

Mr. P. K. Khuman
Chief Executive Officer,
Chanura Microfin Manipur,
Hodam Leirak Machin, Airport Road,
Opposite: Tiddim Oil Pump,
Imphal: 795001,
Manipur

April 3, 2017

Confidential

Dear Sir,

Comprehensive Micro Financing Institution (MFI) Grading

Please refer to your request for Comprehensive MFI Grading of your organization.

1. Our Rating Committee has assigned a grading of 'M5C2' (M Five C Two) to your organization. This signifies modest capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.
2. The rationale for the grading is enclosed as an *Annexure - I*.
3. Comprehensive MFI grading provides an opinion of CARE on MFI's capacity to carry out its micro finance operations in a sustainable manner and its adherence to Industry code of conduct. It does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organization or to make loans/ donations/ grants to the said organization.

Thanking you,

Yours faithfully,

Avik Podder
(Avik Podder)
Analyst
Encl. - As above

Ishan Marda
(Ishan Marda)
Manager



CREDIT ANALYSIS & RESEARCH LTD.

Comprehensive MFI Grading

Chanura Microfin Manipur (CMM)

Comprehensive Grade Assigned: M5C2

Date assigned: March 31, 2017

Scale	C1	C2	C3	C4	C5
M1					
M2					
M3					
M4					
M5		M5C2			
M6					
M7					
M8					

Chanura Microfin Manipur (CMM) has been assigned a comprehensive MFI grade of M5C2. This signifies modest capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.

Grading Rationale

Microfinance Capacity Assessment Grade	CMM has been assigned "M5" as its performance grade which signifies 'modest' capacity of the organization to carry out its activities in a sustainable manner'. The organization has sound management, good portfolio quality, standard operating processes and management information system but it has a relatively small size of operations and low capitalization with limited source for mobilization of funds. Its loan portfolio is also concentrated in a limited geographical area.
Code of Conduct Assessment Grade	CMM has been assigned "C2" as its Code of Conduct Assessment Grade which signifies 'good' performance on COCA dimensions.

Comprehensive MFI Grading provides opinion of the Rating Agency on MFI's capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Grading has been done on the dimensions of Transparency, Scale of Operations, Operational Setup and Sustainability. 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.



CREDIT ANALYSIS & RESEARCH LTD.

Conflict of Interest Declaration

CARE (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 CARE have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

CARE's microfinance (MFI) grading is a one-time assessment and the grading is not kept under periodic surveillance. CARE's analysis draws heavily from the information provided by the microfinance institution as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. It does not imply that CARE performs an audit function to detect fraud. In case of NGO MFIs, gradings apply only to their microfinance programs.

CARE's MFI grading is not a recommendation to buy, sell or hold any financial instrument issued by the MFI or to make loans/ donations/ grants to the MFI. It is not an assessment of the debt servicing ability of the MFI. The grading assigned by CARE cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public.

CARE's MFI grading also does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the microfinance grading.

Historical Rating Grades

Date	Rating Agency	Comprehensive Rating Grade
October, 2016	CARE	CARE MFI 3 (Fifth on an eight point scale with "MFI 1 being the highest and "MFI 5" being the lowest)
November, 2015	MZI Consulting	COCA - 83%
June, 2015	CRISI	MFI 5

A.P

Py



Microfinance Grading Symbols and Definitions

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner.
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFIs with this grade are considered to have modest capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.

