

CONFIDENTIAL



Code of Conduct Assessment Report

**Sahara Utsarga Welfare Society
(SUWS)**

February 2013

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Sahara Utsarga Welfare Society (SUWS)		
Legal Form	Society	About Sahara Utsarga Welfare Society (SUWS)
Date Established Initiation of Operations	1996	In the year 1996 SUWS got its registration under the West Bengal Societies Registration Act, 1961 and started operating as NGO.
Operational Area <ul style="list-style-type: none"> Nine districts of West Bengal Services and Products offered <ul style="list-style-type: none"> Micro Loan Lending Model <ul style="list-style-type: none"> Group 		Initially SUWS was engaged in social development activities like institution building, leadership development, literacy aid, environment, skill development etc. Micro-finance activities started from the year 1998 with the objective of poverty alleviation and women empowerment through the process of financial inclusion.
Average Score	Rating	Grade
2.88	3.50-4.00	AA
	3.00-3.49	A
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C
		The main thrust of SUWS is to work with women who are in socially and economically disadvantageous position and the key focus of SUWS is working for their social upliftment and economic emancipation by ensuring proper channel of livelihoods through microfinance.

Key Performance Indicators (Institutional reporting)				
	2009-10	2010-11	2011-12	Apr-Sept 2012
Number of Groups	6,947	9,926	9,499	8,685
Total number of Clients	1,15,674	1,63,425	1,27,231	1,19,453
Total number of Active Clients (loanee)	1,02,094	1,34,470	93,318	84,499
Share Capital (Rs. In Lakhs)	1,015.33	1,418.11	1,417.89	1,547.51
Total Loan outstanding (Rs. In Lakhs)	5,715.18	6,915.26	5,439.28	5,191.40
Average Loan Outstanding (in Rupees)	5,597.00	5,143.00	5,828.00	5,834.00
Total External Loan outstanding (Rs. in Lakhs)	5,712.17	6,329.19	5,485.49	4,028.52
Rate of Interest charged (by the NGO/MFI)	12.5% (flat)	12.5% (flat), 10% (flat)	10% (flat), 24.83% (reducing)	24.83% (reducing)
Repayment Rate (Internal)	99.79%	99.74%	99.50%	99.93%
Repayment Rate (External)	100%	100%	100%	100%
No of Villages	2,397	3,212	3,302	2852
No of Districts	8	10	10	9
No of States	1	1	1	1
No. of Branch offices	118	135	135	120
No. of Field offices	118	135	135	120
No. of Field staff / Credit officers	534	600	551	495
Portfolio at Risk (>60 Days) (%)	0.96	2.23	4.49	4.30

Loan Products	
	Micro Loan
Clientele	Women
Utilization	Income generation activities
Loan size	Rs2,000 to Rs15,000
Loan tenure	52 Weeks
Guarantor	Group
Collateral requirements	Group
Repayment	Weekly
Interest rate	24.83%, reducing
Charges	Customer Mentoring Charges - 1% of the loan amount.
Credit Insurance	1 % (Premium 0.3% each for borrower and her spouse and 0.4% as admin exp following IRDA guidelines)
Security deposit / risk contribution	Nil

Highlights

Strengths:

- Helpline number and branch office complaint box for client feedback/grievances.
- CEO's phone number is displayed in field offices and shared with the clients for any complain or suggestions from the start of microfinance operations.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing information is well written and displayed in all the branch offices.
- Data sharing with credit bureau (Highmark).
- Endorsement with Smart Campaign.
- Pricing data is transparent, information available publicly. (Shared with MIX Market and MFT)
- Membership with Sa-Dhan.
- Custom made MIS software is being implemented in the system with focus on privacy of client information.
- Detailed guidelines covering each and every aspects of microfinance operation exists in the operation manual.
- Good promotion policy and leave policy for staffs exists in the Human Resource system of SUWS.
- Comprehensive organizational structure with proper delegation of authority.
- The level of field staff commitment and dedication is high.
- Awareness generation programs against arsenic contamination and health camps were organized as a part of social intervention of SUWS.

