

CONFIDENTIAL



## Code of Conduct Assessment Tool Report

**Society for Model Gram Bikash Kendra**

**December 2012**

---

Conducted by:

**ACCESS ASSIST**

28 Hauz Khas Village

New Delhi, 110 016

Tel: +91 11 2651 0915, 2685 0821

Fax: +91 11 2685 0821

Mobile No. +91 9748623494

E-mail: [sudipto@accessassist.org](mailto:sudipto@accessassist.org)

[albert@accessassist.org](mailto:albert@accessassist.org)

[www.accessassist.org](http://www.accessassist.org)

For:

**Society for Model Gram Bikash Kendra**

107 Jodhpur Park (Ground Floor),

Kolkata 700068

Tel No. +91 33 65299413, +91 33 65268141

E-mail: [info@grambikash.org](mailto:info@grambikash.org)

[www.grambikash.org](http://www.grambikash.org)

Society for Model Gram Bikash Kendra		
<b>Legal Form</b>	Society	<b>About Society for Model Gram Bikash Kendra (GBK)</b>
<b>Date Established</b> <b>Initiation of Operations</b>	April 2005	<p>GBK is a Non-Profit organization registered under West Bengal Societies Registration Act, 1961. It has been engaged in microfinance activity for over 8 years now. A group of like-minded persons having adequate experience in rural development activities decided to get together in the year 2004. This was done with the objective of addressing the problems of the rural poor. These young persons were dedicated in their motivation to better the lives of the economically deprived sections of the society</p> <p>With the help from various quarters, GBK has been able to reach out 19,284 borrowers through its network of 14 branch offices with a cumulative disbursement of Rs6,256.95 Lakhs till March 2012. Total 22,237 numbers of members have been brought into the fold of GBK's microcredit program with an outstanding portfolio of Rs1,081.15 Lakhs.</p>
<b>Operational Area</b>	<ul style="list-style-type: none"> <li>5 districts of West Bengal</li> </ul>	
<b>Services and Products offered</b>	<ul style="list-style-type: none"> <li>General Loan, Term Loan, Medical Loan, Educational Loan, RD1 Loan</li> </ul>	
<b>Lending Model</b>	<ul style="list-style-type: none"> <li>Joint Liability Group (JLG)</li> </ul>	
<b>Average Score</b>	<b>Rating</b>	<b>Grade</b>
3.08	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Key Performance Indicators (Institutional reporting)			
	2009-10	2010-11	2011-12
<b>Active borrowers</b>	12,279	21,620	19,248
<b>Number of groups</b>	872	1,422	1,359
<b>Gross Portfolio Outstanding (Lacs)</b>	529.08	1,091.28	1,081.15
<b>Portfolio Yield (nominal)</b>	35.88%	32.13%	28.58%
<b>Financial expense ratio</b>	9.13%	10.23%	10.91%
<b>Operating cost ratio</b>	19.13%	16.90%	14.63%
<b>Operational self-sufficiency</b>	125.90%	115.81%	111.59%
<b>Return on Assets</b>	6.99%	3.98%	2.68%
<b>Return on Equity</b>	88.21%	50.29%	19.35%
<b>Branch Offices</b>	10	16	14
<b>Staff</b>	69	101	88

Loan Products					
	General Loan	Term Loan	Educational Loan	Medical Loan	Rang De 1 (RD1)
<b>Clientele</b>	Women	Business Women	Women	Women	Women
<b>Utilization</b>	Income Generation Activities	Capital Expenditure	Educational Expenses	Medical Expenses	Income Generation Activities
<b>Loan size</b>	Rs1,000-15,000	Rs16,000-50,000	Rs1,000-5,000	Rs1,000-5,000	Rs1,000-15,000
<b>Loan tenure</b>	1 year	2 year	1 year	1 year	1 year
<b>Guarantor</b>	JLG	JLG	JLG	JLG	JLG
<b>Collateral requirements</b>	Group (20 members)	Group	-	-	Group
<b>Repayment</b>	Weekly	Weekly	Monthly	Monthly	Weekly
<b>Interest rate</b>	14%, Flat	14%, Flat	6%, Flat	6%, Flat	8.5%, Flat
<b>Other charges (Insurance)</b>	1%	1%	Nil	Nil	1%
<b>Processing fee</b>	1%	1%	Nil	Nil	Nil
<b>Security deposit / risk contribution</b>	Nil	Nil	Nil	Nil	Nil

