

CONFIDENTIAL



Code of Conduct Assessment Report

Uttrayan Financial Services Private Limited

December 2012

Conducted by:

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Uttrayan Financial Services Private Limited			
Legal Form	NBFC		About Uttrayan Financial Services Private Limited In the year 2008 the management of Sahara Uttrayan has acquired an NBFC in the name and style of Chotanagpur Trade and Investments Private Limited and incorporated on 26 th April 1995 and subsequently as on 4 th June 2009 the name has been changed to Uttrayan Financial Private Limited . 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. At present the organization is operating with 27 branch offices in six districts of West Bengal. 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.
Date Established	2009		
Initiation of Operations			
Operational Area	<ul style="list-style-type: none"> Six districts in West Bengal 		
Services and Products offered	<ul style="list-style-type: none"> Small Loan Medium loan 		
Lending Model	<ul style="list-style-type: none"> Self Help Group (SHG) 		
Average Score	Rating	Grade	
3.01	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)			
	2008-09	2009-10	2010-11
Active borrowers (in '000)	11,988	19,878	16,673
Gross Portfolio Outstanding (millions)	624.63	911.77	712.28
Portfolio Yield (nominal)	36.59%	31.61%	27.16%
Financial expense ratio	9.87%	11.43%	8.88%
Operating cost ratio	4.42%	3.97%	2.71%
Operational self-sufficiency	124.29%	110.16%	101.64%
Return on Assets	4.03%	1.69%	0.11%
Return on Equity	17.30%	10.90%	0.46%
Branch Offices	9	17	20
Staff	33	66	70

Loan Products		
	Small Loan	Medium Loan
Clientele	Women	Women
Utilization	Productive Purpose	Productive Purpose
Loan size	Rs3,000-15,000	Rs16,000-20,000
Loan tenure	1 year	1 year – 2 years
Guarantor	SHG	SHG
Collateral requirements	Group (10-20 members)	Group (10-30 members)
Repayment	Weekly	Weekly
Interest rate	12.5% flat	12.5% flat
Other charges (Insurance)	0.60% (for client & spouse)	0.60% (for client & spouse)
Processing Fees	1%	1%
Registration Fees	Rs25	Rs25
Security deposit / risk contribution	Nil	Nil

Highlights

Strengths:

- Unified Code of Conduct is customized as per the mission and vision of the organization and displayed in all branch offices and HO.
- The field staffs (Credit Officers and Branch Managers) are well aware of the Code of Conduct and RBI guidelines on lending practices.
- 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.
- Data sharing with credit bureau.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Internal Audit checklist does have code of conduct compliance.
- Pricing data is transparent, information available publicly. (Shared with MFT & Mix)
- MIS software known as BIJLI (local software provider) is in place at HO and branch level.
- Client drop-out survey and its analysis incorporated in the system but focus should be given on taking steps to address the reasons.
- Associated with Indian Chambers of Commerce
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as health (eye camps), education grants for the members' children and plantation of trees.

Areas to Strengthen:

- Refresher training on Code of Conduct needs to be conducted regularly.
- There is a system for Grievance Redressal Mechanism for the clients at the Head Office but it seems to be loosely followed, strong focus should be on proper documentation of grievances/feedback and time taken for resolving it and strengthening the system.
- Dedicated customer care helpline number does not exist. However, the office landline number is printed in the member passbooks for grievance redressal.
- Internal Audit checklist does have code of conduct compliance.
- Mechanisms to assess client awareness on a regular basis to be incorporated.
- Client targeting criteria exist but tools for poverty targeting are not used.
- No code of conduct compliance report presented and discussed in Board meeting.

Code of Conduct Assessment Report for Uttrayan Financial Services Private Limited

Summary of the study

The overall grade obtained by Uttrayan Financial Services Private Limited is A, with a composite score of **3.01**, which indicates that the organization has good appraisal systems, transparent pricing policies to ensure alignment and adherence to a developed Code of Conduct. Proper visibility/dissemination of code of conduct present in all the branch offices. The client comprehension across Uttrayan Financial Services Pvt. Ltd. is good. More could be done to improve the staff training and awareness on Code of Conduct, proper staff induction system with dedicated modules, diversity in products and services offered with annual review of the products and services, strengthening the HR system, client feedback mechanisms and composition of the Board.

