ Leave encashment facility</li> <li>✓ Recreational Allowance for field staff completing 5 years – 50% of basic salary and 6 days leave</li> </ul> </li> </ul>	
<p><b>b. General Training</b></p>	
<ul style="list-style-type: none"> <li>• There are modules that demonstrate acceptable and unacceptable conduct for different tasks. However, the staff are not provided specific case studies on the acceptable and unacceptable conduct for different tasks.</li> </ul>	
<p><b>c. Induction</b></p>	
<ul style="list-style-type: none"> <li>• All the staff, especially the Credit Officers, undergoes 4 day's Pre-Service Orientation before joining. Final joining depends on the quality of the Pre-Service Orientation done along with a written report. If it is done successfully the Credit Officers are allocated a branch for joining and subsequently on the job training commences with field visits along with a Senior Credit Officer and Branch Manager. Branch Manager/Regional Manager also gives informal training on (on their roles, responsibilities and operational structure and code of conduct) in this process.</li> </ul>	
<p><b>d. Evaluation</b></p>	
<ul style="list-style-type: none"> <li>• Field staffs are evaluated on an annual basis and salaries are paid based on the performance. There are harsh punishments, like termination, if staff is found to be behaving in any unaccepted manner. At the same time, there exists rules for promotion and increments.</li> </ul>	
<p><b>e. Review of Conduct</b></p>	
<ul style="list-style-type: none"> <li>• Evaluation of the field staff as well as branch personnel is done by their supervisors and endorsed by the higher authorities.</li> </ul>	
<p><b>f. Incentive / Disincentive</b></p>	
<ul style="list-style-type: none"> <li>• Incentive and disincentives is based on both portfolio quality and outreach of the Credit Officer and critically evaluated during the appraisal process. During the performance review for the field staff, the portfolio quality, outreach, accountability, conduct, discipline and behaviour are measured to calculate the incentives and disincentives.</li> </ul>	
<p><b>g. Recovery / Default</b></p>	
<ul style="list-style-type: none"> <li>• In operation manual of Belghoria Janakalyan Samity (BJS), broad guidelines for collection in case of defaults are mentioned. No specific parameters or procedures are defined in the operation manual for the recovery / defaults; no Turnaround Time (approximate) is mentioned in the operation manual for collection of the defaults.</li> </ul>	

9. Governance	Score 3.33
<p><b>Key Elements:</b> Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting</p>	
<p><b>a. Responsibility</b></p>	
<ul style="list-style-type: none"> <li>• Functional responsibilities are well defined in bye-laws and business rules, individual board members are assigned to undertake committee functions (Audit Committee, Grievance Redressal Committee, among others) on a regular basis. Board of Belghoria Janakalyan Samity (BJS) is vibrant; each individual member is assigned their work and is performed accordingly.</li> </ul>	
<p><b>b. Experience/ exposure/ reputation in MF</b></p>	
<ul style="list-style-type: none"> <li>• The board of Belghoria Janakalyan Samity (BJS) has diverse experience in banking and financial services, rural development, research activities, microfinance activities, social economic development and women empowerment. Almost all the board members of Belghoria Janakalyan Samity (BJS) have good experience in the microfinance sector.</li> </ul>	
<p><b>c. Composition</b></p>	
<ul style="list-style-type: none"> <li>• The composition of Belghoria Janakalyan Samity (BJS) Board consists of seven members, Mr. Satyabrata Chakraborty, President; Mr. Sumit Banerjee, Vice President; Mr. Biswajit Das, Secretary and Chief Executive Officer; Ms. Kakali Halder, Treasurer; Mr. Ranjit Kumar Dutta, Member; Ms. Mary Mukherjee, Member; and Ms. Mira Debnath, Member.</li> </ul>	
<p><b>d. Role</b></p>	
<ul style="list-style-type: none"> <li>• Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Regular operational decisions related to financials, cost transparency, disclosures, among others are the responsibility of Mr. Biswajit Das, Chief Executive Officer; Belghoria Janakalyan Samity (BJS).</li> </ul>	
<p><b>e. Code of conduct compliance report</b></p>	
<ul style="list-style-type: none"> <li>• Grievance Redressal Committee reviews Code of Conduct compliance on a quarterly basis and presented in the board.</li> </ul>	
<p><b>f. Members' attendance in meeting</b></p>	
<ul style="list-style-type: none"> <li>• The average percentage of attendance of board members in board meetings is 85%.</li> </ul>	