## Highlights

### Strengths:

- Code of Conduct customized as per the GBK's mission, vision and values.
- Initiation of area / market where not more than 2 MFIs exist.
- Takes less time in loan processing (within a week).
- Pricing information verbal as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with Mix)
- Data sharing with credit bureau.
- Dedicated Toll Free Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Clients are aware about the customer care helpline and grievance redressal mechanism.
- Employee friendly HR policy exists in GBK which involves a system known as “**Narrative Report**” where the employees have to write a report every month and submit it confidentially to the top management. Additionally, Provident Fund is provided for all the staff; residential facilities provided for the branch office staff across all area of operations; and can approach any senior staff without any apprehensions.
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as health, education, food and clothing.

### Areas to Strengthen:

- Internal Audit checklist does not have code of conduct compliance.
- Code of Conduct is displayed in most of the branch offices and not all.
- Employee refresher training on code of conduct should be done at regular interval to keep them updated.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Client drop-out survey / interview conducted but no analysis done on findings and suggestions incorporated.
- Need to strengthen the system on privacy of client data with a proper MIS system.

## Code of Conduct Assessment Report for Society for Model Gram Bikash Kendra

### Summary of the study

The overall grade obtained by GBK is **A**, with a composite score of **3.08**, which indicates that the organization has good appraisal systems, transparent pricing policies, good feedback mechanism, employee friendly HR policies to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across GBK is excellent with defined Code of Conduct practices followed throughout the operations. More could be done to improve on the aspects of training and awareness of Staff on Code of Conduct and visibility/Dissemination on all the branch offices. There is diversity in products and services offered with five loan products but concentration is only in one product which captures 99% of the portfolio. There should be annual review of the products and services. There should also be focus on formal training with designed modules on staff conduct and client comprehension of the field staff.

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 Society for Model Gram Bikash Kendra		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	2.73	<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>
Market Entry	3.25	<ul style="list-style-type: none"> <li>• Criteria for identification</li> <li>• Procedure</li> <li>• Saturation</li> <li>• Due diligence</li> </ul>
Appraisal Process	3.04	<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>
Client Comprehension	3.08	<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>
Products and Services	2.75	<ul style="list-style-type: none"> <li>• Design &amp; appropriateness</li> <li>• Review</li> <li>• Diversity</li> <li>• Convenience</li> <li>• Linkages</li> </ul>
Pricing	3.18	<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>
Feedback Mechanisms	3.35	<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 Society for Model Gram Bikash Kendra</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Staff Conduct</b>	2.90	<ul style="list-style-type: none"> <li>• Rule Book</li> <li>• General training</li> <li>• Induction</li> <li>• Evaluation</li> <li>• Review of conduct</li> <li>• Incentive/ Disincentive</li> <li>• Recovery/ defaults</li> </ul>
<b>Governance</b>	3.67	<ul style="list-style-type: none"> <li>• Responsibility</li> <li>• Member experience/ exposure/ reputation in MF</li> <li>• Composition</li> <li>• Role</li> <li>• Code of Conduct Compliance Report</li> <li>• Member attendance in meeting</li> </ul>
<b>Human Resource</b>	3.38	<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 2.73
<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 has been incorporated in the GBK 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 most of the field branch offices and included in most of the documents (manuals, brochures, client materials).</li></ul>	
<b>c. Training</b>	
<ul style="list-style-type: none"><li>• GBK has recently come up with a revised code of conduct and separate training on Code of Conduct to all the CO, BM, AM and ZM by HO staff have been provided.</li></ul>	
<b>d. Refreshment</b>	
<ul style="list-style-type: none"><li>• As GBK has revised the code of conduct and has come up with a new code of conduct so refresher training on the new code of conduct hasn't been given to the staff.</li></ul>	
<b>e. Awareness</b>	
<ul style="list-style-type: none"><li>• More than 60% of the 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 50% clients have very good understanding of overall code, details, and expectations.</li></ul>	

