



SMERA
Code of Conduct
Assessment

C1

*(Excellent performance of
the MFI on Code of
Conduct dimensions)*

SMERA Code of Conduct Assessment

Janakalyan Financial Services Private
Limited (JFSPL)



To verify the grading, please scan the QR Code

Date of Report:
18th December, 2023
Valid Till:
16th December, 2024

SMERA's Code of Conduct Assessment Grading Scale

Grading Scale	Definitions
C1	Excellent performance of the MFI on Code of Conduct dimensions
C2	Good performance of the MFI on Code of Conduct dimensions
C3	Average performance of the MFI on Code of Conduct dimensions
C4	weak performance of the MFI on Code of Conduct dimensions
C5	Weakest performance of the MFI on Code of Conduct dimensions

*Assessment on Code of Conduct has been done on the indicators pertaining to **Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing**. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on **Integrity and Ethical Behaviour** and **Sensitive Indicators**.*

Conflict of Interest Declaration

SMERA (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of the SMERA have been a member of the Board of Directors of the MFI for a period of 12 months preceding the date of the comprehensive grading.

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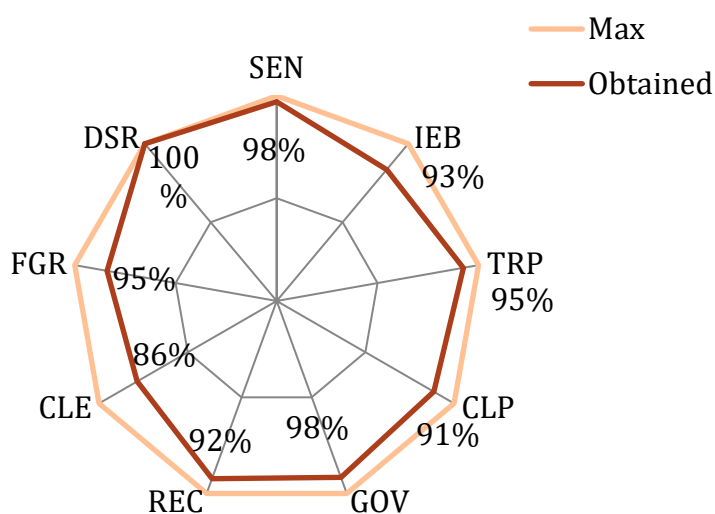
Historical Rating Grades

Date	Rating Agency	Rating/Grading
March 02, 2023	Acuite Ratings & Research Limited	BBB-
April 21, 2022	Acuite Ratings & Research Limited	BBB-
Dec 29, 2022	SMERA	M3C2
Feb 28, 2022	SMERA	C2
November 29, 2021	SMERA	M3
March 31, 2021	SMERA	C2
January 20, 2021	Acuite Ratings & Research Limited	BB+
November 28, 2020	SMERA	M3
October 31, 2019	Acuite Ratings & Research Limited	BBB-
January 17, 2020	CARE	MFI 3+

Code of Conduct Assessment Score

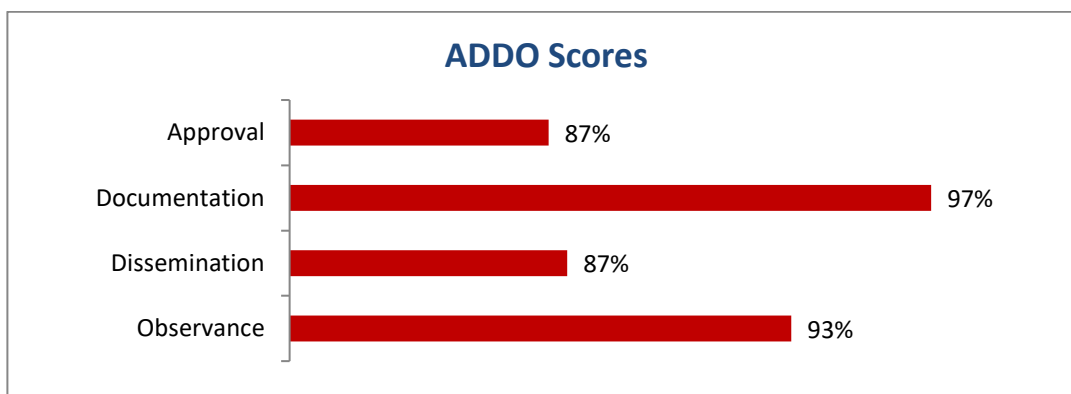
COCA Grading - C1 (Excellent Performance on Code of Conduct dimensions)

