

CONFIDENTIAL



## Code of Conduct Assessment Report

**SAMBANDH Finserve Private Limited**

**December 2012**

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Conducted by:

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## Disclaimer

This Code of Conduct Assessment Report is meant for use by SAMBANDH Finserve Pvt. Ltd., (Sambandh) only. This is a one-time assessment based on the information provided by SAMBANDH Finserve Pvt. Ltd., (Sambandh) to ACCESS-ASSIST. ACCESS-ASSIST especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this report. ACCESS-ASSIST reserves the right to suspend, withdraw or revise the MFI assessment at any point of time based on any new information or unavailability of information or any other circumstances brought to ACCESS-ASSIST's notice which ACCESS-ASSIST may believe that it has impacted the assessment.

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SAMBANDH Finserve Pvt. Ltd.		
Legal Form	NBFC	About SAMBANDH Finserve Pvt. Ltd.
<b>Date Established</b> <b>Initiation of Operations</b>	June 17, 2010	<p>With the objective of bringing the microfinance operations under a recognized and regulated entity, the promoters of Regional Rural Development Center (RRDC) which was incorporated in the year 1992 under Societies Registration Act 1860, acquired a Non-Banking Finance Company (NBFC) in October 2009 named Modline Buildcap Private Limited and changed the name as Sambandh Finserve Private Limited (SFPL) on June 17, 2010. SFPL took over the loan portfolio and the borrowers of SFS (Program of RRDC) as a process of consolidating its microfinance operations in October 2009. SFS prior to transitioning the portfolio to SFPL promoted both joint liability group (JLG) as well as self help group (SHG) consisting of women members and operating in urban, semi-urban and rural areas. However, going forward, SFPL has drawn a strategy to expand microfinance activities through JLG and SHG models both.</p> <p>RRDC started microfinance operations on October 2, 2006 through Sambandh Financial Services (SFS) which is business vertical of RRDC. SFS made first disbursement on October 20, 2006 in Sundargarh district of Odisha with support from FWWB and later accessed credit facilities from other financial institutions and banks.</p> <p>SFPL provides loans to individual members in the JLG with each group consisting of 10 members. It lends to JLG up to 26% interest rate with weekly and monthly repayment for a period of one to two years. As on September 30, 2012, SFPL had 9,504 individual borrowers. As on September 31, 2012, SFPL has a total outstanding portfolio of Rs838.98 Lakhs. SFPL is currently operating in villages/slums spread across two districts of Odisha through four branches. The operations of the company are managed by a workforce of 46 people.</p>
<b>Operational Area</b>	<ul style="list-style-type: none"> <li>Two districts of Odisha</li> </ul>	
<b>Services and Products offered</b>	<ul style="list-style-type: none"> <li>Short term, Medium Term and Long Term</li> </ul>	
<b>Lending Model</b>	<ul style="list-style-type: none"> <li>Joint Liability Group (JLG)</li> </ul>	
Average Score	Rating	Grade
3.10	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

Key Performance Indicators (Institutional reporting)				
	2009-10	2010-11	2011-12	Apr-Sept 2012
Number of Groups	622	850	717	1,047
Total number of Clients	6,969	7,887	8,973	11,453
Total number of Active Clients (loanee)	5,041	6,880	7,580	9,504
Share Capital (Rs. In Lakhs)	300.00	510.00	560.00	560.00
Total Loan outstanding (Rs. In Lakhs)	418.23	524.86	788.31	838.98
Average Loan Outstanding (in Rupees)	8,296	7,628	11,458	9,504
Total External Loan outstanding (Rs. in Lakhs)	372.77	314.21	398.65	442.73
Rate of Interest charged (by the NGO/MFI)	15% Flat	14% Flat	26% Reducing	26% reducing
Repayment Rate (Internal)	99.68	99.18	99.81%	99.81%
Repayment Rate (External)	100%	100%	100%	100%
No of Districts	2	2	2	2
No of States	1	1	1	1
No. of Branches	4	4	4	4
No. of Field staff / credit officers	19	18	17	17
Portfolio at Risk (>60 Days)	0.14%	1.02%	1.12%	1.06%