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

Baseline Results for Uttrayan Financial Services Private Limited		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	3.09	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	2.75	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.29	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.42	<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	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	2.95	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default
Feedback Mechanisms	3.00	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys

Baseline Results for Uttrayan Financial Services Private Limited		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Staff Conduct	2.77	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	2.67	<ul style="list-style-type: none"> • Responsibility • Member experience/ exposure/ reputation in MF • Composition • Role • Code of Conduct Compliance Report • Member attendance in meeting
Human Resource	3.38	<ul style="list-style-type: none"> • Field staff experience/ exposure in MF • Recruitment • Staff Exit • Complaint Redressal

Code of Conduct Assessment Tool Results

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

1. Code of Conduct	Score 3.09
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. is customized 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 local language and English and included in all the documents (manuals, brochures, client materials). 	
c. Training	
<ul style="list-style-type: none"> • There is no exclusive training programme on Code of Conduct for the staff. However, during on-the-job training, the staff are briefed about the Code of Conduct and its aspects. The compliance of these aspects is also verified during their interaction with clients. The elements of Code of Conduct are covered in the training programs for Regional Managers and Internal Audit team. 	
d. Refresher	
<ul style="list-style-type: none"> • There is no refresher training on code of conduct. 	
e. Awareness	
<ul style="list-style-type: none"> • The frontline staffs including the Credit Officers and Branch Managers were aware of the Code of Conduct and its aspects. Around 80% 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 70% clients have very good understanding of overall code, details, and expectations. 	

2. Market Entry	Score 2.75
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. Clients having income of at least Rs3,000 monthly and having good repayment capacity for loans availed for consumption and small business activities are the target group.	
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 potentiality of the area / village with approachable road, political / criminal record and presence of banks.	
c. Saturation	
<ul style="list-style-type: none">• During the market identification procedure, Uttrayan Financial Services Pvt. Ltd. does identify the number of MFIs working in the potential market and accordingly takes a decision; if two or more 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 Uttrayan Financial Services Pvt. Ltd., – Branch Manager, Regional Manager, and finally by Divisional Manager.	

3. Appraisal Process	Score 3.29
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 CO, they fill the individual loan application form for evaluation, followed by Compulsory Group Training (CGT) by the CO. 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 CO; 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, minimum loan size and also the repayment capacity. 	
d. Loan History	
<ul style="list-style-type: none"> • Loan history of the client also captured in the loan application form and it is checked and kept available during and throughout the appraisal process. 	
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 and approved accordingly. 	
g. Verification	
<ul style="list-style-type: none"> • Separate Audit team exist in the organization conducts audit of all the branch offices on a quarterly basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents, adherence to code of conduct by the field staff, compliance to RBI guidelines 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. 	

4. Client Comprehension	Score 3.42
<p>Key Elements: Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training</p>	
<p>a. Client Review Time</p>	
<ul style="list-style-type: none"> • 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. 	
<p>b. Explanatory Channels</p>	
<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 CO during CGT, BM at the time of field verification (GRT) 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. 	
<p>c. Awareness</p>	
<ul style="list-style-type: none"> • There is no formal mechanism to assess clients’ awareness levels. 	
<p>d. Disclosure of Price and Terms</p>	
<ul style="list-style-type: none"> • The price and terms of the loan are clearly disclosed to all the clients during their personal form filling, 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. 	
<p>e. Rights and Obligations</p>	
<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 are focussed on. 	
<p>f. Staff Training</p>	
<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 2.60
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 fees and insurance charges, a registration fee of Rs25 is charged 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. 	
c. Diversity	
<ul style="list-style-type: none"> • Uttrayan Financial Services Pvt. Ltd. has two loan products which can be broadly classified into two (Small Loan and Medium Loan). Although both of the loan products are almost same, the main differentiating factors are the loan size and loan tenure. 	
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, accompanied by the spouse, 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 by Life Insurance Company of India. 	

