

CONFIDENTIAL



Code of Conduct Assessment Report

**JAGARAN MICROFIN PRIVATE
LIMITED**

March 2014

Conducted by:

ACCESS ASSIST
28, Hauz Khas Village
New Delhi, 110016
Tel: +91 11 2651 0915, 2685 0821
Fax: +91 11 2685 0821
Mobile No +91 97486 23494
Email – sudipto@accessassist.org
Website - www.accessassist.org

For:

**Jagaran Microfin Private
Limited**
"SURFRIGE HOUSE" 3rd
Floor, P-12, C.I.T. Road, Kolkata
- 700014
Tel: +91 33 22176168
Mobile: +91 8017523700
Email-md@jagaranmf.com
Website - www.jagaranmf.com



Disclaimer

This Code of Conduct Assessment Report is meant for use by Jagaran Microfin Private Limited only. This is a one-time assessment based on the information provided by Jagaran Microfin Private Limited to ACCESS-ASSIST. ACCESS-ASSIST especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this report. ACCESS-ASSIST reserves the right to suspend, withdraw or revise the MFI assessment at any point of time based on any new information or unavailability of information or any other circumstances brought to ACCESS-ASSIST's notice which ACCESS-ASSIST may believe that it has impacted the assessment.

ACCESS-ASSIST's Code of Conduct Assessment reflects ACCESS-ASSIST's current opinion on the ability of a MFI to adhere to a Code of Conduct while delegating operation. The MFI assessment does not constitute an audit of the assessed MFI by ACCESS-ASSIST. MFI assessment applies only to their microfinance programmes. ACCESS-ASSIST's MFI assessment is based on information provided by the assessed MFI, or obtained from sources which ACCESS-ASSIST considers reliable. This assessment does not opine on the MFI's ability for timely payment of interest and principal. Nor it is a recommendation to purchase, sell, or hold any financial instrument issued by the assessed MFI. The MFI grading assigned by ACCESS-ASSIST cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public.

© ACCESS-ASSIST –2014



JAGARAN MICROFIN PVT. LTD.		
Legal Form	NBFC	About Jagaran Microfin Pvt. Ltd.
Date Established Initiation of Operations	December, 2010	<p>Jagaran Microfin Private Limited was incorporated as SBT Consultants Private Limited on January 12, 1993. The company which was primarily engaged in small lending. They received the Certificate of Registration as an NBFC from Reserve Bank of India on March 18, 1998. The management then decided to start micro lending activities with a vision to increase opportunities for the poor to access financial services by providing micro loans to low income active entrepreneurs, provide funds to urban and rural producers, traders and small scale farmers and self-employed persons. The Company commenced micro lending activities from December 2010. Subsequently, the shareholders of SBT Consultants Private Limited passed a special resolution on January 27, 2011 and altered the provision of its Memorandum of Association to include micro lending activities as its main object. The name of the company was changed in June 2011 to Jagaran Microfin Private Limited in line with the altered Main Objects of the company and the approval was obtained on November 9, 2011 from Reserve Bank of India.</p> <p>Jagaran started its operations by offering micro-loans in West Bengal, and then expanded its operation to Bihar and Jharkhand. Currently the entity has 47 branches across West Bengal, Bihar and Jharkhand and caters to 80,900 borrowers. As on March 31, 2013, the company has a loan portfolio outstanding of Rs39.02 crores.</p>
Operational Area	<ul style="list-style-type: none"> 47 branch offices spread across West Bengal (42), Bihar (4) and Jharkhand (1) 	
Services and Products offered	<ul style="list-style-type: none"> Saral Loan Shiksha Loan Micro Insurance Micro Pension- NPS -Swavalamban 	
Lending Model	<ul style="list-style-type: none"> Joint Liability Groups 	
Average Score	Rating	Grade
3.05	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)				
Key Indicators	Dec 2010-Mar 2011	Apr 2011-Mar 2012	Apr 2012-Mar 2013	Apr 2013-Sep 2013
Number of Groups	1,911	14,248	20,695	21,658
Total number of Clients	9,780	73,278	101,548	98,748
Total number of Active Clients (loan)	8,825	64,856	80,828	77,479
Total Savings mobilized (of SHGs) (Rs. in Lakhs)	NA	NA	NA	NA
Share Capital (Rs. In Lakhs)	650	3192	3482	3482
Average Savings mobilized per member per month	NA	NA	NA	NA
Average Savings per SHG (in Rupees)	NA	NA	NA	NA
Total Loan outstanding (Rs. In Lakhs)	641.87	3398.7	3941.6	4074.52
Average Loan Outstanding (in Rupees)	7,267	5,240	4,876	5,258
Rate of Interest charged (by the NGO/MFI)	26%	26%	26%	26%
Repayment Rate	100	99.79	99.83	99.83
No of Villages	252	1,466	1,858	1,899
No of Districts	-	9	10	11
No of States	1	1	1	2
No. of Branch Offices	15	40	42	43
No. of Field Offices	-	24	32	37
No. of Field staff / credit officers	54	148	168	173
Portfolio at Risk (>60 Days)	0	0.19%	0.38%	0.34%