Areas to Strengthen:

- Documentation of custom made code of conduct according to the mission and vision of the organization related to industry specific code of conduct is necessary.
- Refresher training for field staffs on client comprehension on regular intervals.
- Client training on pricing, terms and conditions and feedback mechanism with mechanisms to assess client awareness on a regular basis can be incorporated.
- Financial literacy can be provided to the clients to make them understand their household cash flows and
- Internal audit checklist should have code of conduct compliance.
- With such high number of client base, SUWS can work on product diversity.
- Prepayment is discouraged. Does not make an interest collection adjustment in case of prepayment.
- Client drop-out survey / interview exists informally but no analysis has been done.
- No code of conduct compliance report presented and discussed in Board meeting.

Code of Conduct Assessment Report for SUWS

Summary of the study

The overall grade obtained by SUWS is **BB**, with a composite score of **2.88**, which indicates that the organization has good appraisal systems, board, employee friendly HR policies to ensure alignment and adherence to Code of Conduct. The client comprehension across SUWS is fair; more can be done to increase client awareness on pricing, terms and conditions with proper client education on the feedback mechanisms which exist in their system. There is a need to document the Code of Conduct; diversify products and services based on the needs and requirements of the clients; feedback mechanism to address client grievances.

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

Baseline Results for SUWS		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	2.09	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	3.00	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.38	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.00	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	2.65	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	2.91	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default
Feedback Mechanisms	2.65	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys

Baseline Results for SUWS		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Staff Conduct	3.00	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	3.17	<ul style="list-style-type: none"> • Responsibility • Member experience/ exposure/ reputation in MF • Composition • Role • Code of Conduct Compliance Report • Member attendance in meeting
Human Resource	3.06	<ul style="list-style-type: none"> • Field staff experience/ exposure in MF • Recruitment • Staff Exit • Complaint Redressal

Code of Conduct Assessment Tool Results

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

1. Code of Conduct	Score : 2.09
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> • Industry specific Code of Conduct does not exist in the organization and there is no of documentation of any customized code of conduct according to the mission and vision of the organization. Only RBI guidelines on microfinance operations are being followed. However, most of the aspects of Code of Conduct are incorporated in their manuals and systems. Moreover, SUWS is in the process of developing a Code of Conduct document and disseminate it across the organisation. 	
b. Visibility	
<ul style="list-style-type: none"> • As there is no documented Code of Conduct within the organization so visibility of any documents across the branch offices and Head Office is not there. 	
c. Training	
<ul style="list-style-type: none"> • There has been training program conducted on RBI guidelines on microfinance operations for the staff at field levels organized by the Head Office. However, for the new staff joining as Credit Officer they are briefed during on-the-job training about the RBI guidelines by Branch Manager/Regional Manager. 	
d. Refresher	
<ul style="list-style-type: none"> • SUWS has made efforts to refresh staff about the RBI guidelines through its monthly meetings at branch level which is done by Regional Manager or Divisional Manager. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> • Almost 70% staffs have good understanding of overall RBI guidelines. During the meeting with branch staff, maximum staffs were aware of the RBI guidelines and its aspects. • Almost 50% clients have fair understanding of RBI guidelines, details and expectations. 	

2. Market Entry	Score : 3.00
Key Elements: Identification, Procedure, Saturation, Due Diligence	
a. Identification	
<ul style="list-style-type: none"> The target segment is women who are in socially and economically disadvantaged position and the main focus is for their social upliftment and economic emancipation. SUWS works for the betterment of the poor community in general and women in particular, and considers it a prime focus in its operations. SUWS specify numeric parameters that qualify the target population (income level, assets, opportunities) 	
b. Procedure	
<ul style="list-style-type: none"> SUWS follows an uniform procedure for market entry - general community survey; evaluation formats exists to evaluate new market along with the potentiality of the area / village with sources of income, transportation facilities, information on panchayats, presence of banks and post offices, distance from any nearby existing branch offices, number of MFIs working in that particular area and general area information. 	
c. Saturation	
<ul style="list-style-type: none"> During the area identification procedure, SUWS does identify the number of MFIs working in the potential area and accordingly takes a decision based on the number of MFIs operating in the area. 	
d. Due Diligence	
<ul style="list-style-type: none"> Due diligence for new area is done by at least 3 departments of SUWS – Regional Manager, Divisional Manager and Operations Team at Head Office. 	