Loan Products			
	Short Term	Medium Term	Sanitation Loan
<b>Clientele</b>	Women	Women	Women
<b>Utilization</b>	Income generation activities/consumption	Income generation activities/business	Sanitation
<b>Loan size</b>	Rs5,000 to 12,000	Rs9,000 to 24,000	Rs5,000 to 15,000
<b>Loan tenure</b>	12 months	24 months	24 months
<b>Guarantor</b>	JLG	JLG	JLG
<b>Collateral requirements</b>	Group	Group	Group
<b>Repayment</b>	Weekly/Monthly	Monthly	Monthly
<b>Interest rate</b>	26% reducing	26% reducing	18% reducing
<b>Other charges (Insurance)</b>	Rs100 for LIC	Rs100 for LIC	Rs100 for LIC
<b>Processing fee</b>	1%	1%	1%
<b>Security deposit / risk contribution</b>	Nil	Nil	Nil

Health Insurance (Parivar Suraksha Bima Yojana) is provided as an optional service to clients on payment of Rs400 per household (maximum 5 members) in collaboration with New India Assurance Company Limited through their 4S department (Sambandh Social Security Scheme).

## Highlights

### Strengths:

- Adopted the Unified Code of Conduct by Sa-Dhan & MFIN and customized as per the SAMBANDH mission, vision, values and displayed in all branches & HO.
- Robust Internal Audit mechanism.
- Pricing information verbally as well as written, communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Loan processes are easily acceptable by clients with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly in branches.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in SAMBANDH.
- Many social interventions are carried out for the welfare of the needy people and addressing their primary needs like health and agriculture, through the parent company, RRDC.

### Areas to Strengthen:

- Credit Plus activity may be conducted regularly as there is demand from client side.
- More sensitization is required for clients on pricing to clients.
- Client drop-out survey / interview are conducted and analysed by interns / students. Corrective actions are taken as per the suggestions / recommendations of the study. However, this needs to be conducted for all drop-out clients.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

## Code of Conduct Assessment Report for SAMBANDH

### Summary of the study

The overall grade obtained by SAMBANDH is **A**, with a composite score of **3.10**, which indicates that the organization has good appraisal systems, transparent pricing policies, employee friendly HR policies to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across SAMBANDH is excellent with defined Code of Conduct practices followed throughout the operations. More could be done to provide credit plus services like health check up facilities to more number of clients.

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

<b>Baseline Results for SAMBANDH</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Code of Conduct</b>	<b>3.18</b>	<ul style="list-style-type: none"> <li>• Design</li> <li>• Visibility/ Dissemination</li> <li>• Training (Staff)</li> <li>• Refresher</li> <li>• Awareness (Staff)</li> <li>• Awareness (Client)</li> </ul>
<b>Market Entry</b>	<b>2.75</b>	<ul style="list-style-type: none"> <li>• Criteria for identification</li> <li>• Procedure</li> <li>• Saturation</li> <li>• Due diligence</li> </ul>
<b>Appraisal Process</b>	<b>3.42</b>	<ul style="list-style-type: none"> <li>• Client data collection</li> <li>• Repayment capacity</li> <li>• Debt thresholds</li> <li>• Loan History</li> <li>• Processing time</li> <li>• Approval</li> <li>• Verification</li> </ul>
<b>Client Comprehension</b>	<b>3.33</b>	<ul style="list-style-type: none"> <li>• Client Review Time</li> <li>• Explanatory Channels</li> <li>• Awareness</li> <li>• Disclosure of prices &amp; terms</li> <li>• Rights and obligations</li> <li>• Training (Staff)</li> </ul>
<b>Products and Services</b>	<b>3.00</b>	<ul style="list-style-type: none"> <li>• Design &amp; appropriateness</li> <li>• Review</li> <li>• Diversity</li> <li>• Convenience</li> <li>• Linkages</li> </ul>
<b>Pricing</b>	<b>2.95</b>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Transparency</li> <li>• Fees</li> <li>• Security Deposits</li> <li>• Prepayment</li> <li>• Default</li> </ul>
<b>Feedback Mechanisms</b>	<b>2.95</b>	<ul style="list-style-type: none"> <li>• Existence</li> <li>• Training (Staff)</li> <li>• Client awareness</li> <li>• Usage</li> <li>• Checking</li> <li>• Staff Resources</li> <li>• Client Exit Interviews/ Drop-out surveys</li> </ul>

