

CONFIDENTIAL



Code of Conduct Assessment Report

UTTRAYAN FINANCIAL SERVICES PRIVATE LIMITED

November 2016

Conducted by:

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Uttrayan Financial Services Private Limited			
Legal Form	NBFC	About Uttrayan Financial Services Private Limited	
Date Established Initiation of Operations	2009	<p>Uttrayan was primarily a registered as a society on October 1, 2001 and was engaged in working for alleviation of poverty through economic intervention and social empowerment of the underprivileged class of the society, with a special focus on women. However, in the year 2008, the management of Uttrayan acquired an NBFC in the name of Chotanagpur Trade and Investments Private Limited, which was incorporated on April 26, 1995 and subsequently as on June 4, 2009 the name has been changed to Uttrayan Financial Services Private Limited (UFSP). On June 10, 2014, the company acquired NBFC-MFI License from Reserve Bank of India.</p>	
Operational Area	<ul style="list-style-type: none"> • 9 districts across West Bengal; • 3 districts in Assam; • 2 districts in Bihar; and • 1 district in Meghalaya. 		
Services and Products offered	<ul style="list-style-type: none"> • Loans 		
Lending Model	<ul style="list-style-type: none"> • Self Help Group (SHG) 		
Average Score	Rating	Grade	
3.31 (82.69%)	3.50-4.00	AA	<p>The purpose of acquiring the NBFC was for better compliance with prevailing laws of land, better transparency in the governance and more professionally regulated framework, higher level of growth creating a field for equity participation from outside agencies including Government and Development organizations.</p> <p>Currently, the organization is operating with 59 branch offices in 15 districts of West Bengal, Assam, Bihar and Meghalaya. Although there has been a transformation of operation from 'Not for profit mode' to 'For profit mode' the underlying mission of the micro finance program remains the same i.e. economic empowerment of the underprivileged especially women.</p>
	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)				
	2013-14	2014-15	2015-16	Sept 2016
Number of Groups	3,748	3,775	6,255	7,588
Total number of Clients	32,400	54,702	83,427	102,131
Total number of Active Clients (loanee)	30,797 (95%)	49,787 (91%)	71,844 (86%)	84,176 (82%)
Total Loan outstanding (Rs. In Lakhs)	1,927.48	5,162.12	9,009.51	1,200.52
Average Loan Outstanding (in Rupees)	6,259	10,368	12,540	14,262
Total External Loan outstanding (Rs. in Lakhs)	1,450.37	3,575.64	3,788.20	5,435.65
Rate of Interest charged (by the NGO/MFI)	26%	26%	26%	26%
Repayment Rate (Internal)	99.85%	99.89%	99.93%	99.93%
Repayment Rate (External)	100.00%	100.00%	100.00%	100.00%
No of Villages	1,765	1,796	1,920	2,099
No of Districts	11	10	12	15
No of States	2	2	3	4
No. of Branch Offices	65	55	55	59
No. of Field staff / credit officers	203	192	179	188
PAR (> 60 days)	0.83%	0.34%	0.31%	0.26%

Loan Products		
	Loan Product 1	Loan Product 2
Clientele	Women	Women
Utilization	Productive Purpose Only	Productive Purpose Only
Loan size	Rs8,000-30,000	Rs31,000-50,000
Loan tenure	1 year	2 years
Guarantor	SHG	SHG
Collateral requirements	Group (10-20 members)	Group (10-30 members)
Repayment	Fortnightly	Fortnightly
Interest rate	26%, reducing	26%, reducing
Other charges (Insurance)	0.70% (for client & co-borrower)	0.70% (for client & co-borrower)
Processing fee	1%	1%
Security deposit / risk contribution	Nil	Nil

Scoring of Uttrayan Code of Conduct Assessments across ten broad components of CoCA-1 & 2

Assessment Area	CoCA-1: (Dec 2012) Score (out of 4.00)	CoCA-2: (Nov 2016) Score (out of 4.00)	Key Elements evaluated
Code of Conduct	3.09	3.36	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	2.75	3.25	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.29	3.42	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.42	3.50	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	2.60	2.80	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	2.95	3.32	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposit • Prepayment • Default

