

CONFIDENTIAL



Code of Conduct Assessment Report

**DHOSA CHANDANESWAR
BRATYAJANA SAMITY (DCBS)**

February 2013

Conducted by:

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| DHOSA CHANDANESWAR BRATYAJANA SAMITY (DCBS) | | |
|---|------------------|---|
| Legal Form | Society | About Dhosa Chandaneswar Bratyajana Samity (DCBS) |
| Date Established Initiation of Operations | 2003 | Dhosa Chandaneswar Bratyajana Samity (DCBS) was established in the year 2003 at a remote village called Dhosa located in the district of South 24 Parganas in West Bengal for the welfare of rural poor people especially helpless women and children. It is registered as Society under West Bengal Societies Registration Act (XXV1) of 1961 in 2003. |
| Operational Area <ul style="list-style-type: none"> One district of West Bengal (South 24 Parganas) Services and Products offered <ul style="list-style-type: none"> Micro loan: Unnati SME loan: Dhanalakshmi Education loan: Saraswati Health loan: Shakti Solar loan Lending Model <ul style="list-style-type: none"> Self Help Groups | | <p>It was started with the initiative of some enthusiastic youths to provide social services and gradually established as an organization to provide loan to the poor in order to make them self-dependent. As on March 31, 2012, DCBS had 5 branch offices and 8,056 borrower outreach with a portfolio size of Rs438.54 Lakhs.</p> |
| Average Score | Rating | Grade |
| 3.04 | 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 |
| | | DCBS follows group based individual lending model of minimum 10 members and maximum 30 members in a group. |

| Key Performance Indicators (Institutional reporting) | | | | |
|--|---------|---------|---------|---------------|
| | 2009-10 | 2010-11 | 2011-12 | Apr-Sept 2012 |
| Number of Groups | 301 | 403 | 403 | 403 |
| Total number of Clients | 7,649 | 10,032 | 8,884 | 8,636 |
| Total number of Active Clients (loanee) | 7,230 | 8,679 | 6,929 | 6,899 |
| Total Savings mobilized (of SHGs) (Rs. in Lakhs) | 36.73 | 61.66 | 0.68 | 0 |
| Share Capital (Rs. In Lakhs) | 0 | 0 | 0 | 0 |
| Total Loan outstanding (Rs. In Lakhs) | 245.49 | 453.08 | 438.54 | 421.38 |
| Average Loan Outstanding (in Rupees) | 0.03 | 0.05 | 0.06 | 0.06 |
| Total External Loan outstanding (Rs. in Lakhs) | 193.97 | 331.31 | 329.76 | 286.97 |
| Rate of Interest charged (by the NGO/MFI) | 15.00% | 12.50% | 12.50% | 12.50% |
| Rate of Interest (other MFI, FI) | 13.50% | 13.50% | 14.75% | 13.50% |
| Repayment Rate (Internal) | 98% | 98% | 98.1% | 98.95% |
| Repayment Rate (External) | 100% | 100% | 100% | 100% |
| No of Villages | 130 | 166 | 179 | 179 |
| No of Districts | 1 | 1 | 1 | 1 |
| No of States | 1 | 1 | 1 | 1 |
| No. of Branch offices | 4 | 5 | 5 | 5 |
| No. of Field offices | 5 | 6 | 6 | 6 |
| No. of Field staff / credit officers | 16 | 21 | 21 | 21 |

| Loan Products | | | | | |
|--------------------------------------|-----------------------|---------------------------|------------------------------|------------------------|-----------------|
| | Micro loan: Unnati | SME loan: Dhanalakshmi | Education loan: Saraswati | Health loan: Shakti | Solar Loan |
| Clientele | Women | Women | Women | Women | Women |
| Utilization | Income Generation | Income Generation | Education | Health | Power |
| Loan size | Rs1,000-15,000 | Rs16,000-50,000 | Rs1,000-5,000 | Rs1,000-5,000 | Rs10,000-15,000 |
| Loan tenure | 12 Months | 24 Months | 12 Months | 12 Months | 24 Months |
| Guarantor | Group | Group | Group | Group | Group |
| Collateral requirements | - | - | - | - | - |
| Repayment | Weekly | Weekly | Weekly | Weekly | Weekly |
| Interest rate (Flat) | 12.5% | 12.5% | 10% | 10% | 8% |
| Other charges (Insurance) | 1% | 1% | - | - | 1% |
| Processing fee | 1% | 1% | - | - | 1% |
| Security deposit / risk contribution | - | - | - | - | - |