<b>Baseline Results for SAMBANDH</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Staff Conduct</b>	<b>3.00</b>	<ul style="list-style-type: none"> <li>• Rule Book</li> <li>• General training</li> <li>• Induction</li> <li>• Evaluation</li> <li>• Review of conduct</li> <li>• Incentive/ Disincentive</li> <li>• Recovery/ defaults</li> </ul>
<b>Governance</b>	<b>3.17</b>	<ul style="list-style-type: none"> <li>• Responsibility</li> <li>• Member experience/ exposure/ reputation in MF</li> <li>• Composition</li> <li>• Role</li> <li>• Code of Conduct Compliance Report</li> <li>• Member attendance in meeting</li> </ul>
<b>Human Resource</b>	<b>3.31</b>	<ul style="list-style-type: none"> <li>• Field staff experience/ exposure in MF</li> <li>• Recruitment</li> <li>• Staff Exit</li> <li>• Complaint Redressal</li> </ul>



## Code of Conduct Assessment Tool Results

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

1. Code of Conduct	Score : 3.18
<b>Key Elements:</b> Design, Visibility, Training, Refreshment, Awareness	
<b>a. Design</b>	
<ul style="list-style-type: none"> <li>The aspects mentioned in the Unified Code of Conduct of Sa-Dhan and MFIN have been incorporated in the SAMBANDH Code of Conduct which is also customized on the institutional values, mission, vision and expectations.</li> </ul>	
<b>b. Visibility</b>	
<ul style="list-style-type: none"> <li>Code of Conduct is displayed in all branch offices. It is comprehensive and in English. Attempts need to be taken to display in local language i.e. Oriya.</li> </ul>	
<b>c. Training</b>	
<ul style="list-style-type: none"> <li>Separate training on Code of Conduct to all the BM and Credit officer by HO staff has been provided and respective AM / BM imparts training to all the Financial Service Officers (FSOs).</li> </ul>	
<b>d. Refresher</b>	
<ul style="list-style-type: none"> <li>There is no refresher training on code of conduct though SAMBANDH has made efforts to refresh staff in the Code of Conduct through its monthly staff meetings.</li> </ul>	
<b>e. Awareness (Staff and Client)</b>	
<ul style="list-style-type: none"> <li>More than 80% staff has very good understanding of overall code, details and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects.</li> <li>More than 70% clients have very good understanding of overall code, details and expectations.</li> </ul>	

2. Market Entry	Score : 2.75
<b>Key Elements:</b> Identification, Procedure, Saturation, Due Diligence	
<b>a. Identification</b>	
<ul style="list-style-type: none"> <li>SAMBANDH parent organisation RRDC conducted studies for identification of areas for carrying out its social interventions. These studies formed the base for SAMBANDH to further look into possibility of market entry. It has specific rules that qualify the target population (income level, assets, opportunities, among others) to start their operations in new area.</li> </ul>	
<b>b. Procedure</b>	
<ul style="list-style-type: none"> <li>SAMBANDH follows a uniform procedure for market entry - general community survey, random household visits; evaluation formats exists to evaluate new market along with the potentiality of the area / village with approachable road, demographics.</li> </ul>	
<b>c. Saturation</b>	
<ul style="list-style-type: none"> <li>During the market identification procedure, SAMBANDH does not strictly identify the area based on the number of MFIs working in the new identified market. It mainly focuses on poorer clients who have not yet been served financially and accordingly takes a decision.</li> </ul>	
<b>d. Due Diligence</b>	
<ul style="list-style-type: none"> <li>Due diligence for new area is done by 3 departments of SAMBANDH – Operations, Finance and Board. All Financial Service Officers, Branch Managers and Area Managers are involved in the field survey. This is finally approved by the SAMBANDH board.</li> </ul>	

