

RGVN (NE) Microfinance Ltd

Guwahati, India

Legal form: NBFC-MFI

January 2015

Code of Conduct (CoC) Assessment

Achievement	Maximum	Score achieved
Integrity, Governance and HR Strategy	30%	25.2%
Compliance with guidelines pertaining to clients	60%	47.3%
Effectiveness of client education efforts, and awareness	10%	7.6%
Overall CoC	100%	80.1%

Visit dates: 5th - 10th January 2015

M-CRIL

Anindita Chakraborty, anindita@m-cril.com

Shraddha Jha, shraddhajha@m-cril.com

Tel: +91 124 405 0739

RGVN (NE) Microfinance Ltd

Rupali Kalita, MD

rupali_rgvn@yahoo.com

Tel: +91 361 2464612



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Key for bullets:

- ✓ Positive
- Neutral
- Issue
- Description

Assessment tool and framework

Assessment Tool

- ▶ This assessment uses a scoring tool derived from the Unified Code of Conduct for member MFIs of Sa-Dhan and MFIN and the RBI guidelines and Fair Practices Code for NBFC MFIs.
- ▶ The tool not only covers the industry Code and the above mentioned guidelines in letter but also delves deep into issues of adherence in spirit. The tool is arranged under three broad heads:
 - Integrity, Governance and HR Strategy
 - Compliance with guidelines pertaining to clients
 - Effectiveness of client education efforts and awareness

Methodology

- ▶ The assessment is based on a 6 day visit by an M-CRIL team comprising a VP and an Analyst to the MFI's head office in Guwahati and to 8 branches spread across Kamrup, Kamrup (Metro), Barpeta, Nagaon and Morigaon districts in Assam. Multiple groups were visited in each branch. (Refer Page No. 39 for the detailed methodology and Page No. 40 for the sampling plan).

Perspective on the MFI

- ▶ RGVN (NE) scores reasonably well in all the aspects of CoC assessment. A strong and experienced Board, commitment to good governance practices, espousing RBI's FPC and the UCoC, focus on training staff on the CoC and client interaction, compliance with the regulations and social performance initiatives are its commendable strengths. Mandating reference checks for experienced recruits, focusing on transparent communications and apprising clients on the grievance and data sharing process as well as their rights and obligations as per the CoC will further improve its performance.

Level of cooperation with assessment team:

HO	HIGH	Branches	HIGH	Follow-up	HIGH
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...Assessment tool and framework

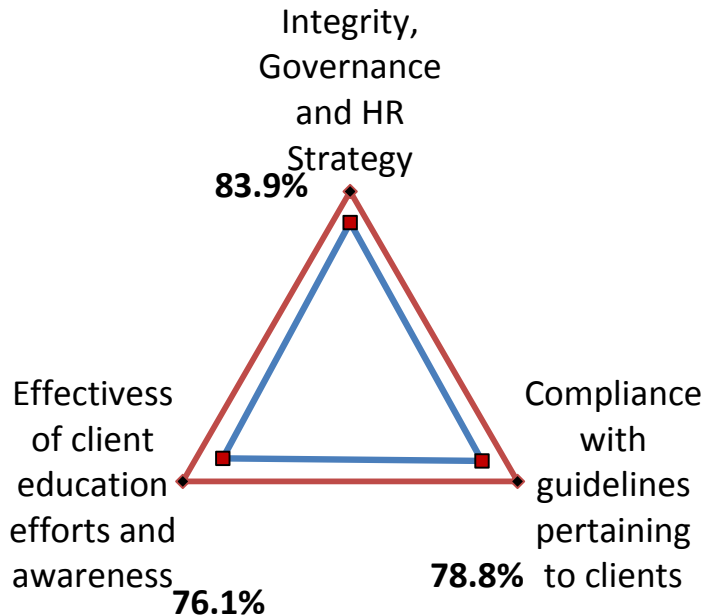
- ▶ The various aspects of the Unified Code of Conduct, RBI guidelines and the Fair Practices Code have been reclassified by M-CRIL under three broad heads (Integrity, Governance & HR Strategy, Effectiveness of Client Education Efforts and Awareness and Compliance with Regulation Pertaining to Clients) as per their logic and fit.
- ▶ Compliance with guidelines, being one of the most important aspects, has been given the maximum weight of 60%. Integrity, Governance and HR Strategy follows with 30% weight, and Efforts for Client Education, along with client awareness (as reflected through client interactions) is given a 10% overall weight.
- ▶ Level of internalisation of the codes of conduct by the MFI has been analysed for Approval, Documentation, Dissemination and Observance (ADDO) under each category, wherever applicable.
- ▶ Wherever relevant, more weight has been given to those policies adopted by the MFI and implemented in letter and spirit, compared to those which are well documented but not practiced.
- ▶ Field results have been included in each relevant section under the broad heads mentioned above. Field results have been given 40% weightage. Client Education section is assessed in terms of efforts as well as results i.e. levels of awareness about products, terms and conditions and policies of the MFI.

...Assessment tool and framework

The CoC Assessment tool was required to cover 8 points as per SIDBI's guidelines (shown on the right of the box below). This tool covers these by fitting them into broader parameters and capturing performance on them as well as other indicators in terms of Approval, Documentation, Dissemination and Observance.

Parameters and Indicators in M-CRIL tool		SIDBI requirements covered in this section
Integrity, Governance and HR Strategy	30%	
Integrity	10.0%	Integrating social values into operations
Governance	10.0%	
Human Resource Strategy	10.0%	
Compliance with regulations pertaining to clients	60%	Compliance status of MFI vis-à-vis latest RBI guidelines
Client Origination and targeting	9.0%	Client origination and targeting
Loan Appraisal Process	9.0%	Loan appraisal process
Loan product features and pricing	10.0%	Loan pricing and transparency
Transparency	10.0%	
Responsible lending	9.0%	Staff behaviour
Grievance mechanism	9.0%	Relationship management & grievance redressal mechanism
Privacy of client information	4.0%	Privacy of Client Information
Client Education Efforts and Field Results	10%	
Client Education (Efforts)	3.0%	
Client Awareness and other Results	7.0%	
Total	100%	

Code of Conduct performance



—■— Achievement —◆— Maximum

- In terms of 'Integrity, Governance and HR strategy' RGVN (NE)'s adherence to COC principles, strong and experienced Board, efforts towards training staff, balanced compensation system and just disciplinary policy showcase its commitment towards good governance practices. The score can be improved further by appointing an independent director to chair the Audit Committee and mandating reference checks for experienced recruits.
- RGVN (NE) scores moderately in regulatory compliance. The score can be enhanced by classifying centers according to their location, developing policy on validity of credit bureau check, giving clients a copy of the repayment schedule and disclosing the APR and insurance coverage details.
- Efforts need to be made to increase the awareness levels of clients in aspects such as their rights and responsibilities as per the CoC, processing fee, insurance charge and coverage, prepayment policy and the data sharing process. Additionally, increasing the frequency of audit (especially for poor performance branches) will help improve process compliance.

Strengths

- ✓ Able management and experienced Board committed to good governance practices.
- ✓ RGVN (NE) has formulated its own CoC; a vernacular version was displayed in all but one of the visited branches.
- ✓ Fixed monthly compensation to discourage aggressive lending and coercive seizures; annual performance pay factors in staff conduct.
- ✓ Well-defined product suite comprising group and individual loans as well as welfare products for consumptive uses.
- ✓ Development of detailed delinquency and restructuring policies to guide staff action. Loans have been restructured for flash flood victims.
- ✓ Establishment of both branch based and HO level grievance channels; escalation timelines defined.
- ✓ Regular health camps, workshops on environment, financial literacy and women's empowerment are conducted for enhancing social well-being of clients

Issues

- ❑ Board level Audit sub-committee comprises only nominee directors; ALM sub-committee functions at the management level.
- ❑ Branches are classified as urban/semi-urban/rural; all centers under a branch are categorized likewise.
- ❑ In case of delayed disbursements, the CB verification process is not repeated.
- ❑ Reference checks are not conducted for staff joining RGVN (NE) from other MFIs; staff interviews revealed that submission of relieving letters is not a mandatory process.
- ❑ Though English is the official language in Arunachal Pradesh, Meghalaya and Assam, it is advised that RGVN (NE) provide loan documents in vernacular to low income clients from these states.
- ❑ Dissemination on the insurance coverage details (especially the disability insurance benefit), grievance redressal process and RBI guidelines needs to be improved.

