

**CONFIDENTIAL**



# **Code of Conduct Assessment Report**

**SEBA-RAHARA**

**January 2013**

**Conducted by:**

**ACCESS ASSIST**

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**For:**

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## Disclaimer

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SEBA-RAHARA		
<b>Legal Form</b>	Society	
<b>Date Established Initiation of Operations</b>	March 28, 2006	
<b>Operational Area</b>	<p>SEBA-RAHARA was registered as a Society on March 28, 2006 under West Bengal Societies Registration Act, 1961, with a mission “to create opportunities for the distressed, disadvantaged and deprived segment of the society with prime focus on poor women”.</p> <p>SEBA-RAHARA emerged as a microfinance institution formed for the betterment of the poor community in general and women in particular, and considers it a prime focus in its operations. SEBA-RAHARA started its microfinance services in the month of June 2006, with disbursement of loans in groups. In the last few years of operations, it has developed a good operational structure and understanding of clients’ financial needs.</p>	
<ul style="list-style-type: none"> <li>Two districts of West Bengal</li> </ul>		
<b>Services and Products offered</b>		
<ul style="list-style-type: none"> <li>Income Generating Loan</li> </ul>		
<b>Lending Model</b>		
<ul style="list-style-type: none"> <li>Group</li> </ul>		
<b>Average Score</b>	<b>Rating</b>	<b>Grade</b>
3.03	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Key Performance Indicators (Institutional reporting)				
	2009-10	2010-11	2011-12	Apr-Sept 2012
Number of Groups	409	648	634	640
Total number of Clients	7,662	11,487	11,142	11,688
Total number of Active Clients (loanee)	6,782	10,080	9,763	9,925
Total Savings mobilized (of SHGs) (Rs. in Lakhs)	NA	NA	NA	NA
Share Capital (Rs. In Lakhs)	78.49	112.76	158.76	184.11
Average Savings mobilized per member per month	NA	NA	NA	NA
Average Savings per SHG (in Rupees)	NA	NA	NA	NA
Total Loan outstanding (Rs. In Lakhs)	248.41	468.08	590.30	618.61
Average Loan Outstanding (in Rupees)	3,663	4,644	6,046	6,233
Total External Loan outstanding (Rs. in Lakhs)	135.78	336.91	418.54	493.40
Rate of Interest charged (by the NGO/MFI)	11% Flat	12.5% Flat	25.97% Reducing	25.97% Reducing
Rate of Interest (other MFI, FI)	10% Flat	10% Flat	24% Reducing	24% Reducing
Repayment Rate (Internal)	99.74%	99.59%	99.57%	99.50%
Repayment Rate (External)	100%	100%	100%	100%
No of Villages	227	327	341	335
No of Districts	1	2	2	2
No of States	1	1	1	1
No. of Branch Offices	6	10	10	9
No. of Field Offices	6	10	10	9
No. of Field Staff / Credit Officers	16	29	29	27
Portfolio at Risk (>60 Days)	0.86%	0.72%	0.56%	0.48%

<b>Loan Products</b>	
	<b>Income Generating Loan</b>
<b>Clientele</b>	Women
<b>Utilization</b>	Income generation activities
<b>Loan size</b>	Rs1,000 to 12,000
<b>Loan tenure</b>	12 months
<b>Guarantor</b>	Group
<b>Collateral requirements</b>	Group
<b>Repayment</b>	Weekly
<b>Interest rate</b>	25.97% reducing
<b>Other charges (Insurance)</b>	1%
<b>Processing fee</b>	1%
<b>Security deposit / risk contribution</b>	Nil

## Highlights

### Strengths:

- Unified Code of Conduct which is customized as per the mission and vision of the organization and according to the Reserve Bank of India guidelines and displayed in all branch offices and Head Office.
- Strong laid down policies on staff conduct in operation manual.
- Pre-Service Orientation before final selection of Credit Officer which involves four days of field orientation on operations with a report writing to ensure proper recruitment of staff.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Helpline number and branch office compliant box for client feedback/grievances.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with Mix)
- Data sharing with credit bureau.
- Membership with SA-DHAN
- Internal Audit checklist has code of conduct compliance.
- Employee friendly HR policy exists in SEBA-RAHARA which involves a system where the employees have to write a report every month and submit it confidentially to the top management and can approach any senior staff without any apprehensions.