Loan Products (as on September 30, 2013)

Lending Model	SARAL				SIKSHA
	JLG	JLG	JLG	JLG	Individual
Clientele	Women	Women	Women	Women	Women
Utilization	Income Generation	Income Generation	Income Generation	Income Generation	Education
Loan size	Rs6,000	Rs8,200	Rs10,400	Rs13,000	Rs3,000-4,000
Loan tenure	50 Weeks	50 Weeks	50 Weeks	50 Weeks	45 weeks
Collateral requirements	-	-	-	-	-
Repayment	Weekly	Weekly	Weekly	Weekly	Weekly
Interest rate	25.99%	25.98%	25.97%	25.88%	12.5%
Other charges (Insurance)	Rs54 (Actual plus service tax as applicable)	Rs74 (Actual plus service tax as applicable)	Rs94 (Actual plus service tax as applicable)	Rs117 (Actual plus service tax as applicable)	-
Processing fee	Rs66 (1% plus service tax)	Rs90 (1% plus service tax)	Rs114 (1% plus service tax)	Rs147 (1% plus service tax)	-
Security deposit / risk contribution	-	-	-	-	-



Highlights

Strengths:

- Unified Code of Conduct customized as per the industry code of conduct (MFIN and Smart Campaign Client Protection Principles) along with the institutional values, mission, vision and expectations.
- Strong laid down policies on staff conduct in operation manual.
- Toll Free helpline number for client feedback/grievances.
- Dedicated employee helpline number for dispute settlement and employee grievances and feedback
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Data sharing with credit bureau (Equifax and High Mark).
- Membership with MFIN
- A separate life insurance product available for the clients in collaboration with Life Insurance Corporation of India, which cover both the borrower and their co-borrower.
- Micro pension is available through National Pension Scheme Lite (Swavalamban).
- Proper web based MIS software exists in the system with continuous up gradation.
- Highly motivated staff with punctuality and dedication towards the work, as per the clients' feedback.
- Display of the code of conduct principles at every branch offices of Jagaran Microfin Pvt. Ltd in vernacular language (Bengali).
- Every branch has a complaint box which gives a new dimension in the feedback/ grievances system.

Areas to Strengthen:

- 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 program can be undertaken for the clients to make them understand their household cash flows and household planning as a part of the social intervention of Jagaran.
- Client drop-out survey / interview exists informally but no analysis has been done.
- Code of conduct compliance report can be presented and discussed in Board meeting.

Code of Conduct Assessment Report for Jagaran Microfin Private Limited

Summary of the study

The overall grade obtained by Jagaran Microfin Pvt. Ltd. is **A**, with a composite score of **3.05**, 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 Jagaran Microfin Pvt. Ltd. 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. Focus can be made on the implementation of the code of conduct principles through proper visibility and regular training.