Assessment Area	CoCA-1: (Dec 2012) Score (out of 4.00)	CoCA-2: (Nov 2016) Score (out of 4.00)	Key Elements evaluated
Feedback Mechanisms	3.00	3.30	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys
Staff Conduct	2.77	3.13	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Board	2.67	3.33	<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 Resources	3.38	3.75	<ul style="list-style-type: none"> • Field staff experience/ exposure in MF • Recruitment • Staff Exit • Complaint Redressal
Overall Score	3.01	3.31	

Code of Conduct Assessment Tool Results

The second CoCA of UFSPL revealed the following major observations and priority areas under each component.

1. Code of Conduct	Score 3.36
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> • The Code of Conduct of Uttrayan Financial Services Pvt. Ltd., has been customized based on the institutional values, mission, vision and expectations. 	
b. Visibility	
<ul style="list-style-type: none"> • Code of Conduct was displayed in all the branch offices as well as in the Head Office in the local language and English and included in most of the documents (manuals, brochures, client materials). 	
c. Training	
<ul style="list-style-type: none"> • Dedicated training programme for the Credit & Recovery Officers (CROs) have been developed called the Microfinance Management Course (MMC), which has modules on Code of Conduct aspects and these have been provided to them on a regular basis. 180 CROs across 6 training sessions have been trained during the last FY. 	
d. Refreshment	
<ul style="list-style-type: none"> • Refresher trainings are planned by the training team to be provided during the next FY. Training modules for the same are been developed. 	
e. Awareness	
<ul style="list-style-type: none"> • The frontline staffs including the Credit & Recovery Officers and Branch Managers were aware of the Code of Conduct and its aspects. Around 95% of the staff has 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. • Around 78% clients have very good understanding of overall code, details, and expectations. 	

2. Market Entry	Score 3.25
Key Elements: Identification, Procedure, Saturation, Due Diligence	
a. Identification	
<ul style="list-style-type: none"> The target segment is women. Its focus is towards low income households among the socially underprivileged. 	
b. Procedure	
<ul style="list-style-type: none"> Uttrayan Financial Services Pvt. Ltd. follows a uniform procedure for market entry - general community survey, random household visits; evaluation formats exists to evaluate new market along with the number of MFIs already working in that area, potentiality of the area / village with approachable road, political / criminal record and banks, among others. 	
c. Saturation	
<ul style="list-style-type: none"> During the market identification procedure, Uttrayan Financial Services Pvt. Ltd. does identifies the number of MFIs working in the new identified market and accordingly takes a decision; if it is more than 2 MFIs are operating, Uttrayan Financial Services Pvt. Ltd. rejects the proposal of initiating their operations in that area. 	
d. Due Diligence	
<ul style="list-style-type: none"> Due diligence for new area is done by at least 3 departments of UFSPL – Branch Manager, Regional Manager, and finally by Divisional Manager. 	

3. Appraisal Process	Score 3.42
Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
a. Client Data Collection	
<ul style="list-style-type: none"> • In Uttrayan Financial Services Pvt. Ltd, once the interested members' meeting is conducted by the CRO, they fill the individual loan application form for evaluation, followed by Compulsory Group Training (CGT) by the CRO. Group Recognition Test (GRT) is conducted by the BM. There is use of peer verification across groups, information collection from neighbours / household members. However, only primary information about the member is captured in the database along with the KYC documents. Cross-verification from group members is also done. 	
b. Repayment Capacity	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation & CGT by CRO; critically evaluated during GRT by BM on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities. 	
c. Debt Thresholds	
<ul style="list-style-type: none"> • Loans to clients are given based on the loan cycle, range of loan size and also the repayment capacity. UFSPL also assesses the repayment behaviour of the client in previous loans. 	
d. Loan History	
<ul style="list-style-type: none"> • Loan & repayment history of the client also captured in the loan application form and it is checked and kept available during and throughout the appraisal process. 	
e. Processing Time	
<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 Uttrayan Financial Services Pvt. Ltd. is 1 to 2 weeks 	
f. Approval	
<ul style="list-style-type: none"> • After all the due diligence in the field, all the loan applications are presented and discussed in the branch office and gets approved accordingly. Moreover, in case of higher loan size the Regional Manager is involved in the loan approval process. 	
g. Verification	
<ul style="list-style-type: none"> • Separate Audit team exist in the organization who conducts audit of all the branch offices quarterly. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending centre meetings. Audit team submits their compliance report to the Board Members and concerned branch office. In respect of appraisal and application process, the IA team checks the loan application form and appraisals of clients on a random basis. However, there is a need to include review of code of conduct aspects by the field staff and checking the clients' awareness regarding the terms & conditions of loans provided by UFSPL. 	