### Areas to Strengthen:

- Refresher training on Code of Conduct needs to be conducted on regular interval to maintain high level of awareness of staff.
- Proper induction system to be incorporated for the new employee at the time of joining at Head Office level.
- Mechanisms to assess client awareness on a regular basis can be incorporated.
- Financial literacy can be provided to the clients to make them understand their household cash flows and planning.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Client drop-out survey / interview exists informally but no analysis has been done.
- Strong MIS software for client data protection.
- No code of conduct compliance report presented and discussed in Board meeting.

## Code of Conduct Assessment Report for SEBA-RAHARA

### **Summary of the study**

The overall grade obtained by SEBA-RAHARA is **A**, with a composite score of **3.03**, which indicates that the organization has good appraisal systems, transparent pricing policies, employee friendly HR policies to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across SEBA-RAHARA is good with defined Code of Conduct practices followed throughout the operations. More can be done on diversifying the credit products with some add on services like health insurance, pension products.

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

<b>Baseline Results for SEBA-RAHARA</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Code of Conduct</b>	<b>3.27</b>	<ul style="list-style-type: none"> <li>• Design</li> <li>• Visibility/ Dissemination</li> <li>• Training (Staff)</li> <li>• Refresher</li> <li>• Awareness (Staff)</li> <li>• Awareness (Client)</li> </ul>
<b>Market Entry</b>	<b>2.75</b>	<ul style="list-style-type: none"> <li>• Criteria for identification</li> <li>• Procedure</li> <li>• Saturation</li> <li>• Due diligence</li> </ul>
<b>Appraisal Process</b>	<b>3.13</b>	<ul style="list-style-type: none"> <li>• Client data collection</li> <li>• Repayment capacity</li> <li>• Debt thresholds</li> <li>• Loan History</li> <li>• Processing time</li> <li>• Approval</li> <li>• Verification</li> </ul>
<b>Client Comprehension</b>	<b>3.25</b>	<ul style="list-style-type: none"> <li>• Client Review Time</li> <li>• Explanatory Channels</li> <li>• Awareness</li> <li>• Disclosure of prices &amp; terms</li> <li>• Rights and obligations</li> <li>• Training (Staff)</li> </ul>
<b>Products and Services</b>	<b>2.45</b>	<ul style="list-style-type: none"> <li>• Design &amp; appropriateness</li> <li>• Review</li> <li>• Diversity</li> <li>• Convenience</li> <li>• Linkages</li> </ul>
<b>Pricing</b>	<b>3.18</b>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Transparency</li> <li>• Fees</li> <li>• Security Deposits</li> <li>• Prepayment</li> <li>• Default</li> </ul>
<b>Feedback Mechanisms</b>	<b>2.75</b>	<ul style="list-style-type: none"> <li>• Existence</li> <li>• Training (Staff)</li> <li>• Client awareness</li> <li>• Usage</li> <li>• Checking</li> <li>• Staff Resources</li> <li>• Client Exit Interviews/ Drop-out surveys</li> </ul>

<b>Baseline Results for SEBA-RAHARA</b>		
<b>Assessment Area</b>	<b>Score (out of 4.00)</b>	<b>Key Elements to be evaluated</b>
<b>Staff Conduct</b>	<b>3.03</b>	<ul style="list-style-type: none"> <li>• Rule Book</li> <li>• General training</li> <li>• Induction</li> <li>• Evaluation</li> <li>• Review of conduct</li> <li>• Incentive/ Disincentive</li> <li>• Recovery/ defaults</li> </ul>
<b>Governance</b>	<b>2.83</b>	<ul style="list-style-type: none"> <li>• Responsibility</li> <li>• Member experience/ exposure/ reputation in MF</li> <li>• Composition</li> <li>• Role</li> <li>• Code of Conduct Compliance Report</li> <li>• Member attendance in meeting</li> </ul>
<b>Human Resource</b>	<b>3.38</b>	<ul style="list-style-type: none"> <li>• Field staff experience/ exposure in MF</li> <li>• Recruitment</li> <li>• Staff Exit</li> <li>• Complaint Redressal</li> </ul>