Code of Conduct Assessment scale and definitions

C1	MFIs with this grade have excellent performance on Code of Conduct dimensions
C2	MFIs with this grade have good performance on Code of Conduct dimensions
C3	MFIs with this grade have average performance on Code of Conduct dimensions
C4	MFIs with this grade have weak performance on Code of Conduct dimensions
C5	MFIs with this grade have weakest performance on Code of Conduct dimensions

F.P

37



MFI's profile (December, 2016)	
Name of the MFI	Chanura Microfin Manipur (CMM)
Legal form	Society
Operational Head	Mr. P.K. Khuman (Chief Executive Officer / Secretary)
Year of starting microfinance	2007
Branches (Month YYYY)	5 (Dec, 2016)
Active borrowers	4,902 (Dec 31, 2016)
Total staff	40 employees as on Dec 31, 2016
Operational area	Manipur
Visit of the Assessment team	20 th to 24 th March, 2017
Correspondence address	Hodam Leirak Machin, Airport Road, Opposite: Tiddim Oil Pump, Imphal: 795001, Manipur

Details of Loan Products (December, 2016)				
Product	Description	Loan size (Rs)	Interest Rate (p.a.)	APR (Interest Rate and Processing fees)
Income Generation loan (IGL)	Loans given to members of Joint Liability Groups of women. These loans are given for income generation activities. Loan tenure is 50 weeks.	Rs. 5,000 in first cycle and up to Rs 30,000 in subsequent cycles.	26% pa, reducing balance basis and 1% processing fees	27%
Emergency loan	This loan is given for emergency purposes such as funeral or maternity. The loan is interest free but 1% processing is charged. The loan tenure is 25 weeks.	Maximum loan amount is Rs. 2,000.	No interest, 1% processing fees	1%
Energy loan	This loan is given to buy a solar lamp or home lighting solution, for which Chanura has tied up with vendors. The loan tenure in 25 to 50 weeks depending on Loan amount.	Rs. 480-12,500 (cost of lighting solution)	24-26% pa, reducing balance basis and 1% processing fees	27%



CREDIT ANALYSIS & RESEARCH LTD.

Ownership/Equity Structure: Society; Registration Number: 388/M/SR/2009
(registered under Manipur Societies Registration Act, 1989).

Profile of Governing Body Members (December, 2016)				
Sr No	Name	Education	Brief profile	
1	Ms. Naorem Harimati Devi	MA. Eco, PG in Manipuri Dance.	Guest lecturer of Manipur University. Founder of Harimati Dance & Music Centre	Dance at secretary of Manipur
2	Dr. Konjengbam Ibomcha Meetei	MA, PGDBM, PHD	Director, Institute of Management, ICM, Guwahati	Cooperative
3	Mr. Kh. Premkumar	Graduate	Social Activist, Founder & CEO of Chanura Microfin Manipur	
4	Ms Wangkheimayum Bimolata Devi	MA. Eng. B. Ed, Hindi Ratana	Manager, Bosco Net, India	
5	Mr. P. Yaima Singh	M. Com	Secretary, RAID	
6	Mr. Kongbrailatpam Bangkimchandra Sharma	MA. Sociology	Secretary, Gandhian Institute of Rural Development	
7	Ms. Pichimayum Memmi Devi	B.Sc	Founder member of Chanura Microfin Manipur	
8	Mr. Priyobratta Gurumayum	B.E. (ECE), MBA (Fin)	Branch Manager, NEDFI, Imphal Branch	

Key Performance Ratios		
	March, 2015	March, 2016
Portfolio at Risk (>30 days)	0.0	0.0
Capital to Risk Weighted Capital Adequacy Ratio (CRAR)	15.83%	16.43%
Operating Expense Ratio (OER)	14.77 %	14.36 %
Funding Expense Ratio (FER)	7.19 %	9.21 %
Write-offs to average total asset	0.16 %	0.03 %
Return on Assets (RoA)	1.20 %	1.18 %
Return on Equity (RoE)	8.89 %	9.44 %
Active borrowers per loan / credit officer	264	268
Active borrowers per branch	845	963

A.P



B.Y

Compliance with RBI's Directions for MFIs: CMM is currently registered as a Society and is not a NBFC-MFI.