Introduction and background

- In 1995, the NGO Rashtriya Gramin Vikas Nidhi (RGVN) established a Credit and Savings Program (CSP) in collaboration with SIDBI. The initiative was revamped and launched in 2005 and its success encouraged RGVN and SIDBI to scale up further. In 2009, the CSP was hived off into an independent entity called Brahmaputra Community Development Trust (BCDT).
- Carved out from the CSP, RGVN (NE) was established as a NBFC in August 2010. The organization was given the NBFC-MFI license in August 2014.
- Headquartered in Guwahati, Assam, RGVN (NE) operates through a network of 101 branches spread across five northern eastern states. As on 30th September 2014, its portfolio share across the states was: Assam (94.5%), Meghalaya (2.5%), Nagaland (0.4%), Sikkim (1.6%) and Arunachal Pradesh (1.0%).
- The organization is headed by an experienced banker Ms. Rupali Kalita. The 10 member Board of Directors (BoD) is chaired by Mr. Brij Mohan and comprises a healthy mix of bankers, microfinance and development professionals.
- In July 2014, RGVN (NE) MFI raised Rs37 crore from Norwegian Microfinance Initiative (NMI) and Dutch social investor Oikocredit with additional participation of existing investors Dia Vikas Capital and SIDBI who provided Rs5 crore and Rs2 crore, respectively.
- RGVN (NE) follows both JLG and SHG model; currently 51 branches follow the SHG methodology.
- Individual loans are given to local entrepreneurs while Welfare Loans (priced at 14% per annum) for the purpose of drinking water, sanitation, construction of wells, education, weddings, etc. are also provided.
- In order to improve clients' social well-being, the branches organize health camps, financial literacy workshops and other capacity building initiatives. A Social Performance Management (SPM) officer has been appointed to champion these efforts.

...Introduction and background

Vision

“Serving entire North Eastern region and impacting 5 lakhs households by the year 2017 and facilitate better access to health, education and livelihood opportunities”

Mission

“Provide financial and other support services to the underprivileged households in the Northeast to improve their quality of life”

Values

- Good Governance
- Professionalism
- Integrity and Transparency
- Client Satisfaction
- Community Orientation

Main Performance Indicators*

	Mar-13	Mar-14	Sep-14
Active borrowers	162,575	166,623	188,960
Portfolio Outstanding (Rs cr.)	117	124	159
Number of states	5	5	5
Number of districts	30	31	31
Number of branches	106	107	101
Number of groups	48,397	52,956	59,171
Staff strength	549	560	553
PAR 30 (%)	0.60	0.63	0.67
Total PAR inc write-off (Rs cr.)	0.13	Nil	Nil
Yield on Portfolio	26	27	25
Operating Self-Sufficiency	130	127	132

*Based on data provided by RGVN (NE)

Microfinance policies

Model:	Self Help Group (SHG), Joint Liability Group (JLG) & Individual lending	Process Area Selection	Details on pages 41, 42 & 43
Services: Financial	<ul style="list-style-type: none"> • Loan products <ul style="list-style-type: none"> ▪ SHG Loan ▪ JLG Loan ▪ Micro Enterprise Loan/Entrepreneurship Development Loan ▪ Employment Guarantee Mission Loan ▪ Welfare Loan 	Promotion & Group Formation	<ul style="list-style-type: none"> • Rural/Semi Urban/Urban areas with low income households in North East India • Self selection by members, 4 meetings-(i)marketing, (ii) orientation, (iii) origination, iv) appraisal held for new applicants and 2 meetings (origination and appraisal) for loan renewals • Loan application forms are filled during the origination meeting, followed by household verification • Loan appraisal is conducted by BM in CO's presence
Others	<ul style="list-style-type: none"> • Insurance products <ul style="list-style-type: none"> ▪ Compulsory Life Insurance ▪ Compulsory Disability Insurance 	Loan Sanction	<ul style="list-style-type: none"> • Post CB check, Area level Loan Sanction Committee comprising the AM and two BMs (on rotation basis) approve loans
Non-Financial Services	<ul style="list-style-type: none"> • Organizes health camps, workshops on education, financial literacy and environmental awareness • Tied up with Dia Vikas to offer offer training and capacity building services to educated children of mature clients. 	Disbursement	<ul style="list-style-type: none"> • BM hands over cheque in presence of the group at any member's residence. On a few occasions, disbursements take place at the branch
		Collection Loan Utilization Check (LUC)	<ul style="list-style-type: none"> • Fortnightly collections at centers • Conducted by CO within a month following disbursement

Loan products

Product Name	Joint Liability Group (JLG)	Self Help Group (SHG)	Micro-Enterprise Loan (MEL) / Employment Generation Mission (EGM)	Entrepreneurship Development Loan (EDL)	Welfare Loan
Target Clients	Poor Women			Client graduated from JLG & SHG	Existing JLG & SHG clients
Group/Individual	Group		Individual		
Loan size in Rs	3,000-50,000		15,000-50,000		5,000-10,000
Term	12 & 24 months				
Repayment frequency	Weekly/Fortnightly/Monthly				
Moratorium period	Based on Repayment frequency				
Processing fee (incl. Service tax)	1 % of Loan Amount & 12.36% service tax				
Diminishing rate of interest (p.a.)	20% in BTAD & all Hill State Area & 26% in other areas				14%
Guarantee/collateral	Nil				
Penalty on overdues	Nil				
Foreclosure charge	Nil				
Share in portfolio on 31 March 2014	94.13%	3.58%	0.15%	1.37%	0.77%

Insurance

Insurance details

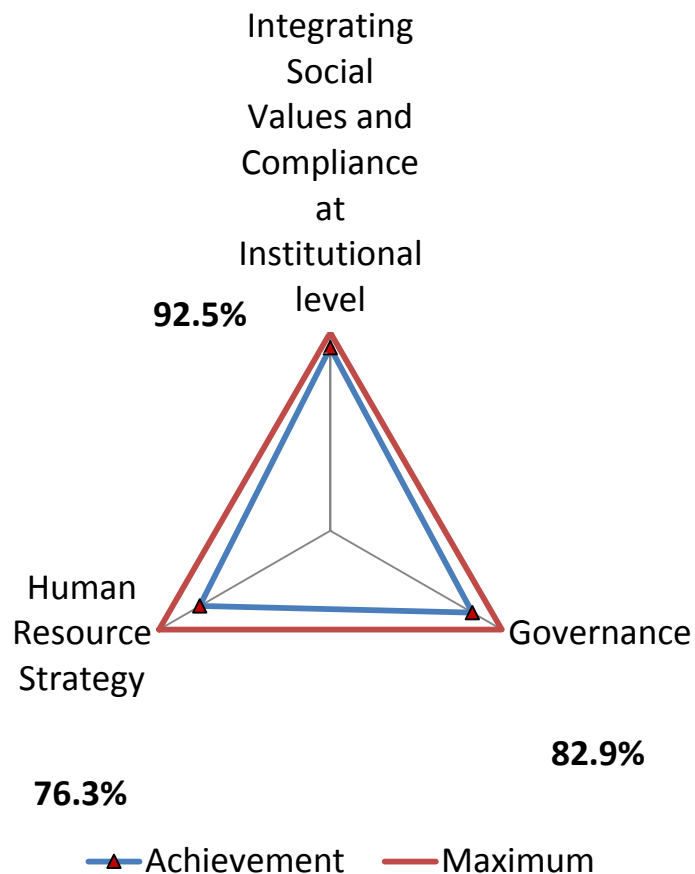
Date introduced	15 th October 2012	24 th August 2013
Insurance company	Bajaj Allianz Life Insurance	Oriental Insurance
Coverage - who?	Member + spouse	
Coverage - what?	Life	Disability
Premium Amount (Client) per year (Rs)	2.8 per 1,000 (plus 12.36% service tax)	1.5 per 1,000 (plus 12.36% service tax)
Premium Amount (Spouse) per year (Rs)	2.8 per 1,000 (plus 12.36% service tax)	1.5 per 1,000 (plus 12.36% service tax)
Sum Assured (Client/Spouse) (Rs)	Slabs based on the loan amount	10,000