## Code of Conduct Assessment Tool Results

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

1. Code of Conduct	Score : 3.27
<b>Key Elements:</b> Design, Visibility, Training, Refreshment, Awareness	
<b>a. Design</b>	
<ul style="list-style-type: none"> <li>• The Code of Conduct of SEBA-RAHARA is customized as per the Reserve Bank of India (RBI) guidelines along with the institutional values, mission, vision and expectations.</li> </ul>	
<b>b. Visibility</b>	
<ul style="list-style-type: none"> <li>• Code of Conduct is displayed in all the branch offices as well as in the Head Office in local language and included in most of the documents (operation manual, client materials).</li> </ul>	
<b>c. Training</b>	
<ul style="list-style-type: none"> <li>• There has been an exclusive training program conducted on Code of Conduct for the staff at all levels. However, for the new staff joining as Credit Officer they are briefed during on-the-job training about the Code of Conduct and its aspects by Branch Manager as well as Regional Manager.</li> </ul>	
<b>d. Refresher</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA has made efforts to refresh staff about the Code of Conduct through its monthly staff meetings.</li> </ul>	
<b>e. Awareness (Staff and Client)</b>	
<ul style="list-style-type: none"> <li>• Almost 90% staffs have very good understanding of overall code, details and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects.</li> <li>• Almost 80% clients have very good understanding of overall code, details and expectations.</li> </ul>	

2. Market Entry	Score : 2.75
<b>Key Elements:</b> Identification, Procedure, Saturation, Due Diligence	
<b>a. Identification</b>	
<ul style="list-style-type: none"> <li>• The target segment is distressed, disadvantaged and deprived segment of the society with prime focus on poor women. SEBA-RAHARA works for the betterment of the poor community in general and women in particular, and considers it a prime focus in its operations. Organization has defined a target population (i.e. poorest of the poor) and makes efforts to identify such areas.</li> </ul>	
<b>b. Procedure</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA follows an 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 sources of income, percentage of women employment, transportation facilities, political information, presence of banks, educational institution, literacy level of the population and information on panchayats.</li> </ul>	
<b>c. Saturation</b>	
<ul style="list-style-type: none"> <li>• During the market identification procedure, SEBA-RAHARA does identify the number of MFIs working in the potential market and accordingly takes a decision based on the number of MFIs operating in the area.</li> </ul>	
<b>d. Due Diligence</b>	
<ul style="list-style-type: none"> <li>• Due diligence for new area is done by 3 departments of SEBA-RAHARA – Field Staffs, Divisional Managers and Operation Head at Head Office and gets finally approved by the SEBA-RAHARA board.</li> </ul>	

3. Appraisal Process	Score : 3.13
<p><b>Key Elements:</b> Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<p><b>a. Client Data Collection</b></p>	
<ul style="list-style-type: none"> <li>• The Credit Officer undertakes a survey for a potential area and identifies some interested women who are willing to be a member of the organization. Credit Officer arranges a meeting in a certain place to discuss the important and necessary things related to forming a group. Then a Group is formed with the interested women. 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. Branch Manger rechecks the process.</li> </ul>	
<p><b>b. Repayment Capacity</b></p>	
<ul style="list-style-type: none"> <li>• Repayment Capacity is assessed during the individual primary evaluation by the Credit Officer; critically evaluated by Branch Manager on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities</li> </ul>	
<p><b>c. Debt Thresholds</b></p>	
<ul style="list-style-type: none"> <li>• Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. The loan products are well designed with ranges in different cycles.</li> </ul>	
<p><b>d. Loan History</b></p>	
<ul style="list-style-type: none"> <li>• Loan history of the client also captured in the loan application form and it is checked and kept available during and throughout the appraisal process.</li> </ul>	
<p><b>e. Processing Time</b></p>	
<ul style="list-style-type: none"> <li>• It was observed through the interaction with the staff members and clients in the field that the loan processing time of SEBA-RAHARA is 7-10 days.</li> </ul>	
<p><b>f. Approval</b></p>	
<ul style="list-style-type: none"> <li>• After all the due diligence in the field, all the loan applications are presented and discussed in the loan committee in the branch office and gets approved accordingly.</li> </ul>	
<p><b>g. Verification</b></p>	
<ul style="list-style-type: none"> <li>• Separate Audit team exist in the organization who conducts internal audit for all the branch offices on a quarterly basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending group meetings in one visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to concerned branch office with copies to all concerned in the head office. Internal Audit team also checks the adherence of staffs on code of conduct.</li> </ul>	

