

CONFIDENTIAL



Code of Conduct Assessment Report

Mahashakti Foundation

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Mahashakti Foundation		
Legal Form	Public Charitable Trust	About Mahashakti Foundation
Date Established Initiation of Operations	2004	<p>Mahashakti Foundation a professionally managed social development institution was founded in the year 2004. It is registered under the Indian Trust Act-1882 and it was formally operationalised on October 19, 2004 from Madanpur Rampur at Kalahandi district of Odisha. It was established to provide a range of services to the rural 'poor communities' like social development, livelihood development, health, education, micro credit, solar energy, micro insurance and for bringing the change in the quality of life of the people. Presently MSF are working in 5 districts of western and south Odisha which mostly covers Kalahandi-Balangir-Koraput (KBK) region. In order to manage the operations, more than 100 dedicated and committed staff members are toiling hard to increase the access of quality social empowerment and sustainable livelihood development services to the rural poor and deprived.</p> <p>It is promoted by one of the leading NGO of Odisha Friends Association for Rural Reconstruction (FARR). FARR was a partner of one of the India's largest micro finance program: CASHE (Credit and Savings for household Enterprises) implemented by CARE India, with the support of DFID. One of the mandates of this project was to establish a community level micro Finance Institution at the end of the project to undertake the existing activities of FARR. Hence Mahashakti Foundation was established.</p> <p>MSF provides loans to individual members in the JLG model with each group consisting of 4-6 members. It lends to individual members of the JLG at an interest rate of 26%, reducing with weekly, fortnightly and monthly repayment for a period of one to two years. As on September 30, 2012, MSF had a client outreach of 4,796 individual borrowers and total outstanding portfolio of Rs388.86 Lakhs. MSF is currently operating in villages/slums spread across five districts of Odisha through eight branch offices. Presently the operations of the company are managed by a workforce of 80 people.</p>
Operational Area	<ul style="list-style-type: none"> Five districts of Odisha 	
Services and Products offered	<ul style="list-style-type: none"> Short term Loan, Long Term Loan, Sanitation Loan, Energy Loan and House Repair Loan; Insurance for client and spouse 	
Lending Model	<ul style="list-style-type: none"> Joint Liability Group (JLG) and Grameen Model (Centre-approach) 	
Average Score	Rating	Grade
3.09	3.50-4.00	AA
	3.00-3.49	A
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Key Performance Indicators (Institutional reporting)				
	2009-10	2010-11	2011-12	Apr-Sept 2012
Number of Groups	4602	4,630	1,925	1,002
Total number of Clients	26,824	20,751	7,785	4,796
Total number of Active Clients (loanee)	24,835	18,127	6,727	4,716
Share Capital (Rs. In Lakhs)	NA	NA	NA	NA
Total Loan outstanding (Rs. In Lakhs)	1430.75	1044.73	418.66	388.86
Average Loan Outstanding (in Rupees)	5,761	5,819	6,224	8,246
Total External Loan outstanding (Rs. in Lakhs)	1486.59	1151.70	382.60	341.87
Rate of Interest charged (by the NGO/MFI)	22% Reducing	24% Reducing	24% Reducing	26% Reducing
Repayment Rate (Internal)	98 %	97 %	94 %	95%
Repayment Rate (External)	100%	100%	100%	100%
No of Districts	4	5	5	5
No of States	1	1	1	1
No. of Branch Offices	10	11	11	8 *
No. of Field staff / credit officers	58	47	25	18
Portfolio at Risk (>60 Days)	0.24	1.01	0.74	1.18