Insurance Processing details	FY 13-14	April –Sep 2014
Total number of clients insured	299,230	170,958
Number of claims	6,291	1,015
Number of pay outs	4,910	992
Number of rejected claims	1,381	23
% claims/accounts	2	1
% payouts/claims	78	98
Average time between claim & settlement	30 Days	30 Days

- RGVN (NE) provides compulsory credit life insurance to clients and their spouses/co-borrowers through Bajaj Allianz Life Insurance Company as well as disability insurance through Oriental Insurance Company.
- Installment collection stops immediately after client's death, while in case of the spouse's demise, collections continue until the claim is settled by the insurance companies. A week's grace period is granted on humanitarian grounds.
- With regard to pending/rejected claims, clients are reimbursed through an internal Client Welfare Fund.

Integrity, governance and strategy

Performance



Score Obtained	Maximum
25.2%	30%

Levels of internalization

Levels of internalization	Approval	Documentation	Dissemination	Observance
Integrating Social Values and Compliance at Institutional level	Good	Good	Good	Good
Governance	Good	Good	N/A	Good
Human Resource Strategy	Good	Moderate	Good	Moderate

...Integrity, governance and HR strategy

Integrating Social Values and Compliance at Institutional level	Compliance by RGVN (NE) Microfinance Ltd
Not less than 85% of total assets of MFI are qualifying assets	As per the statutory certificate issued by Guwahati based Sanjoy K.Das & Co, qualifying assets accounted for 86.8% of the total assets, on 30 th September 2014.
Aggregate amount of loan extended for income generating activity is >70% of the total loans given	The certificate issued by statutory auditors on 30th September 2014 asserts that 99% of the loan portfolio was given for income generating activities. As a policy imperative, all group as well as individual loans are offered solely for productive purposes, barring Welfare Loans which account for ~1% of the total loan portfolio.

Integrating Social Values at Institutional Level

- ✓ RGVN (NE) has espoused good governance as one its core values. It has developed its own FPC that draws heavily from the RBI equivalent. The effectiveness and relevance of this document is reviewed by the MD, every quarter. The organization has also framed a CoC, which is binding on all employees.
- ✓ Post orientation training where staff are apprised on the various organizational policies, a Fidelity & Security Agreement is signed by them whereby they agree to abide by the HR manual and preserve the confidentiality of all organization and client related information.
- ✓ During orientation, staff are apprised on the organization's mission, vision, policies, delinquency management, CoC, disciplinary policy as well as the RBI guidelines. They are given hard copies of the UCoC (in vernacular) and RBI guidelines for reference. The same is revisited during refresher trainings as well as monthly branch meetings.

...Integrity, governance and strategy

...Integrating Social Values at Institutional Level

- ✓ The External Compliance (EC) as well as Social Performance Management (SPM) sections of the Internal Audit checklist include parameters related to different aspects of the CoC.
- ✓ RGVN (NE) uses a modified version of RBI's FPC as its FPC, which was prominently displayed in English multiple locations in the HO and in most of the visited branches in vernacular. An Assamese version of the UCoC was also displayed in some branches.
- ✓ A SPM Officer has been appointed to spearhead the organization's social initiatives which includes conducting financial literacy and women's empowerment workshops for clients.
- ✓ For the period April-September 2014, the average interest income as a percentage of portfolio was 24.1% while the average interest cost on borrowings stood at 14.7%, thereby generating an average margin of 9.4% during the period and complying with the guidelines stipulated for NBFC-MFI.
- ✓ In order to improve efficiency levels, the weekly model has been discontinued and a fortnightly repayment model has been adopted. This resulted in an increase in staff productivity which stood at 738 borrowers per CO in December 2014 vis-a-vis 656 borrowers per CO in the previous quarter.
- Currently, all disbursements are done at the centers via cheques and efforts are being made to directly disburse funds into the client's bank accounts.
- The current MIS BIJLI operates in an offline mode, which makes the day end processes cumbersome. Furthermore, the Credit Bureau check is done manually by the BM and is cross-verified by the Loan Sanction Committee, which is both time consuming and prone to human error. RGVN (NE) is considering building a robust real time MIS or switching to a mobile application and is exploring appropriate solution provider.

...Integrity, governance and strategy

Governance

- ✓ RGVN (NE)'s 10 member Board of Directors comprises three independent directors, six investor representatives and the MD. Together they bring on board, years of experience in banking, entrepreneurship, microfinance and rural development.
- Alignment with RGVN (NE)'s mission of promoting financial inclusion in the north east is an important factor of consideration while identifying potential investors.
- Independent directors constitute 30% of the Board. Plans are in place to increase the strength of independent directors who can bring their diverse expertise to the table.
- Post the resignation of the independent director acting as chairperson of the audit committee (Mr. K.N. Hazarika), the committee was reconstituted in June 2014 and currently includes three nominee directors.
- ✓ Meetings are regularly attended and the minutes highlight the Board's involvement in strategic issues such as growth, review of performance, strengthening of controls, process improvements, setting internal exposure limits, fund mobilization, social performance and regulatory issues.
- Though compliance with the CoC is not separately reported, the certificates issued by the statutory auditor on adherence to the RBI guidelines with regard to qualifying assets, margin cap and interest rate as well as the minutes of the Audit Committee discussions are shared with the Board every quarter.
- Adherence to the Corporate Governance norms relevant for NBFC-MFIs having net asset size over Rs100 crores is moderate as witnessed by the functioning of the Board level audit, risk, nomination & remuneration sub-committees. The ALM committee functions at the management level.

...Integrity, governance and strategy

Human Resource Strategy

- ✓ The talent acquisition process at RGVN (NE) is multi-pronged. The organization encourages both fresher and experienced candidates to apply. Field staff are recruited via advertisements in local newspapers, the company website and other job portals. Vacancies for the role of BM are filled through internal promotions while lateral recruitments are done for higher positions.
- Post selection, candidates submit copies of their academic certificates and an indemnity bond signed by their family members as well as a list of two references known to the candidate.
- Though RGVN (NE) recruits experienced candidates, it does not conduct reference checks to gauge the credibility and track record of the applicant.
- As a practice, the organization relies on the relieving letters and experience certificates provided by the applicant's former employer. However, several interviewed staff having prior microfinance experience reported that they were not asked to furnish the same.
- Though there is no documented policy, the organization is willing to respond to reference check requests from other organizations. The M-CRIL team was informed that such requests were rare.
- ✓ Post joining all new recruits undergo a two day Orientation training at the HO where they are briefed on the organization's mission, vision, HR policies, microfinance concepts and roles and responsibilities of a CO. The session on soft skills training is facilitated by external trainers from Assam Institute of Management.
- The orientation training is followed by a month's On the Job Training (OJT) where the inductees undergo various training under the supervision of the senior COs and BMs.
- Inductees are confirmed after a three month probation period which concludes after a three day induction training where all the credit, accounting and MIS processes are revisited in detail and is followed by a written test.