Highlights

Strengths:

- Unified Code of Conduct customized as per the industry code of conduct (Sa-Dhan & MFIN) along with the institutional values, mission, vision and expectations and displayed in all branch offices and Head Office.
- Strong laid down policies on staff conduct in operation manual.
- 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)
- Strengthening the livelihoods of the clients in such an area where there is limited access to finance.
- Data sharing with credit bureau (Equifax).
- Membership with Sa-Dhan and Association of Micro Finance Institutions (AMFI, West Bengal)
- Various social interventions apart from microfinance are being performed like health camps, cervical cancer detection camp and distribution of smokeless stoves.
- A separate life insurance product available for the clients called “JEEVAN MADHUR” in collaboration with Life Insurance Corporation of India.
- A dedicated branch office for solar lamp loans for non-electrified villages.
- MIS software known as “BIJLI” exists in the system with continuous up gradation.

Areas to Strengthen:

- Prepayment is discouraged. Does not make an interest collection adjustment in case of prepayment.
- A separate HR and training manual can be developed including training module for proper staff training.
- Client training on pricing terms and conditions and feedback mechanism with 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 household planning as a part of the social intervention of DCBS.
- Sharing of pricing data with MIX Market for pricing transparency.
- Maximum portfolio is concentrated only on one loan product although DCBS have product diversity.
- Internal audit checklist should include code of conduct compliance.
- Client drop-out survey / interview exists informally but no analysis has been done.
- No code of conduct compliance report presented and discussed in Board meeting.
- Strengthening the board in terms of more representation from microfinance experts.

Code of Conduct Assessment Report for DCBS

Summary of the study

The overall grade obtained by DCBS is **A**, with a composite score of **3.04**, which indicates that the organization has good appraisal systems, products and services, employee friendly HR policies to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across DCBS is good; more can be done to increase client awareness on pricing, terms and conditions with proper client education on the feedback mechanisms which exist in the system. More can be done in revising the pricing policies and strengthening the board in terms of more representation from microfinance experts.

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 DCBS | | |
|----------------------------------|----------------------------|---|
| Assessment Area | Score (out of 4.00) | Key Elements to be evaluated |
| Code of Conduct | 3.45 | <ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client) |
| Market Entry | 3.00 | <ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence |
| Appraisal Process | 3.13 | <ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification |
| Client Comprehension | 3.00 | <ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff) |
| Products and Services | 3.10 | <ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages |
| Pricing | 2.68 | <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 DCBS | | |
|----------------------------------|----------------------------|---|
| Assessment Area | Score (out of 4.00) | Key Elements to be evaluated |
| Staff Conduct | 3.20 | <ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults |
| Governance | 2.83 | <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 | 3.06 | <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 : 3.45 |
|---|--------------|
| Key Elements: Design, Visibility, Training, Refreshment, Awareness | |
| a. Design | |
| <ul style="list-style-type: none"> • The Code of Conduct of DCBS is customized as per the industry code of conduct (Sa-Dhan - MFIN) along with the institutional values, mission, vision and expectations. | |
| b. Visibility | |
| <ul style="list-style-type: none"> • 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). | |
| c. Training | |
| <ul style="list-style-type: none"> • There has been training program conducted on Code of Conduct for the staff at all levels. There is a dedicated training officer for staff training. 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. | |
| d. Refresher | |
| <ul style="list-style-type: none"> • DCBS has made efforts to refresh staff about the Code of Conduct through its monthly all branch staff meetings at Head Office. | |
| e. Awareness (Staff and Client) | |
| <ul style="list-style-type: none"> • 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. • Almost 70% clients have very good understanding of overall code, details and expectations. | |