4. Client Comprehension	Score 3.50
Key Elements: Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training	
a. Client Review Time	
<ul style="list-style-type: none"> The terms and conditions of Uttrayan Financial Services Pvt. Ltd, product features etc. are informed to the client before formation of group. There is use of verbal explanation, written documentation along with other materials to inform the members. The general review time provided to the clients is more than 7 days. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> There is no other media except the loan card and the verbal communication of staff of Uttrayan Financial Services Pvt. Ltd. The verbal communication channels include: Training by CRO during CGT, BM at the time of field verification and loan disbursement, visits. Client refresher on various elements like price and terms, rights and obligations and complaint redressal is carried out during the weekly collection meeting by the CO/BM to keep them aware from time to time. 	
c. Awareness	
<ul style="list-style-type: none"> There is formal mechanism to assess clients' awareness. A staff is assigned the role of checking the receipt of loan amount in the clients' bank account; during this call, she also verifies the awareness levels of the clients regarding the loan terms and conditions. 	
d. Disclosure of Price and Terms	
<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, CGT, GRT, disbursement and center meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials (loan card) are supplied to the client; all pricing information is broken into fees, interest and insurance premium. 	
e. Rights and Obligations	
<ul style="list-style-type: none"> The client is given loan if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion. During the training, the obligations and rights of the client were stressed upon. 	
f. Staff Training	
<ul style="list-style-type: none"> The frontline staffs are provided training on how to interact with clients during on the job training by BM/RM. Moreover, staffs is explained with examples and guidance for interaction with the clients, roles and responsibilities of all staff levels and do's & don'ts to be followed by the staff while interacting with the clients. 	

5. Products and Services	Score 2.80
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none">• Uttrayan Financial Services Pvt. Ltd. offers two 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. Apart from the loan processing fee and insurance charges, no charges are levied from the clients on joining the group.	
b. Review	
<ul style="list-style-type: none">• Review of existing loan products and services are done on an ad hoc basis and accordingly the product features are modified. UFSPL is planning to provide new loan products to their clients based on their requirements.	
c. Diversity	
<ul style="list-style-type: none">• Uttrayan Financial Services Pvt. Ltd. has two loan products which are almost same, the main differentiating factors are the loan size and loan tenure, as per the RBI guidelines.	
d. Convenience	
<ul style="list-style-type: none">• Uttrayan Financial Services Pvt. Ltd's loans are highly convenient which was also shared by clients during the client visits. The clients need to attend weekly group meetings which are held for 10-15 minutes and recoveries take place in the group meetings. However, client has to visit the Branch office who can be accompanied by the co-borrower while disbursement of the loan.	
e. Linkages	
<ul style="list-style-type: none">• There is only one linked products with the loan to client i.e., credit life insurance provided to the client and co-borrower.	