3. Appraisal Process	Score : 3.25
<b>Key Elements:</b> Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
<b>a. Client Data Collection</b>	
<ul style="list-style-type: none"> <li>• In SAMBANDH, once the interested members' meeting is conducted by the FSO, they fill the individual forms for evaluation followed by a 2-day Compulsory Group Training (CGT) by the FSO. Group Recognition Test (GRT) is conducted on door-to-door basis by the BM. There is use of peer verification across groups, information collection from neighbours / household members. These information are mentioned in an intensive written document and cross-verification from group members is also done.</li> </ul>	
<b>b. Repayment Capacity</b>	
<ul style="list-style-type: none"> <li>• Repayment Capacity is assessed during the individual primary evaluation &amp; CGT by FSO; critically evaluated during GRT by BM and AM on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities is also done.</li> </ul>	
<b>c. Debt Thresholds</b>	
<ul style="list-style-type: none"> <li>• Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. The loan products are well designed with ranges in different cycles.</li> </ul>	
<b>d. Loan History</b>	
<ul style="list-style-type: none"> <li>• 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 (CGT and GRT).</li> </ul>	
<b>e. Processing Time</b>	
<ul style="list-style-type: none"> <li>• It was observed through the interaction with the staff members and clients in the field that the loan processing time of SAMBANDH is 7-10 days. But, the current loans have taken about a month time due the microfinance crisis and hence lack of funds.</li> </ul>	
<b>f. Approval</b>	
<ul style="list-style-type: none"> <li>• After all the due diligence in the field, all the loan applications are presented and discussed in the loan committee in the branch office and gets approved accordingly.</li> </ul>	
<b>g. Verification</b>	
<ul style="list-style-type: none"> <li>• Separate Audit team exist in the organization who conducts internal audit of two days for all the branch offices on a surprise basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending 4-5 group meetings in one 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 all concerned in the head office.</li> </ul>	

4. Client Comprehension	Score : 3.33
<p><b>Key Elements:</b> Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training</p>	
<p><b>a. Client Review Time</b></p>	
<ul style="list-style-type: none"> <li>• In SAMBANDH, the client review time is more than a week since the terms and conditions of the products and services offered by SAMBANDH are mentioned during the CGT and GRT, post which the loan is sanctioned.</li> </ul>	
<p><b>b. Explanatory Channels</b></p>	
<ul style="list-style-type: none"> <li>• In SAMBANDH, there are numerous channels and sessions used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation, written documentation along with other materials to inform the members.</li> </ul>	
<p><b>c. Awareness</b></p>	
<ul style="list-style-type: none"> <li>• During the field visit, it was found that 90% of the clients have a fair idea / knowledge of the rate of interest (flat as well as reducing rate of interest) and the upfront processing fee of 1% of the loan amount. Within literacy limits, maximum clients are aware of the cost of loan.</li> </ul>	
<p><b>d. Disclosure of Price and Terms</b></p>	
<ul style="list-style-type: none"> <li>• The price and terms of the loan are clearly disclosed to all the clients during their personal form filling, CGT, GRT, disbursement and group meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials are supplied to the client.</li> </ul>	
<p><b>e. Rights and Obligations</b></p>	
<ul style="list-style-type: none"> <li>• Identification of group leader is done by the group members whereas SAMBANDH staff act as a facilitator. The roles and responsibilities of the group leader and clients / members are discussed during the group meetings. 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.</li> </ul>	
<p><b>f. Staff Training</b></p>	
<ul style="list-style-type: none"> <li>• Separate modules are developed by SAMBANDH and explained to all the staff with examples and guidance for interaction with the clients, roles and responsibilities of all staff levels and do's &amp; don'ts to be followed by the staff while interacting with the clients.</li> </ul>	