...Integrity, governance and strategy

...Human Resource Strategy

- ✓ Besides these, refresher trainings on soft skills, RBI guidelines, client protection principles, delinquency management, insurance, preventive vigilance, MIS, SPM and financial management are conducted regularly. Most staff reported attending at least one refresher training in a year.
- Branches are provided with an English version of the Operations Manual.
- ✓ Monthly staff meetings are conducted by the BM and the minutes highlight that the RBI guidelines, CoC, CPP, client complaints and audit findings were discussed during the sessions.
- ✓ The monthly salary of all field staff is fixed to deter from aggressive sales and collection practices.
- ✓ Additionally, staff are awarded an annual performance pay. The performance evaluation process includes qualitative and quantitative factors in the ratio 25:75. The quantitative factors include repayment rate (20%), portfolio quality (20%), arrear rate (10%), number of borrowers handled by the CO (15%) and average portfolio outstanding per CO (10%).
- ✓ The qualitative factors vary according to designations. COs and BMs are evaluated on aspects related to client management, quality of credit disbursed and recovery, behaviour with clients, adherence to CoC, audit scores, diligence in conducting field visits and whether any disciplinary action had been initiated against them.
- The organization is cautious and avoids placing employees having previous microfinance experience in the areas formerly served by them up to a period of 1 year. Interviewed staff having prior experience also corroborated the same. However, a written policy is yet to be developed.

...Integrity, governance and strategy

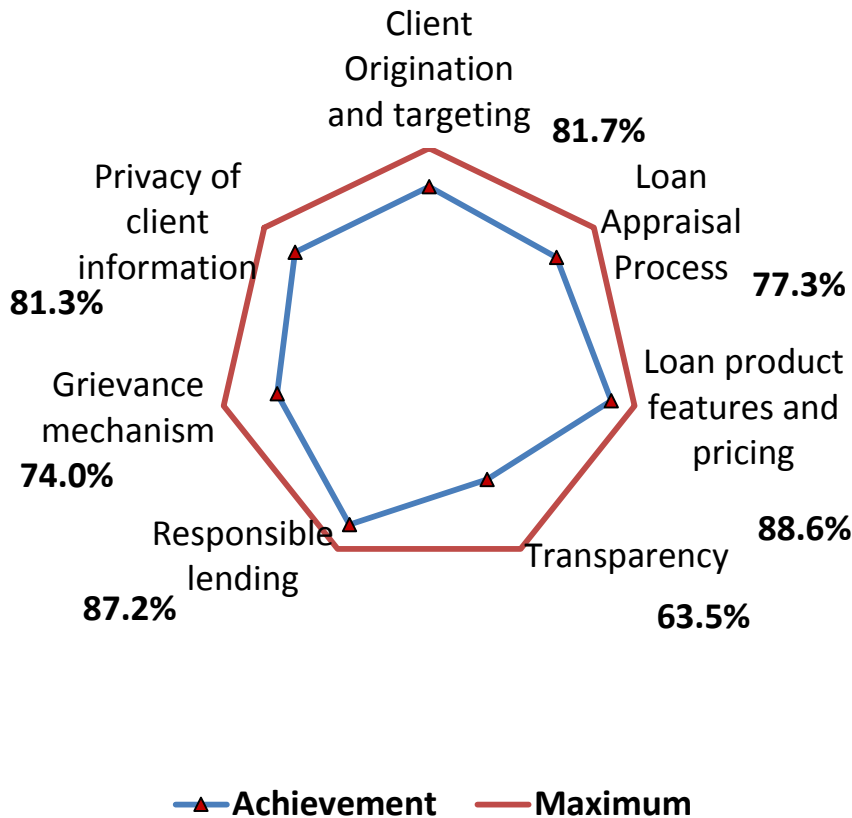
...Human Resource Strategy

- ✓ A comprehensive disciplinary policy has been framed which clearly defines and categorizes instances of misconduct and the appropriate sanctions against the staff. The policy identifies misbehaving with clients/colleagues, visiting clients for unofficial purposes, negligence, deliberately misguiding clients, misstating client information, accepting bribes, taking loans from clients and misappropriating funds as instances of misconduct.
- ✓ Each of these events have been classified according to their severity and the appropriate penal action have been defined. The punitive actions range from counselling, censure, verbal and written warnings to demotion, suspension, termination, filing of criminal complaints/civil cases against the errant staff.
- ✓ A 4 member disciplinary committee chaired by the MD and comprising the heads of the Internal Audit, HR and Admin teams has been formed and grade wise Appellate Authorities have been identified to review and deliberate on the appropriate course of action.
- ✓ The MFI does collect any shortfalls in collection (on account of delayed payments) from staff, unless they are proven guilty of fraud. In June 2014, three instances of staff fraud were reported in Goalpara, Lakhimpur and Lanka branches and the misappropriated amount was adjusted against the pending dues of the culpable staff.
- ✓ Employees tendering their resignation are required to serve one month's notice period, during which they are expected to clear all dues and obtain a no dues certificate from the Finance Department, after which relieving letters are issued by the HR department.

Compliance on Guidelines pertaining to Clients

Performance

Score obtained	Maximum
47.3%	60%



Levels of internalization

Levels of internalization	Approval	Documentation	Dissemination	Observance
Client Origination and targeting	Good	Good	Good	Moderate
Loan Appraisal Process	Good	Good	Good	Moderate
Loan product features and pricing	Good	Good	Moderate	Good
Transparency	Good	Moderate	Moderate	Moderate
Responsible lending	Good	Good	Good	Good
Grievance mechanism	Good	Good	Moderate	Moderate
Privacy of client information	Good	Good	Good	Moderate



...Compliance with guidelines pertaining to clients

Client Origination and Targeting	Compliance by RGVN (NE) Microfinance Ltd
<p>Borrower's household income (HHI) does not exceed Rs60,000 in rural areas and Rs 120,000 in non-rural areas.</p>	<ul style="list-style-type: none"> ✓ The Loan Application and Appraisal Form captures the details of the prospective borrower's net annual income from various sources as reported by the client. ❑ Branches are classified as urban/semi-urban/rural in the MIS and all centers under a branch are labelled accordingly. <ul style="list-style-type: none"> ○ The organization plans to classify centers as urban/semi-urban/rural, to ensure greater adherence to the RBI guideline. ❑ No in-built validation checks in the MIS to ensure that clients reporting an income above the stipulated criteria are not inadvertently sanctioned loans. ❑ Based on the information quoted by clients to the M-CRIL team, it was seen that 39% clients' income exceeded the limits prescribed by RBI.

Client Origination and Targeting

- ✓ The group formation process for new clients commences with four meetings whereby clients are apprised on the organization, its mission, vision, product suite, loan processes and salient terms.
- The Loan Application and Appraisal Form captures details of the family members, annual business income and expenses from various sources and current outstanding liabilities from other MFIs and banks.
- ❑ Household expenses are not recorded and cash flow analysis is not done.
- All centers of urban branches bordering rural hinterlands are considered rural.
- Until mid 2014, Voter ID cards were not issued in Assam. Hence, a certificate from the Village Pradhan was acceptable as an identity proof. However, submission of Voter IDs have been mandated from June 2014.

...Compliance with guidelines pertaining to clients

Loan Appraisal Process	Compliance by RGVN (NE) Microfinance Ltd
<p>Total indebtedness of the borrower does not exceed Rs50,000</p>	<ul style="list-style-type: none"> ✓ Indebtedness of the potential client is verified through the Credit Bureau check which is a mandatory part of the loan appraisal process conducted by the BM post the loan appraisal meeting. ✓ No respondent had outstanding loans exceeding Rs50,000 at the time of disbursement. ❑ However since the MFI does not have a policy on validity of CB report, strict compliance to the indebtedness guideline cannot be ensured. On account of paucity of funds/rejection of group members, the average turnaround time from application to disbursement for surveyed clients is approximately 51 days.
<p>The MFI ensures</p> <ul style="list-style-type: none"> ○ Borrower does not have more than two NBFC-MFIs loans 	<ul style="list-style-type: none"> ✓ A mandatory CB check is done to ensure that RGVN (NE) is not the third lender. ○ The current process requires the BM to manually verify the clients' ineligibility. This method is prone to the risk of inadvertent omissions. ○ Further the absence of a CB validity policy makes it difficult to ensure that the multiple indebtedness policy is not violated on occasions of high TAT.

- Though CB rejection data with overlap rates (for 2 or more MFIs) is consolidated zone wise and shared with the HO, it is not analyzed or reported to the management.