* planning to merge 2-3 branch offices

Loan Products						
	Small Business Loan - 1	Small Business Loan - 2	Sanitation Loan	Solar Energy Loan	House Repair Loan	Improved Cook Stoves
Clientele	Women	Women	Women	Women	Women	Women
Utilization	Income generation activities/Consumption	Income generation activities/Business	Sanitation	Solar Light	House Repair	Cooking Stove
Loan size	Rs6,000 to 14,000	Rs16,000 to 48,000	Rs15,000 to 20,000	Rs 1500	Rs 21000	Rs 2700
Loan tenure	12 months	24 months	24 months	6 months	24 months	6 months
Guarantor	JLG	JLG	Co-guarantor	JLG	JLG	JLG
Collateral requirements	Group (3 Post Dated Cheques from one of the office bearers)	Group (3 Post Dated Cheques)	Individual	Group	Group	Group
Repayment mode	Weekly/Fortnightly /Monthly *	Weekly/Fortnightly/Monthly *	Monthly	Monthly	Monthly	Monthly
Interest rate	26% reducing	26% reducing	18% reducing	18% reducing	18% reducing	26% reducing
Other charges (Insurance **)	0.5% Ordinary General Insurance (Client) Rs100 for Janshree Bima Yojana (JBY) for Spouse (LIC)	0.5% OGI (Client) and Rs100 for JBY for Spouse (LIC)	Rs 200 for JBY (2 years) for client (LIC)	NA	Rs 200 for JBY (2 years) for client (LIC)	NA
Processing fee	1%	1%	1%	NA	1%	NA
Security deposit / risk contribution	Nil	Nil	Nil	Nil	Nil	Nil

* The repayment mode is uniform across a particular branch office for all the clients and does not vary within clients of a particular branch office.

** Community Based Health Insurance called as Niramaya Health Protection Fund has been designed and promoted by Mahashakti Foundation and the service provider is Bijayinee Samabaya Limited (a Co-operative) and the technical service provider is Micro Insurance Academy and UKaid. The total coverage under this product is 2,500 members. Currently, three types of products are offered under this insurance: 1) Benefit of Rs2,000-15,000 in a year if admitted in Hospital for minimum of 24 hours and other facilities are 20% discount for consultation in Niramaya health centre, 20% discount for clinical tests in Niramaya health centre and 20% discount in purchase of medicine from Niramaya Pharmacy. The total premium paid is Rs145 per member per annum. 2) In addition to the benefits in 1, other benefits include Rs1,000-3,000 in a year for X-Ray and Ultra-sound facilities, Rs100 as transportation expenses if admitted in hospital and Rs100 as financial

assistance if admitted in hospital. The total premium paid is Rs180 per member per annum 3) In addition to the benefits in 1, other benefits are Rs500-3,000 in a year for X-Ray and Ultra-sound, Rs100 as transportation expenses and Rs250 as financial assistance if admitted in hospital. The total premium paid is Rs200 per member per annum.

Highlights

Strengths:

- Adopted the Unified Code of Conduct by Sa-Dhan and customized as per the Mahashakti Foundation mission, vision, values and displayed in all branch offices & HO. The core values of MSF well developed by the organization through brain-storming meeting with all level of staff.
- Pricing information verbally as well as written, communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Loan processes are easily acceptable by clients with small group size, less time taken for meeting and flexibility in repayment frequency.
- Comprehensive loan appraisal systems in the field, cross-verification through different staff.
- Pricing data is transparent, information available publicly in branch offices.
- Dedicated Customer Care Helpline for client feedback, complaint registers maintained at Branch Office as well as HO level.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in Mahashakti Foundation like Health Insurance provided to all staff.
- Many social interventions are carried out for their existing clients and addressing their primary needs like skill building programme, health and sanitation, through the parent company, FARR and other sister institutions.

Areas to Strengthen:

- Need to strengthen the Client Feedback mechanism by maintaining Complaint / Suggestion Boxes in all the branch offices.
- Presently dedicated Customer Care Helpline exists in MSF, need to focus on the action taken on all the issues and compliance report to be maintained at branch office as well as HO level.
- Need to develop more focussed Internal Audit mechanism w.r.t, Code of Conduct compliance.
- More sensitization is required for clients on pricing to clients.
- Client drop-out survey / interview are conducted and analysed by RMs and/or Head Office staff. No analysis and corrective actions are taken as per the suggestions / recommendations of the study.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

Code of Conduct Assessment Report for Mahashakti Foundation

Summary of the study

The overall grade obtained by Mahashakti Foundation is **A**, with a composite score of **3.09**, which indicates that the organization has good composition of board, employee friendly HR policies, appraisal systems, transparent pricing policies and client comprehension mechanism to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across Mahashakti Foundation is excellent with defined Code of Conduct practices followed throughout the operations. Mahashakti Foundation has also promoted Swasthya Suraksha Sanchaya Jama (Community Based Health Insurance) – saving product with Bijayinee Cooperative Bank in M. Rampur as a credit plus product for their clients.