5. Products and Services	Score : 3.00
<b>Key Elements:</b> Design and Appropriateness, Review, Diversity, Convenience, Linkages	
<b>a. Design and Appropriateness</b>	
<ul style="list-style-type: none"> <li>The products were designed on the basis of clients' needs and requirements. All SAMBANDH products have now been modified as per guidelines issued by RBI. Hence, many features of the products are similar but the major differences are in terms of size, tenure and purpose.</li> </ul>	
<b>b. Review</b>	
<ul style="list-style-type: none"> <li>Review of existing loan products and services are done on an annual basis and accordingly the product features has been modified. The products were last reviewed in May 2011 and changes done in their product accordingly.</li> </ul>	
<b>c. Diversity</b>	
<ul style="list-style-type: none"> <li>Two of the loan products have diverse features in terms of loan size, repayment tenure and purpose but are similar in features like target clientele (availed by female clients only), interest rate and JLG as the Guarantor.</li> </ul>	
<b>d. Convenience</b>	
<ul style="list-style-type: none"> <li>SAMBANDH loans are highly convenient which was also shared by clients during the client visits. Loan process and disbursement of the group members is done on monthly basis in group meeting. Collection is done in the group meeting.</li> </ul>	
<b>e. Linkages</b>	
<ul style="list-style-type: none"> <li>There is only one linked products with the loan to client i.e., micro-insurance provided to the client in collaboration with LIC of India.</li> </ul>	

6. Pricing	Score : 2.95
<b>Key Elements:</b> Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
<b>a. Competition</b>	
<ul style="list-style-type: none"> <li>• Pricing of the loan product of SAMBANDH is very competitive, and the institution has occasionally reduced interest rates. The institution has kept the interest rates at 26%, reducing to adhere with the norms of RBI.</li> </ul>	
<b>b. Transparency</b>	
<ul style="list-style-type: none"> <li>• Pricing of SAMBANDH products are transparent; information is available publicly in the branch offices, and is accurate when compared to institutional documents.</li> </ul>	
<b>c. Fees</b>	
<ul style="list-style-type: none"> <li>• Only one fee is collected by SAMBANDH from their clients called as Loan Processing Fee. The processing fee is 1%, as per the RBI norms.</li> </ul>	
<b>d. Security Deposit</b>	
<ul style="list-style-type: none"> <li>• SAMBANDH earlier used to charge security deposit from their client against their loan which they have discontinued after the RBI guidelines.</li> </ul>	
<b>e. Prepayment</b>	
<ul style="list-style-type: none"> <li>• There is no penalty on prepayment.</li> </ul>	
<b>f. Default</b>	
<ul style="list-style-type: none"> <li>• Very few cases of defaults have been observed in the field. No penalty for default collected against the unpaid day; only collecting the scheduled instalment. The group members arrange the instalment amount and repay to the staff in case an individual fails to repay. Staff behaviour during default management is normal as told by delayed payment clients.</li> </ul>	

7. Feedback Mechanisms	Score : 2.95
<b>Key Elements:</b> Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys	
<b>a. Existence</b>	
<ul style="list-style-type: none"> <li>• In SAMBANDH, two different mechanism exist for the client feedback – one is helpline number (non toll free) and the other one is the complaint register kept at the branch offices.</li> </ul>	
<b>b. Staff Training</b>	
<ul style="list-style-type: none"> <li>• Training is provided in client relations in different formats. Staff induction and training of SAMBANDH is of higher quality in comparison to its counterparts.</li> </ul>	
<b>c. Client Awareness</b>	
<ul style="list-style-type: none"> <li>• Clients are well-versed in critical feedback and know that it is their right and obligations to express a complaint; they can identify the branch manager and can locate the office. Urban clients were more aware with the helpline number.</li> </ul>	
<b>d. Usage</b>	
<ul style="list-style-type: none"> <li>• Clients have shared that there were no complaints and that they are aware of the contact numbers. Hence, there is limited usage.</li> </ul>	
<b>e. Checking</b>	
<ul style="list-style-type: none"> <li>• Dedicated systems are in place within the organization across all the branch offices. 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 staff (at HO level) circulates the same to all senior management staff, operations head and concerned staff. The concerned staff / department need to discuss with the complainant and should respond within 24 hours. The complaint need to be resolved within a week.</li> </ul>	
<b>f. Staff Resources</b>	
<ul style="list-style-type: none"> <li>• For client feedback mechanism, there is adjunct responsibility of head office staff.</li> </ul>	
<b>g. Client Exit Interviews/ Drop out Survey</b>	
<ul style="list-style-type: none"> <li>• In SAMBANDH, Client Exit Survey / Interview are conducted on an ad hoc basis. 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.</li> </ul>	