COCA Dimension Scores



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	98%
Integrity and Ethical Behavior	IEB	93%
Transparency	TRP	95%
Client Protection	CLP	95%
Governance	GOV	98%
Recruitment	REC	92%
Client Education	CLE	86%
Feedback & Grievance Redressal	FGR	95%
Data Sharing	DSR	100%



JFSPL with an overall grade of “C1” indicate **Excellent Performance on Code of Conduct dimensions.**

Code of Conduct Assessment Summary

The Code of Conduct report for Janakalyan Financial Services Private Limited (JFSPL) evaluates the entity's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behaviour
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

SMERA believes that JFSPL exhibits **Excellent** performance on COCA dimensions. This document details SMERA's approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring JFSPL's adherence towards ethical operational practices.

Company Profile

Name of the MFI	:	Janakalyan Financial Services Private Limited (JFSPL)	
Operational Head – Microfinance Business	:	Name	Mr. Debdulal Ghosal
	:	Designation	Sr. Vice President & Head – Operations
	:	Mobile No.	9007266359
	:	Email ID	debdulal.ghosal@janakalyan.net
	:	Date of Joining	May 20, 2022
Date of Incorporation/Establishment	:	July 27, 2016	
Date of commencement of microfinance business	:	March 2017	
Legal Status	:	NBFC – MFI	
Business of the company	:	Microfinance lending to Joint Liability Groups (JLG) Model	
Correspondence Address	:	CD-193, Sector-1, Salt Lake City, Kolkata- 700064	
Geographical Reach (As on 31/July/2023)	:	No. of States	6
	:	No. of Districts	22
	:	No. of Branches	75
	:	No. of Active Borrowers	80,718
	:	No. of Total Employees	405
	:	No. of Field/Credit Officers	247
No. of Lenders	:	15	
Statutory Auditors	:	SRB & Associates	

Janakalyan Financial Services Private Limited herein referred as JFSPL commenced microfinance operations in the month of March, 2017 as an NBFC-MFI. The company has adopted Joint Liability Group (JLG) model, primarily with women as members / borrowers. The company has taken over the microfinance operation of Sreema Mahila Samity (SMS) in the month of April 2017.

As on July 31, 2023 JFSPL has total AUM of Rs.169.43 Cr. including own portfolio of Rs.94.50 Cr. and Manage portfolio of Rs.74.93 Cr. JFSPL has moved its operations to 6 states over the years and has increased no. of branches to 75 in 22 districts of 6 different states. More than 60% of the portfolio is concentrated in West Bengal. However, no district has accounted for greater than 5% of the company's total loan book.

Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Kalyan Loan	Loan for Income Generating Activity	10,000-50,000	26.50	1.50	28.00
Swachh Loan (Water & Sanitation)	Water & sanitation Purpose	20,000-30,000	26.00	1.50	27.50
BC/Co-lending Loan	Loan for Income Generating Activity	15,000-75,000	23.00 to 27.00	1.00 to 1.50	24.00 or 24.50 to 28.00 or 28.50

Capital Structure as of 31/Mar/2023

Authorized Capital	Rs. 50.00 crore
Paid Up Capital	Rs. 25.35 crore

Shareholding Pattern (as on 31/Mar/2023)