6. Pricing	Score 3.32
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of Uttrayan Financial Services Pvt. Ltd. is very competitive, and the institution has occasionally reduced interest rates to remain competitive and to adhere with the norms of RBI. 	
b. Transparency	
<ul style="list-style-type: none"> • Uttrayan Financial Services Pvt. Ltd's pricing is highly transparent. The pricing information is displayed in all the branch offices and the individual loan cards. Further, pricing information is made available to the client in the form of total interest amount rate and also in terms of rate per 100 rupees. Shares pricing, operational and financial data with MIX Market, Industry associations, credit bureaus, among others. 	
c. Fees	
<ul style="list-style-type: none"> • Uttrayan Financial Services Pvt. Ltd. charges two fees i.e. processing fee of 1% and insurance fee of 0.7% of the loan amount to all the clients, as directed by the Reserve Bank of India. No additional fees is charged by UFSPL. 	
d. Security Deposit	
<ul style="list-style-type: none"> • Uttrayan Financial Services Pvt. Ltd. has stopped collecting security deposit from their client against their loan. 	
e. Prepayment	
<ul style="list-style-type: none"> • There is no prepayment penalty. Only interest for that week is collected and the clients can prepay their loans at any given point of time. 	
f. Default	
<ul style="list-style-type: none"> • There is no description of the penalties for default. Board has approved the recovery practices in case of default and recommended to use persuasion, pressure techniques and ensure frequent interaction with the defaulting groups and members for ensuring loan recovery. A status report on follow-up of overdue account has to be submitted by the branch office to higher authority on monthly basis. Few cases of default were observed in the field. 	

7. Feedback Mechanisms	Score 3.30
<p>Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys</p>	
<p>a. Existence</p>	
<ul style="list-style-type: none"> • In Uttrayan Financial Services Pvt. Ltd, three level feedback mechanisms exist. Dedicatded Toll Free number and Head Office phone number is used by the organization as client helpline number. Complaint Boxes exists in the branches where clients are free to write / drop their feedback. Also registers are maintained at the branch office level to record the feedback / response by the clients, if any. In addition, BMs, RMs who visit the field do take the feedback from the clients. 	
<p>b. Staff Training</p>	
<ul style="list-style-type: none"> • Training is provided to the staff on client awareness and client relations in different formats. 	
<p>c. Client Awareness</p>	
<ul style="list-style-type: none"> • Most of the clients have shared that there were no complaints and that they are aware of the toll free numbers and contact numbers given on the loan card. Clients were confident that in case of any problems or critical feedback, they know that it is their right and obligations to express a complaint; they can identify the branch manager and can locate the branch office and head office. 	
<p>d. Usage</p>	
<ul style="list-style-type: none"> • Feedback mechanism is frequently used by different branches' clients. However, few clients have used the complaint number for queries related to sanction of loans, higher loan sizes, among others. 	
<p>e. Checking</p>	
<ul style="list-style-type: none"> •Dedicated systems are in place within the organization at the Head Office. There is a system in place 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 the concerned staff at field level. The concerned staff / department need to discuss with the complainant and should respond within a stipulated time frame. The resolution and next steps regarding a particular complaint is also mentioned in the regiater. 	
<p>f. Staff Resources</p>	
<ul style="list-style-type: none"> • For client feedback mechanism, there is full responsibility provided to a head office staff. 	
<p>g. Client Exit Interviews/ Drop out Survey</p>	
<ul style="list-style-type: none"> • Client exit interviews / drop-out surveys are conducted, reasons documented but no further steps undertaken. 	