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 Jagaran Microfin Pvt. Ltd.		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	3.00	<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	3.33	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.04	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	2.95	<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



Baseline Results for Jagaran Microfin Pvt. Ltd.		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
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
Staff Conduct	2.90	<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 Resources	3.31	<ul style="list-style-type: none"> • Field staff experience/ exposure in MF • Recruitment • Staff Exit • Complaint Redressal



Code of Conduct Assessment Results

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

1. Code of Conduct	Score : 3.00
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> •The Code of Conduct of Jagaran Microfin Pvt. Ltd is customized as per the industry code of conduct in adherence with 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 of the branch offices is in local vernacular language and in the Head Office in English 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, mission, vision, and other key organizational principles for the existing staff at all levels. However, for the new staff at any levels, they are briefed during the induction about the Code of Conduct and its aspects. 	
d. Refresher	
<ul style="list-style-type: none"> •Jagaran Microfin Pvt. Ltd has made efforts to refresh staff about the Code of Conduct during meetings by Branch Heads, Area Managers and the Human Resource Team. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> •Almost 85% of the staff have very good understanding of overall code, details and expectations. During the meeting with branch office staff, maximum members were aware of the Code of Conduct and its aspects. •Almost 75% of the 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 low income women entrepreneurs; producers, traders, small scale farmers and self employed people in the urban, semi-urban and rural areas. Jagaran intends to awaken the economically challenged sections of the society and assist them in building a better life. 	
b. Procedure	
<ul style="list-style-type: none"> • Jagaran follows an uniform procedure for market entry- starting with an Area Survey to understand the demographic profile, connectivity, microfinance landscape/competitors, banking facilities, occupational pattern and other regional dynamics before selecting an operational area. The objective of the survey is to find out the best branch office location, identify target customers, environmental conditions, occupational pattern, MFIs operating in the area, connective through road, train and banking penetration in the area. The methodology adopted in the survey is by collecting information (both primary & secondary) through street surveys, meeting borrowers of other MFIs, NGOs, visiting municipality and block offices and other MFI's offices working in that area. Post completion of the survey, an Area survey report is submitted by the team to the senior management for approval. 	
c. Saturation	
<ul style="list-style-type: none"> •During the area survey, Jagaran does identify the number of MFIs working in the potential area and accordingly takes a decision based on total household in the area, covered by other MFIs and potential customers in the area. Further the area survey report also covers specific recommendations for avoiding high penetrated area. 	
d. Due Diligence	
<ul style="list-style-type: none"> • Due diligence for new area is done by at least 3 departments – Field Team, Monitoring/Inspection Team, Operations Team and gets finally approved by the Senior Management of Jagaran Microfin Pvt. Ltd. 	



3. Appraisal Process	Score : 3.33
<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"> JMPL’s frontline field staff are called Relationship Officer (RO), who reports to the Branch Manager, in-charge with managing business and administration of the Branch. The RO arranges a general meeting at a common place for the targeted members, wherein the Branch Manager introduces them to the organization and its microfinance program. The members who show interest in participating in the microfinance program are invited to the next meeting, during which women members from the same locality organize themselves into groups of five and finalize the dates for the three-day Compulsory Group Training (CGT). The RO conducts the CGT, in which the members are informed about the MFI’s policy, loan product, repayment terms and conditions, document required including KYC. Post completion of the CGT, the Branch Manager conduct a Group Recognition Test (GRT), to ascertain member understanding of the organisation policies and procedures. Post GRT, the RO collects the registration form and KYC documents from each borrowers, as well as loan application forms from the respective JLGs. After collection of documents from the approved groups, the Branch Manager enters the loan application in the system (with all details) and awaits clearance from Credit Bureau (via H.O.). After getting report from the Credit Bureau, HO sends approval details and funds and the loans are disbursed at Branch. Necessary records are updated in both manual and computerized methods of record keeping. 	
<p>b. Repayment Capacity</p>	
<ul style="list-style-type: none"> The RO conducts a household survey to ascertain the creditworthiness of the potential borrowers, followed by household visit by the Branch Manager after the GRT. During this visits, the RO/BM assess the borrowers earning sources, assets, liabilities with other MFIs. Jagaran has tied up with Credit Bureaus (Equifax and High Mark) to gauge the residual income and indebtedness of potential borrowers. All loan applications are checked with the credit bureau to identify and check instances of multiple borrowing. 	
<p>c. Debt Thresholds</p>	
<ul style="list-style-type: none"> Debt thresholds limits are calculated on the basis of at least 2 parameters, including income & expenditure and assets & loans outstanding with one other MFI. 	
<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. Credit Information Reports from the Credit Bureaus is also availed to check the credit history of the client during the loan 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 Jagaran Microfin Pvt. Ltd is very quick and it requires 7 to 10 working days of processing time. 	
<p>f. Approval</p>	