2. Market Entry	Score 3.25
<b>Key Elements:</b> Identification, Procedure, Saturation, Due Diligence	
<b>a. Identification</b>	
<ul style="list-style-type: none"> <li>• GBK has separate rules clearly specifying numeric parameters that qualify the target population (income level, assets and opportunities) to start their operations in new area / <i>moballa</i> / village.</li> </ul>	
<b>b. Procedure</b>	
<ul style="list-style-type: none"> <li>• GBK 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, political / criminal record, banks within 15 km radius of branch office.</li> </ul>	
<b>c. Saturation</b>	
<ul style="list-style-type: none"> <li>• During the market identification procedure, GBK strictly identifies the number of MFIs working in the new identified market and accordingly takes a decision. GBK will not work in an area where already three MFIs are working.</li> </ul>	
<b>d. Due Diligence</b>	
<ul style="list-style-type: none"> <li>• Due diligence for new area is done by at least 3 departments of GBK – Branch Manager, Area Manager, and finally by Zonal Manager.</li> </ul>	



3. Appraisal Process	Score 3.04
<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 GBK, once the interested members' meeting is conducted by the CO, at the conclusion of the meeting, an invitation is extended to women members of the community to participate in a process called Continuous Group Training (CGT). During a CGT, detailed information on the products and services offered by the organization are shared with the participants. After completion of this training which stretches over 3 days, participants are called to appear for a test called Group Recognition Test (GRT). During a GRT the women are queried on whatever they had been trained during the CGT.</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 CO; critically evaluated during GRT by BM on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities.</li> </ul>	
<b>c. Debt Thresholds</b>	
<ul style="list-style-type: none"> <li>• Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family, surplus and regular inflow-outflow of cash – captured in the Personal Information Form.</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 GBK is 1 to 2 week.</li> </ul>	
<b>f. Approval</b>	
<ul style="list-style-type: none"> <li>• After all the due diligence in the field, all the loan applications are presented and discussed in the branch 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 audit for all the branch offices monthly. 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 3.08
<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 GBK, 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>b. Explanatory Channels</b></p>	
<ul style="list-style-type: none"> <li>• During the field visit, it was found that 80% 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>c. 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 center meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials are supplied to the client; all pricing information is broken into fees, interest and insurance premium.</li> </ul>	
<p><b>d. Rights and Obligations</b></p>	
<ul style="list-style-type: none"> <li>• Identification of group leader in both the loan products is done by the group members whereas GBK staff act as a facilitator. The roles and responsibilities of the group leader and clients / members are discussed during the center meetings. All the rights and obligations are clearly explained during the CGT and it is reviewed in GRT by BM. This is also reviewed and discussed during the disbursement process.</li> </ul>	
<p><b>e. Staff Training</b></p>	
<ul style="list-style-type: none"> <li>• Staff training on client comprehension is done time to time for all the field staff but there lacks a formal system of training with separate modules developed with examples and case studies related to interaction with the clients and also roles and responsibilities of all staff levels with do's &amp; don'ts to be followed by the staff while interacting with the clients.</li> </ul>	