Sr No	RBI's Direction	Status
1	85% of total assets to be in the nature of qualifying assets	In compliance
2	Net worth to be in excess of Rs 5 Crore*	Not in compliance
3	Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas	In compliance
4	Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles	In compliance
5	Total indebtedness of the borrower not to exceed Rs 100,000 (excl. medical and education loans)	In compliance
6	Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty^	In compliance
7	Pricing guidelines are to be followed	In compliance
8	Transparency in interest rates to be maintained	In compliance
9	Not more than two MFIs lend to the same client	In compliance

* CMM is not complying with RBI guidelines with respect to Net Worth as it is not registered with RBI as NBFC-MFI. ^CMM generally does not allow pre-payment of loan (pre-payment is very rare and the organization does not encourage it unless there is a genuine necessity. Further, in case of pre payments it do not charge penalty.)

A.P



Section 1: Microfinance Grading

Transparency

- o Constituted as a society under the Manipur Societies Registration Act, 1989
- o Experienced executive members (Governing Body), which meets on a quarterly basis
- o CMM has formed various monitoring committees like HR, audit, grievance redressals committee etc.
- o Credit policies (embedded in the operational manual) are well-established, documented and communicated.
- o Transparency in lending process and monitoring of end use of funds is adequate. The borrowers are aware of the lending policies of the company
- o Overall disclosures are adequate
- o The auditor has submitted an unqualified audit report and satisfactory feedback about the society
- o Separate internal audit team is in place with 2-member audit team reporting directly to the board. Internal audit of branches is conducted on monthly basis and the report is directly submitted to the audit committee and the governing body
- o Information on operational and financial details are available in the public domain is low
- o CMM is a member of credit bureau - High Mark and a member of self-regulatory organization - Sa-dhan

Operational Setup

- o CMM was promoted by Mr. P.K. Khuman of Manipur.
- o Long experience of governing members and senior management members. Mr. P.K. Khuman is the Chief Executive Officer (CEO) of CMM having about two decades of experience in rural development through a NGO and more than one and half decade of experience in micro finance sector.
- o CMM has a well-defined organisation structure with a 4-tier reporting hierarchy. Well defined organization structure with separate departments with clear demarcated roles and responsibilities.
- o Existence of separate departments with clearly defined roles.
- o The society provides loan on joint liability group based approach to women individuals only.
- o Well established and documented HR policies.
- o Senior management provides training to employees and senior management also participates in external training program.
- o Adequate loan appraisal & monitoring systems.



CREDIT ANALYSIS & RESEARCH LTD.

- o MIS is adequate for current level of operations with satisfactory degree of computerization at branches and head office. MIS is maintained through a software package named 'FIMO' developed by JAYAM Solution Pvt. Ltd, Hyderabad. Accounting is done through excel templates. However, the data is feeded manually with no separate accounting package.
- o Adequate risk management system for tracking over-dues and collection of delinquent loans are in place.
- o No separate bank account is maintained for each branch. The amount collected by the branches from the borrowers is deposited into the bank account of the HO on a regular basis (daily or on next day).
- o Loan disbursements are made by the branches through cheque mode only
- o Takes insurance cover for cash in transit and cash in safe from National Insurance Company.

Scale of Operations

- o As on June 30, 2016, CMM was operating in single state (Manipur) only. The operations are spread across 4 (four) districts of the sate through a network of 5 branches.
- o CMM is a small sized MFI player with a loan portfolio stood at Rs.4.44 cr as on March 31, 2016 (Rs.4.24 crore as on March 31, 2015) and Rs.4.67 crore as on June 30, 2016.
- o Low borrower base, covering 4817 active borrowers as on March 31, 2016 (4226 as on Mar 31, 2015) and 4902 active borrowers as on December 31, 2016
- o CMM has three loan products.