Name of Proprietor/ Partner / Shareholders	Shares in %
S K Mitra	21.70
SIDBI TRUSTEE COMPANY LIMITED-A/C SAMRIDHI FUND	18.44
Sun Tech City Private Limited	12.64
Alok Biswas	9.00
Loknath Agarwalla	6.36
Susim Mukul Datta	5.46
Others	26.40
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. S.K.Mitra	<p>He started his professional career in commercial banking since 1974 spanning over 40 years, of which he spent the first 20 years with the State Bank of India. Was handling wide-ranging roles including assignments in Branch Banking, Retail Banking, SME and Large Corporate Credit. Subsequently, he joined UTI Bank (Axis Bank) and served in various roles as, Zonal Head, Eastern Zone, President and National Head (Rural Banking and Financial Inclusion).</p> <p>Post retirement from Axis Bank, Mr. Mitra joined Bandhan Bank as Business Head to assist in the transformation of the NBFC to a Scheduled Universal Bank in August, 2015.</p>
Designation:	Chairman	
Qualification:	B.Sc (Hons), PGDBM and CAIIB	
Name:	Mr. Alok Biswas	<p>He started his career with Canara Bank (1989-1993) and worked in rural credit in remote villages of West Bengal. Subsequently, he joined Indian Bank as Probationary Officer in June 1993 and worked there till 2001 to join UTI Bank/ Axis Bank. Worked in all areas of banking, like Credit, Forex, Liabilities, Operation, Compliance, etc., including Corporate Credit. His last assignment in Axis Bank was that as the Vice President & Cluster Head, in charge of the state of Odisha, Chhattisgarh and Jharkhand.</p> <p>He subsequently moved into the microfinance Sector and set up Jagaran Microfin Private Limited in 2010, where he was the Founding Managing Director. He steered the growth of the company for five years and thereafter left in order to promote Janakalyan.</p>
Designation:	Managing Director & CEO	
Qualification:	B. Com (Hons), C.A.I.I.B, PGDM (XIMB), Diploma in Microfinance from IIBF, Mumbai	
Name:	Mr. Atanu Sen	<p>Mr. Atanu Sen served State Bank of India for a period of 37 years from where he retired in 2014 as MD & CEO of SBI Life Insurance. He had earlier served as the Bank's DMD and Chief Credit and Risk Officer and as Chief General Manager of Mumbai Circle. Mr. Sen has wide-ranging experience in commercial banking and finance including Credit and Risk Management, Infrastructure financing,</p>
Designation:	Independent Director	
Qualification:	Post Graduate in Economics (C.U)	

		International Banking and Banking Operations and Administration.
Name:	Mr. Asok Kumar Das	Mr. Asok Kumar Das has been a career banker and amongst the positions held by him during his long illustrious career are that of Deputy Managing Director, State Bank of India; Managing Director, State Bank of Patiala and Executive Director, SBI European Bank, London. Post superannuation from SBI, he held the positions of Director of Institutional Finance, Government of West Bengal and Ex-Officio Special Secretary (Finance), Government of West Bengal and Managing Director of WBIDFC.
Designation:	Additional Director	
Qualification:	CAIIB, M. A. (Economics)	
Name:	Mr. R V Dilip Kumar	He is working as SVP & CFO in SIDBI Venture Capital Limited. He has been with SIDBI Venture Capital Limited (SVCL) since its inception in 1999 and was part of the core team which had set up SIDBI Ventures, SIDBI Trustee Company and NFSIT. He represents SVCL on the Boards of some portfolio companies, where he has played an active role in building up systems and processes. Prior to joining SVCL in 1999, he was with SIDBI for nearly 8 years with experience in credit appraisal, accounts and audit functions.
Designation:	Nominee Director	
Qualification:	M.Com. AICWA, CS(Inter), PGDBA, and CAIIB	

SMERA Observations:

- JFSPL has five-member board. Board members have adequate experience in microfinance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.

