

CONFIDENTIAL



Code of Conduct Assessment Report

Annapurna Microfinance Private Limited

February 2013

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Annapurna Microfinance Pvt. Ltd.		
Legal Form	NBFC	About Annapurna Microfinance Pvt. Ltd.
Date Established Initiation of Operations	February 2010	<p>Annapurna Microfinance is one of the successful new generation SHG model Microfinance Institutions. It has been working in Odisha from its inception and recently extended its operations in the state of Chhatisgarh. Annapurna Microfinance is a new venture of 22 years old development organization People's Forum (PF), which is active in Odisha in health, education and rehabilitation segments and entered microfinance six years ago under the leadership of Mr. Govind Chandra Pattnaik. People's Forum, the parent institution, registered as society, has been working towards socio-economic development since 1990 using the SHG lending model. After promoting the SHG-BLP programme in the late 90s and early 00s, People's Forum began lending directly to women SHGs in 2005-06. As microfinance become an increasingly important aspect of the PF, the management team decided to gradually transfer the loan portfolio to a newly acquired NBFC, known as Annapurna Microfinance Pvt. Ltd., which began operations in February 2010. Annapurna has now transformed into a Reserve Bank of India (RBI) regulated Non Banking Financial Company (NBFC).</p> <p>Its main focus is on the growth of the micro finance portfolio and support those clients who have successfully leveraged the micro finance services and setup micro enterprises in rural and semi urban regions and to facilitate credit plus services such as enterprise development, business planning, finance management and product design and forward and backward linkages.</p>
Operational Area	<ul style="list-style-type: none"> 14 districts of Odisha and 2 Districts of Chhatisgarh 	
Services and Products offered	<ul style="list-style-type: none"> Term loans to women SHG 	
Lending Model	<ul style="list-style-type: none"> Self Help Group (SHG) 	
Average Score	Rating	
3.06	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)				
	2009-10	2010-11	2011-12	Apr-Sept 2012
Number of Groups (Active)	633	2,324	2,586	3,921
Total number of Clients	7,054	28,299	30,181	62,251
Total number of Active Clients (loanee)	7,054	27,124	29,856	41,726
Share Capital (Rs. In Lakhs)	276	510	560	994
Total Loan outstanding (Rs. In Lakhs)	630.44	1,288.68	2,378.55	3,687.18
Average Loan Outstanding (in Rupees)	8,937	4,751	7,967	8,837
Total External Loan outstanding (Rs. in Lakhs)	342.44	1,104.29	2,507.64	3,370.88
Rate of Interest charged (by the NGO/MFI)	13%, Flat	25%, Reducing	26%, Reducing	26%, Reducing
Repayment Rate (Internal)	100%	98%	99.82%	98.59%
Repayment Rate (External)	100%	100%	100%	100%
No of villages	846	1,648	2,026	2,063
No of Districts	12	15	16	16
No of States	1	1	2	2
No. of Branches	19	25	30	34
No. of Field staff / credit officers	135	148	160	160
Portfolio at Risk (>60 Days)	0.0%	0.28%	0.32%	0.25%

*Before March 2012, there were no employees in payroll of AMPL. Those who were in the payroll of Peoples Forum were working for Peoples Forum as well as AMPL and AMPL had been paying proportionately to Peoples forum for the use of services of Peoples Forum employees. On August 2012, the entire Microfinance related employees were transferred from Peoples Forum to AMPL.

Loan Product	Features
Clientele	Women
Utilization	Income generation activities/consumption
Loan size	Rs5,000-30,000
Loan tenure	12-24 months
Guarantor	SHG
Collateral requirements	Group
Repayment mode	Monthly
Interest rate	26% reducing
Other charges (Insurance)	Rs6 per thousand
Processing fee	1%
Security deposit / risk contribution	Nil

The organization has single loan product for women SHG. Though loans have been given for different purposes, but organization is providing single loan product with different amount and tenure.