3. Appraisal Process	Score : 3.38
<p>Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<p>a. Client Data Collection</p>	
<ul style="list-style-type: none"> • The Credit Officer 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 meeting in a certain place to discuss the important and necessary things related to forming a group followed by group training by Credit Officer and Branch Manager. Then a Group consisting of minimum 10 and maximum 30 members is formed with the interested women. Use of verbal collection, full and intensive written documentation and cross-verification from group members are done accordingly. However, only primary information about the member is captured in the database along with the KYC documents. 	
<p>b. Repayment Capacity</p>	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation by the Credit Officer; critically evaluated by Branch Manager on door-to-door basis; full appraisal of household finances, where time is spent visiting each client to verify reported income and expenditure, assets and liabilities 	
<p>c. Debt Thresholds</p>	
<ul style="list-style-type: none"> • Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. 	
<p>d. Loan History</p>	
<ul style="list-style-type: none"> • Loan history of the client also captured in the loan application form and it is checked and kept available during and throughout the appraisal process. 	
<p>e. Processing Time</p>	
<ul style="list-style-type: none"> • It was observed through the interaction with the staff members and clients in the field that the loan processing time of SUWS is one week. 	
<p>f. Approval</p>	
<ul style="list-style-type: none"> • After all the due diligence in the field, all the loan applications are presented and discussed in the loan committee in the branch office and gets approved accordingly. 	
<p>g. Verification</p>	
<ul style="list-style-type: none"> • Separate Audit team exist in the organization who conducts internal audit for all the branch offices on a quarterly basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending group meetings during field visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to concerned branch office with copies to operations team at head office. 	

4. Client Comprehension	Score : 3.00
<p>Key Elements: Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training</p>	
<p>a. Client Review Time</p>	
<ul style="list-style-type: none"> • In SUWS, the client review time is two weeks since the terms and conditions of the products and services offered by SUWS are mentioned during the group meeting along with appraisal and evaluation by Branch Manager, post which the loan is sanctioned. 	
<p>b. Explanatory Channels</p>	
<ul style="list-style-type: none"> • In SUWS, there are two channels used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation and written documentation to inform the members. 	
<p>c. Awareness</p>	
<ul style="list-style-type: none"> • During the field visit, it was found that 50% of the clients have a fair idea and knowledge of the rate of interest (reducing rate of interest) or rupees chargeable per thousand; the upfront fee known as CMC (Customer Mentoring Charges) of 1% of the total loan amount and insurance charges of 1% of total loan amount. The awareness is within the literacy limits but there has to be a continuous effort by the field staffs to refresh the clients to increase their awareness level. 	
<p>d. Disclosure of Price and Terms</p>	
<ul style="list-style-type: none"> • The price and terms of the loan are clearly disclosed to all the clients during their personal form filling, group meetings, appraisal and disbursement. Whenever there is a change/modification, thorough and detailed with both verbal and written materials are supplied to the client. All the prices and terms are displayed clearly in all the branch offices. 	
<p>e. Rights and Obligations</p>	
<ul style="list-style-type: none"> • Identification of group leader is done by the group members whereas SUWS staff acts as a facilitator. The roles and responsibilities of the group leader and clients/members are discussed during the group meetings and fully explained and reviewed with each client of each group. 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. 	
<p>f. Staff Training</p>	
<ul style="list-style-type: none"> • Training is provided by SUWS to its field staff on various mechanisms on client comprehension which states the importance of making sure that the client understands the information. This is done during monthly meetings at branch offices or any other training organized by Head Office. The roles and responsibilities of all staff levels and do's & don'ts to be followed by the staff while interacting with the clients are also being part of the training process. 	