Management Profile

Management Details		Profile
Name:	Mr. Alok Biswas	<p>He started his career with Canara Bank (1989-1993) and worked in rural credit in remote villages of West Bengal. Subsequently, he joined Indian Bank as Probationary Officer in June 1993 and worked there till 2001 to join UTI Bank/ Axis Bank. Worked in all areas of banking, like Credit, Forex, Liabilities, Operation, Compliance, etc., including Corporate Credit. His last assignment in Axis Bank was that as the Vice President & Cluster Head, in charge of the state of Odisha, Chhattisgarh and Jharkhand. He subsequently moved into the microfinance Sector and set up Jagaran Microfin Private Limited in 2010, where he was the Founding Managing Director. He steered the growth of the company for five years and thereafter left in order to promote Janakalyan.</p>
Designation:	Managing Director & CEO	
Qualification:	B. Com (Hons), C.A.I.I.B, PGDM (XIMB), Diploma in Microfinance from IIBF, Mumbai	
Name:	Mr. Arup Kumar Dutta	<p>He Has 27 years of experience in the financial sector. His last assignment was with Utkarsh Small Finance Bank as Head-Liabilities where he played a key role in its transformation from NBFC-MFI into a SFB. Previously, he has worked with Axis Bank in senior profiles in retail and corporate banking and UTIAMC.</p>
Designation:	Chief Financial Officer	
Qualification:	He graduated with Honours in Economics, standing First Class First and was awarded the National Scholarship. He subsequently post graduated in Public Administration and later earned PGDBM (IISWBM, Kolkata), PGCHRM (XLRI, Jamshedpur, Gold Medallist) and JAIIB (IIB&F, Mumbai)	
Name:	Mr. Sudhir Ghosh	<p>He has over 18 years of experience in microfinance acquired during stints with Bandhan MFI and Jagaran Microfin.</p>
Designation:	Vice President Operations	
Qualification:	He is an Arts Graduate (B.A.)	
Name:	Mr. Utpal Kumar Bose	<p>He has more than 3 decade of banking experience. His last employer was Jagaran Microfin as DGM-process Compliance, HR & Admin</p>
Designation:	Head – Compliance	
Qualification:	He is Science graduate from Calcutta University	
Name:	Mr. Debdulal Ghosal	<p>He has Over 20 years of experience in</p>

Designation:	Sr. Vice President & Head – Operations	microfinance acquired during stints with Bandhan MFI and Jagaran Microfin.
Qualification:	He is graduate from Burdwan University. He has completed Masters in Business Administration (HR)	
Name:	Mr. Monoranjan Roy	He has more than 35 years of experience with Reserve Bank of India. Lastly, he was worked as AGM in RBI.
Designation:	Head -Accounts	
Qualification:	He is a first-class Masters in Commerce from University of Calcutta. He is a qualified Cost Accountant. He is also as Associate Member of Institute of Costs and Works Accounts of India i.e. AICWA. Now the same is renamed as ACMA. He is a Certified Associate of Indian Institute of Bankers (CAIIB) from Indian Institute of Banking and Finance and is a life member of the Institute	
Name	Mr. Sukumar Biswas	Has more than 30 years of on the ground microfinance experience with BRAC, Bandhan MFI and Head of Operations at Jagaran Microfin.
Designation	Sr. Vice President & Head – HR, Admin & Training	
Qualification:	M.Com (Accounting)	
Name	Mr. Palash Saha	He has more than a decade’s experience in microfinance business, acquired during his stints with Sreema Mahila Samity
Designation	Zonal Head – Central Zone	
Qualification:	He is a Post graduate from Burdwan University	
Name	Mr. Abhijit Sarkar	Over 17 years of experience in microfinance acquired during stints with Uttrayan MFI and Jagaran Microfin.
Designation	Assistant Vice President-Operations	
Qualification:	Graduate in Arts.	
Name	Mr. Ajoy Sarkar	He has over 20 years of experience working in microfinance acquired during stints with Sreema Mahila Samity.
Designation	Zonal Head-Ranaghat Zone	
Qualification:	Graduate from Calcutta University	
Name	Ms. Nikita Sureka Roy	She has worked for 6 years with Kamini Finance & Investment Company Ltd as Company Secretary.