...Compliance with guidelines pertaining to clients

Loan Appraisal Process	Compliance by RGVN (NE) Microfinance Ltd
<p>Credit Bureau (CB)</p> <ul style="list-style-type: none"> ○ MFI is a member of at least one CB ○ Submits data regularly to the CB ○ Checks with CB before sanctioning of loan ○ In addition to CB checks, takes self certification from the borrowers 	<ul style="list-style-type: none"> ✓ RGVN (NE) shares data with both Highmark and Equifax on a monthly basis, while it uses Equifax for verifying the potential borrowers' current outstanding liabilities. □ 9% of the interviewed clients were given loans without conducting the customary CB check as no other MFI operated in the branch's operational area. □ The CB check is done after appraisal meeting and prior to approval by Loan Sanction Committee ✓ AM (during the monthly branch visits) and the internal auditors also verify compliance with the multiple indebtedness guidelines. Violation of any of the external compliance parameters in the audit checklist is marked as 'High Risk'. <ul style="list-style-type: none"> ○ The liability details recorded in the Loan Application and Appraisal Form are self-declared by the borrower. All loans are sanctioned post household verification by the CO and BM where a NOC is obtained from the spouse/co-applicant. □ Though the Loan Application and Appraisal Forms were complete in all respects and recorded borrowers' liabilities from other MFIs, it was seen that percentage of clients who correctly reported the number and amount of outstanding debts stood at 67% and 57%, respectively.

- ✓ Loan appraisal beyond first cycle includes reviewing the Inspection sheet which contains the borrowers' profile, details of the pre-sanction meetings, post-sanction loan utilization checks as well as past credit history.

...Compliance with guidelines pertaining to clients

Product features	Compliance by RGVN (NE) Microfinance Ltd
Loan size: Does not exceed Rs 35,000 in 1st cycle and Rs 50,000 in subsequent cycle	✓ First cycle clients are given loans up to Rs15,000; In subsequent cycles, clients are eligible for an increment of Rs5,000. Higher increments would need the ZM's approval. The maximum loan size for all products being capped at Rs50,000.
Tenure: Not less than 24 months when loan amount >Rs 15,000	✓ While credit amounting to Rs15,000 and less are payable in a year's time, higher ticket sized loans have a two year tenure.
Repayment frequency: Weekly/ fortnightly/ monthly at the choice of the borrower	❑ All loans have a fortnightly repayment frequency. The erstwhile weekly loans have been largely discontinued and weekly collections are in process for less than 1% of the borrowers.
Moratorium: Is not less than the frequency of repayment (or min. one installment)	✓ As per policy, the moratorium period is equivalent to the repayment frequency of the loan.

...Compliance with guidelines pertaining to clients

Pricing	Compliance by RGVN (NE) Microfinance Ltd
Interest rate/pricing cap: <ul style="list-style-type: none"> ○ Margin cap of 10% for large MFIs (with portfolio > Rs 100 crore), 12% for others ○ Max. variance between the min. & max. interest rate does not exceed 4% 	<ul style="list-style-type: none"> ✓ An average margin of 9.4% was recorded during April-September 2014. ○ The group and individual loans are priced at 26% in Assam and 20% in the hilly states of Nagaland, Meghalaya, Arunachal Pradesh and Sikkim and Bodoland Territorial Area Districts (BTAD) in Assam. Welfare Loan given for consumptive uses is priced at 14%.
Pricing: only 3 components: (i) proc. fee (ii) interest (iii) insurance premium	<ul style="list-style-type: none"> ✓ Clients are charged an interest rate varying between 14% to 26% (on declining basis), annual insurance premium for both credit life and disability insurance and processing fees with additional service charge.
Processing fee: max 1% of loan	<ul style="list-style-type: none"> ✓ Processing fee @1% as well as 12.36% service tax is charged.
Insurance commission: as per IRDA norms	<ul style="list-style-type: none"> ○ Rs2.8/1,000 for client and Rs3.8/1,000 for spouse per year is charged for credit life insurance. ○ Rs1.50/1,000 for client and spouse each is charged for disability benefit and 12.36% service charge is levied for both products. ✓ The premium is transferred in entirety to the insurance provider. ○ Surplus, if any, is transferred to the Client Risk and Welfare Fund and is used to settled pending/rejected claims.
Other: <ul style="list-style-type: none"> ○ No penalty for prepayment & delayed payments ○ No collateral & deposit 	<ul style="list-style-type: none"> ✓ No penalty is imposed for foreclosure, advance or delayed payment. ✓ All loans are unsecured and the former policy of collecting PDCs for individual loans above Rs30,000 has been abolished.

...Compliance on Guidelines pertaining to Clients

Transparency	Compliance by RGVN (NE) Microfinance Ltd
<p>Standard form of loan agreement: preferably in vernacular language</p>	<ul style="list-style-type: none"> ✓ The Loan Application and Appraisal Form, individual Loan Sanction Letter and the Mutual Agreement (for JLG) and Composite Loan Agreement form (for individual loans) are in standard formats, which have been approved by the BoD. ❑ Even though RGVN (NE) operates in five northeast states whose residents speak different languages and regional dialects, all forms are in English in Nagaland, Sikkim, Arunachal Pradesh and Meghalaya while the Assamese equivalent is used in Assam.
<p>Loan card: reflecting of (i) APR, (ii) terms & conditions, (iii) record of all transactions;(iv) all entries in vernacular</p>	<ul style="list-style-type: none"> ✓ The borrower's identification details, loan amount, interest rate on declining basis, repayment frequency, installment amount (barring last installment), administrative charges and service tax in percentage terms, total insurance charges (summed up for both Bajaj Allianz and Oriental Life Insurance), details of the grievance channel and the JLG norms are printed on the loan card/passbook in Assamese/English. ✓ The reducing rate of interest is clearly printed in all the loan cards. ❑ APR, prepayment terms, insurance coverage details and the exclusionary criteria have not been mentioned in the loan card/passbook. ❑ Clients are not given a pre-printed repayment schedule. ✓ All the transactions are duly recorded and signed by the CO in the loan card. ✓ Each group is given a handwritten receipt acknowledging the installment payment.

...Compliance on Guidelines pertaining to Clients

Transparency	Compliance by RGVN (NE) Microfinance Ltd
Display of the APR in its offices & website	<ul style="list-style-type: none"> ❑ Clients are not informed of the APR charged by the MFI. Neither have the details been displayed in the Head Office, company website or any of the branches visited by the M-CRIL team.
Member education: professional inputs to members in the formation of groups	<ul style="list-style-type: none"> ✓ RGVN (NE) devotes ample efforts towards training its frontline staff on orienting borrowers; initial training is a mandatory precursor to the group formation process. ✓ As a part of the organization's SPM initiative, clients are trained on health, education, environment protection, financial literacy and women's empowerment. ✓ Besides these, RGVN (NE) had tied up with the Govt. of Assam to offer training and capacity building services to educated children of mature clients (3rd cycle onwards). Post the culmination of EGM, RGVN (NE) offers the training independently through external trainers and offers loans to the women family members of participants having entrepreneurial experience.

Transparency

- ✓ The loan sanction letter cites product terms, informs clients that they can prepay without penalty under 'deserving' circumstances, vouchsafes to protect privacy of client data and also states the data sharing clause.
- ❑ The individual insurance premium amounts payable under each policy is not stated in the loan card.
- The organization has a policy whereby all clients' passbooks/loan cards are collected and verified at the branch by the BM every fortnight and returned in the subsequent meeting. This clause has also been mentioned.
- ❑ Although individual passbooks are issued to each borrower, 50% of the interviewees reported keeping their passbooks with the group leader.