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

Baseline Results for Mahashakti Foundation		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	2.82	<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	3.42	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.21	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	3.15	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages

Baseline Results for Mahashakti Foundation		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Pricing	2.86	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default
Feedback Mechanisms	2.95	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys
Staff Conduct	2.77	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	3.50	<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	3.56	<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 : 2.82
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> • The aspects mentioned in the Unified Code of Conduct of Sa-Dhan have been incorporated in the Mahashakti Foundation Code of Conduct which is also customized on the institutional values, mission, vision and expectations. The Core values of Mahashakti Foundation have been finalized after discussion in their staff meeting including Head office team, Branch Managers and Field Officers. 	
b. Visibility	
<ul style="list-style-type: none"> • Code of Conduct with their core values are displayed in all branch offices as well as Head office and Administrative Office. It is comprehensive and displayed in both language – English and Oriya. 	
c. Training	
<ul style="list-style-type: none"> • Training on Code of Conduct had been organized separately for Head Office team including Branch Managers and Regional Managers; subsequently both the RMs organized the training for Field Officers in all the branch offices. In every review meeting, Regional Managers are organizing separate session on Code of Conduct to all the Field Officers. 	
d. Refresher	
<ul style="list-style-type: none"> • There is no specific refresher training on code of conduct though Mahashakti Foundation has made efforts to refresh staff in the Code of Conduct through its monthly staff meetings by their BM as well as RM. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> • More than 80% staffs have very good understanding of overall code, core values and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects. • More than 70% clients have very good understanding of overall code, core values and expectations. 	

2. Market Entry	Score : 3.00
Key Elements: Identification, Procedure, Saturation, Due Diligence	
a. Identification	
<ul style="list-style-type: none"> • Mahashakti Foundation has clear rules specified for the identification of new area; they follow separate criteria for initiation of microfinance operations in a new village as well as new area for establishing a branch office. 	
b. Procedure	
<ul style="list-style-type: none"> • Mahashakti Foundation follows a uniform procedure for market entry – operational area within a radius of ten kilometres from any branch office, opportunity for enterprise / livelihood, general community survey, random household visits; evaluation formats exists to evaluate new market along with the potentiality of the area / village with approachable road, law & order situation, demographics, bank. 	
c. Saturation	
<ul style="list-style-type: none"> • During the market identification procedure, Mahashakti Foundation does not strictly identify the area based on the number of MFIs working in the new identified market. It mainly focuses on poorer clients who have not yet been served financially and accordingly takes a decision. MSF currently focuses on the area where there is presence of 3-4 MFIs in that particular area. 	
d. Due Diligence	
<ul style="list-style-type: none"> • Due diligence for new area is done by 3 departments of Mahashakti Foundation – Operations, HO team and Board. Field Officers, Branch Managers and Regional Managers are involved in the field survey. This is finally approved by the Mahashakti Foundation Head Office team. 	