Highlights

Strengths:

- Adopted the Unified Code of Conduct by Sa-Dhan and customized as per the AMPL mission, vision, values and displayed in all branches.
- The presence of HO staff during loan appraisal and disbursement ensures transparency and strengthens internal control mechanism.
- Robust Internal Audit mechanism.
- Pricing information verbally as well as written and communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Pricing data is transparent, information available publicly in branch offices.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in AMPL.
- Many social interventions are carried out for the welfare of the needy people and addressing their primary needs like health and agriculture, through the parent organization Peoples Forum.

Areas to Strengthen:

- Need to strengthen the Client Feedback mechanism by maintaining Complaint / Suggestion Boxes in all the branch offices.
- Credit Plus activity may be conducted regularly as there is demand from client side.
- More sensitization is required for clients on SHG register charges and its utility.
- Client drop-out survey / interview are conducted verbally and on an ad-hoc basis. Analysis of the same need to be conducted and corrective actions taken accordingly.
- Specific parameters / procedures along with turnaround time need to be defined for the recovery/defaults.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

Code of Conduct Assessment Report for AMPL

Summary of the study

The overall grade obtained by AMPL is **A**, with a composite score of **3.06**, 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 AMPL is excellent with defined Code of Conduct practices followed throughout the operations. More could be done in terms of maintaining compliant boxes at all branch offices and providing financial education to clients.

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

Baseline Results for AMPL		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	3.18	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	3.25	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.25	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.13	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	2.40	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	3.09	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default
Feedback Mechanisms	2.75	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys

Baseline Results for AMPL		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Staff Conduct	3.13	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	3.17	<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	3.31	<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 : 3.18
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> The aspects mentioned in the Unified Code of Conduct of Sa-Dhan and MFIN have been incorporated in the AMPL Code of Conduct which is also customized on the institutional values, mission, vision and expectations. 	
b. Visibility	
<ul style="list-style-type: none"> Code of Conduct is displayed in all branch offices. It is comprehensive and in English and Oriya. Attempts need to be taken to display in Head Office too. 	
c. Training	
<ul style="list-style-type: none"> Separate training on Code of Conduct to all RM, BM, Development Officer and Field Credit Officer by HO staff has been provided and respective AM / BM imparts training to all the Field Credit Officers (FCOs). 	
d. Refresher	
<ul style="list-style-type: none"> There is no refresher training on code of conduct though AMPL has made efforts to refresh staff in the Code of Conduct through its monthly staff meetings. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> More than 75% staff has very good understanding of overall code, details and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects. More than 80% clients have very good understanding of overall code, details and expectations. 	

2. Market Entry	Score : 3.25
Key Elements: Identification, Procedure, Saturation, Due Diligence	
a. Identification	
<ul style="list-style-type: none"> Peoples Forum through its operations and other departments conducts studies for identification of areas for carrying out its social interventions. These studies formed the base for AMPL to further look into possibility of market entry. It has specific rules that qualify the target population (income level, assets, opportunities, among others) to start their operations in new area. At the same time, it gives importance to the mF program performance of other MFIs as well as Financial Institutions in the area through credit bureau checks. Also the number of groups promoted Women and Child Development Department is considered while identification of a new area. 	
b. Procedure	
<ul style="list-style-type: none"> AMPL follows a uniform procedure for market entry - general community survey, total households; random household visits; evaluation formats exists to evaluate new market along with the potentiality of the area / village with approachable road, demographics and livelihood opportunities. It has a well designed area survey format and a feasibility report is prepared post area survey. 	
c. Saturation	
<ul style="list-style-type: none"> During the market identification procedure, AMPL strictly identify the area based on the number of MFIs working in the new identified market. It mainly focuses on poorer clients who have not yet been served financially and accordingly takes a decision. At the same time it takes stock of the existence of women SHGs in the area through secondary data. 	
d. Due Diligence	
<ul style="list-style-type: none"> AMPL collects secondary data through credit bureau; Government departments and other institutions. Due diligence for new area is done by 3 departments of AMPL – Operations, Finance and Board. All Field Credit Officers, Branch Managers and Zonal Managers are involved in the field survey. This is finally approved by the AMPL board. 	