Sustainability

- o Reasonable second line of leadership. Majority of senior management has adequate experience to manage the growing scale of operations
- o Moderate operating risk profile where OSS stood at 107.92% in FY16. ROTA deteriorated to 1.18% in FY16 as against 1.20% in FY15
- o The asset quality stood at comfortable levels in the past three years. PAR>30 days remained at 0.00% as on Mar 31, 2016
- o The CAR remained low at 16.43% as on Mar 31, 2016 (15.83% as on March 31, 2015)
- o Has presence in the state of Manipur only. The state of Manipur has lower penetration of MFI's.
- o The sector faces socio-political risks, regulatory uncertainty but has huge unmet potential demand.
- o **Industry Outlook**

Post the AP crisis and regulatory intervention by RBI, the microfinance sector has seen

A.P

[Signature]



[Signature]

CREDIT ANALYSIS & RESEARCH LTD.

growth in loan portfolio on account of improving funding profile, control in operating expenses, improving margins and moderate leverage levels. Current focus of the microfinance sector is mainly on micro-credit with other products still evolving. Going forward, MFIs are likely to expand their client base and reach out to more underserved areas of the country. CMM has presence in areas with low penetration of other MFIs.

Impact of Demonetization -

Post demonetization of high value currency notes, many of the MFIs have faced collection issues as they generally operate in cash. For the first 2 weeks following the announcement of demonetization, the collection ratio reportedly declined to 80%. Subsequent increase in supply of new currencies by RBI led to increase in collections in the fourth week of November. But the collections have come down subsequently due to the dispensation provided by RBI (earlier by 60 days and later increased to 90 days) to financial institutions in terms of recognizing NPAs. This was misrepresented to the borrowers by influential people (as some kind of loan waiver), and thus resulted in fall in collection efficiency in few states like Uttar Pradesh, Maharashtra and Madhya Pradesh.

Post demonetization, MFIs are increasingly looking for cashless disbursement and collection through Jan-Dhan accounts and by leveraging technology. With 8 NBFC-MFIs converting into Small Finance Banks (SFBs) by March 2017, the competitive environment is bound to undergo a major shift within the microfinance industry as a whole. As these entities are expected to remain focused on microfinance, cashless disbursement and collection of loans is bound to increase in the future.

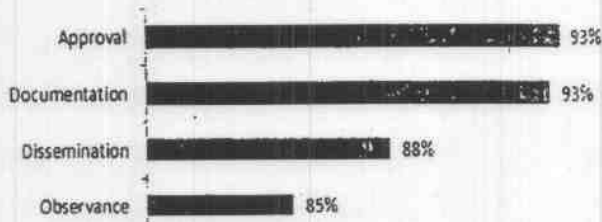
A.P



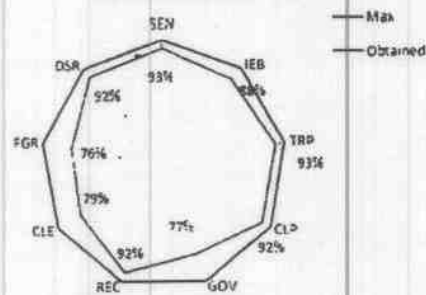
BY

Section 2: Code of Conduct Assessment

ADDO Scores



COCA Dimension Scores



SEN: Sensitive Indicators; IEB: Integrity and Ethical Behaviour; TRP=Transparency; CLP=Client Protection; GOV=Governance; REC=Recruitment; CLE=Client Education; FGR=Feedback and Grievance Redressal; DSR=Data Security

Code of Conduct Assessment Summary

CMM was found to have a good governance structure with experienced governing body members with standard operating processes in place. The staff was found to be trained and ethical while dealing with clients and there is good amount of transparency in the operations. However, there is no system to provide loan agreements to the clients and the society does not have any policy of restructuring the loans provided to the borrowers.

MFI Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good governance with experienced members in the governing body • Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems. • Strong human resource profile through training. 	<ul style="list-style-type: none"> • CMM does not have any policy relating to re-structuring of loans. • Public disclosures of data are low as detailed key operational parameters are not available on the web site. However, annual report, audited statements are available on its web site; • Information about grievance redressals mechanism by industry associations was lacking in borrowers.