| 2. Market Entry | Score : 3.00 |
|---|--------------|
| Key Elements: Identification, Procedure, Saturation, Due Diligence | |
| a. Identification | |
| <ul style="list-style-type: none"> The target segment is distressed, disadvantaged and deprived segment of the society with the objective of doing something for the welfare of the poor rural people especially helpless women and children. DCBS 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 which is helpless and poor. | |
| b. Procedure | |
| <ul style="list-style-type: none"> DCBS follows an uniform procedure for market entry - general community survey; evaluation formats exists to evaluate new market along with the potentiality of the area / village with sources of income, transportation facilities, information on panchayats, presence of banks and post offices, distance from any nearby existing branch office, number of MFIs working in that particular area and general area information. | |
| c. Saturation | |
| <ul style="list-style-type: none"> During the area identification procedure, DCBS does identify the number of MFIs working in the potential area and accordingly takes a decision based on the number of MFIs operating in the area. | |
| d. Due Diligence | |
| <ul style="list-style-type: none"> Due diligence for new area is done by at least 3 departments of DCBS – Credit Officer/Branch Manager, Regional Manager and Operations Manager and gets finally approved by the Secretary of DCBS. | |

| 3. Appraisal Process | Score : 3.13 |
|---|--------------|
| <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"> • 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 followed by group training by Credit Officer and Branch Manager. Then a Group consisting of 10-30 members 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. | |
| <p>b. Repayment Capacity</p> | |
| <ul style="list-style-type: none"> • 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 income, expenditure, assets and liabilities. | |
| <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. | |
| <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. | |
| <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 DCBS is one week. | |
| <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 branch 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 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 during field 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. There should be a mechanism to check the adherence of staffs on code of conduct by internal audit. | |

| 4. Client Comprehension | Score : 3.00 |
|--|--------------|
| <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 DCBS, the client review time is three weeks since the terms and conditions of the products and services offered by DCBS are mentioned during the group meeting along with appraisal and evaluation by Branch Manager, post which the loan is sanctioned. | |
| <p>b. Explanatory Channels</p> | |
| <ul style="list-style-type: none"> • In DCBS, 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. | |
| <p>c. Awareness</p> | |
| <ul style="list-style-type: none"> • During the field visit, it was found that 75% of the clients have a fair idea and knowledge of the rate of interest (flat rate of interest); the upfront processing fee of 1% of the total loan amount and insurance charges of 1% of total loan amount. The awareness is within the literacy limits but there has to be a continuous effort by the field staffs to refresh the clients to increase their awareness level. | |
| <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, 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. | |
| <p>e. Rights and Obligations</p> | |
| <ul style="list-style-type: none"> • Identification of group leader is done by the group members whereas DCBS staff acts as a facilitator. The roles and responsibilities of the group leader and clients/members are discussed during the group meetings and fully explained and reviewed with each client of each group. 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"> • Training is provided by DCBS to its field staff about the importance of making sure that the client understands the information. The roles and responsibilities of all staff levels and do's & don'ts to be followed by the staff while interacting with the clients are also being part of the training process. | |

| 5. Products and Services | Score : 3.10 |
|---|--------------|
| Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages | |
| a. Design and Appropriateness | |
| <ul style="list-style-type: none"> • DCBS's loan products for the clients are designed to suit specific needs of the community and it has been modified as per the guidelines issued by Reserve Bank of India (RBI). Many features of the products are similar but the major differences are in terms of size, tenure and purpose. | |
| b. Review | |
| <ul style="list-style-type: none"> • Infrequent and unscheduled reviews are done and accordingly the product features are modified. | |
| c. Diversity | |
| <ul style="list-style-type: none"> • DCBS offers five different loan products and the loan products have diverse features in terms of loan size, repayment tenure and purpose but are similar in features like target clientele (availed by female clients only), interest rate and group guarantee but majority of the portfolio is concentrated in only one product. A special loan called "Solar Loan" is disbursed through a dedicated branch office in an area where there is no electricity. | |
| d. Convenience | |
| <ul style="list-style-type: none"> • DCBS'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 20-30 minutes and recoveries take place in the group meetings. | |
| e. Linkages | |
| <ul style="list-style-type: none"> • There are two linked products with the loan to client i.e., credit plus micro-insurance provided to the client in collaboration with LIC of India (mandatory). Apart from that a separate life insurance product called "JEEVAN MADHUR" is offered to its client by DCBS (voluntary). | |