5. Products and Services	Score 2.75
<b>Key Elements:</b> Design and Appropriateness, Review, Diversity, Convenience, Linkages	
<b>a. Design and Appropriateness</b>	
<ul style="list-style-type: none"> <li>• GBK offers five loan products to the clients and all the products are designed on the basis of clients' needs and requirements and as per guidelines issued by RBI.</li> </ul>	
<b>b. Review</b>	
<ul style="list-style-type: none"> <li>• Review of existing loan products and services are done on an ad hoc basis and accordingly the product features are modified.</li> </ul>	
<b>c. Diversity</b>	
<ul style="list-style-type: none"> <li>• GBK offers five loan products General Loan, Term Loan, Medical Loan, Educational Loan and Rang De Loan (RD1). Out of the five loan products, General Loan which is also called as Income Generating Loan have the maximum share in the total portfolio and holds 99% of the total loans outstanding. Except for 24 members for housing loan, 17 members for Medical Loan and 5 members for educational loan, all loans sanctioned by GBK to its member are for income generation including RD1.</li> </ul>	
<b>d. Convenience</b>	
<ul style="list-style-type: none"> <li>• Loan process and collection of the group members is done on weekly basis in group meeting. Collection is done in the group meeting at the doorstep of the members.</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 3.18
<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 GBK is very competitive, and the institution has occasionally reduced interest rates to remain competitive and to adhere with the norms of RBI.</li> </ul>	
<b>b. Transparency</b>	
<ul style="list-style-type: none"> <li>• Pricing of GBK's product are transparent; information is available publicly, and is accurate when compared to institutional documents. GBK shares data with MIX Market.</li> </ul>	
<b>c. Fees</b>	
<ul style="list-style-type: none"> <li>• Only one fee is collected by GBK from their clients called as Loan Processing Fee, which is 1% of the sanctioned loan amount, as per the RBI norms.</li> </ul>	
<b>d. Security Deposit</b>	
<ul style="list-style-type: none"> <li>• GBK has stopped collecting security deposit from their client against their loan.</li> </ul>	
<b>e. Prepayment</b>	
<ul style="list-style-type: none"> <li>• There is no penalty for prepayment of loans.</li> </ul>	
<b>f. Default</b>	
<ul style="list-style-type: none"> <li>• Very few cases of default observed in the field and mentioned in their financial reports. No penalty for default collected against the unpaid day.</li> </ul>	

7. Feedback Mechanisms	Score 3.35
<p><b>Key Elements:</b> Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys</p>	
<p><b>a. Existence</b></p>	
<ul style="list-style-type: none"> <li>• In GBK, two different mechanisms exist for the client feedback – one is customer care number (toll free) and other is a client feedback / complaint box exist in the branch offices where clients are free to drop their feedback. The complaint box is opened by Branch Manager or a Senior CO once in a fortnight. However, this is a system against the best practices and the Compliant Boxes need to be opened by a senior person visiting the branch in the presence of a branch official (preferably Branch Manager), once in a fortnight or month.</li> </ul>	
<p><b>b. Staff Training</b></p>	
<ul style="list-style-type: none"> <li>• Training is provided to staff on client handling, delinquency management and other aspects of microfinance operations.</li> </ul>	
<p><b>c. Client Awareness</b></p>	
<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.</li> </ul>	
<p><b>d. Usage</b></p>	
<ul style="list-style-type: none"> <li>• Feedback mechanism is rarely used by different branches' client.</li> </ul>	
<p><b>e. Checking</b></p>	
<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 staffs (at HO level) circulates the same to all senior management staff, operations head and concerned staff.</li> </ul>	
<p><b>f. Staff Resources</b></p>	
<ul style="list-style-type: none"> <li>• For client feedback mechanism, there is adjunct responsibility of head office staff.</li> </ul>	
<p><b>g. Client Exit Interviews/ Drop out Survey</b></p>	
<ul style="list-style-type: none"> <li>• In GBK, Client Exit Interviews are conducted regularly with the drop-out clients, but only reasons are captured. No analysis is done on the reasons, collected during the client exit interviews.</li> </ul>	