A.P

By

Significant observations

Higher Order Indicators	
<p>Integrity and Ethical Behaviour</p>	<ul style="list-style-type: none"> • Standard operating process and policies are in place with strong degree of adherence and the staff is appropriately trained to abide by the code of conduct. • Fair degree of transparency observed while dealing with borrowers and the staff was found ethical and the management treats borrowers and staff members with dignity. • The Board gives good oversight in observations with Code of Conduct. • Emphasis is on women empowerment through periodic financial literacy trainings and social capital is built through community meetings.
<p>Sensitive Indicators</p>	<ul style="list-style-type: none"> • The clients surveyed were well aware of the loan products, interest rates and charges for loan. • The borrowers had no grievances with respect to conduct, punctuality and behavior of the loan officers. • CMM is not RBI registered NBFC-MFI. It complies with the RBI's latest guidelines for qualifying assets, loan tenure. However, it has a lower net worth base. • The borrowers are not provided loan agreement; however the loan forms/loan cards mention terms and conditions of the loan along with the annualized interest rates. • CMM does not have insurance for its borrowers till December 31, 2016. However, recently it tied up with LIC for providing insurance to its borrowers.

Building Blocks	
<p>Transparency</p>	<ul style="list-style-type: none"> • The policies of CMM are in place and documented in its operational manual and HR manual. • The details of loan products are displayed in the branches and are in local languages. Loan cards given to borrowers have interest & principal amount, fees and further, the loan officers have explained it to the borrowers. • The borrowers are not provided loan agreement copies; however, loan forms/loan cards mention terms and conditions of the loan along with the annualized interest rates. CMM provides the loan sanction letter to its clients. • Latest RBI guidelines related to NBFC-MFI are documented in circulars. • Details related to latest RBI's guidelines are not available at the branches. • CMM does not take any security deposit from its clients. • It has continuous training programmes for its staff at

A.P



27

	<p>various levels which is imparted by the senior management team. The training mainly covers operational aspects like details of loan products, recent guidelines, and conduct with the borrowers.</p> <ul style="list-style-type: none"> • The society has low amount of disclosures in the public domain. Annual report, audited statements are available on its web site; however detailed key operational parameters are not available on the web site.
<p>Client Protection</p>	<ul style="list-style-type: none"> • The products and charges (interest and fees) were in compliance with the RBI guidelines. • CMM does not have insurance for its borrowers till December 31, 2016. However, recently it tied up with LIC for providing insurance to its borrowers. • The borrowers are given valid receipts for every payment made by them. • The society works on a monthly schedule with fixed days for promotion, accepting new applications, credit appraisal and disbursement and collection. The turnaround time (TAT) is around 15-30 days from the date of loan application to disbursement. • The operational manual of CMM provides guidelines for conducting meetings with the borrowers and their conduct. The staff is also trained on the same issues. • The field staffs are trained for not using any coercive or abusive language or provide any threat in case non-payment by the borrowers. The sample of borrowers surveyed did not have negative comments about the field staff. • The loan cards given to the clients have documented repayment schedule and the charges and interest rates printed on them. • The field staff is trained to assess the income and indebtedness of clients and also have documented criteria in the operational manual. • The clients are informed about sharing of their data with credit bureaus and other agencies.
<p>Governance</p>	<ul style="list-style-type: none"> • Good governance with reputed people comprising the governing body • CMM has several board level committees which deal with various aspects (HR, audit, grievance redressals committee) of the microfinance operations. • All detailed operational activities are reviewed and monitored by the CEO in a regular manner and required matters are passed on to governing body. • CMM has taken initiatives to better manage the cash during the current scenario of demonetization. • Internal audit is done on continuing basis. • The audit committee is a board level sub-committee which meets quarterly. • The compensation of the CEO is not disclosed in the audited reports.