4. Client Comprehension	Score : 3.25
<b>Key Elements:</b> Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training	
<b>a. Client Review Time</b>	
<ul style="list-style-type: none"> <li>• In SEBA-RAHARA, the client review time is three week since the terms and conditions of the products and services offered by SEBA-RAHARA are mentioned during the group meeting along with appraisal and evaluation by Branch Manager, post which the loan is sanctioned.</li> </ul>	
<b>b. Explanatory Channels</b>	
<ul style="list-style-type: none"> <li>• In SEBA-RAHARA, there are two channels used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation and written documentation to inform the members.</li> </ul>	
<b>c. Awareness</b>	
<ul style="list-style-type: none"> <li>• During the field visit, it was found that 85% of the clients have a fair idea and knowledge of the rate of interest (flat rate of interest) and the upfront processing fee of 1% of the total loan amount. The awareness is within the literacy limits and maximum clients are aware of the cost of loan.</li> </ul>	
<b>d. Disclosure of Price and Terms</b>	
<ul style="list-style-type: none"> <li>• The price and terms of the loan are clearly disclosed to all the clients during their personal form filling, group meetings, appraisal and disbursement. Whenever there is a change/modification, thorough and detailed with both verbal and written materials are supplied to the client.</li> </ul>	
<b>e. Rights and Obligations</b>	
<ul style="list-style-type: none"> <li>• Identification of group leader is done by the group members whereas SEBA-RAHARA staff acts as a facilitator. The roles and responsibilities of the group leader and clients / members are discussed during the group meetings. The client is given loan if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion.</li> </ul>	
<b>f. Staff Training</b>	
<ul style="list-style-type: none"> <li>• Separate modules are developed by SEBA-RAHARA and explained to all the staff with examples and guidance for interaction with the clients, roles and responsibilities of all staff levels and do's &amp; don'ts to be followed by the staff while interacting with the clients.</li> </ul>	

5. Products and Services	Score : 2.45
<b>Key Elements:</b> Design and Appropriateness, Review, Diversity, Convenience, Linkages	
<b>a. Design and Appropriateness</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA has only one product for the clients and the product is designed on the basis of clients' needs and it has been modified as per the guidelines issued by Reserve Bank of India (RBI).</li> </ul>	
<b>b. Review</b>	
<ul style="list-style-type: none"> <li>• Review of existing loan product is done on an ad hoc basis and accordingly the product features are modified.</li> </ul>	
<b>c. Diversity</b>	
<ul style="list-style-type: none"> <li>•SEBA-RAHARA offers only one product to the clients with three different loan sizes.</li> </ul>	
<b>d. Convenience</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA's loan is highly convenient which was also shared by clients during the client visits. The clients need to attend weekly group meetings which are held for 30 minutes and recoveries take place in the group meetings.</li> </ul>	
<b>e. Linkages</b>	
<ul style="list-style-type: none"> <li>• There is only one linked products with the loan to client i.e., micro-insurance provided to the client in collaboration with Life Insurance Corporation of India.</li> </ul>	

6. Pricing	Score : 3.18
<b>Key Elements:</b> Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
<b>a. Competition</b>	
<ul style="list-style-type: none"> <li>• Pricing of the loan product of SEBA-RAHARA is very competitive, and the organization has occasionally reduced interest rates. SEBA-RAHARA has kept the interest rates at 25.97% (Reducing) to adhere with the norms of RBI.</li> </ul>	
<b>b. Transparency</b>	
<ul style="list-style-type: none"> <li>• Pricing of SEBA-RAHARA products 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, processing fee and insurance charges and each pricing is explained to clients in terms of amount per `1000. SEBA-RAHARA shares data with MIX.</li> </ul>	
<b>c. Fees</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA charges two types of fees i.e. Loan processing fees of 1% of the loan amount and insurance fee of 1% of the loan amount.</li> </ul>	
<b>d. Security Deposit</b>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA earlier used to charge security deposit from their client against their loan which they have discontinued after the RBI guidelines.</li> </ul>	
<b>e. Prepayment</b>	
<ul style="list-style-type: none"> <li>• There is no penalty on prepayment.</li> </ul>	
<b>f. Default</b>	
<ul style="list-style-type: none"> <li>• There is no description of the penalties for default. Operation policy describes recovery practices in case of default and recommended to use persuasion and frequent interaction with the defaulting groups and members for ensuring loan recovery. Few cases of default were observed in the field.</li> </ul>	