5. Products and Services	Score : 2.65
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> • SUWS has only one product for the clients and the product is designed through a process of community surveys, review of other options, and specialized knowledge of the economic activities and demographics in the area and it has been modified as per the guidelines issued by Reserve Bank of India (RBI). 	
b. Review	
<ul style="list-style-type: none"> • Infrequent and unscheduled reviews are done and accordingly the product features are modified. 	
c. Diversity	
<ul style="list-style-type: none"> • SUWS offers only one product to the clients. 	
d. Convenience	
<ul style="list-style-type: none"> • SUWS's loan is 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. 	
e. Linkages	
<ul style="list-style-type: none"> • There is only one linked products with the loan to client i.e., credit plus micro-insurance provided to the client in collaboration with Life Insurance Corporation of India. 	

6. Pricing	Score : 2.91
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of SUWS is very competitive, and the organization has occasionally reduced interest rates. SUWS has kept the interest rates for its product maximum at 24.83%, reducing, complying with the RBI norms. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of SUWS products 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. SUWS share pricing publicly to MIX Market, MFT and also a Smart Campaign endorser. 	
c. Fees	
<ul style="list-style-type: none"> • SUWS charges two types of fees i.e. CMC (Customer Mentoring Charges) of 1% of the loan amount and insurance fee of 1% of the loan amount. 	
d. Security Deposit	
<ul style="list-style-type: none"> • SUWS earlier used to charge security deposit from their client against their loan which they have discontinued after the RBI guidelines. 	
e. Prepayment	
<ul style="list-style-type: none"> • SUWS does not encourage prepayment by its clients. High penalty is associated on prepayment and the entire interest amount need to be paid. 	
f. Default	
<ul style="list-style-type: none"> • There is no description of the penalties for default. Operation policy describes recovery practices in case of default and recommended to use persuasion with team effort with group pressure and frequent interaction with the defaulting groups and members for ensuring loan recovery, if necessary help is also taken from the guardian of the client. Few cases of default were observed in the field. 	

7. Feedback Mechanisms	Score : 2.65
Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys	
a. Existence	
<ul style="list-style-type: none"> • In SUWS, three level feedback mechanisms exist. Head Office helpline number for addressing feedback/grievance exists in the organization for clients 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. Branch Manager/Regional Manager has the authority to open it. In addition, there is a branch office phone number for addressing clients' complaint and moreover a client can even approach the CEO over phone for any complaint or suggestions (the mobile number of CEO has been mentioned in the client passbooks since the start of microfinance operations). 	
b. Staff Training	
<ul style="list-style-type: none"> • Training is provided in client relations to the new and existing staff usually by the Branch Manager/Regional Manager during weekly/monthly branch office meetings and also through training programs conducted by Head Office. 	
c. Client Awareness	
<ul style="list-style-type: none"> • Around 40% of the clients were aware of the feedback mechanism including the helpline number and complaint boxes. Clients can briefly explain how they would file a complaint if necessary (identification of Credit Officer/Branch Manager or phone number) 	
d. Usage	
<ul style="list-style-type: none"> • Clients have shared that there were no complaints and that they are aware of the contact numbers of Credit Officer and Branch Manager and branch office. Hence, there is limited usage. 	
e. Checking	
<ul style="list-style-type: none"> • There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback/complaint, the Head Office Staff circulates the same to all senior management staff and concerned staff. The concerned staff/department discuss with the complainant and responds accordingly in quick time. 	
f. Staff Resources	
<ul style="list-style-type: none"> • For client feedback mechanism, there is adjunct responsibility of head office staff. 	
g. Client Exit Interviews/ Drop out Survey	
<ul style="list-style-type: none"> • In SUWS, Client Exit Survey/Interview is conducted informally in some areas. This need to be formalised and proper systems need to be developed in order to capture the reasons for the exit/dropout and action undertaken accordingly. 	