3. Appraisal Process	Score : 3.25
<p>Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<p>a. Client Data Collection</p>	
<ul style="list-style-type: none"> • Before group formation, AMPL does credit bureau check to know the present level of indebtedness and credit history of that particular client. After credit bureau check the member will be included in the SHG. In AMPL, once the interested members' meeting is conducted by the FCO, they fill the individual forms for evaluation followed by an orientation on AMPL and SHG to the members by the FCO. Grading of SHG is being done by the BM. There is use of peer verification across groups, information collection from neighbours / household members. These information are mentioned in an intensive written document and cross-verification from group members is also conducted. 	
<p>b. Repayment Capacity</p>	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation by FCO. Critically evaluated during loan application check by BM and AM on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities is also done. 	
<p>c. Debt Thresholds</p>	
<ul style="list-style-type: none"> • Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. The loan product is well designed with ranges in different cycles. 	
<p>d. Loan History</p>	
<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. HO shares Credit Bureau data of each member along with Branch staff. 	
<p>e. Processing Time</p>	
<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 AMPL is 7-10 days. 	
<p>f. Approval</p>	
<ul style="list-style-type: none"> • After all the due diligence in the field, all the loan applications are presented and discussed in the loan committee in the Head Office and gets approved accordingly. 	
<p>g. Verification</p>	
<ul style="list-style-type: none"> • Separate Audit team exist in the organization who conducts internal audit of two days for all the branch offices on a surprise basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending 4-5 group meetings in one visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to concerned branch office with copies to all individuals relevant in the head office. 	

4. Client Comprehension	Score : 3.13
<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"> • In AMPL, the client review time is more than a week since the terms and conditions of the products and services offered by AMPL are mentioned during initial 2-3 group meetings, post which the loan is sanctioned. 	
<p>b. Explanatory Channels</p>	
<ul style="list-style-type: none"> • In AMPL, there are numerous channels and sessions used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation, written documentation along with other materials to inform the members. 	
<p>c. Awareness</p>	
<ul style="list-style-type: none"> • During the field visit, it was found that 80% of the clients have a fair idea / knowledge of the rate of interest (flat as well as reducing rate of interest) and the upfront processing fee of 1% of the loan amount. Within literacy limits, maximum clients are aware of the cost of loan. 	
<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 group meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials are supplied to the client. But there is a scope of improvement in the clients loan sheet mentioning the purpose of the loan and group insurance charges. 	
<p>e. Rights and Obligations</p>	
<ul style="list-style-type: none"> • Identification of group leader is done by the group members whereas AMPL staff act 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. 	
<p>f. Staff Training</p>	
<ul style="list-style-type: none"> • Separate modules are developed by AMPL 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 & don'ts to be followed by the staff while interacting with the clients. 	

5. Products and Services	Score : 2.40
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> The product has been designed on the basis of clients' needs and requirements. The AMPL product has been modified as per guidelines issued by RBI. 	
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"> Only one product offered with difference in loan sizes across different loan cycles. 	
d. Convenience	
<ul style="list-style-type: none"> AMPL loans are highly convenient which was also shared by clients during the client visits. Loan process and disbursement of the group members is done on monthly basis in group meeting. Collection is done in the group meeting. 	
e. Linkages	
<ul style="list-style-type: none"> There is only one linked products with the loan to client i.e., micro-insurance provided to the client in collaboration with Bajaj Allianz Life Insurance. 	

6. Pricing	Score : 3.09
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of AMPL is very competitive, and the institution has occasionally reduced interest rates. The institution has kept the interest rates at 26%, reducing to adhere with the norms of RBI. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of AMPL products are transparent; information is displayed in the branch offices, and is accurate when compared to institutional documents. 	
c. Fees	
<ul style="list-style-type: none"> • Only one fee is collected by AMPL from their clients called as Loan Processing Fee. The processing fee is 1%, as per the RBI norms. Moreover, SHG membership fee of Rs105 is collected on behalf of People's Forum (parent institution of AMPL) towards provision of Business / Livelihood Development Services. 	
d. Security Deposit	
<ul style="list-style-type: none"> • AMPL never charged security deposit from their client against the loans disbursed. 	
e. Prepayment	
<ul style="list-style-type: none"> • There is no penalty on prepayment. However, prepayment is discouraged within members of a particular group. In case of prepayment, the entire group members need to repay. No monetary penalty is levied. 	
f. Default	
<ul style="list-style-type: none"> • Very few cases of defaults have been observed in the field. No penalty for default collected against the unpaid day; only collecting the scheduled instalment. The group members arrange the instalment amount and repay to the staff in case an individual fails to repay. Staff behaviour during default management is normal as mentioned by delayed payment clients. 	