7. Feedback Mechanisms	Score : 2.75
<b>Key Elements:</b> Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys	
<b>a. Existence</b>	
<ul style="list-style-type: none"> <li>• In SEBA-RAHARA, two level feedback mechanisms exist. Dedicated client helpline number for addressing feedback/grievance exists in the organization with a system where complaints are processed, considered and resolved. Complaint Box exists in the branch offices where clients are free to write /drop their feedback. Divisional Manager/Regional Manager has the authority to open it during the branch office visit. In addition, Branch Manager, Regional Manager and Divisional Manager who visits the field take the feedback from the clients.</li> </ul>	
<b>b. Staff Training</b>	
<ul style="list-style-type: none"> <li>• Training is provided in client relations to the new and existing staff usually by the Branch Manager and by the Regional Manager during monthly meetings and through the quarterly trainings conducted by the Head Office Staff.</li> </ul>	
<b>c. Client Awareness</b>	
<ul style="list-style-type: none"> <li>• Clients are well-versed (80% knew about the client helpline number and compliant boxes) in critical feedback and know that it is their right and obligations to express a complaint; they can identify the branch manager and were aware with the helpline number.</li> </ul>	
<b>d. Usage</b>	
<ul style="list-style-type: none"> <li>• Clients have shared that there were no complaints and that they are aware of the contact numbers. Hence, there is limited usage.</li> </ul>	
<b>e. Checking</b>	
<ul style="list-style-type: none"> <li>• There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback/complaint, the Head Office Staff circulates the same to all senior management staff and concerned staff. The concerned staff/department discuss with the complainant and responds accordingly in quick time.</li> </ul>	
<b>f. Staff Resources</b>	
<ul style="list-style-type: none"> <li>• For client feedback mechanism, there is adjunct responsibility of head office staff.</li> </ul>	
<b>g. Client Exit Interviews/ Drop out Survey</b>	
<ul style="list-style-type: none"> <li>• In SEBA-RAHARA, Client Exit Survey/Interview is conducted on an ad hoc basis. This need to be formalised and proper systems need to be developed in order to capture the reasons for the exit/dropout and action undertaken accordingly.</li> </ul>	

8. Staff Conduct	Score : 3.03
<p><b>Key Elements:</b> Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p><b>a. Rule Book</b></p>	
<ul style="list-style-type: none"> <li>• Rule book in the form of operation manual is available in the head office and all the staffs are aware of the rules mentioned in the book. The rule book of SEBA-RAHARA clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour. Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the clients, among others.</li> </ul>	
<p><b>b. General Training</b></p>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA has been conducting quarterly training program for the field staff to orient them towards the conduct in the field, good and bad conduct with clients, among others.</li> </ul>	
<p><b>c. Induction</b></p>	
<ul style="list-style-type: none"> <li>• All the staff, especially the Credit Officers, undergoes 4 day's Pre-Service Orientation before joining. Final joining depends on the quality of the Pre-Service Orientation done along with a written report. If it is done successfully the Credit Officers are allocated a branch office for joining and subsequently on the job training commences with field visits along with a Senior Credit Officer and Branch Manager. Branch Manager/Regional Manager also gives informal training on (on their roles, responsibilities and operational structure and code of conduct) in this process.</li> </ul>	
<p><b>d. Evaluation</b></p>	
<ul style="list-style-type: none"> <li>• All staffs are reviewed annually and accordingly promoted based on the monthly performance assessment reports. In SEBA-RAHARA, annual performance review done with tangible outcomes (salary and promotion).</li> </ul>	
<p><b>e. Review of Conduct</b></p>	
<ul style="list-style-type: none"> <li>• Evaluation of the field staff as well as branch personnel is done by their supervisors and endorsed by the higher authorities.</li> </ul>	
<p><b>f. Incentive / Disincentive</b></p>	
<ul style="list-style-type: none"> <li>• Incentive and disincentives is based on both portfolio quality and outreach of the Financial Service Officers and critically evaluated during the appraisal process. During the performance review for the field staff, the portfolio quality, outreach, accountability, conduct, discipline and behavior are measured to calculate the incentives and disincentives. SEBA-RAHARA strictly disallows monetary commission as incentives on loans.</li> </ul>	
<p><b>g. Recovery / Default</b></p>	
<ul style="list-style-type: none"> <li>• In operation manual of SEBA-RAHARA, broad guidelines for collection in case of defaults are mentioned. Operation policy describes recovery practices in case of default and recommended to use persuasion and frequent interaction with the defaulting groups and members for ensuring loan recovery, specific parameters or procedures are defined in the operation manual for the recovery/defaults.</li> </ul>	