6. Pricing	Score 2.95
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 and also in terms of interest amount per Rs100. Shares data with MIX and MFT. 	
c. Fees	
<ul style="list-style-type: none"> • Uttrayan Financial Services Pvt. Ltd. charges three types of fees i.e. Loan processing fees of 1% of the loan amount and insurance fee of 0.6% of the loan amount and a registration fee of Rs25 to all clients who are joining the programme (one time). 	
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 during the tenure of the loan. 	
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 and 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 to higher authority on monthly basis. Few cases of default were observed in the field. 	

7. Feedback Mechanisms	Score 3.00
<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, two level feedback mechanisms exist. Head Office phone number is used by the organization as client helpline number and Complaint Box exists in the branch offices where clients are free to write / drop their feedback. 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 in client awareness and client relations in different formats including role plays and citing examples. 	
<p>c. Client Awareness</p>	
<ul style="list-style-type: none"> • Almost 80% of the clients have shared that there were no complaints and that they are aware of the contact numbers given on the loan card. Clients are well-versed in critical feedback and know that it is their right and obligation to express a complaint; they can identify the branch manager and can locate the office. 	
<p>d. Usage</p>	
<ul style="list-style-type: none"> • Feedback mechanism is frequently used by clients across different branch offices. However, few clients have used the complaint number for queries related to sanction of loans. 	
<p>e. Checking</p>	
<ul style="list-style-type: none"> • 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 period. However, this need to be strengthened and the mechanisms must be followed comprehensively. 	
<p>f. Staff Resources</p>	
<ul style="list-style-type: none"> • For client feedback mechanism, there is adjunct responsibility of 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 but no analysis has been done. 	

8. Staff Conduct	Score 2.77
Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default	
a. Rule Book	
<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 ✓ Residential facilities for the branch office staffs 	
b. General Training	
<ul style="list-style-type: none"> • There is no dedicated session / module that demonstrate acceptable and unacceptable conduct for different tasks. However, the staff are given 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. 	
c. Induction	
<ul style="list-style-type: none"> • All the staff, especially the Credit Officers, undergoes 3 day’s induction programme on (on their roles, responsibilities and operational structure) and subsequently one day field training. The new CO then shadows an existing CO to understand the systems and processes followed by the Uttrayan Financial Services Pvt. Ltd., 	
d. Evaluation	
<ul style="list-style-type: none"> • Field staff are evaluated on an annual basis and salaries are paid based on the performance. There are harsh punishments, like termination, if the staff are found to be behaving in any unaccepted manner. At the same time, there exist rules for promotion and increments. Most of the Branch Managers are promoted from Credit Officer within the organization. 	
e. Review of Conduct	
<ul style="list-style-type: none"> • Evaluation of the field staff as well as branch personnel is done by his / her superior, followed by the HR department at the Head office. 	
f. Incentive / Disincentive	
<ul style="list-style-type: none"> • Incentive and disincentives is based on the performance of the staff. Rewards and Penalties are specified and implemented based on the performance of the staff. 	
g. Recovery / Default	
<ul style="list-style-type: none"> • In operation manual of Uttrayan Financial Services Pvt. Ltd, 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 (approximate) is mentioned in the operation manual for collection of the defaults. 	

9. Governance	Score 2.67
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. Board of Uttrayan Financial Services Pvt. Ltd. is good, each individual member is assigned their work and is performed 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 three members, two members of the board have extensive experience and expertise in microfinance in field activity, finance, accounts, operations and monitoring. The third 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 three members, viz., Mr. Kartick Biswas, Director; Mr. Apu Dhar, Director; and Mr. Bijon Kanti Chowdhury – Non Executive Director. 	
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 joint responsibility of the Directors, Mr. Kartick Biswas and Mr. Apu Dhar. 	
e. Code of conduct compliance report	
<ul style="list-style-type: none"> • No separate Code of Conduct compliance report is prepared and presented in the board. 	
f. Members’ attendance in meeting	
<ul style="list-style-type: none"> • The average percentage of attendance of board members in board meetings is 75%. 	