...Compliance on Guidelines pertaining to Clients

Responsible Lending	Compliance by RGVN (NE) Microfinance Ltd
<p>The MFI ensures</p> <ul style="list-style-type: none"> ○ Borrower cannot be a member of more than one of its SHGs/JLGs ○ Not lend to a single person as an individual & group borrower, simultaneously ○ Involvement of more than one staff in loan sanction & disbursement 	<ul style="list-style-type: none"> ○ While no de-duplication checks are done per say, CB verifications are used to uniquely identify clients and prevent dual membership. Name, KYC details, father's name and contact details are mandatory parameters. ○ All loans are sanctioned by a three member Area Level Loan Sanction Committee which meet twice a month, scrutinizes the loan proposals, CB reports and credit history. Disbursements are done at the center by the BM in the presence of all the group members. CO's attendance during disbursements is not mandatory.
<p>Location for transactions and overdue recovery</p> <ul style="list-style-type: none"> ○ All transactions are at a central location ○ Staff are allowed to make recovery at the place of residence/work if borrower fails to appear at central place on 2 or more successive occasions 	<ul style="list-style-type: none"> ○ Centre meetings are conducted in a pre-defined location, which is usually a member's residence. ○ BM makes disbursement through cheque at centre meeting (occasionally at the branch) in the presence of the entire group. ✓ The Operations Manual contains a clause that prohibits staff from visiting borrowers at their residence/workplace until two consecutive occasions the client fails to turn up at the meeting.

Responsible lending

- Though LUCs are mandatorily conducted and the post sanction forms were filled accurately, respondents reported that COs seldom visited their residence/workplace for verification. Moreover, 41% had utilized the credit partially, while 19% had used less than 50% of the credit for income generating purposes.

...Compliance on Guidelines pertaining to Clients

...Responsible lending

- ✓ Appropriate protocols have been put in place which clearly enunciate that staff should not indulge in any form of misconduct while interacting with clients. Staff are instructed to be firm, yet courteous during center meetings and not visit clients on inappropriate occasions.
- ✓ The organization's FPC prohibits staff from visiting clients before 6am and after 7pm. The staff movement register and group discussions revealed that staff reported back to the branch by 7pm.
- ✓ Clients are asked to collect group acknowledgement receipt post every transaction and are forbidden to conduct any other monetary transactions/offer bribes to RGVN (NE)'s staff.
- ✓ RGVN (NE) has formulated a detailed delinquency policy, which has been incorporated in its Operations Manual. The policy instructs staff to behave well, regardless of circumstances and stress on peer pressure in the event of default. The policy also describes the stage wise escalation process for handling overdue.
 - At the first stage, clients are encouraged to pay from the savings accumulated in the internal group fund maintained by some groups (JLG/ SHG). Loans are written off after two years of default.
- ✓ A Board approved (25th January 2014) rescheduling policy has been put in place, which defines the circumstances under which loans can be rescheduled and the possible actions.
 - The common course of action is to give clients a temporary loan holiday. If the quantum of waiver is less than a month, the loan appears as overdue in the system. In case the grace period is of longer duration, the loan status is tagged as rescheduled in the system and a fresh amortization schedule is generated.
- ✓ The organization has made exemptions for victims of flash floods and other genuinely distressed clients (death in the family) in the past.
- This policy is not communicated to the clients to deter the latter from taking undue advantage of the same. However, most COs and BMs were cognizant of the same.

...Compliance on Guidelines pertaining to Clients

Grievance Mechanism

- ✓ RGVN (NE) has a well defined grievance policy wherein it promises to be fair to clients and promptly respond to their issues and queries.
- ✓ The details are communicated to clients during the orientation meeting and disbursement. Clients are given the contact details of the CO, BM and AM and are invited to either write to the MD/call the landline/Mobile (non-toll free) located at the HO. The details of the HO numbers are printed on the loan card/passbook and also displayed in the branches and the HO.
- Additional channels are used to solicit client feedback. At the branch level, complaint boxes have been placed visibly near the entrance; the AM maintains the key to the complaint box. Complaint register maintained at the branches are reviewed by the AM during the monthly visits and also verified by the internal audit team. It was reported that complaint boxes are rarely used.
- ✓ VP Operations is responsible for ensuring timely and effective resolution of client complaints. An Operations Executive, fluent in Hindi and Assamese is responsible for responding to the calls made at the HO, recording the issues and preparing reports, which are presented to the BoD every quarter.
- ❑ The Executive does not speak languages spoken in other states where RGVN operates.
- ✓ The organization has also defined the acceptable turnaround time for responding to client complaints. While calls need to be answered on the same date, written letters ought to be acknowledged within 48 hours and the overall response period has been set at 14 days.
- ❑ The organization does not inform clients of their right to approach any industry level Ombudsman if they are unhappy with the resolution provided by RGVN (NE).
- RGVN (NE) takes responsibility for staff conduct. A clause at the back page of the passbook forbids clients from giving bribes/commissions to staff. However, in the event they do/staff misbehave with clients/misappropriate the collections, RGVN (NE) is prompt in investigating and resolving the issue.

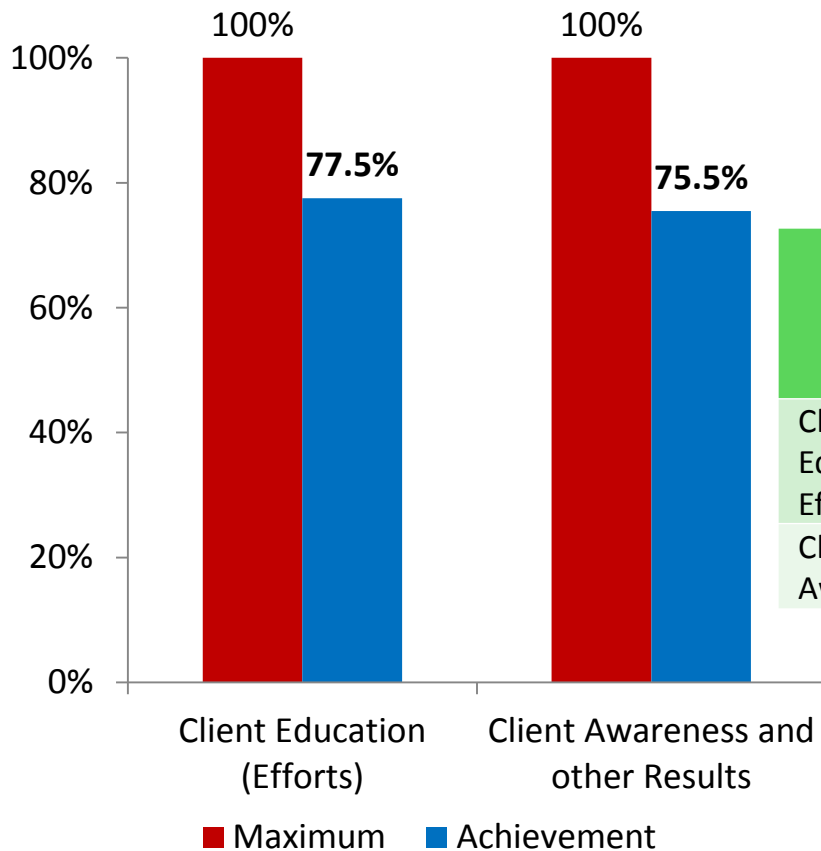
...Compliance on Guidelines pertaining to Clients

Privacy of client data

- ✓ Post the initial orientation training, staff sign a Fidelity and Security agreement where they agree to abide by the stipulations cited in the HR Manual. The HR Manual also contains a Confidentiality clause which directs staff to keep their systems password protected, prohibits sharing of passwords and mandates keeping all organization related information secure. However, the organization has not formulated any password validity policy.
- ✓ Staff are instructed to inform clients about the data sharing process and vouchsafe that all other information shared by them will be kept confidential.
- Clients sign an undertaking in the loan sanction letter shared at the time of disbursement whereby they allow the MFI to share their information with the credit bureaus. Though the CB check is done during the loan origination phase, it is not mentioned in the Loan Application and Appraisal Form.
- RGVN (NE) uses an offline version of BIJLI as its MIS for loan, insurance and accounting modules. All client information is secured via firewalls.
- ✓ Viewing rights are role based and configured such that BMs can only view reports pertaining to their branch and AMs can access data of the branches that are under their jurisdiction.
- ✓ Systems audit are conducted annually by external agencies. Though a Data Security Policy has not been developed, data backups are taken on daily/weekly and monthly basis and stored carefully.
- ✓ Physical files and client's identity proofs are stored securely in locked almirah. The keys remain in the BM's custody for safekeeping.