8. Staff Conduct	Score 2.90
<p><b>Key Elements:</b> Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p><b>a. Rule Book</b></p>	
<ul style="list-style-type: none"> <li>The rule book of GBK clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour. Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the client, among others. The Rule Book clearly defines the HR policies which are employee friendly like (a) Narrative Reports sent by all the COs on a monthly basis; (b) provision of Provident Fund for all the staff; (c) Residential facilities for the branch office staff; and (d) can approach any senior staff without any apprehensions.</li> </ul>	
<p><b>b. General Training</b></p>	
<ul style="list-style-type: none"> <li>Training program for the field as well as branch staff is conducted by the GBK operations team to orient them towards the conduct in the field, good and bad conduct with clients, among others. Sometimes training program is conducted on an outside location by external trainers on various management skills.</li> </ul>	
<p><b>c. Induction</b></p>	
<ul style="list-style-type: none"> <li>New staff joining GBK undergoes a 15 days induction program which consist of classroom as well as field level exposure.</li> </ul>	
<p><b>d. Evaluation</b></p>	
<ul style="list-style-type: none"> <li>On the basis of the job performance, all staff is reviewed annually and if eligible for promotion the staffs gets promoted. In case of CO appraisal / evaluation of their performance is done in 12 months and accordingly they are eligible they are promoted. In GBK, annual performance review done with tangible outcomes (salary, promotion).</li> </ul>	
<p><b>e. Review of Conduct</b></p>	
<ul style="list-style-type: none"> <li>Evaluation of the field staff as well as branch personnel is done by his / her superior only.</li> </ul>	
<p><b>f. Incentive / Disincentive</b></p>	
<ul style="list-style-type: none"> <li>Incentive and disincentives is based on both portfolio quality and outreach of the CO. During the performance review for the field staff, both the portfolio quality and outreach are measured to calculate the incentives and disincentives.</li> </ul>	
<p><b>g. Recovery / Default</b></p>	
<ul style="list-style-type: none"> <li>In operation manual of GBK, 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.</li> </ul>	

9. Governance	Score 3.67
<p><b>Key Elements:</b> Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting</p>	
<p><b>a. Responsibility</b></p>	
<ul style="list-style-type: none"> <li>• Functional responsibilities are well defined in bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Board of GBK is very vibrant, each individual member are assigned their work and are performed accordingly.</li> </ul>	
<p><b>b. Experience/ exposure/ reputation in MF</b></p>	
<ul style="list-style-type: none"> <li>• The board of GBK has diverse experience in financial audit, government assignments, research activities, microfinance, academic profession, poverty elimination program and HR. Almost all the board members of GBK has good experience in the microfinance sector.</li> </ul>	
<p><b>c. Composition</b></p>	
<ul style="list-style-type: none"> <li>• The composition of GBK board consists of ten members Mr. Samir Kumar Chakraborty, President; Mr. Bimal Pramanik, Vice President; Mr. Ganesh Chandra Modak, Secretary; Mrs. Sukriti Mukhopadhyay, Treasurer; Professor Sarbani Ganguly, Executive Member; Mr. Pranab Rakshit, Executive Member; Mr. Alok Santra, Executive Member; Mr. Manabendra Modak, Member; Mr. Sukdev Biswas, Member and Mr. Sukumar Biswas, Member.</li> </ul>	
<p><b>d. Role</b></p>	
<ul style="list-style-type: none"> <li>• Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Board takes the field related issues very seriously. The complaint/ suggestions received from the customer through customer care number / complaint box are sent to all the board members. Different committees (within the board) are responsible for different aspects. Regular operational decisions related to financials, cost transparency, disclosures, among others are the responsibility of Mr. Ganesh Modak, CED, GBK.</li> </ul>	
<p><b>e. Code of conduct compliance report</b></p>	
<ul style="list-style-type: none"> <li>• Code of Compliance report is prepared and presented in the Board.</li> </ul>	
<p><b>f. Members' attendance in meeting</b></p>	
<ul style="list-style-type: none"> <li>• More than 85% of the members of the board were present in the Board meeting (last three).</li> </ul>	