8. Staff Conduct	Score 3.13
<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"> • The rule book clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour. Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the client, among others. In case of any offence involving moral turpitude for which an employee is liable to conviction and sentence under provisions of law. The acts of offence are further divided into 2 categories 'gross misconduct' and 'minor misconduct'. Disciplinary actions on misconduct are taken on non adherence of rule. The rule book also clearly defines <ul style="list-style-type: none"> ✓ Employee friendly HR policies ✓ Provident Fund ✓ ESI ✓ Gratuity ✓ Accidental Death Insurance for staff ✓ Residential facilities for the branch office staff 	
<p>b. General Training</p>	
<ul style="list-style-type: none"> • Dedicated session / module that demonstrate acceptable and unacceptable conduct for different tasks are developed and the staff are also provided training on the acceptable and unacceptable conduct for different tasks through practical on job training imparted by BM/RM. New joining staff undergo 3 day induction training at Head Office, followed by shadow training of an existing CRO in that branch office. 	
<p>c. Induction</p>	
<ul style="list-style-type: none"> • All the staff, especially the Credit & Recovery Officers, undergoes 3 day's induction programme on (on their roles, responsibilities and operational structure) and subsequently one day field training. 	
<p>d. Evaluation</p>	
<ul style="list-style-type: none"> • Field staffs are evaluated quarterly but the increments and promotions are conducted on an annual basis. There are harsh punishments, like termination, if the staff are found to be behaving in any unaccepted way. At the same time, there exist rules for promotion and increments. Most of the Branch Managers are promoted from Credit & Recovery Officer within the organization. 	
<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 at least two persons, his / her superior and by supervisor's supervisor. 	
<p>f. Incentive / Disincentive</p>	
<ul style="list-style-type: none"> • Incentive and disincentives is based on the performance of the staff. 	
<p>g. Recovery / Default</p>	
<ul style="list-style-type: none"> • In operation manual of Uttrayan Financial Services Pvt. Ltd, clear guidelines for collection in case of defaults are mentioned. 	

9. Governance	Score 3.33
Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting	
a. Responsibility	
<ul style="list-style-type: none"> • Functional responsibilities are well defined in bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Each individual member of the Board is assigned their work and they perform it accordingly with two of the board member is actively involved in the daily operations. 	
b. Experience/ exposure/ reputation in MF	
<ul style="list-style-type: none"> • Out of six members, five members of the board have extensive experience and expertise in microfinance in field activity, finance, accounts, operations and monitoring. The sixth member is a banking and financial services professional with over 35 years of experience with UCO Bank. He led and managed corporate credit, treasury and investment activities of Bank. He was in charge of Industrial Finance Branch as Chief Manager and Assistant General Manager. 	
c. Composition	
<ul style="list-style-type: none"> • The composition of Uttrayan Financial Services Pvt. Ltd. board consists of six members Mr. Kartick Biswas, Managing Director; Mr. Apu Dhar, Director; Mr Probindu Kumar Biswas, Director (recently inducted); Mr Anindiya Sen-Non Executive Director; Mr. Bijon Kanti Chowdhury-Non Executive Director; and Mr Arata Kumar Sahoo, Nominee Director (SIDBI). 	
d. Role	
<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 financials, cost transparency, disclosures, among others are the responsibility of the directors-Mr. Kartick Biswas and Mr. Apu Dhar. 	
e. Code of conduct compliance report	
<ul style="list-style-type: none"> • Code of Conduct compliance report and Grievance Redressal reports and its resolutions is prepared and presented in the board. 	
f. Members' attendance in meeting	
<ul style="list-style-type: none"> • The average attendance of board members in the last three board meetings is 93.34%. 	

10. Human Resources	Score 3.75
<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 staff is well experienced in the field, almost 80 percent of the CROs are experienced and have good exposure on microfinance. On an average more than 5 years of experience of the team involved in field level operations. 	
<p>b. Recruitment</p>	
<ul style="list-style-type: none"> There is a separate department in Uttrayan Financial Services Pvt. Ltd. who is responsible for HR functions. Recruitments are done by publishing the requirements with the job profile in job sites, local newspapers and word of mouth for field staff. Proper recruitment process followed for each level of staff – written, personal interview. Recruitment is conducted with proper reference checks; an external agency has been provided this responsibility. 	
<p>c. Staff Exit</p>	
<ul style="list-style-type: none"> Staff exit interview conducted for all the staff verbally and reasons for the same is not documented or actions taken accordingly. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> There is an dedicated 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. 	

Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by Uttrayan Financial Services Pvt. Ltd., are mentioned below:

- a) Interest on loans: Uttrayan has set its interest rate based on the RBI guidelines. The interest charged by Uttrayan is 26% for its loan products per annum on a reducing balance.
- b) Loan pricing to include processing fee (not exceeding 1% of the gross loan) interest charge and insurance premium (to be paid directly to the insurance provider): Uttrayan is currently charging 1% loan processing fees as per the RBI guidelines issued. The insurance charges are also 1% which is paid directly to Insurance Companies (DHFL Pramerica).
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: Uttrayan does not charge any fine or penalty to collect delayed payments. It encourages clients to utilize the loans for the full period and advise them not to make prepayments. However, if clients make any pre-payment, Uttrayan does not charge any fine for that. Also it does not take any margin money.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: More than 85% of its portfolio is under micro, small and medium enterprises, agriculture and other allied activities.
- e) Lending to borrowers whose household income does not exceed Rs1,00,000 (in rural areas) and Rs160, 000 (in urban areas): Calculating the household income of poor clients in rural and urban areas is bit tough since they do not have fixed monthly income. For many, their income is seasonal and dependant on several factors. However, Uttrayan puts all efforts to verify the household income and adheres to RBI guideline on household income.
- f) Total indebtedness of borrower not exceeding Rs1,00,000: Uttrayan strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs1,00,000 as the total loan outstanding. This is mentioned in their Code of Conduct & Credit Policy and followed across all levels.
- g) Tenure of loan not being less than 24 months: All the loans larger than Rs30,000 have a tenure of 24 months and loans below Rs30,000 have a tenure of 24 months, as desired by the clients.
- h) Collateral: As per RBI guidelines, Uttrayan does not take any loan collateral.

ACCESS-ASSIST's review of loan documents and interaction with borrowers revealed no violation of the above-mentioned guidelines.

Overall, Uttrayan is compliant on the RBI Guidelines / Fair Practices.

Conclusion

Uttrayan Financial Services Pvt. Ltd. has achieved a composite CoCAT score of 3.31 with an overall grade of “A”, indicating that the organisation requires improvements in several areas. Although there is strong institutional performance in some areas, there is room to provide technical assistance with a view of strengthening systems.

Highlights and best practices:

- Unified Code of Conduct is customized as per the mission and vision of the organization and displayed in all branch offices and HO.
- Trainings have been regularly conducted for their staff and modules have been developed. The training team has been reinforced with the induction of a strong and experienced leader who has developed training modules and conducting trainings for the staff.
- Induction and Orientation for the new joining staff through dedicated modules on client comprehension and code of conduct.
- The field staffs (Credit Officers and Branch Managers) are well aware of the Code of Conduct and RBI guidelines on lending practices.
- Strong and dedicated systems implemented for grievance redressal in the form of toll free number, complaint boxes and registers at the branch office level.
- MIS software (online) and HR software (offline) known as BIJLI is in place at HO and branch level.
- Clients were able to recall the pricing terms and conditions.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Pricing data is transparent, information (operational and financial) available publicly and shared with MIX Market, industry associations and credit bureaus.
- Associated with Indian Chambers of Commerce.
- Many social interventions are undertaken like entrepreneurship training on Incense stick (agarbatti) making, distribution of school bags and kits.

Areas to Strengthen:

- Internal audit checklist should include code of conduct compliance aspects and checking the clients’ awareness regarding the terms & conditions of loans provided by UFSPL. Also these needs to be reviewed by the internal audit team during monthly visits to the branch offices.
- Client Drop-out Surveys and Staff Exit Interviews incorporated in the system but focus should be given on analyzing the reasons for drop-outs and exits respectively.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Explanatory channels for providing information of the loans and products offered by UFSPL need to be increased in the form or printed materials, video, among others can be developed.
- Financial literacy can be provided to the clients to make them understand their household cash flows and household planning as a part of the social intervention of Uttrayan Financial Service Pvt. Ltd.,

Average Score	Rating	Grade
3.31	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	District, State	Number of Clients
1	Madhyamgram	North 24 Parganas, West Bengal	20
2	Machlandapur	North 24 Parganas, West Bengal	19
3	Raiganj	North Dinajpur, West Bengal	20
4	Kaliaganj	North Dinajpur, West Bengal	20
5	Jalubari	Kamrup, Assam	21
6	Sonapur	Kamrup, Assam	20
7	Bagula	Nadia, West Bengal	22
8	Sutragarh	Nadia, West Bengal	18
	Total		160

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 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; 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.