SMERA Observations:

- JFSPL's senior management has adequate experience across sectors such as Microfinance, Banking, finance, HR and IT.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- JFSPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

Compliance with RBI's Directives for MFIs

RBI's Direction	JFSPL's Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms 84.00% of total assets as on 31/Mar/2023.	Complied
Net worth to be in excess of Rs 5 Crore	Net owned fund of JFSPL is excess than the RBI stipulated criteria.	Complied
MFIs will have to ensure compliance with relating to as a collateral-free loan Given to a household having annual household income up to ₹3,00,000.	JFSPL check and took a declaration from borrowers for the total household income in their membership form and the total indebtness may check from credit information bureau and also in their meetings with Customers.	Complied
Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.	JFSPL conducts credit check on the loans outstanding through credit bureaus and follow same guideline prescribed by the RBI.	Complied
Pricing guidelines are to be followed	Loans are provided at a range of 26.50% on reducing balance basis based on the board approved policy w.e.f May 08, 2023.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client.	Complied
Not more than two MFIs lend to the same client	JFSPL verifies the same though credit check from credit bureaus.	Complied

RBI's Direction	JFSPL's Status	Compliance
RBI has relaxed the pricing norms for NBFC-MFIs and Provides each MFI should place a board-Approved policy regarding pricing of microfinance loans.	JFSPL is charging processing fee of 1.50% (excluding GST) on the disbursed loan amount plus applicable GST as per board approved policy.	Complied
Collateral free loans	JFSPL does not accept any Collateral for extending the credit.	Complied

MFIs shall not collect any Security Deposit / Margin from the borrower.	JFSPL does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	JFSPL does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	JFSPL shares its client data with CRIF Highmark, Equifax, Experian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	JFSPL provides more than 78.78% of total loans for income generation activities as on 31/Mar/2023.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	CRAR of JFSPL stood at 44.55% as on 31/June/2023 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. JFSPL does not have any exposure in Andhra Pradesh.	Complied
The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more'.	The statutory auditor has certified the appropriate provisions have been made.	Complied

Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Board with rich experience from Microfinance and finance background. • Experienced and qualified management with more than a decade of experience in MFI industry. • Transparency in loan pricing and policies. • Adequate software-based MIS to handle current scale of operations. • Awareness among the staff on RBI compliance was found to be moderate to high. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. • JFSPL provides sanction letter with all terms and conditions of the loan including annualized interest rates to the clients. • Code of Conduct framed as per the JFSPL's mission, vision, values and displayed in all branch offices & HO. • Membership with MFIN. • Credit policies are well established documented and communicated. • Adequate loan appraisal & monitoring systems. • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Data sharing with all four credit bureaus i.e. CIBIL, Experian, Equifax and High Mark. 	<ul style="list-style-type: none"> • Awareness among client on Interest rate & Insurance claim settlement process was found to be moderate.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • The MFI have the policy to place reports on COC compliance before the board. • Audit findings related to grievance and field audit are presented to the board. • Board has approved a policy of recovering delinquent loans. • Defined policy on time frame and process for client's complaint resolution. • Framed client protection included policies on expected staff conduct with employees. • JFSPL has a documented policy when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year. • In all the branches visited, the contact number and address of Sa-Dhan nodal official was properly displayed. • Awareness among staff on SRO Grievance Redressal mechanism was found to be moderate to high. • Fixed Component compensation of staff is not impacted in event of overdues. JFSPL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.
Sensitive Indicators	<ul style="list-style-type: none"> • Clients interviewed were moderately aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • JFSPL shares accurate data with all credit bureaus on a frequency prescribed by Sa-Dhan. • JFSPL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. The organization also has a well-documented policy on pre-payments. • The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.

BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> • Awareness among the staff on RBI guidelines was found to be moderate to high. • JFSPL has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages. • Circulars with the most recent directions were available in the visited branches. • JFSPL's in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • The loan interest rate and processing fees is mentioned on the loan passbook provided to the client. • Clients interviewed were moderately aware of the charges and price for all services availed. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • JFSPL displays the details of the loan products including their interest rates and client grievance redressal system on its website. • JFSPL issues sanction letters to the clients. • JFSPL issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates. • Previous financial year annual financial statement and report is available in the public domain; Code of conduct compliance report of last financial year of JFSPL is available in the company website.
Client Protection	<ul style="list-style-type: none"> • JFSPL has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behavior with the clients. • JFSPL has documented policy on client data security which forms part of its fair practice code. • JFSPL does not take written consent of the client for third party disclosures and does not offer Non-credit products to its clients. • JFSPL has framed a Fair Practice Code and has also adopted the RBI fair practices code. • Employees are trained on aspects of appropriate behavior with the clients. • Staffs were found to be aware of the need to have professional conduct with the clients.