10. Human Resources	Score 3.31
<b>Key Elements:</b> Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal	
<b>a. Field staff experience/ exposure in MF</b>	
<ul style="list-style-type: none"> <li>Field staff is well experienced in the field; almost 70 % of the Credit Officers are experienced and have good exposure on Microfinance. On an average more than 2 years of experience of the team involved in field level operations.</li> </ul>	
<b>b. Recruitment</b>	
<ul style="list-style-type: none"> <li>There is a separate Human Resource Department in Belghoria Janakalyan Samity (BJS) who is responsible for HR functions. Recruitments are done by publishing the requirements with the job profile in job sites, local newspaper and word of mouth for field staff. Proper recruitment process is followed for each level of staff – written test and personal interview and Pre-Service Orientation. Recruitment is conducted with reference checks.</li> </ul>	
<b>c. Staff Exit</b>	
<ul style="list-style-type: none"> <li>Staff exit interview conducted for all the staff and modifications in the systems and processes, taken thereof.</li> </ul>	
<b>d. Complaint Redressal</b>	
<ul style="list-style-type: none"> <li>There is an informal system for Complaint Redressal for the employees in the organization. While interaction with the field staff it was observed that in case of any grievance, employees can reach the higher authority within the organization without any apprehensions.</li> </ul>	

## Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by Belghoria Janakalyan Samity (BJS) are mentioned below:

- a) Interest Rate on loans: Belghoria Janakalyan Samity (BJS) have categorized their loans into two products Prerona and Ananya. The interest rate of Prerona is 26%, reducing balance basis and have the flexibility of three modes of repayment Weekly/Fortnightly/Monthly with number of installment ranging from 52/26/12 respectively. For Ananya, the rate of interest is 26% reducing balance basis with a number of installment ranging from 103/52/24 on weekly/fortnightly/monthly basis respectively.
- b) Loan pricing to include processing fee (not exceeding 1 percent of the gross loan) interest charge and insurance premium (to be paid directly to the insurance provider): Belghoria Janakalyan Samity (BJS) is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charge is 1% for clients and spouse paid directly to Insurance companies.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: Belghoria Janakalyan Samity (BJS) is not collecting any prepayment charges. They collect interest for that week during which prepayment is being made. Belghoria Janakalyan Samity (BJS) is not collecting any security deposit for the loans.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: 100% of their portfolio is under micro, small and medium enterprises.
- e) Lending to borrowers whose household income does not exceed Rs60,000 (in rural areas) and Rs120,000 (in urban areas): Calculating the household income in rural and urban areas is debatable since they do not have fixed monthly income. Their income is seasonal and is dependent on several factors. The household income of the clients visited under the study was mixed. The household income of all the clients visited was under permissible amount stipulated by RBI.
- f) Total indebtedness of borrower not exceeding Rs50,000: Belghoria Janakalyan Samity (BJS) strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs50,000 as the total loan outstanding. This is evident from their inclusion of Credit Bureau checks in their appraisal process.
- g) Tenure of loan not being less than 24 months: The products offered by Belghoria Janakalyan Samity (BJS) have loan tenure of less than 24 months (flexible installment payment mode- weekly/fortnightly/monthly – 52/26/12) for amount upto Rs15,000. For loans above Rs15,000, the tenure is not less than 24 months (flexible installment payment mode-weekly/fortnightly/monthly – 103/52/24) which are as per the guidelines of RBI.

*Overall, Belghoria Janakalyan Samity (BJS) is compliant on the RBI guidelines issued.*

## Conclusion

Belghoria Janakalyan Samity (BJS) has achieved a composite CoCAT score of **3.05** with an overall grade of **“A”**, indicating that the organisation requires improvements in several areas. Although there is strong institutional performance in some areas, there is room to provide technical assistance with a view of strengthening systems.