| 6. Pricing | Score : 2.68 |
|---|--------------|
| Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default | |
| a. Competition | |
| <ul style="list-style-type: none"> • Pricing of the loan product of DCBS is very competitive, and the organization has occasionally reduced interest rates. DCBS has kept the interest rates for its entire product maximum at 12.5% to adhere with the norms of RBI. DCBS also offers a solar loan product at 8% flat interest. | |
| b. Transparency | |
| <ul style="list-style-type: none"> • Pricing of DCBS 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. DCBS does not share pricing publicly to Mix Market or MFT. | |
| c. Fees | |
| <ul style="list-style-type: none"> • DCBS 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. | |
| d. Security Deposit | |
| <ul style="list-style-type: none"> • DCBS earlier used to charge security deposit from their client against their loan which they have discontinued after the RBI guidelines. | |
| e. Prepayment | |
| <ul style="list-style-type: none"> • DCBS does not encourage prepayment by its clients. High penalty is associated on prepayment due to interest is charged at a flat rate. | |
| f. Default | |
| <ul style="list-style-type: none"> • There is no description of the penalties for default. Operation policy describes recovery practices in case of default and recommended to use persuasion with team effort and frequent interaction with the defaulting groups and members for ensuring loan recovery. Few cases of default were observed in the field. | |

| 7. Feedback Mechanisms | Score : 2.75 |
|---|--------------|
| Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys | |
| a. Existence | |
| <ul style="list-style-type: none"> • In DCBS, two level feedback mechanisms exist. (i) Head Office helpline number for addressing feedback/grievance exists in the organization for clients with a system where complaints are processed, considered and resolved. (ii) Complaint Box exists in the branch offices where clients are free to write /drop their feedback. Operations Manager has the authority to open it during the branch office visit. In addition, Branch Manager, Regional Manager who visits the field takes the feedback from the clients. | |
| b. Staff Training | |
| <ul style="list-style-type: none"> • Training is provided in client relations to the new and existing staff usually by the Branch Manager and by the Regional Manager during weekly branch office meetings and also through the monthly meetings conducted at the Head Office by a dedicated training officer. | |
| c. Client Awareness | |
| <ul style="list-style-type: none"> • Around 75% of the clients were aware of the feedback mechanism including the helpline number and compliant boxes. Clients are well versed about filing a complaint if necessary (identification of Credit Officer/Branch Manager or phone number) | |
| d. Usage | |
| <ul style="list-style-type: none"> • Clients have shared that there were no complaints and that they are aware of the contact numbers of Credit Officer and Branch Manager. Hence, there is limited usage. | |
| e. Checking | |
| <ul style="list-style-type: none"> • 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. | |
| f. Staff Resources | |
| <ul style="list-style-type: none"> • For client feedback mechanism, there is adjunct responsibility of head office staff. | |
| g. Client Exit Interviews/ Drop out Survey | |
| <ul style="list-style-type: none"> • In DCBS, Client Exit Survey/Interview is conducted informally. 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 : 3.20 |
|--|--------------|
| <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 forms part of the operation manual and is available in the head office and all the staffs are aware of the rules mentioned in the book. The rule book of DCBS 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"> • DCBS has been conducting monthly training program for the field staff at Head Office level 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 staff, especially the Credit Officers after selection, undergoes one day orientation at Head Office before joining any branch office. Credit Officers are allocated a branch office for joining and subsequently On the Job Training (OJT) commences with field visits along with a Senior Credit Officer and Branch Manager for a month. Post completion of on the job training written test is conducted and accordingly job confirmation is done. Branch Manager/Regional Manager also gives informal training on (on their roles, responsibilities and operational structure and code of conduct) in this process. | |
| <p>d. Evaluation</p> | |
| <ul style="list-style-type: none"> • All staffs are reviewed annually and accordingly promoted based on the performance assessment reports. In DCBS, annual performance review done with tangible outcomes (salary and promotion). | |
| <p>e. Review of Conduct</p> | |
| <ul style="list-style-type: none"> • Evaluation of the field staff as well as branch personnel is done by their supervisors and endorsed by the higher authorities including the Human Resources department. | |
| <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 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. | |
| <p>g. Recovery / Default</p> | |
| <ul style="list-style-type: none"> • In operation manual of DCBS, 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. | |