9. Governance	Score : 2.83
<p><b>Key Elements:</b> Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting</p>	
<p><b>a. Responsibility</b></p>	
<ul style="list-style-type: none"> <li>• Functional responsibilities are broadly defined in bye-laws and business rules. Board of SEBA-RAHARA is very vibrant, each individual member are assigned their work and are performed accordingly.</li> </ul>	
<p><b>b. Experience/ exposure/ reputation in MF</b></p>	
<ul style="list-style-type: none"> <li>• The board of SEBA-RAHARA has diverse experience in banking, taxes, labour organization and other developmental programs. Almost all the board members of SEBA-RAHARA have good experience in the microfinance sector.</li> </ul>	
<p><b>c. Composition</b></p>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA board consists of seven members, Mr. Ranjib Kr. Ghosh, President; Mr. Kalyan Kr. Choudhury, Vice President; Mr. Subrata Ghosh, Secretary; Mr. S P Chakraborty, Assistant Secretary; Mr. Sunil Chakraborty, Treasurer; Mr. Dipak Das, Member; Ms. Banani Sarkar, Member.</li> </ul>	
<p><b>d. Role</b></p>	
<ul style="list-style-type: none"> <li>• Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Subrata Ghosh, Secretary.</li> </ul>	
<p><b>e. Code of conduct compliance report</b></p>	
<ul style="list-style-type: none"> <li>• No code of conduct compliance report presented and discussed in Board meeting.</li> </ul>	
<p><b>f. Members' attendance in meeting</b></p>	
<ul style="list-style-type: none"> <li>• More than 85% of the board members were present in the Board meeting (last three).</li> </ul>	

10. Human Resources	Score : 3.38
<p><b>Key Elements:</b> Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal</p>	
<p><b>a. Field staff experience/ exposure in MF</b></p>	
<ul style="list-style-type: none"> <li>• Field staffs of SEBA-RAHARA are experienced in the field, Credit Officers are experienced and having good exposure of Micro Finance. On an average, more than 2 years of experience of the team involved in field level operations.</li> </ul>	
<p><b>b. Recruitment</b></p>	
<ul style="list-style-type: none"> <li>• SEBA-RAHARA has a separate HR department who looks after the recruitment process and other HR related aspects. Recruitments are done by publishing the requirements with the job profile in local newspaper for field staff. Proper recruitment process followed for each level of staff – written and personal interview and pre service orientation. Recruitment is conducted with proper reference checks.</li> </ul>	
<p><b>c. Staff Exit</b></p>	
<ul style="list-style-type: none"> <li>• Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions not taken.</li> </ul>	
<p><b>d. Complaint Redressal</b></p>	
<ul style="list-style-type: none"> <li>• Complaint redressal mechanism exists in the organization, dedicated systems are in place and there is a clear process to ensure that complaints are processed, considered and resolved.</li> </ul>	

## Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by SEBA-RAHARA are mentioned below:

- a) Interest on loans: Post the RBI guidelines, SEBA-RAHARA have fixed its interest rates on the products to 25.97% per annum on a reducing basis.
- b) Loan pricing to include processing fee (not exceeding 1 percent of the gross loan) interest charge and insurance premium (to be paid directly to the insurance provider): SEBA-RAHARA is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charge which is 1% of the total loan amount is recovered from the clients and paid directly to Life Insurance Company of India.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: SEBA-RAHARA has barred the prepayment charges post RBI guidelines and now collect prepayment without any charges. SEBA-RAHARA used to charge security deposit (10% of the loan amount) for the loans which has now being stopped.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: 100% of their portfolio is under micro, small and medium enterprises.
- e) Lending to borrowers whose household income does not exceed Rs60,000 (in rural areas) and Rs120,000 (in urban areas): Calculating the household income in rural and urban areas is a debatable since they do not have fixed monthly income. Their income is seasonal and dependant on several factors. However, SEBA-RAHARA puts all efforts to verify the household income and adheres to RBI guideline on household income. However, during our visit, it was observed that around 10% of the clients visited were above the household income level of Rs60,000.
- f) Total indebtedness of borrower not exceeding Rs50,000: SEBA-RAHARA strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs50,000 as the total loan outstanding. This is mentioned in their Code of Conduct and followed across all levels.
- g) Tenure of loan not being less than 24 months: All the loans larger than Rs15,000 have a tenure of 24 months and loans below Rs15,000 have a tenure of 12 months/52 weeks, as desired by the clients.