8. Staff Conduct	Score : 3.00
<b>Key Elements:</b> Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default	
<b>a. Rule Book</b>	
<ul style="list-style-type: none"> <li>• Rule book is available in the head office and all the staff are aware of the rules mentioned in the book. The rule book of SAMBANDH 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.</li> </ul>	
<b>b. General Training</b>	
<ul style="list-style-type: none"> <li>• SAMBANDH has been conducting separate training program for the field staff to orient them towards the conduct in the field, good and bad conduct with clients, among others.</li> </ul>	
<b>c. Induction</b>	
<ul style="list-style-type: none"> <li>• All the new staff joining SAMBANDH underwent a 1 week induction program which consists of classroom training, followed by unit and field visits for the next 3 weeks.</li> </ul>	
<b>d. Evaluation</b>	
<ul style="list-style-type: none"> <li>• On the basis of the job performance, all staff are reviewed biannually (mid-term and end-term) and accordingly promoted. In SAMBANDH, annual performance review done with tangible outcomes (salary, and promotion).</li> </ul>	
<b>e. Review of Conduct</b>	
<ul style="list-style-type: none"> <li>• Self Evaluation is done by each of the employee and feedback from their supervisors is sought.</li> </ul>	
<b>f. Incentive / Disincentive</b>	
<ul style="list-style-type: none"> <li>• Incentive and disincentives is based on both portfolio quality and outreach of the Financial Service 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.</li> </ul>	
<b>g. Recovery / Default</b>	
<ul style="list-style-type: none"> <li>• In operation manual of SAMBANDH, broad guidelines for collection in case of defaults are mentioned. No specific parameters or procedures are defined in the operation manual for the recovery/defaults, no Turnaround Time mentioned in the operation manual for collection of the defaults.</li> </ul>	



9. Governance	Score : 3.17
<b>Key Elements:</b> Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting	
<b>a. Responsibility</b>	
<ul style="list-style-type: none"> <li>• Functional responsibilities are broadly defined in bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Board of SAMBANDH is very vibrant, each individual member are assigned their work through committees and are performed accordingly.</li> </ul>	
<b>b. Experience/ exposure/ reputation in MF</b>	
<ul style="list-style-type: none"> <li>• The board of SAMBANDH has diverse experience in banking, credit rating and other developmental programs. Almost all the board members of SAMBANDH has good experience in the microfinance sector.</li> </ul>	
<b>c. Composition</b>	
<ul style="list-style-type: none"> <li>• Seven members' board of SAMBANDH consists of chairman Mr. Livinus Kindo IAS (Retd.), Mr. Dibyolochan Jena, Prof. Prabal Sen, Mr. Kutchibatla Prasad, Mr. Giju George, Mr. Saurabh Baroi and Mr. Deepak Kindo. Mr. Deepak Kindo is the Managing Director of SAMBANDH and Mr. Giju George &amp; Mr. Saurabh Baroi are Nominee Directors from Dia Vikas Capital and MI Capital Consultancy Ltd respectively.</li> </ul>	
<b>d. Role</b>	
<ul style="list-style-type: none"> <li>• Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Board takes the field related issues very seriously. The complaint / suggestions received from the customer through helpline number / complaint registers are sent to all the board members. Different committees (within the board) are responsible for different aspects. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Deepak Kindo.</li> </ul>	
<b>e. Code of conduct compliance report</b>	
<ul style="list-style-type: none"> <li>• Discussions are held on the aspects of Code of Conduct during the board meetings; however, compliance report on Code of Conduct is not prepared and presented in the board.</li> </ul>	
<b>f. Members' attendance in meeting</b>	
<ul style="list-style-type: none"> <li>• More than 85% of the board members were present in the Board meeting (last three).</li> </ul>	