3. Appraisal Process	Score : 3.33
<p>Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<ul style="list-style-type: none"> After all the due diligence in the field, including the CGT/GRT, the Branch Manager visits the house of each member of the group to ascertain their earnings, repayment capacity and preparedness for the proposed activities for loan. The RO collects the registration form and KYC documents from each borrower, as well as loan application forms from the respective JLGs and forward them to the Branch Manager. The Branch Manager enters the loan application in the system (with all details) and awaits clearance from Credit Bureau (via H.O.). After getting report from the Credit Bureau, HO sends approval details and funds and the loans are disbursed at Branch. Necessary records are updated in both manual and computerized methods of record keeping. 	
<p>g. Verification</p>	
<ul style="list-style-type: none"> Jagaran has a dedicated internal audit team called the “Internal Inspection” comprising 12 members. The scope of the audit comprises of physical verification of assignments, required by management to maintain transparency, accuracy and accountability to its operations, resources and services. The Internal Inspection department verifies loan documents, 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. The team conducts surprise visits to the branch office and conducts documentary and field level audit of compliance to statutory matters, review of risk management procedures, effectiveness of the existing policies and efficacy of the reporting system. The Internal Inspection team submits their compliance report to concerned branch office. The IA checklist has mechanisms to check aspects of adherence of RBI guidelines by the staff members. 	



4. Client Comprehension	Score : 3.04
Key Elements: Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training	
a. Client Review Time	
<ul style="list-style-type: none"> • JMPL’s client review time is more than a week since the terms and conditions of the products and services offered by the MFI are mentioned during the CGT and GRT along with appraisal and evaluation by Branch Manager, who visit the house of the members to undertake the necessary due diligence. All loan applicants are provided a receipt which indicates the probable response time from the end of JMPL with regard to processing of the application. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> • JMPL uses both verbal and written method of communication to educate and explain the clients on loan pricing information including processing charges, interest rates, among others. The entire loan documents, including the loan application form, receipts, demand note are in local vernacular language to ensure easy understanding by the clients. All Branch offices also display the rate of interest charged, the salient features of the Fair Practices Code as well as the process for grievance redressal in a language that can be read and understood by the borrowers. 	
c. Awareness	
<ul style="list-style-type: none"> • During the field visit, it was found that 70% of the clients have a fair idea and knowledge of the rate of interest (reducing rate of interest); the upfront processing fee of 1% of the total loan amount and insurance premium amount for the respective loan ticket size. 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. 	
d. Disclosure of Price and Terms	
<ul style="list-style-type: none"> • JMPL’s loan application indicates the documents required for the loan and record the document submitted by the clients. All loan applicants are provided a receipt which indicates the probable response time from the end of JMPL with regard to processing of the application. All Branch offices also display the rate of interest charged, the salient features of the Fair Practices Code as well as the process for grievance redressal in a language that can be read and understood by the borrowers. JMPL issues Pass Book to the Borrower which indicates the rate of interest, the amount of instalment, the amount collected towards processing fees and towards insurance. 	
e. Rights and Obligations	
<ul style="list-style-type: none"> • Identification of group leader is done by the group members during the meeting, where JMPL’s staff acts as a facilitator. The roles and responsibilities of the group leader and clients/members are discussed during the CGT and fully explained and reviewed with each client of each group during the GRT. 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. 	
f. Staff Training	
<ul style="list-style-type: none"> • JMPL conducts trainings for its field staff to equip them with skills for making enquiries with regard to existing debt of borrowers. JMPL also trains staff through a defined and established practice of undertaking due diligence as well as regular loan utilization checks to ensure the repayment capacity of the borrower. The organisation provides a brief orientation cum induction training at the Branch, providing an opportunity to the staff to understand the organisation and work environment before joining. 	