*Overall, SEBA-RAHARA is compliant on the RBI guidelines issued.*

## Conclusion

SEBA-RAHARA has achieved a composite CoCAT score of **3.03** with an overall grade of “**A**”, indicating that the organisation is growing. Although there is strong institutional performance in some areas, there is room to provide technical assistance with a view of strengthening systems.

### Highlights and best practices:

- Unified Code of Conduct which is customized as per the mission and vision of the organization and according to the Reserve Bank of India guidelines and displayed in all branch offices and Head Office.
- Strong laid down policies on staff conduct in operation manual.
- Pre-Service Orientation before final selection of Credit Officer which involves four days of field orientation on operations with a report writing to ensure proper recruitment of staff.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Helpline number and branch office compliant box for client feedback/grievances.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with Mix)
- Data sharing with credit bureau.
- Membership with SA-DHAN
- Internal Audit checklist has code of conduct compliance.
- Employee friendly HR policy exists in SEBA-RAHARA which involves a system where the employees have to write a report every month and submit it confidentially to the top management and can approach any senior staff without any apprehensions.

### Areas to Strengthen:

- Refresher training on Code of Conduct needs to be conducted on regular interval to maintain high level of awareness of staff.
- Proper induction system to be incorporated for the new employee at the time of joining at Head Office level.
- Mechanisms to assess client awareness on a regular basis can be incorporated.
- Financial literacy can be provided to the clients to make them understand their household cash flows and planning.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Client drop-out survey / interview exists informally but no analysis has been done.
- Strong MIS software for client data protection.
- No code of conduct compliance report presented and discussed in Board meeting.

Average Score	Rating	Grade
3.03	3.50-4.00	AA
	<b>3.00-3.49</b>	<b>A</b>
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

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

<b>S. No.</b>	<b>Name of Branch Office</b>	<b>Number of Clients Interviewed</b>
1	Barrackpur	21
2	Madhabpur	21
3	Sahapur	18
4	Rosakhowa	08
5	Karandighi	13
<b>Total</b>	<b>5</b>	<b>81</b>

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## Annexure 2: Code of Conduct Assessment Tool (CoCAT)

### Introduction

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

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

CoCAT has ten broad assessment components which are further disaggregated into 58 elements. The ten broad components are: *Code of Conduct, Market Entry, Appraisal Process, Client Comprehension, Products and Services, Pricing, Feedback Mechanisms, Staff Conduct, Board and Human Resources.*

Each component is made up of between 4 and 7 elements. Each element has been allocated a **Weight** that ranges from 1% to 3% of the total score. The components are weighted according to the sum of their constituent elements. These elements are given a **Score** from “1” (Lacking) to “4” (Excellent). In case an element is not applicable, it is removed from the overall rating and the weights are adjusted accordingly.

### CoCAT helps to:

- Generate baseline information on institutional conduct and the relationship between staff and clients
- Build a practical, experiential profile of the institution’s methodology
- Understand the formal institutional processes that govern client interactions
- Analyse the institutional mentality and correspondence between social and financial missions
- Provide detailed information on best practices being followed by the institution

### Methodology

CoCAT is administered in a participatory manner and is a multi-stage process:

1. Collection of primary and secondary data: Website, Annual reports, Audited financial statements; Institutional manuals (HR, Operations, IA), Training materials; 3<sup>rd</sup> party ratings, etc.
2. Structured discussions: Board, Senior Management, Head office staff, Field personnel
3. Field visit: Branch office discussions with field personnel, meetings with clients, observation of different stages of the operational process

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