<p>Governance</p>	<ul style="list-style-type: none"> • MFIs maintain high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body. • JFSPL has more than 1/3rd of independent persons in its Governing Board. • JFSPL discloses its MD's compensation in its audited reports (Ref. Audit Report 2023). • An audit committee of the Board with an independent director as chairperson. • The MFI has got its accounts audited in a timely manner after the end of the most relevant financial year. • No adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • Action taken report based on the last audit report was available in the branches visited. • Staff satisfaction related to compensation and incentive is not covered under scope of Internal Audit.
<p>Recruitment</p>	<ul style="list-style-type: none"> • JFSPL's board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it. • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year; however, the same is not documented in Operational Manual.
<p>Client Education</p>	<ul style="list-style-type: none"> • JFSPL in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services • JFSPL does not charge clients for the trainings provided to clients, itself or through a related party. • Awareness among client on annualized Interest rate & Insurance claim settlement process was found to be moderate.
<p>Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • The Board has approved a policy for redressal of its clients' grievances, which requires board to be updated on the functioning of grievance redressal mechanism. • MFI does not prepare monthly reports about the number, nature and resolution of grievances and feedback received for management review. • JFSPL has a policy on time frame and process for client's complaint resolution.

	<ul style="list-style-type: none"> • Clients were found to be aware of the helpline number. • Feedback mechanisms are regularly tracked and monitored. • In all the branches visited, the contact number and address of Sa-Dhan nodal official was properly displayed. • Grievance Register was available in the branches; however very limited records were observed in the registers of the visited branches. • Awareness among client and staff on Sa-Dhan grievance redressal mechanism was found to be moderate to low. • Dedicated team at HO level to document and follow up on the client complaints.
<p style="text-align: center;">Data Sharing</p>	<ul style="list-style-type: none"> • Operational and financial data for FY 2023 is available on the website of JFSPL. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called for by Sa-Dhan and RBI as and when required as per compliance. • JFSPL shares accurate data with all credit bureaus on a frequency prescribed by Sa-Dhan. • JFSPL performs compulsory credit bureau checks for all its clients.

COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions were identified by reviewing the various norms for ethical finance. These included RBI’s fair practices guidelines for Non-Banking Financial Companies, industry code of conduct (Sadhan-MFIN) and Smart Campaign’s Client Protection Principles (CPP).

In 2016, need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

Highest Order	
Sensitive Indicators	
Higher Order	
Integrity & Ethical Behaviour	
Building Blocks	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

Chart: COCA Indicators Framework

Number of indicators in each category is presented below

Higher Order Indicators	Number of Indicators
Integrity and Ethical Behaviour	32
Sensitive indicators	26
Building Blocks	Number of Indicators
Transparency	40
Client Protection	122
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
Total	250

Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise.

MFI Size	No. of branches to be visited	No. of borrowers to be visited
Small MFI (Less than 8 branches)	All branches	15 clients per branch covering minimum two centers.
Small / Mid-size MFI (up to 2,50,000 borrowers)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP) > Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 clients (20 clients per branch covering minimum two centers).

Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office. particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branches for review. The branches are chosen in across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.
6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations for collecting information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

Sr No	Branch	State	No of clients interviewed
1	Lauhati	West Bengal	15
2	Ghatakpur		20
3	Duttapulia		22
4	Kaikhali		24
5	Matikumra		23
6	Bongaon		21
7	Bishnupur		19
8	Mamudpur		22
Total			166

About SMERA Ratings

SMERA, widely known as 'The SME Rating Agency', was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world's first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

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