Client education efforts & field results

Performance



Score obtained	Maximum
7.6%	10%

Levels of internalization

Parameter	Approval	Documentation	Dissemination	Observance
Client Education Efforts	Good	Good	Moderate	Moderate
Client Awareness	NA	NA	NA	Moderate



...Client education efforts & field results

Client Education

- ✓ The loan origination process for new groups comprises four meetings-(i) Marketing, (ii) Orientation, (iii) Origination and (iv) Appraisal. While the introductory meeting gives the potential borrowers an insight into the organization, its product portfolio and other relevant terms, detailed training is imparted during the Orientation meeting.
- ❑ Existing clients renewing their loans only undergo the Origination and Appraisal meetings and are not retrained. With regard to existing groups, training on policies are provided only if the group adds two or more new members.
- The Operations Manual contains a checklist of items a CO is expected to explain to the prospective borrowers. This includes the details of the organization, its mission, purpose, JLG norms, pricing details, loan terms and processes. Clients are educated multiple times verbally and in writing.
- ✓ Clients are informed on their right to complain and are instructed to ensure that their pass books/loan cards are updated after every instalment payment and collect the group receipts issued. Clients are also forbidden to give bribes or indulge in any non-loan related transactions with staff.
- ✓ As a part of its endeavor to build clients' social awareness, the CO monthly conducts a brief session on topics related to health, education, financial literacy, environment and women's empowerment.
- ✓ The financial literacy module includes perils of multiple indebtedness and ways to avoid it.

Monitoring & audit of compliance on guidelines pertaining to clients

- Existing (5%), new (5%) and all clients with overdue are visited during half-yearly audits in addition to covering at least 1 center per CO. Monitoring targets are also given to all operations personnel.
- ✓ The External Compliance (EC) parameters assesses whether the branch is compliant with the RBI guidelines, while Social Performance Management (SPM) indicators verify client's awareness on the various product features, social initiatives and familiarity with the grievance process.

...Client education efforts & field results

Client awareness and other results

- ✓ High recall was noted with regard to receiving initial training on the organization, JLG principles, pricing and insurance coverage details, grievance process and multiple indebtedness guidelines.
- ✓ The entire sample were aware of their loan amount, tenure and number of instalments and high recall was noted on the number of instalments.
 - Respondents could accurately cite their instalment size. Majority knew that the last instalment was smaller but were unable to state the amount.
 - Low awareness on the insurance charges and insurance benefits were owing to lack of awareness of the disability cover. 53% of the respondents were partially aware.
 - Merely 25% were aware of the Credit Bureau verification process and 27% could locate the numbers of the grievance channel. Clients reported that they had never lodged any complaint.
- ✓ Only 50% interviewees kept their passbooks with themselves. 3% claimed they were not given a copy of the sanction letter.
- ✓ Unanimous consensus was reported on staff conduct and RGVN's services. 93% respondents affirmed that they had been visited by the BM/auditor during center meetings.

Awareness Parameters	Share of clients
Loan Amount & tenure	100%
Amount of Installment	100%
Number of Installments Paid	91%
Interest Rate	75%
Processing Fee	27%
Insurance Charges	35%
Insurance Cover	7%
Documents required for claims settlement	45%
Prepayment charges & terms	31%
Data Sharing with CB	25%
Grievance Process	27%
Code of Conduct	35%



Annexes

Profile of the Board

Board member	Designation in the Board	Experience	Tenure
Mr. Brij Mohan	Chairman-Independent Director	<ul style="list-style-type: none"> Former Executive Director of SIDBI; actively involved in setting up of SIDBI Foundation for Micro Credit (SFMC) Chairman of Ananya finance for Inclusive Growth Ltd and Microsave India Director on the Board of M-CRIL and MSME Foundation 	Since 2008
Mr. Deep Joshi	Independent Director	<ul style="list-style-type: none"> Co-founder of PRADAN where he was the former Executive Director Recipient of the 2009 Magsaysay award for Community Leadership for his work for "development of rural communities" Awarded 'Padmashree' by the Government of India in 2010 	Since 2011
Mr. N Srinivasan	Independent Director	<ul style="list-style-type: none"> Director on the Board of Microfinance Transparency; 30 years experience in NABARD in institutional development, rural credit planning and development projects Currently, an expert adviser and international consultant for different organizations including World Bank, ADB, AfDB, CGAP, IFAD, GIZ, KFW, Gates Foundation, Microsave, etc. Authored <i>State of the Sector Report on Microfinance in India</i> for four years 	Since 2014
Ms. Rupali Kalita	Managing Director	<ul style="list-style-type: none"> 20 years banking experience MD of RGVN (NE); instrumental in spreading the outreach of the microcredit wing of RGVN into many pockets of Assam, Meghalaya and Arunachal Pradesh 	Since 2008

Profile of the Board...contd

Board member	Designation in the Board	Experience	Tenure
Mr. Saneesh Singh	Nominee Director	<ul style="list-style-type: none"> ○ Executive Director-Investments in Dia Vikas Capital Private Ltd ○ Engaged in various senior managerial capacities in SIDBI; part of the core team that initiated SIDBI Foundation for Micro Credit (SFMC) ○ An associate of the Indian Institute of Bankers 	Since 2012
Mr. S.K. Baruah	Nominee Director	<ul style="list-style-type: none"> ○ General Manager of North Eastern Development Finance Corporation 	Since 2011
Dr. Amiya Kr. Sharma	Nominee Director	<ul style="list-style-type: none"> ○ Executive Director of Rashtriya Gramin Vikas Nidhi (RGVN), Guwahati ○ Co- Chairman of Sa-Dhan (the Association of Community Development Finance Institutions) 	Since 2008
Mr. Rajesh Malhotra	Nominee Director	<ul style="list-style-type: none"> ○ General Manager-Audit, IDBI Bank Ltd., Guwahati 	Since 2014
Mr. Njord Andrews	Nominee Director	<ul style="list-style-type: none"> ○ Investment Director of the NMI Global Fund ○ Former Senior Equity Research Analyst at Lazard Capital Markets and Equity Research ○ Analyst at Janney Montgomery Scott, LLC 	Since 2014
Mr. P.K. Saha	Nominee Director	<ul style="list-style-type: none"> ○ Former CGM, SIDBI-SFMC; headed microfinance operations in SIDBI 	Since 2013

Shareholding Pattern, 30th September 2014

Shareholder	No. Of Shares	Amount (Rs)	% Shareholding
Bhrahmaputra Community Development Trust (BCDT)	1,000,000	10,000,000	2.6
Dia Vikas Capital	11,521,094	115,210,940	29.8
ESOP	1,000,000	10,000,000	2.6
MBTs (7 Nos)	2,060,800	20,608,000	5.3
North East Development Finance Coporation Ltd (NEDFi)	3,000,000	30,000,000	7.8
Norweigan Microfinance Initiative (NMI)	7,346,939	73,469,390	19.0
Oiko Credit	7,673,469	76,734,690	19.9
Promoters	50,000	500,000	0.1
Small Industries Development Bank of India (SIDBI)	5,000,000	50,000,000	12.9
Total	38,652,302	386,523,020	100.0