3. Appraisal Process	Score : 3.42
Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
a. Client Data Collection	
<ul style="list-style-type: none"> • In Mahashakti Foundation there is 15 steps lending process well defined in Operation Manual as well as followed in the field for collection of client data. First five steps are dedicated for village selection and approval and next 10 steps are for client information collection, the loan appraisal and lending processes to the clients. After village meeting, FO will select the primary clients followed by 2 days Business Development Training (BDT) of all the clients. After successful completion of BDT, FO fills the loan application form along with the registration and declaration form, members' profile. After submission of all the documents, Branch Manager does the appraisal of all the clients with separate Counter Party check. During appraisal process, BM visits house as well as businesses of all the loan applicants. BM also completes the Group Recognition Test (GRT) during these visits. 	
b. Repayment Capacity	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation & BDT by FO; critically evaluated during GRT and appraisal by BM and Regional Manager on door-to-door basis; information is collected on household incomes, expenditures, assets and liabilities. 	
c. Debt Thresholds	
<ul style="list-style-type: none"> • Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. The loan products are well designed with ranges in different cycles. There is cross-checking of all the information on income or expenditure of the family by BM as well as RM during the Cross Verification. RM clicks pictures of all the businesses which is presented during the loan committee meeting. 	
d. Loan History	
<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 (BDT, Appraisal, GRT and Cross-Verification). 	
e. Processing Time	
<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 Mahashakti Foundation is 1-2 weeks. But, presently the loans have taken about a month time or more due the microfinance crisis and hence lack of funds. 	
f. Approval	
<ul style="list-style-type: none"> • After all the due diligence in the field, all the loan applications along with the photographs are presented and discussed in the loan committee at Head office and gets approved accordingly. In the Loan Committee meeting, concerned Branch Manager, Regional Managers and Management team are present. 	
g. Verification	
<ul style="list-style-type: none"> • Separate Internal Audit team exist in the organization who conducts internal audit of three days for all the branch offices on a surprise basis, quarterly. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending 4-5 group meetings in one visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to Managing Director with copies to concerned team in the head office. However, there is a need to focus more on the compliance of the Code of Conduct aspects. 	

4. Client Comprehension	Score : 3.21
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"> In Mahashakti Foundation, the client review time is more than a week since the terms and conditions of the products and services offered by Mahashakti Foundation are mentioned during the BDT, Appraisal, GRT and Cross verification, post which the loan is sanctioned. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> There are numerous channels and sessions used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation, written documentation along with other materials to inform the members. In MSF, clients are explained about the organizational operational norms in village meeting, BDT, appraisal, GRT, Cross-verification and also during the disbursement at branch office. 	
c. Awareness	
<ul style="list-style-type: none"> During the field visit, it was found that 70-80% of the clients have a fair idea / knowledge of the rate of interest (reducing rate of interest) and the upfront processing fee of 1% (citing Rs10 per 1,000) of the loan amount. Within literacy limits, maximum clients are aware of the cost of loan and also having fair knowledge of the insurance premium of themselves as well as their spouse through Janashree Bima Yojana (JBY). 	
d. Disclosure of Price and Terms	
<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, BDT, GRT, disbursement and group meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials are supplied to the client. But there is a scope of improvement in the clients loan sheet mentioning the purpose of the loan. 	
e. Rights and Obligations	
<ul style="list-style-type: none"> Identification of group leader is done by the group members whereas Mahashakti Foundation staff act as a facilitator. The roles and responsibilities of the group leader and clients / members are discussed during the group as well as centre meetings. The client is given loan if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion. 	
f. Staff Training	
<ul style="list-style-type: none"> Separate modules are developed by Mahashakti Foundation and explained to all the staff with examples and guidance for interaction with the clients, roles and responsibilities of all staff levels and do's & don'ts to be followed by the staff while interacting with the clients. HR Manager is responsible for proper behaviour of the field staff, if any complaint is received from the field, then serious action is taken by the HO team. 	