### Highlights and Best Practices:

- Unified Code of Conduct which is customized as per the mission and vision of the organization and displayed in all branch offices and Head Office.
- Comprehensive technique with written down policies and procedures used for Group Orientation Program (GOP) and Group Recognition Test (GRT) for Self Help Group formation and loan appraisal.
- Strong laid down policies on staff conduct in operation manual.
- Pre-Service Orientation before final selection of Credit Officer which involves four days of field orientation on operations with a report writing to ensure proper recruitment of staff.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Dedicated helpline number for client feedback/grievances.
- Data sharing with credit bureau.
- Membership with Sa-Dhan.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with MIX)
- Separate Grievance Redressal committee within the Board to review Code of Conduct compliance.
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as free health and eye check up camps; child education; financial literacy program and skill development activities.

### Areas to Strengthen:

- Follow up on the Pre-Service Orientation of new staff with formal training on client comprehension and code of conduct based with dedicated modules and case studies.
- Proper induction system for the new employee at the time of joining at Head Office level.
- Internal Audit checklist does not have code of conduct compliance.
- Mechanisms to assess client awareness on a regular basis to be incorporated.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Strong MIS software for client data protection.

Average Score	Rating	Grade
<b>3.05</b>	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

## Annexure 1: Code of Conduct Assessment Tool (CoCAT)

### Introduction

The Code of Conduct Assessment Tool (CoCAT) is a comprehensive instrument used to measure the development and implementation of policies that best serve the client. Starting with the Code of Conduct, CoCAT determines whether written procedures have been generated in accordance with the mission and vision of the institution. Through a careful analysis of internal documents and conversations with staff members, CoCAT seeks to analyse the alignment between theory and reality, checking at all levels to see how well policies align with practice. Where possible, CoCAT tries to quantify the parameters to remove subjectivity.

CoCAT has been developed to address some of the ideas that are implicit in Social Performance and Client Protection, but to do so in a structured manner with set parameters that have to be fulfilled. One of the major tenets of this tool is analysing the quality of service provided by the staff, and the quality of delivery offered to the client. Ultimately, the tool is used to identify important policies that could strengthen practices, enhancing the relationship between customer and institution.

CoCAT has ten broad assessment components which are further disaggregated into 58 elements. The ten broad components are: *Code of Conduct, Market Entry, Appraisal Process, Client Comprehension, Products and Services, Pricing, Feedback Mechanisms, Staff Conduct, Board and Human Resources.*

Each component is made up of between 4 and 7 elements. Each element has been allocated a **Weight** that ranges from 1% to 3% of the total score. The components are weighted according to the sum of their constituent elements. These elements are given a **Score** from “1” (Lacking) to “4” (Excellent). In case an element is not applicable, it is removed from the overall rating and the weights are adjusted accordingly.

### CoCAT helps to:

- Generate baseline information on institutional conduct and the relationship between staff and clients
- Build a practical, experiential profile of the institution’s methodology
- Understand the formal institutional processes that govern client interactions
- Analyse the institutional mentality and correspondence between social and financial missions
- Provide detailed information on best practices being followed by the institution

### Methodology

CoCAT is administered in a participatory manner and is a multi-stage process:

1. Collection of primary and secondary data: Website, Annual reports; Audited financial statements; Institutional manuals (HR, Operations, IA), Training materials; 3<sup>rd</sup> party ratings, etc.
2. Structured discussions: Board, Senior Management, Head office staff, Field personnel
3. Field visit: Branch office discussions with field personnel, meetings with clients, observation of different stages of the operational process

CoCAT is largely based on observation of behaviour, conduct, and practices. Although the premise is the existence of a Code of Conduct, the tool is really meant to monitor compliance with the principles laid out by the organization. If broad principles are missing from the institution’s consideration, these will be identified. Other standards may be written, but may not be turned into any meaningful practice. CoCAT differentiates between each of these, and provides a comprehensive portrait of the institution’s ability to focus on its clients, serving them ethically and responsibly.