10. Human Resources	Score : 3.31
<p><b>Key Elements:</b> Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal</p>	
<p><b>a. Field staff experience/ exposure in MF</b></p>	
<ul style="list-style-type: none"> <li>• Field staffs of SAMBANDH are well experienced in the field, FSOs are experienced and having good exposure of MF. On an average, more than 4 years of experience of the team involved in field level operations.</li> </ul>	
<p><b>b. Recruitment</b></p>	
<ul style="list-style-type: none"> <li>• SAMBANDH has a separate HR department manned by HR Officer and controlled by MD who looks after the recruitment process and other HR related aspects. They are governed by the well defined and comprehensive HR policy. Recruitments are done by publishing the requirements with the job profile in job websites, local newspaper and word to mouth, for field staff. Proper recruitment process followed for each level of staff – written and personal interview. Recruitment is conducted with proper reference checks.</li> </ul>	
<p><b>c. Staff Exit</b></p>	
<ul style="list-style-type: none"> <li>• Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions not taken.</li> </ul>	
<p><b>d. Complaint Redressal</b></p>	
<ul style="list-style-type: none"> <li>• Complaint redressal mechanism exists in the organization, dedicated systems are in place, there is a clear process to ensure that complaints are processed, considered and resolved.</li> </ul>	

## Compliance to RBI Guidelines

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

- a) Interest on loans: Post the RBI guidelines, SAMBANDH have reduced its interest rates on the products to 26% per annum on a 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): SAMBANDH is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charges recovered from the clients are paid directly to Life Insurance Company of India.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: SAMBANDH have barred the prepayment charges post RBI guidelines and now collect prepayment without any charges. SAMBANDH used to charge security deposit or upfront fees for the loans which has now being stopped.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: 100% of their portfolio is under micro, small and medium enterprises.
- e) Lending to borrowers whose household income does not exceed Rs60,000 (in rural areas) and Rs120,000 (in urban areas): Calculating the household income in rural and urban areas is a debatable since they do not have fixed monthly income. Their income is seasonal and dependant on several factors. However, SAMBANDH puts all efforts to verify the household income and adheres to RBI guideline on household income.
- f) Total indebtedness of borrower not exceeding Rs50,000: SAMBANDH 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 the loans larger than Rs15,000 have a tenure of 24 months and loans below Rs15,000 have a tenure of 12-24 months, as desired by the clients.

<i>Overall, SAMBANDH is compliant on the RBI guidelines issued.</i>
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## Conclusion

SAMBANDH Finserve Pvt. Ltd. has achieved a composite CoCAT score of **3.10** with an overall grade of **“A”**, indicating that the organisation is growing. Although there is strong institutional performance in some areas, there is room to provide technical assistance with a view of strengthening systems.

### Highlights and best practices:

- Adopted the Unified Code of Conduct by Sa-Dhan & MFIN and customized as per the SAMBANDH mission, vision, values and displayed in all branches & HO.
- Robust Internal Audit mechanism.
- Pricing information verbally as well as written, communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Loan processes are easily acceptable by clients with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly in branches.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in SAMBANDH.
- Many social interventions are carried out for the welfare of the needy people and addressing their primary needs like health and agriculture, through the parent company, RRDC.

### Areas to Strengthen:

- Credit Plus activity may be conducted regularly as there is demand from client side.
- More sensitization is required for clients on pricing to clients.
- Client drop-out survey / interview are conducted and analysed by interns / students. Corrective actions are taken as per the suggestions / recommendations of the study. However, this needs to be conducted for all drop-out clients.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

Average Score	Rating	Grade
<b>3.10</b>	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

**Annexure 1: Number of Client Interviews across Branch Offices**

<b>S. No.</b>	<b>Name of Branch</b>	<b>Number of Clients</b>
1	Rourkela	30
2	Rajgangpur	24
<b>Total</b>		<b>54</b>

## 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, IA), Training materials; 3<sup>rd</sup> party ratings, etc.
2. Structured discussions: Board, Senior Management, Head office staff, Field personnel
3. Field visit: Branch office discussions with field personnel, meetings with clients, observation of different stages of the operational process

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