Methodology

- ▶ **Preliminary analysis of MFI's information, review of available reports and financial statements**
- ▶ **Visit to Head Office of MFI**
 - Discussions with the senior management (Operations, Human Resources & Training, Internal Audit) to understand MFI's objectives, governance, market strategies, operations, products and services, integration of CoC in policies and procedures etc.
 - Collection and review of documents, manuals, Board minutes and associated documents to Code of Conduct.
- ▶ **Visit to branches – 8 branches across Assam – 2 in Kamrup, 2 in Kamrup Metro and 1 each in Darrang, Barpeta, Nagaon and Morigaon districts.**
- ▶ Discussion with Branch Manager and all branch staff on different aspects of CoC, MFI's policies and procedures
- Documentation review – internal audit reports, complaints register if any and CoC displays
- ▶ **Visit to centre meetings – FGD with minimum 2 centres per branch; 16 FGDs were conducted across 8 branches**
 - Assess relationship between MFI staff and clients
 - Check for implementation of client protection principles
 - Spot check of passbooks, receipts, repayment cards, maintenance of documents
 - Feedback on products – suitability to client needs, application of terms & conditions
- ▶ **Data Analysis and Report writing**
- ▶ **Internal Review at M-CRIL**
- ▶ **Report draft sent to RGVN (NE) Microfinance Limited**

Sampling Plan

	Branch	District	Respondents	Total Centres
1	Sarthebari	Barpeta	20	2
2	Kharupetia	Darrang	17	2
3	Mikirbheta	Morigaon	22	2
4	Nagaon	Nagaon	20	2
5	Boko	Kamrup	15	2
6	Chandrapur	Kamrup	20	2
7	Borjhar	Kamrup (Metro)	20	2
8	Maligaon	Kamrup (Metro)	16	2
		Total	150	16



Microfinance Policies

Area Selection:

- Branches are selected based on the discretion of AVP Operations. Prior to entering a new area, number of villages and households, village wise population, demographic profile, estimated business potential, prevalent livelihoods, quality of banking infrastructure, modes of communication, presence of competitors and distance from existing branches are evaluated based on both secondary and primary research through area survey by AM.
- The organization has judiciously avoided lending in areas in Assam close to Bangladesh and West Bengal border where microfinance penetration is very high. It has also avoided exposure in conflict prone areas in Assam and is cautious about expanding into Nagaland and Manipur owing to similar reasons. As a strategy, the MFI plans to spread its branch network and take the first movers' advantage in untapped areas in the north-east.

Branch Structure:

- In order to ensure effective monitoring, the total operating area has been divided into five zones which have been further split into 16 areas; which are supervised by the Zonal Managers (ZM) and Area Managers (AM), respectively. Each AM handles approximately 6-8 branches.
- A branch caters to a radius of 10-15km. Each branch is headed by a Branch Manager (BM) who reports to the Area Manager (AM).
- A mature branch has a portfolio of approximately Rs3.5 crores and serves up to 4,000 clients. Depending upon the number of customers served, the branch can have two or more Credit Officers(CO) reporting to the Branch Manager.
- COs have been given a target of managing a client base of 1,000. In December 2014, the average numbers of clients handled per CO stood at 738.

...Microfinance Policies

Group Formation:

- As per RGVN (NE)'s lending policy, 5 moderately poor women together form a Joint Liability Group (JLG); 3-6 groups are congregated to form a center. Self-Help Groups (SHG) have 10-20 members.
- JLG loans are given to poor women aged between 18-60 years, living in the same neighborhood, having similar socio-economic profiles and whose households are engaged in income generating activities. Rental clients are permitted, while kin relation is allowed only at the center level.
- It also lends to unmarried or widowed women, who have the option to apply for the loan on their own/ with a co-applicant. RGVN (NE) has a non-discrimination policy and encourages diversity in the groups.

Loan Origination:

- The loan origination process for new clients commences with the preliminary **Marketing Meeting** where the CO briefs the participants on the organization, its product suite and relevant policies.
- This is followed by the **Orientation Meeting** where the entire group is trained on the products, policies and documents required.
- The Loan Application and Appraisal forms are filled, No-Objection certificates (NOC) are obtained from the borrower's spouse/household members and household verifications by the CO are conducted during the **Origination Meeting**.

Loan Appraisal and Sanction:

- The process culminates with a **Loan Appraisal Meeting** wherein the BM evaluates clients' suitability and understanding of the product terms and follows it up with a household visit.
- Post document collection, the **Credit Bureau Check** is done via Equifax. A three member Loan Sanction Committee at the Area Level comprising the AM and two BMs (on rotation basis) meet on a bi-monthly basis and review and approve all loan proposals.

...Microfinance Policies

- As per the internal lending policy, cycle wise increments have been capped at Rs5,000. Clients in their third cycle and beyond are eligible for higher increment subject to the ZM's authorization.
- Barring Welfare Loans, the organization follows a 'one loan per household' policy. Efforts are made to ensure that the potential client satisfies the RBI guidelines prior to approving loan requests.

Disbursement:

- Disbursements are done through individual bearer cheque by the BM at the centers in the presence of the entire group.
- During disbursement, the BM explains all the policies and reads the terms cited in the sanction letter before the group members.

Collection:

- RGVN (NE) shifted from weekly to fortnightly repayment option in December 2014. **Collections** happen at the centers. Individual loan clients are expected to repay in the nearest center.

Loan Utilisation Check:

- LUC is to be conducted by CO within a month of disbursement and recorded in the Post Sanction Form in the Inspection Sheet.
- The LUC status is randomly verified by the BM, AM and internal audit and is an input to the loan sanction decision for higher sized credit.

Prepayment:

- Foreclosure is permitted without any penalty. Enhanced credit can be obtained only if last two installments are pre-closed. Advance payment is allowed only in genuine cases with BM's approval.

Assessment tool: weight, scores and performance

Sections	No. of Indicators	Max Score	Weights	Performance
Integrity, Governance and HR Strategy	35	175	30%	25.2%
Integrating Social Values and Compliance at Institutional level	9	45	10%	9.3%
Governance	7	35	10%	8.3%
Human Resources Strategy	19	95	10%	7.6%
Compliance with regulations pertaining to clients	102	510	60%	47.3%
Client Origination and targeting	11	55	9%	7.4%
Loan Appraisal Process	7	35	9%	7.0%
Loan product features and pricing	24	120	10%	8.9%
Transparency	25	125	10%	6.3%
Responsible lending	19	95	9%	7.8%
Grievance mechanism	10	50	9%	6.7%
Privacy of client information	6	30	4%	3.3%
Client education and financial literacy	27	135	10%	7.6%
Client Education	4	20	3%	2.3%
Client Awareness	25	125	7%	5.3%
Overall	164	820	100%	80.1%

Abbreviations

ADDO	Approval Documentation Dissemination Observation	IT	Information Technology
ALM	Asset Liability Management	JLG	Joint Liability Group
AM	Area Manager	KYC	Know Your Customer
APR	Annual Percentage Rate	LUC	Loan Utilization Check
AVP	Associate Vice President	MBT	Mutual Benefit Trust
BCDT	Brahmaputra Community Development Trust	M-CRIL	Micro-Credit Ratings International Ltd
BM	Branch Manager	MD	Managing Director
BoD	Board of Directors	MFI	Micro Finance Institution
BTAD	Bodoland Territorial Area District	MIX	Microfinance Information eXchange
CB	Credit Bureau	MIS	Management Information System
CGT	Compulsory Group Training	MFIN	Microfinance Institutions Network
CO	Credit Officer	NBFC	Non Banking Finance Company
CoC/		NOC	No Objection Certificate
U-CoC	Code of Conduct/ Unified Code of Conduct	OSS	Operational Self Sufficiency
CRAR	Capital to Risk Weighted Assets Ratio	PAR	Portfolio at Risk
EGM	Employment Generation Mission	PDC	Post-Dated Cheque
EIR	Effective Interest Rate	PSL	Priority Sector Lending
EMI	Equated Monthly Installment	RBI	Reserve Bank of India
ESOP	Employee Stock Options	RGVN (NE)	Rastriya Gramin Vikas Nidhi (North East)
FPC	Fair Practices Code	SIDBI	Small Industries Development Bank of India
GRT	Group Recognition Test	SPM	Social Performance Management
HHI	Household Income	TAT	Turnaround Time
HO	Head Office	VP	Vice President
HR	Human Resources	ZM	Zonal Manager
ICAI	Institute of Chartered Accountants of India		
IA	Internal Audit		
IFC	International Finance Corporation		