5. Products and Services	Score : 2.95
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> JMPL offers income generating loans termed as “Saral” to women members organised in JLG. These loans are given in incremental cycles and loan ticket size is fixed. Apart from loans for income generation below, JMPL also provides small loans for the education of the children of the borrowers’ families under the Shiksha Brand. These loans are provided to fulfill school fees, purchase books and stationery for their wards. 	
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"> JMPL offers two loan products, “Saral and Shiksha”, the second loan being an additional benefit offered to the existing borrowers. Both the loan products have different price, instalment, but are to be paid through weekly equated instalment. The over-arching aspect across all products is group guarantee. Beside this JMPL also offers separate non-credit products like insurance and micro pension through NPS –Swavalamban. 	
d. Convenience	
<ul style="list-style-type: none"> JMPL 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. JMPL provides its borrowers with the choice to select the repayment period (weekly/ monthly). The option is provided in the application form. Currently all the loans are repaid during the weekly meeting. Recovery is made at a central designated place (the Centre Meeting) on a designated date and time. No recovery takes place at the residence of the borrower or at her place of work unless the borrower absents herself from the Centre meeting on two or more successive occasions. 	
e. Linkages	
<ul style="list-style-type: none"> JMPL has tie up with the Life Insurance Corporation of India and offer life insurance cover both the borrower and co-borrower (borrower’s husband/son) to the extent of the amount lent for both lives and well as Total or Partial Permanent Disability. Premium for Life Insurance is only recovered on actuals and are prices as per the loan ticket size. JMPL is also an aggregator of PFRDA under the NPS- Swavalamban Scheme and provide micro-pension services to its members and non-members by promoting small savings during their productive life. It aims at building up a corpus sufficient enough to buy an annuity for their old age. The micro-pensioner under the scheme are also entitled to a matching contribution from Government of India. 	



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 JMPL is competitive and as per the regulatory directives of RBI. Interest on the loan product is calculated on a reducing balance basis. JMPL has kept the interest rates for its products maximum at 25.99% per annum, reducing for Saral and 12.5% per annum, reducing for Shiksha. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of loan product is done in a transparent manner. The pricing information is mentioned in details on all individual loan passbooks and also displayed at the branch offices. Further, pricing information is available for every loan ticket sizes in the loan passbook and complete breakup is made available to the client in the form of total interest amount, processing fee and insurance charges during the group formation and loan appraisal process. JMPL Pass Book indicates the rate of interest, the amount of instalment, the amount collected towards processing fees and towards insurance. 	
c. Fees	
<ul style="list-style-type: none"> • JMPL charges two types of fees i.e. Loan processing fees of 1% of the loan amount and insurance premium on the Life Insurance which is collected on actuals. 	
d. Security Deposit	
<ul style="list-style-type: none"> • Jagaran Microfin Pvt. Ltd does not charge any security deposit on loans. 	
e. Prepayment	
<ul style="list-style-type: none"> • Jagaran Microfin Pvt. Ltd allows prepayment for its clients. There is no penalty; clients only have to pay the entire principal amount and interest for that particular period. 	
f. Default	
<ul style="list-style-type: none"> • There is no description of the penalties for default, follows team effort and frequent interaction with the defaulting groups and members for ensuring loan recovery and adhere to the RBI guidelines. JMPL does not practice any coercive recovery methods for its default clients. Few cases of default were observed in the field. 	



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>	
<p>•A feedback mechanism exists in the system. JMPL passbook has helpline number for addressing feedback/grievance exists in the organization for clients with a system where complaints are processed, considered and resolved. In addition, every branch office has a complaint drop box for borrowers to submit a written complaint. Further the borrower can also collect the Complaint Form and fill her complaint details (branch staff will assist if borrower is illiterate), written complaint can be handed over to RO/BM, deposited in the suggestion box at the branch or can be sent to Grievance Redressal Officer through post. The Pass Book also has the name, address and mobile number of the Nodal Officer responsible for grievance redressal in line with the Grievance Redressal Policy of JMPL.</p>	
<p>b. Staff Training</p>	
<p>• JMPL has a strong Learning and Development function, which has the mandate to train field staff and to equip them with skills for making enquiries with regard to existing debt of borrowers. Training is provided in client relations to the new staffs during the induction process and for the existing staff, it is done usually by the Area Manager through the monthly meetings conducted at the branch office.</p>	
<p>c. Client Awareness</p>	
<p>•Clients can briefly explain how they would file a complaint if necessary (identification of Customer Service Representatives/Branch Manager); very few clients can express the use of toll free number dedicated for them.</p>	
<p>d. Usage</p>	
<p>• Clients have shared that there were no complaints and that they are aware of the contact numbers of Customer Service Representative and Branch Manager. Hence, there is limited usage.</p>	
<p>e. Checking</p>	
<p>•There is a clear process to ensure that complaints are processed and resolved. All complaints will be resolved within specified time at each level mentioned herein below; Branch Level – RO/BM: 2 working days, Head Office Level – Help Desk: 3 working days, Grievance Redressal Officer: 5 working days. Based on all the grievances and complaints collected via phone calls, walk-ins and mail-ins, Grievance Redressal Officer is responsible to conduct data analysis, on trends / comparisons / other key matrices, and publish the reports to various levels of leadership teams for further action and review.</p>	
<p>f. Staff Resources</p>	
<p>•JMPL has designated officials for compliance with each of the functions, who are departmental heads. Overall compliance rests with the COO who is also the Board approved Compliance Officer.</p>	
<p>g. Client Exit Interviews/ Drop out Survey</p>	
<p>• In JMPL 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.</p>	