5. Products and Services	Score : 3.15
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> The products were designed on the basis of clients' needs and requirements. All Mahashakti Foundation products have now been modified as per guidelines issued by RBI. Hence, many features of the products are similar but the major differences are in terms of size, tenure and purpose. MSF offering various loan products as per the need of the target clients: offering House Repair Loans, Sanitation Loan, Solar Energy Loan, Cooking Stove loan with flexibility in repayments (fortnightly / monthly). 	
b. Review	
<ul style="list-style-type: none"> Review of existing loan products and services are done on an annual basis and accordingly the product features has been modified. Earlier the loan products are modified as per guidelines issued by RBI. 	
c. Diversity	
<ul style="list-style-type: none"> Mahashakti Foundation offers different loan products with diverse features in terms of loan size, repayment tenure, interest rate and purpose but are similar in features like target clientele (availed by female clients only), and JLG as the Guarantor. In case of Sanitation Loan, MSF is offering this product to individual clients but the client need to be an existing client of MSF. 	
d. Convenience	
<ul style="list-style-type: none"> Mahashakti Foundation loans are highly convenient which was also shared by clients during the client visits. Clients are accepting MSF loan because the easy and convenient process of loan disbursal and convenient in repayment too. Loan processing of the group members is done on monthly basis during the group meetings and disbursement at branch office. Collection is done in the group meeting on fortnightly / monthly basis. 	
e. Linkages	
<ul style="list-style-type: none"> There is two linked products with the loan to client i.e., micro-insurance provided to the client as well as their spouse in collaboration with LIC of India. Clients are offered separate product for themselves by paying 0.5% premium of loan amount and Rs 100 p.a. for their spouse covered under Janshree Bima Yojana (a social security scheme of LIC). 	

6. Pricing	Score : 2.86
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of Mahashakti Foundation is very competitive, and the institution has occasionally reduced interest rates. The institution has kept the interest rates at 26%, reducing to adhere with the norms of RBI. Presently Mahashakti Foundation offering six different loan products out of which three loans are offered to the clients at 18% interest rate. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of Mahashakti Foundation products are transparent; information is available publicly in the branch offices, and is accurate when compared to institutional documents. 	
c. Fees	
<ul style="list-style-type: none"> • Only one fee is collected by Mahashakti Foundation from their clients called as Loan Processing Fee. The processing fee is 1%, as per the RBI norms. In top-up loans for energy, MSF does not collect any Processing Fee. 	
d. Security Deposit	
<ul style="list-style-type: none"> • Mahashakti Foundation earlier used to charge security deposit from their client against their loan which they have discontinued. 	
e. Prepayment	
<ul style="list-style-type: none"> • There is no penalty on prepayment, only the interest to be paid for the period of loan and then clients are eligible for larger loans. 	
f. Default	
<ul style="list-style-type: none"> • Few cases of defaults have been observed in the field especially in case of Sanitation Loan and DRI Loan (from Axis Bank). No penalty for default is collected against the unpaid day; only collects the scheduled instalment. The group members arrange the instalment amount and repay to the staff in case an individual fails to repay. Staff behaviour during default management is normal as stated by delayed payment clients. 	

7. Feedback Mechanisms	Score : 2.95
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 Mahashakti Foundation, two different mechanisms exist for the client feedback – one is helpline number (non toll free) and the other one is the complaint register maintained at the branch offices and Head office. Also during the Annual Day celebrations, MSF puts up a Drop Box to solicit feedback from the clients. 	
b. Staff Training	
<ul style="list-style-type: none"> Training is provided in general client relations. Staff induction and training of Mahashakti Foundation is more focussed on operation policy, staff behaviour with clients, among others. Not very much focussed on soliciting the feedback from clients. 	
c. Client Awareness	
<ul style="list-style-type: none"> Clients are well-versed in critical feedback and know that it is their right and obligations to express a complaint; they can identify the branch manager and can locate the office. In few cases during field visit, it was observed that clients are aware that the helpline number exist but can be used by Group Leaders only. 	
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. In some cases, clients lodged their complaint due to delay in getting subsequent loans from MSF; currently, there are complaints regarding the delay in getting loans, insurance claims, issuance of policy documents, delay in FOs visit to the group meeting, among others. Hence, there are frequent usage. 	
e. Checking	
<ul style="list-style-type: none"> Dedicated systems are in place within the organization across all the branch offices. There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback / complaint, the staff (at HO level) circulates the same to management and concerned branch staff. The concerned branch manager and Regional Manager need to discuss with the complainant and should respond within stipulated time. The complaint need to be resolved within a week but currently the action taken is not captured in the complaint register. The action taken is discussed in the Managers' meeting every month by the concerned BM and RM. 	
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 Mahashakti Foundation, Client Exit Survey / Interview are conducted for all drop-out clients, but no analysis is done regarding the reasons for exit. There is a need to develop a formalised and proper system to capture the reasons for the exit / dropout and action undertaken accordingly. 	