A.P



By

	<ul style="list-style-type: none"> The statutory auditor M/s. Kunjabi & co. (FRN: 309115E) has given as favorable feedback on the accounting practices and systems followed by the organization.
Recruitment	<ul style="list-style-type: none"> HR policies are in place with criteria for selection and growth opportunities in place. The society ensures that an employee from a particular area (or an employee who has served that area in his previous employment) is not posted in the same area. The society has proper notice period for employees who have and does reference check for new recruits.
Client Education	<ul style="list-style-type: none"> Financial literacy trainings are given to borrowers in a frequent manner. High emphasis on client education to make them aware on the issues, options, choices and responsibilities.
Feedback and Grievance Redressal	<ul style="list-style-type: none"> Grievance redressal mechanism is in place and the surveyed borrowers were aware of such mechanisms. It has a dedicated person for grievance redressals Information about grievance redressals mechanism by industry associations was lacking in borrowers.
Data Sharing	<ul style="list-style-type: none"> Data is shared on a monthly basis with the credit bureaus like High Mark as well as SROs like Sa-dhan on quarterly basis. The brief snapshot of operational data is not available on website. However, the audited financial statements are available on the web site.

A.P

24



Annexure: Methodologies

Microfinance Grading Methodology

CARE Ratings' MFI Grading Framework

CARE's MFI grading is a one-time assessment of a Micro Finance Institution's (MFI) operational and financial capability to undertake and sustain the targeted level of operations.

CARE evaluates an MFI under a four point framework:

- I. Transparency;
- II. Operational setup;
- III. Scale of operations and
- IV. Sustainability.

The various aspects covered under each parameter are given below:

<p>I. TRANSPARENCY</p> <ul style="list-style-type: none"> • Governance • Accounting Policies • Internal Control • Transparency in the usage of grants and funds • Transparency in the lending process 	<p>III. SCALE OF OPERATIONS</p> <ul style="list-style-type: none"> • Geographical spread of operations and outreach • Variety of loan Products • Efforts to increase outreach and coverage
<p>II. OPERATIONAL SETUP</p> <ul style="list-style-type: none"> • Promoter/Management Assessment • Organisational Structure • Systems and Procedures • Quality of Information System • Lending policy • Quality of Loan Monitoring process • Litigation • Risk Mitigating mechanisms 	<p>IV. SUSTAINABILITY</p> <p>a) Financial Sustainability</p> <ul style="list-style-type: none"> • Resource Profile • Cost Structure • Interest rate policies • Capital Adequacy • Asset quality • Earnings • Liquidity and Asset Liability Management <p>b) Operational Sustainability</p> <ul style="list-style-type: none"> • Succession planning • Competition • Resource arrangements • Vision

A.P



By

CREDIT ANALYSIS & RESEARCH LTD.

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 (Sa-dhan and 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 Behavior	
Building Blocks	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

Chart: COCA Indicators Framework

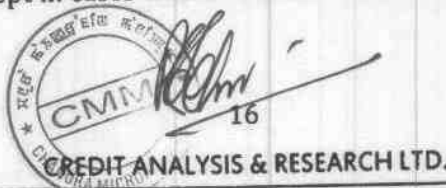
Number of indicators in each category is presented below

Higher Order Indicators	Number of Indicators
Integrity and Ethical Behaviour	32
Sensitive indicators	27
Building Blocks	Number of Indicators
Transparency	40
Client Protection	123
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
Total	251

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).

A.P



27

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).

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.

As part of this assessment, CARE team visited five branches of the CMM. The details of the branches visited are provided below.

Sr No	Branch	State	No of clients interviewed
-------	--------	-------	---------------------------

A.P



27

Comprehensive MFI Grading: CMM

1	Sega Road	Manipur	18
2	Singjamei	Manipur	14
3	Wangkhei	Manipur	16
4	Sagolband	Manipur	18
5	Kwakeithel	Manipur	19
Total			85

A.P



[Handwritten Signature]

[Handwritten Mark]