| 9. Governance | Score : 2.83 |
|--|--------------|
| <p>Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting</p> | |
| <p>a. Responsibility</p> | |
| <ul style="list-style-type: none"> • Functional responsibilities are broadly defined in bye-laws and business rules. Board of DCBS is active, each individual member are assigned their work and are performed accordingly. | |
| <p>b. Experience/ exposure/ reputation in MF</p> | |
| <ul style="list-style-type: none"> • The board of DCBS has experience in microfinance and other developmental programs. Almost all the board members of DCBS have fair experience in the microfinance sector but there is a scope of strengthening in terms of more representation from microfinance experts. | |
| <p>c. Composition</p> | |
| <ul style="list-style-type: none"> • DCBS board consists of seven members, Mr. Santosh Kumar Halder, President; Mr. Balaram Bar, Vice President; Mr. Animesh Naiya, Secretary; Mr. Surath Chandra Gayen, Assistant Secretary; Mrs. Aparna Roy Mondal, Treasurer; Mr Subhankar Mondal, Member; Mr. Utpal Kumar Ghorui, Member. | |
| <p>d. Role</p> | |
| <ul style="list-style-type: none"> • Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Animesh Naiya, Secretary. | |
| <p>e. Code of conduct compliance report</p> | |
| <ul style="list-style-type: none"> • No code of conduct compliance report presented and discussed in Board meeting. | |
| <p>f. Members' attendance in meeting</p> | |
| <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 : 3.06 |
|--|--------------|
| <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 DCBS are experienced in the field; Credit Officers are experienced and have good exposure of Micro Finance activities. On an average the field level operations have more than 3 years of experience in Microfinance operations. Moreover, the socio-economic status of the clients are similar to that of clients and hence they are able to understand their needs and requirements. | |
| <p>b. Recruitment</p> | |
| <ul style="list-style-type: none"> DCBS has a separate HR department who looks after the recruitment process and other HR related aspects. Recruitments are done by word of mouth for field staff. Proper recruitment process followed for each level of staff personal interview, on job training for one month followed by written test and confirmation. 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 taken. | |
| <p>d. Complaint Redressal</p> | |
| <ul style="list-style-type: none"> There is an informal system for Complaint Redressal for the employees in the organization. While interaction with the field staff it was observed that in case of any grievance employees can reach the higher authority within the organization without any apprehensions. | |

Compliance to RBI Guidelines

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

- a) Interest on loans: Post the RBI guidelines, DCBS have fixed its interest rates on the products to 12.5% per annum on a flat 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): DCBS 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: DCBS has barred the delayed payment charges post RBI guidelines and now collect delayed payment without any charges but there is prepayment charges. DCBS 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. However, DCBS 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 5% of the clients visited were above the household income level of Rs60,000.
- f) Total indebtedness of borrower not exceeding Rs50,000: DCBS 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 tenure of 24 months and loans below Rs15,000 have tenure of 12 months/52 weeks.

Overall, DCBS is compliant on the RBI guidelines issued.

Conclusion

DCBS has achieved a composite CoCAT score of **3.04** 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 customized as per the industry code of conduct (Sa-Dhan & MFIN) along with the institutional values, mission, vision and expectations and displayed in all branch offices and Head Office.
- Strong laid down policies on staff conduct in operation manual.
- 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)
- Strengthening the livelihoods of the clients in such an area where there is limited access to finance.
- Data sharing with credit bureau (Equifax).
- Membership with Sa-Dhan and Association of Micro Finance Institutions (AMFI, West Bengal)
- Various social interventions apart from microfinance are being performed like health camps, cervical cancer detection camp and distribution of smokeless stoves.
- A separate life insurance product available for the clients called “JEEVAN MADHUR” in collaboration with Life Insurance Corporation of India.
- A dedicated branch office for solar lamp loans for non-electrified villages.
- MIS software known as “BIJLI” exists in the system with continuous up gradation.

Areas to Strengthen:

- Prepayment is discouraged. Does not make an interest collection adjustment in case of prepayment.
- A separate HR and training manual can be developed including training module for proper staff training.
- Client training on pricing terms and conditions and feedback mechanism with 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 household planning as a part of the social intervention of DCBS.
- Sharing of pricing data with MIX Market for pricing transparency.
- Maximum portfolio is concentrated only on one loan product although DCBS have product diversity.
- Internal audit checklist should include code of conduct compliance.
- Client drop-out survey / interview exists informally but no analysis has been done.
- No code of conduct compliance report presented and discussed in Board meeting.
- Strengthening the board in terms of more representation from microfinance experts.

| Average Score | Rating | Grade |
|---------------|------------------|----------|
| 3.04 | 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 | Joynagar | 15 |
| 2 | Jibal Mandal Haat | 15 |
| 3 | Dhosa | 17 |
| 4 | Dhamua | 20 |
| 5 | Dakshin Barasat | 18 |
| Total | 5 | 85 |

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, and 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.