8. Staff Conduct	Score : 2.77
Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default	
a. Rule Book	
<ul style="list-style-type: none"> • Rule book is available in the head office and all the staff are aware of the rules mentioned in the book. The rule book of Mahashakti Foundation 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 during loan processing and repayment, default, if any. 	
b. General Training	
<ul style="list-style-type: none"> • Mahashakti Foundation has been conducting separate training program for the field staff to orient them towards the conduct in the field, good and bad conduct with clients, among others. 	
c. Induction	
<ul style="list-style-type: none"> • All the new staff joining Mahashakti Foundation undergoes a 15 days induction program which consists of classroom training, followed by on-job training with any senior Field Officer / Field Development Officer. 	
d. Evaluation	
<ul style="list-style-type: none"> • On the basis of the job performance and eligibility, all staff are reviewed annually and accordingly promotion or increase in salary / allowances granted. In Mahashakti Foundation, the annual performance review is done with tangible outcomes (salary, and promotion). The system followed in Mahashakti Foundation for the appraisal is robust and transparent. 	
e. Review of Conduct	
<ul style="list-style-type: none"> • Self Evaluation is done by each of the employee and feedback from their supervisors is sought in presence of the HR Manager. 	
f. Incentive / Disincentive	
<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. In MSF, the monthly incentives were also calculated on the basis of portfolio quality, outreach, conduct, discipline and punctuality of the staff. 	
g. Recovery / Default	
<ul style="list-style-type: none"> • In operation manual of Mahashakti Foundation, broad guidelines for collection in case of defaults are mentioned. No specific parameters or procedures are defined in the operation manual for the recovery/defaults, no Turnaround Time mentioned in the operation manual for collection of the defaults. 	

9. Governance	Score : 3.50
<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, individual board members assigned and undertake committee functions on a regular basis. Board of Mahashakti Foundation is very strong and dynamic, each individual member are assigned their work through committees and are performed accordingly. 	
<p>b. Experience/ exposure/ reputation in MF</p>	
<ul style="list-style-type: none"> • The board of Mahashakti Foundation has diverse experience in development programs, microfinance, banking, credit appraisal and other skill-based enterprise development programs. Almost all the board members of Mahashakti Foundation have good experience in the microfinance sector. 	
<p>c. Composition</p>	
<ul style="list-style-type: none"> • Seven members' board of Mahashakti Foundation consists of President Ms. Aradhana Nanda (founder member), Vice – President Mr. Santosh Kumar Mishra (OAS, Retd), Secretary Ms. Rojaleen Bhuyan (MSW), Mr. Sanjeeb Kumar Nayak (Ex-banker), Mr. Prakash Chandra Sahu, Mr. Sanjay Kumar Makhija (CA) and Mr. Jugal Kishore Pattnayak. Mr. Jugal Kishore Pattnayak is the Managing Director of Mahashakti Foundation and managing the operations with help of an experienced Head office team. 	
<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. Board takes the field related issues very seriously. Different committees (within the board) are responsible for different aspects – like HR Committee, Audit Committee, Program Committee and Credit Committee. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Jugal Kishore Pattnayak. The complaint / suggestions received from the customer through helpline number / complaint registers are included put in the board meeting agenda; however, there is a scope of developing systems to consolidate feedback/ complaints and accordingly present to the board. 	
<p>e. Code of conduct compliance report</p>	
<ul style="list-style-type: none"> • Discussions are held on the aspects of Code of Conduct during the board meetings; however, compliance report on Code of Conduct is not prepared and presented in the board. 	
<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 : 3.56
<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 Mahashakti Foundation are well experienced in the field, FOs are experienced and having good exposure of MF. On an average, more than 3 years of experience of the team involved in field level operations. Many of the field level staffs are working in Mahashakti Foundation from more than 5-6 years who earlier working in FARR – the parent organization. 	
<p>b. Recruitment</p>	
<ul style="list-style-type: none"> Mahashakti Foundation has a separate HR department manned by HR Officer and controlled by MD who looks after the recruitment process and other HR related aspects. They are governed by the well defined and comprehensive HR policy. Recruitments are done by publishing the requirements with the job profile in job websites, local newspaper and word to mouth, for field staff. Proper recruitment process followed for each level of staff – written and personal interview. Recruitment is conducted with proper reference checks. 	
<p>c. Staff Exit</p>	
<ul style="list-style-type: none"> Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions is undertaken on a random basis. There were few cases where staff was retained after the exit interview. 	
<p>d. Complaint Redressal</p>	
<ul style="list-style-type: none"> Complaint redressal mechanism exists in the organization, dedicated systems are in place, there is a clear process to ensure that complaints are processed, considered and resolved. 	