8. Staff Conduct	Score : 2.90
<p>Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p>a. Rule Book</p>	
<p>•Rule book in the form of HR manual is available in the head office and all the staff are aware of the rules mentioned in the book. The rule book of JMPL 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>	
<p>b. General Training</p>	
<p>•JMPL has been conducting training program for the new field staff at Head Office level during the induction training program to orient them towards the conduct in the field, good and bad conduct with clients, among others. For the existing staff, refresher training is given by the area managers and head office staff during monthly meetings. Senior and branch office level staff also participate in external trainings organised by BIRD, Lucknow; ASA International, Kolkata; Labour Department, Government of India; among others.</p>	
<p>c. Induction</p>	
<p>•All the staff at any level, after selection, undergoes seven-day orientation before officially joining. Post successful completion of the induction, the staff are issued the offer letter and are posted in the designated branch office. During this orientation training, motivational and behavioral science trainings are provided to the staff. After induction training, cluster wise, one-day review is conducted to monitor their performance on transfer of knowledge into practice.</p>	
<p>d. Evaluation</p>	
<p>•All staff are reviewed annually and accordingly promoted based on the performance assessment reports. In JMPL annual performance review done with tangible outcomes (salary and promotion).</p>	
<p>e. Review of Conduct</p>	
<p>•Evaluation of the field staff as well as branch office personnel is done by their supervisors and endorsed by the higher authorities.</p>	
<p>f. Incentive / Disincentive</p>	
<p>•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>	
<p>g. Recovery / Default</p>	
<p>•In case of defaults, the staff follows frequent interaction with the defaulting groups and members for ensuring loan recovery and adheres to the RBI guidelines. JMPL does not practice any coercive recovery methods for its default clients. Few cases of default were observed in the field.</p>	



9. Governance	Score : 3.17
<p>Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members’ attendance in meeting</p>	
<p>a. Responsibility</p>	
<p>•Functional responsibilities are well defined in business rules. Board of JMPL is very vibrant, each individual member are assigned their work and are performed accordingly.</p>	
<p>b. Experience/ exposure/ reputation in MF</p>	
<p>•JMPL has a strong governing board with representation from banking, finance, public services and administrative services domain. Almost all the board members of JMPL have good experience in the microfinance sector.</p>	
<p>c. Composition</p>	
<p>•A six member executive board governs JMPL. The board members are experienced personalities from diverse professional backgrounds including Mr. Salil Kumar Gupta (Chairperson); Mr. Pradeep Kumar Sarkar (Independent Director); Mr. Dipak Rudra; Mr.Parthasarathi Bhattacharya, I.P.S. (Retd); Mr.Prasanta Das; and Mr. Alok Biswas</p>	
<p>d. Role</p>	
<p>•Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Regular operational decisions are the responsibility of Mr. Alok Biswas, Managing Director. of JMPL.</p>	
<p>e. Code of conduct compliance report</p>	
<p>•No code of conduct compliance report presented in Board meeting.</p>	
<p>f. Members’ attendance in meeting</p>	
<p>•More than 80% of the Board members were present in the Board meeting (last three).</p>	