10. Human Resources	Score 3.38
<b>Key Elements:</b> Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal	
<b>a. Field staff experience/ exposure in MF</b>	
<ul style="list-style-type: none"><li>• Field staff of GBK is well experienced in the field, almost 70 percent of the CO's are experienced and have good exposure of MF and the rest are fresher as GBK prefers recruiting a fresher for the post of CO. On an average more than 2 years of experience of the team involved in field level operations.</li></ul>	
<b>b. Recruitment</b>	
<ul style="list-style-type: none"><li>• Recruitments are done by publishing the requirements with the job profile local newspaper and word to mouth for field staff. Proper recruitment process followed for each level of staff – written test and personal interview. Recruitment is conducted with reference checks. Regular appraisal of CO is done in 12 months. Most of the BMs are promoted from CO.</li></ul>	
<b>c. Staff Exit</b>	
<ul style="list-style-type: none"><li>• Staff exit interview conducted for all the staff and modifications in the systems and processes, taken thereof.</li></ul>	
<b>d. Complaint Redressal</b>	
<ul style="list-style-type: none"><li>• Complaint redressal mechanism exists in the organization, dedicated systems are in place, and 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 GBK are mentioned below:

- a) Interest cap on loans: Post the RBI guidelines, GBK have reduced its interest rates. GBK charges interest rates at flat 14 percent per annum on General Loan and Term Loan and flat 6 percent on Medical and Educational Loan which is permissible as per the RBI guidelines.
- 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): GBK is currently charging 1% loan processing fees as per the RBI guidelines issued. The insurance charges recovered from the client which is 1 percent of the total loan amount are paid directly to Life Insurance Company of India.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: GBK do not charge anything for prepayment. GBK used to take security deposit but post RBI guidelines no security deposit or upfront fees for the loans is taken from borrowers.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: 99% 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. The household income of all the clients visited was under permissible amount stipulated by RBI.
- f) Total indebtedness of borrower not exceeding Rs50,000: GBK strictly follows this guideline and does not lend to members who have a 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: The products and services offered by GBK have loan tenure of less than 24 months (46 weeks) for amount which is upto Rs15,000. For loans above Rs15,000 the tenure is not less than 24 months and as per the guidelines of RBI.

*Overall, GBK is compliant on the RBI guidelines issued.*

## Conclusion

Society for Model Gram Bikash Kendra has achieved a composite CoCAT score of 3.08 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:

- Code of Conduct customized following the Unified Code of Conduct launched by Sa-Dhan and MFIN and as per the GBK’s mission, vision and values.
- Initiation of area / market where not more than 2 MFIs exist.
- Takes less time in loan processing (within a week).
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with Mix)
- Data sharing with credit bureau.
- Dedicated Toll Free Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Clients are aware about the customer care helpline and grievance redressal mechanism.
- Employee friendly HR policy exists in GBK which involves a new system known as “**Narrative Report**” where the employees have to write a report every month and submit it confidentially to the top authority. Additionally, Provident Fund is provided for all the staff; residential facilities provided for the branch office staff across all area of operations; and can approach any senior staff without any apprehensions.
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as health, education, food and clothing.

### **Areas to Strengthen:**

- Internal Audit checklist does not have code of conduct compliance.
- Code of Conduct is displayed in most of the branch offices and not all.
- There have been some changes made in the code of conduct. Employee refresher training should be done at regular interval to keep them updated.
- Formalizing the training process of staff on conduct and client comprehension through dedicated modules
- Client targeting criteria exist but tools for poverty targeting are not used.
- Client drop-out survey / interview conducted but no analysis done on findings and suggestions incorporated.
- Need to strengthen the system on privacy of client data with a proper MIS system.

Average Score	Rating	Grade
<b>3.08</b>	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

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

### Introduction

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

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

CoCAT has 9 broad assessment components which are further disaggregated into 53 elements. The 9 broad components are: *Code of Conduct, Market Entry, Appraisal Process, Client Comprehension, Products and Services, Pricing, Feedback Mechanisms, Staff Conduct, and Governance.*

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.