Compliance to RBI Guidelines

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

- a) Interest on loans: Post the RBI guidelines, Mahashakti Foundation have reduced its interest rates on the products to 26% per annum on a reducing basis.
- b) Loan pricing to include processing fee (not exceeding 1 percent of the gross loan) interest charge and insurance premium (to be paid directly to the insurance provider): Mahashakti Foundation is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charges recovered from the clients are paid directly to Life Insurance Company of India.
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: Mahashakti Foundation has barred the prepayment charges post RBI guidelines and now collect prepayment without any charges. Mahashakti Foundation 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, Mahashakti Foundation 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: Mahashakti Foundation strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs50,000 as the total loan outstanding. This is mentioned in their Code of Conduct and followed across all levels.
- g) Tenure of loan not being less than 24 months: All the loans larger than Rs15,000 have a tenure of 24 months and loans below Rs15,000 have a tenure of 12-24 months, as desired by the clients.

Overall, Mahashakti Foundation is compliant on the RBI guidelines issued.

Conclusion

Mahashakti Foundation has achieved a composite CoCAT score of **3.09** with an overall grade of **“A”**, indicating that the organisation is growing. Although there is strong institutional performance in some areas, there is room to provide technical assistance with a view of strengthening systems.

Highlights and best practices:

- Adopted the Unified Code of Conduct by Sa-Dhan and customized as per the Mahashakti Foundation mission, vision, values and displayed in all branch offices & HO. The core values of MSF well developed by the organization through brain-storming meeting with all level of staff.
- Pricing information verbally as well as written, communicated to clients.
- Staff is dedicated and have a good rapport with the clients
- Loan processes are easily acceptable by clients with small group size, less time taken for meeting and flexibility in repayment frequency.
- Comprehensive loan appraisal systems in the field, cross-verification through different staff.
- Pricing data is transparent, information available publicly in branch offices.
- Dedicated Customer Care Helpline for client feedback, complaint registers maintained at Branch Office as well as HO level.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in Mahashakti Foundation.
- Many social interventions are carried out for their existing clients and addressing their primary needs like skill building programme, health and sanitation, through the parent company, FARR and other sister institutions.

Areas to Strengthen:

- Need to strengthen the Client Feedback mechanism by maintaining Complaint / Suggestion Boxes in all the branch offices.
- Presently dedicated Customer Care Helpline exists in MSF, need to focus on the action taken on all the issues and compliance report to be maintained at branch office as well as HO level.
- Need to develop more focussed Internal Audit mechanism w.r.t, Code of Conduct compliance.
- More sensitization is required for clients on pricing to clients.
- Client drop-out survey / interview are conducted and analysed by RMs and/or Head Office staff. No analysis and corrective actions are taken as per the suggestions / recommendations of the study.
- Financial Education need to be provided to the clients / members to explain their household cash flows.
- Though Board discusses on aspects relating to Code of Conduct, no compliance report is presented in Board meeting.

Average Score	Rating	Grade
3.09	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	Number of Clients
1	Khariar	21
2	Tusra	21
3	M. Rampur	19
Total		61

Annexure 2: Code of Conduct Assessment Tool (CoCAT)

Introduction

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

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

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

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

CoCAT helps to:

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

Methodology

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

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

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