8. Staff Conduct	Score : 3.00
<p>Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p>a. Rule Book</p>	
<ul style="list-style-type: none"> • Rule book in the form of operation manual is available in the head office and all the staffs are aware of the rules mentioned in the book. The rule book of SUWS 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 clients, among others. 	
<p>b. General Training</p>	
<ul style="list-style-type: none"> • Training program for the field staff has been organized by Head Office to orient them towards conduct in the field, good and bad conduct with clients, among others. Refresher training is given to the field staffs during the weekly/monthly meetings by Regional Manager/Divisional Manager 	
<p>c. Induction</p>	
<ul style="list-style-type: none"> • All the staff, especially the Credit Officers after selection, undergoes one day orientation along with joining document submission at Head Office before joining any branch office. Credit Officers are allocated a branch office for joining and subsequently on the job training commences with field visits along with a Senior Credit Officer and Branch Manager for a year. Post completion of on the job training job confirmation is done. Branch Manager/Regional Manager also gives informal training on (on their roles, responsibilities and operational structure and code of conduct) in this process. 	
<p>d. Evaluation</p>	
<ul style="list-style-type: none"> • All staffs are reviewed annually and accordingly promoted based on the performance assessment reports. In SUWS, annual performance review done with tangible outcomes (salary and promotion). 	
<p>e. Review of Conduct</p>	
<ul style="list-style-type: none"> • Evaluation of the field staff as well as branch personnel is done by their supervisors and endorsed by the higher authorities. 	
<p>f. Incentive / Disincentive</p>	
<ul style="list-style-type: none"> • Incentive and disincentives is based on both portfolio quality and outreach of the field officers and critically evaluated during the appraisal process. During the performance review for the field staff, the portfolio quality, outreach, accountability, conduct, discipline and behavior are measured to calculate the incentives and disincentives. 	
<p>g. Recovery / Default</p>	
<ul style="list-style-type: none"> • In operation manual of SUWS, broad guidelines for collection in case of defaults are mentioned. 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, specific parameters or procedures are defined in the operation manual for the recovery/defaults. 	

9. Governance	Score : 3.17
<p>Key Elements: Responsibility, Experience/exposure/reputation in mf, Composition, Role, Code of Compliance report, Members' attendance in meeting</p>	
<p>a. Responsibility</p>	
<ul style="list-style-type: none"> • Functional responsibilities are broadly defined in bye-laws and business rules. Board of SUWS is active, each individual member are assigned their work and are performed accordingly. 	
<p>b. Experience/ exposure/ reputation in MF</p>	
<ul style="list-style-type: none"> • The board of SUWS has good experience in microfinance, banking and other developmental programs. Almost all the board members of SUWS have good experience in the microfinance sector. 	
<p>c. Composition</p>	
<ul style="list-style-type: none"> • SUWS board consists of seven members, Mr. Kashinath Banerjee, President; Mr. Sudipta Banerjee, Secretary and CEO; Ms. Sumita Chatterjee, Treasurer; Ms. Manju Sen, Member; Ms. Sahanara Khatun, Member; Mr. Narayan Chandra Saha, Member; Ms. Mala Ghosh, Member. 	
<p>d. Role</p>	
<ul style="list-style-type: none"> • 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 financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Sudipta Banerjee, Secretary and Chief Executive Officer. 	
<p>e. Code of conduct compliance report</p>	
<ul style="list-style-type: none"> • No code of conduct compliance report presented and discussed in Board meeting. 	
<p>f. Members' attendance in meeting</p>	
<ul style="list-style-type: none"> • More than 85% of the board members were present in the Board meeting (last three). 	

10. Human Resources	Score : 3.06
<p>Key Elements: Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal</p>	
<p>a. Field staff experience/ exposure in MF</p>	
<ul style="list-style-type: none"> • Field staffs of SUWS are experienced in the field; Credit Officers are experienced and have good exposure of Micro Finance activities. On an average the field level operations have more than 3 years of experience in Microfinance operations. 	
<p>b. Recruitment</p>	
<ul style="list-style-type: none"> • SUWS has a separate HR department who looks after the recruitment process and other HR related aspects. Recruitments are done by publishing the requirements with the job profile in local newspaper for field staff. Proper recruitment process followed for each level of staff – written and personal interview and on the job training. Recruitment is conducted with proper reference checks. 	
<p>c. Staff Exit</p>	
<ul style="list-style-type: none"> • Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions not taken. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> • 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. 	

Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by SUWS are mentioned below:

- a) Interest on loans: Post the RBI guidelines, SUWS have fixed its interest rates on the products to 24.83% per annum on reducing basis.
- 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): SUWS is currently charging 1% loan processing fees which is termed as CMC (Customer Mentoring Charges), as per the RBI guidelines issued. Moreover, the insurance charge which is 1% of the total loan amount is recovered from the clients and partly paid to Life Insurance Corporation of India.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: SUWS has barred the delayed payment charges post RBI guidelines and now collect delayed payment without any charges but there is prepayment charges. SUWS used to charge security deposit or upfront fees for the loans which has been stopped.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: 100% of their portfolio is under agriculture, 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 a debatable since they do not have fixed monthly income. Their income is seasonal and dependant on several factors. However, SUWS puts all efforts to verify the household income and adheres to RBI guideline on household income. However, during our visit, it appeared that around 15% of the clients visited were above the household income levels.
- f) Total indebtedness of borrower not exceeding Rs50,000: SUWS 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 mentioned in their Code of Conduct and followed across all levels.
- g) Tenure of loan not being less than 24 months: All loans are below Rs15,000 and have a tenure of 52 weeks.

Overall, SUWS is compliant on the RBI guidelines issued except for the insurance charges, part of which is utilized as costs for providing such insurance services.

Conclusion

SUWS has achieved a composite CoCAT score of **2.88** with an overall grade of **“BB”**, indicating that the organisation is growing. Although there is strong institutional performance in some areas, there is room to review and develop systems and mechanisms in view of Code of Conduct.

Highlights and best practices:

- Helpline number and branch office compliant box for client feedback/grievances.
- CEO’s phone number is displayed in field offices and shared with the clients for any complain or suggestions from the start of microfinance operations.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing information is well written and displayed in all the branch offices.
- Data sharing with credit bureau (Highmark).
- Endorsement with Smart Campaign.
- Pricing data is transparent, information available publicly. (Shared with MIX Market and MFT)
- Membership with Sa-Dhan.
- Custom made MIS software is being implemented in the system with focus on privacy of client information.
- Detailed guidelines covering each and every aspects of microfinance operation exists in the operation manual.
- Good promotion policy and leave policy for staffs exists in the Human Resource system of SUWS.
- Comprehensive organizational structure with proper delegation of authority.
- The level of field staff commitment and dedication is high.
- Awareness generation programs against arsenic contamination and health camps were organized as a part of social intervention of SUWS.

Areas to Strengthen:

- Documentation of custom made code of conduct according to the mission and vision of the organization related to industry specific code of conduct is necessary.
- Refresher training for field staffs on client comprehension on regular intervals.
- Client training on pricing, terms and conditions and feedback mechanism with mechanisms to assess client awareness on a regular basis can be incorporated.
- Financial literacy can be provided to the clients to make them understand their household cash flows and
- Internal audit checklist should have code of conduct compliance.
- With such high number of client base, SUWS can work on product diversity.
- Prepayment is discouraged. Does not make an interest collection adjustment in case of prepayment.
- Client drop-out survey / interview exists informally but no analysis has been done.
- No code of conduct compliance report presented and discussed in Board meeting.

Average Score	Rating	Grade
2.88	3.50-4.00	AA
	3.00-3.49	A
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Annexure 1: Number of Client Interviews across Branch Offices

S. No.	Name of Branch Office	Number of Clients
1	Amta	11
2	Majhu	10
3	Gocharan	14
4	Dakshin Barasat	16
5	Krishnanagar	24
6	Doltala	16
7	Khilkapur	18
8	Jangipur	16
9	Umarpur	18
10	Behrampore	16
11	Beldanga	15
Total	11	174

Annexure 2: 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, and IA), Training materials; 3rd 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.