7. Feedback Mechanisms	Score : 2.75
<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 AMPL, two different mechanism exist for the client feedback – one is helpline number (toll free) and the other one is the complaint register kept at the branch offices. 	
<p>b. Staff Training</p>	
<ul style="list-style-type: none"> • Training is provided in client relations in different formats. Staff induction and training of AMPL is of higher quality in comparison to its counterparts. 	
<p>c. Client Awareness</p>	
<ul style="list-style-type: none"> • Clients are well-versed (90% knew about the toll free number) in critical feedback and know that it is their right and obligation to express a complaint through the toll free complaint number; they can identify the branch manager and can locate the office. 	
<p>d. Usage</p>	
<ul style="list-style-type: none"> • Clients have shared that there were no complaints and that they are aware of the contact numbers. Hence, there is limited usage. 	
<p>e. Checking</p>	
<ul style="list-style-type: none"> • Dedicated systems are in place within the organization across all the branch offices. There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback / complaint, the staff (at HO level) circulates the same to all senior management staff, operations head and concerned staff. The concerned staff / department need to discuss with the complainant and should respond within 24 hours. The complaint need to be resolved within a week. 	
<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"> • In AMPL, Client Exit Survey / Interview are conducted verbally and 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. 	

8. Staff Conduct	Score : 3.13
<p>Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p>a. Rule Book</p>	
<ul style="list-style-type: none"> • Rule book is available in the head office and all the staff are aware of the rules mentioned in the book. The rule book of AMPL 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. 	
<p>b. General Training</p>	
<ul style="list-style-type: none"> • AMPL has been conducting separate training program for the field staff to orient them towards the conduct in the field, good and bad conduct with clients, among others. 	
<p>c. Induction</p>	
<ul style="list-style-type: none"> • All the new staff joining AMPL underwent a 3-day induction program which consists of classroom training, followed by field exposure for the next one month. 	
<p>d. Evaluation</p>	
<ul style="list-style-type: none"> • On the basis of the job performance, all staff are reviewed monthly but promotion and increments are provided on an annual basis with tangible outcomes (salary and promotion). The monthly evaluation forms are considered while the annual performance review is conducted. 	
<p>e. Review of Conduct</p>	
<ul style="list-style-type: none"> • AMPL follows an 360 degree appraisal process which includes self evaluation by each of the employee and feedback from their supervisors is sought. 	
<p>f. Incentive / Disincentive</p>	
<ul style="list-style-type: none"> • Incentive and disincentives is based on both portfolio quality and outreach of the Field Credit Officers and critically evaluated during the appraisal process on a monthly and quarterly basis. 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. 	
<p>g. Recovery / Default</p>	
<ul style="list-style-type: none"> • In the manuals of AMPL, broad guidelines for collection in case of defaults are mentioned. No specific parameters or procedures are defined in the manuals for the recovery/defaults, no Turnaround Time mentioned in the manuals for collection of the defaults. 	