10. Human Resources	Score 3.38
<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 % of the COs are experienced and have good exposure on Microfinance. On an average more than 2 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 newspaper and word of mouth for field staff. Proper recruitment process is followed for each level of staff – written, public speaking test and personal interview. Recruitment is conducted with reference checks. Only COs are recruited at the field level and at different designations at the HO level. 	
<p>c. Staff Exit</p>	
<ul style="list-style-type: none"> Staff exit interview conducted for all the staff and modifications in the systems and processes, taken thereof. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> There is an informal system for Complaint Redressal for the employees in the organization. While interaction with the field staff it was observed that in case of any grievance employees can reach the higher authority within the organization without any apprehensions and if required, can use the office landline number to share their feedback and grievances. 	

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 Rate on loans: Uttrayan Financial Services Pvt. Ltd. Have categorized their products into Small Loan and Medium Loan. The interest rate of Small Loan is 12.5%, flat for a tenure of 52 weeks which translates into 26% on declining balance basis and for Medium Loan, the rate of interest is 12.5% flat for a tenure of 104 weeks which translates into 26%.
- 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): Uttrayan Financial Services Pvt. Ltd. is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charge is 0.6% for clients and spouse paid directly to Insurance companies. Apart from these two charges Uttrayan Financial Services Pvt. Ltd. charges an one time registration fees of Rs25 for new joinee members.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: Uttrayan Financial Services Pvt. Ltd. is not collecting any prepayment charges. They collect interest for that week during which prepayment is being made. Uttrayan Financial Services Pvt. Ltd. is not collecting any security deposit for the loans.
- 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 is rural and urban areas is debatable since they do not have fixed monthly income. Their income is seasonal and is dependent on several factors. The household income of the clients visited under the study was mixed. The household income of all the clients visited was under permissible amount stipulated by RBI.
- f) Total indebtedness of borrower not exceeding Rs50,000: Uttrayan Financial Services Pvt. Ltd. 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 evident from their inclusion of Credit Bureau checks in their appraisal process.
- g) Tenure of loan not being less than 24 months: The products and services offered by Uttrayan Financial Services Pvt. Ltd. have loan tenure of less than 24 months (52 weeks-repayment tenure 45 weeks and moratorium period of 7 weeks) for amount upto Rs15,000. For loans above Rs15,000, the tenure is not less than 24 months (104 weeks - repayment tenure 90 weeks and moratorium period of 14 weeks) which are as per the guidelines of RBI.

Overall, Uttrayan Financial Services Pvt. Ltd. is compliant on the RBI guidelines issued. However, the registration fees of Rs25 charged for every new member need to be discontinued.

Conclusion

Uttrayan Financial Services Pvt. Ltd. has achieved a composite CoCAT score of 3.01 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.
- The field staffs (Credit Officers and Branch Managers) are well aware of the Code of Conduct and RBI guidelines on lending practices.
- 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.
- Data sharing with credit bureau.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Internal Audit checklist does have code of conduct compliance.
- Pricing data is transparent, information available publicly. (Shared with MFT & Mix)
- MIS software known as BIJLI (local software provider) is in place at HO and branch level.
- Client drop-out survey and its analysis incorporated in the system but focus should be given on taking steps to address the reasons.
- Associated with Indian Chambers of Commerce
- Many social interventions are carried out for the welfare of the needy people for their primary needs such as health (eye camps), education grants for the members’ children and plantation of trees.

Areas to Strengthen:

- Refresher training on Code of Conduct needs to be conducted regularly.
- There is a system for Grievance Redressal Mechanism for the clients at the Head Office but it seems to be loosely followed, strong focus should be on proper documentation of grievances/feedback and time taken for resolving it and strengthening the system.
- Dedicated customer care helpline number does not exist. However, the office landline number is printed in the member passbooks for grievance redressal.
- Internal Audit checklist does have code of conduct compliance.
- Mechanisms to assess client awareness on a regular basis to be incorporated.
- Client targeting criteria exist but tools for poverty targeting are not used.
- No code of conduct compliance report presented and discussed in Board meeting.

Average Score	Rating	Grade
3.01	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: 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; 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.