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 staff of JMPL. is experienced in microfinance; RO are experienced and have good exposure of Micro Finance activities. On an average the field level operations have more than 3.5 years of experience in Microfinance operations, with a range of 5 to 28 years of experience across staff. 	
<p>b. Recruitment</p>	
<ul style="list-style-type: none"> •JMPL. has a separate HR department who looks after the recruitment process and other HR related aspects. Recruitments are done by advertisements in different media and by employee reference. Proper recruitment process followed for each level of staff – personal interview, induction 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 is not conducted. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> •Internal staff of JMPL can raise a complaint in written on behalf of a borrower and forward it to the Head Office Help Desk (for e.g. internal Inspections can submit complaints if they found any borrower grievances during their borrower meets) •Internal staff of JMPL can call Head Office Helpdesk (HR HELPDESK) or Grievance Redressal Officer if any of JMPL staff are found to have breached the Code Of Conduct or troubling borrowers in any manner. Investigations will occur and appropriate actions will be taken. (Caller’s name will be kept confidential if requested).However, the caller should have enough evidence on correctness of the borrower grievance and should avoid raising unrealistic complaints. 	



Compliance to RBI Guidelines

The major aspects of the RBI guidelines and its compliances by Jagaran Microfin Pvt. Ltd are mentioned below:

- a) Interest on loans: Jagaran Microfin Pvt. Ltd. have fixed its interest rates on the products, i.e. 25.88 - 25.99% reducing, per annum, depending upon the loan size for Saral product and 12.5% reducing, per annum for the Shiksha product. The interest rates charged on the Saral and Shiksha products are within the RBI guidelines.
- 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): Jagaran Microfin Pvt. Ltd. is charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charges, is on actuals and the amount recovered from the clients are paid directly to Insurance Company.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: Jagaran Microfin Pvt. Ltd. has barred the delayed payment charges post RBI guidelines and now collect delayed payment without any charges.
- 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 dependent on several factors. However, Jagaran Microfin Pvt. Ltd. puts all efforts to verify the household income and adheres to RBI guideline on household income.
- f) Total indebtedness of borrower not exceeding Rs50,000: Jagaran Microfin Pvt. Ltd. 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: No loans are provided more than Rs15,000.

Overall, Jagaran Microfin Pvt. Ltd. is compliant on the RBI guidelines issued.



Conclusion

Jagaran Microfin Pvt. Ltd. has achieved a composite CoCA score of **3.05** with an overall grade of **“A”**, indicating that the organisation is growing.

Highlights and best practices:

- Unified Code of Conduct customized as per the industry code of conduct (MFIN and Smart Campaign Client Protection Principles) along with the institutional values, mission, vision and expectations.
- Strong laid down policies on staff conduct in operation manual.
- Toll Free helpline number for client feedback/grievances.
- Dedicated employee helpline number for dispute settlement and employee grievances and feedback
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Data sharing with credit bureau (Equifax and High Mark).
- Membership with MFIN
- A separate life insurance product available for the clients in collaboration with Life Insurance Corporation of India, which cover both the borrower and their co-borrower.
- Micro pension is available through National Pension Scheme Lite (Swavalamban).
- Proper web based MIS software exists in the system with continuous up gradation.
- Highly motivated staff with punctuality and dedication towards the work, as per the clients’ feedback.
- Display of the code of conduct principles at every branch offices of Jagaran Microfin Pvt. Ltd in vernacular language (Bengali).
- Every branch has a complaint box which gives a new dimension in the feedback/ grievances system.

Areas to Strengthen:

- 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 program can be undertaken for the clients to make them understand their household cash flows and household planning as a part of the social intervention of Jagaran.
- Client drop-out survey / interview exists informally but no analysis has been done.
- Code of conduct compliance report can be presented and discussed in Board meeting.

Average Score	Rating	Grade
3.05	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	Beliaghata	16
2	Rajarhat	17
3	Balichak	17
4	Panskura	14
5	Basanti	12
6	Canning	11
7	Itahar	15
8	Gazole	16
9	Kishanganj	18
10	Thakurganj	18
Total	10	154



Annexure 2: Code of Conduct Assessment (CoCA)

Introduction

The Code of Conduct Assessment Tool (CoCA) is a comprehensive instrument used to measure the development and implementation of policies that best serve the client. Starting with the Code of Conduct, CoCA 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, CoCA seeks to analyse the alignment between theory and reality, checking at all levels to see how well policies align with practice. Where possible, CoCA tries to quantify the parameters to remove subjectivity.

CoCA 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.

CoCA 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.

CoCA 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

CoCA 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

CoCA is largely based on observation of behavior, 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. CoCA 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.