9. Governance	Score : 3.17
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 broadly defined in bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Board of AMPL is very vibrant, each individual member are assigned their work through committees and are performed accordingly. 	
b. Experience/ exposure/ reputation in MF	
<ul style="list-style-type: none"> • The board of AMPL has diverse experience in banking, insurance, private equity, investment capital and other developmental programs. Almost all the board members of AMPL have good experience in the microfinance sector. 	
c. Composition	
<ul style="list-style-type: none"> • Five members' board of AMPL consists of Managing Director Mr. Gobinda Chandra Pattanaik, Mr. Dibyajyoti Pattanaik, Mr. Aditya Bhandari, Mr. K K Tiwary and Mr. Sean Nossel. Mr. Aditya Bhandari is the Nominee Director from Rural Impulse Fund II (managed by Incofin Investment Management, Belgium). 	
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. Board takes the field related issues including expansion in new areas very seriously and this is discussed during the board meeting. Different committees (within the board) are responsible for different aspects. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Dibyajyoti Pattanaik. 	
e. Code of conduct compliance report	
<ul style="list-style-type: none"> • Discussions are held on the aspects of Code of Conduct during the board meetings; however, compliance report on Code of Conduct is not prepared and presented in the board. 	
f. Members' attendance in meeting	
<ul style="list-style-type: none"> • More than 85% of the board members were present in the Board meeting (last three). 	

10. Human Resources	Score : 3.31
<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 staffs of AMPL are well experienced in the field, FCOs are experienced and having good exposure of MF. On an average, more than 3 years of experience of the team involved in field level operations. 	
<p>b. Recruitment</p>	
<ul style="list-style-type: none"> AMPL has a separate HR department manned by HR Officer who is responsible for the recruitment process and other HR related aspects. They are governed by well defined and comprehensive HR policy. Recruitments are done by publishing the requirements with the job profile in local newspaper and word to mouth, for field staff. Proper recruitment process followed for each level of staff – written and personal interview. Recruitment is conducted with proper reference checks. 	
<p>c. Staff Exit</p>	
<ul style="list-style-type: none"> Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions not undertaken. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> Complaint redressal mechanism exists in the organization, dedicated systems are in place, there is a clear process to ensure that complaints are processed, considered and resolved. Special emphasis is provided to complaints from female staff. 	

Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by AMPL are mentioned below:

- a) Interest on loans: As per the RBI guidelines issued, AMPL is charging an interest rate on their products as 26% 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): AMPL is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charges recovered from the clients are paid directly to Bajaj Alliance Life Insurance.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: AMPL never levied any charges for prepayment of loans. AMPL used to charge security deposit or upfront fees 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. AMPL 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: AMPL 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 12-24 months, as desired by the clients.

Overall, AMPL is compliant on the RBI guidelines issued.

Conclusion

Annapurna Microfinance Pvt. Ltd. has achieved a composite CoCAT score of **3.06** 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:

- Adopted the Unified Code of Conduct by Sa-Dhan and customized as per the AMPL mission, vision, values and displayed in all branches.
- The presence of HO staff during loan appraisal and disbursement ensures transparency and strengthens internal control mechanism.
- Robust Internal Audit mechanism.
- Pricing information verbally as well as written and communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Pricing data is transparent, information available publicly in branch offices.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in AMPL.
- Many social interventions are carried out for the welfare of the needy people and addressing their primary needs like health and agriculture, through the parent organization Peoples Forum.

Areas to Strengthen:

- Need to strengthen the Client Feedback mechanism by maintaining Complaint / Suggestion Boxes in all the branch offices.
- Credit Plus activity may be conducted regularly as there is demand from client side.
- More sensitization is required for clients on SHG register charges and its utility.
- Client drop-out survey / interview are conducted verbally and on an ad-hoc basis. Analysis of the same need to be conducted and corrective actions taken accordingly.
- Specific parameters / procedures along with turnaround time need to be defined for the recovery/defaults.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

Average Score	Rating	Grade
3.06	3.50-4.00	AA
	3.00-3.49	A
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Annexure 1: Number of Client Interviews across Branch Offices

S. No.	Name of Branch Office	Number of Clients
1	Dhenkenal	17
2	Chawdwar	14
3	Sonepur *	0
4	Balangir	18
5	Jajpur Road	09
6	Chandikhole	12
7	Khurda	11
8	Balugaon	28
9	Balipatna	24
Total	9	133

* The assessment team visited the branch office and conducted discussions with the branch office staff only; could not meet and interview clients due to paucity of time.

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; 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.