

CONFIDENTIAL



Code of Conduct Assessment Tool Report

Saija Finance Private Limited

November 2011

Conducted by:

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Saija Finance Private Limited		
Legal Form	NBFC	About Saija Finance Private Limited
Date Established Initiation of Operations	April 2008	<p>Saija Finance Private Limited is a Non Banking Finance Company (NBFC) established in April 2008 with a focus on providing microfinance services for the urban and rural poor, as well as micro and small businessmen in the underserved geographies of Northern India – Bihar.</p> <p>In November 2007, Saija began with a small portfolio of microloans taken over from its associate non profit entity, Saija Vikas. The company is currently owned by its promoters (50.5%) and ACCION International (49.5%) and is registered as an NBFC under the Companies Act, 1956 in New Delhi with its head office located in Patna, Bihar. Saija offers two types of loan product – Saija Karobar Rin (SKR) exclusively for men and women engaged in business (JLG of 5 members) and Saija Mahila Rin for women (JLG of 10 women). Saija currently operating with 14,000 client outreach with Rs6 crores as loans outstanding through seven different branches within the districts of Bihar - Patna, Patna Sahib, Danapur, Arrah, Hajipur, Muzaffarpur and Chapra with an aggressive expansion plan to Jharkhand, Chattisgarh and Uttar Pradesh.</p>
Operational Area	<ul style="list-style-type: none"> Bihar 	
Services and Products offered	<ul style="list-style-type: none"> Micro-loans-Saija Karobar Rin & Saija Mahila Rin 	
Lending Model	<ul style="list-style-type: none"> Joint Liability Group (JLG) 	
Average Score	Rating	
3.08	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)			
	2008-09	2009-10	2010-11
Active borrowers	2,555	7,905	16,270
Number of groups	382	1,064	1,889
Gross Portfolio Outstanding (millions)	113.2	457.3	978.7
Portfolio Yield (nominal)	0.33	0.27	0.35
Financial expense ratio	0.03	0.06	0.11
Operating cost ratio	0.68	0.44	0.31
Operational self-sufficiency	51%	56%	85%
Return on Assets	-0.28	-0.19	-0.09
Return on Equity	-0.49	-0.27	-0.17
Branches	1	4	7
Staff	23	57	61

Loan Products		
	Saija Mahila Rin (SMR)	Saija Karobar Rin (SKR)
Clientele	Women	Business Men & Women
Utilization	Income Generation Activities/ Consumption	Income Generation Activities
Loan size	Rs5,000-15,000	Rs5,000-15,000
Loan tenure	1 year	1 year
Guarantor	JLG	JLG
Collateral requirements	Group (10 members)	Group (5 members)
Repayment	Weekly	Weekly
Interest rate	26%, reducing	26%, reducing
Other charges (Insurance)	Rs50 per Rs10,000 per member (If spouse & client, then Rs100 per Rs10,000)	Rs50 per Rs10,000 per member (If spouse & client, then Rs100 per Rs10,000)
Processing fee	1%	1%
Security deposit / risk contribution	Nil	Nil

Highlights

Strengths:

- Code of Conduct customized as per the Saija's mission, vision, values and displayed in all branches & HO.
- Initiation of area / market where not more than 2 MFIs exist.
- Takes less time in loan processing (within a week).
- Robust Internal Audit mechanism conducted fortnightly.
- Pricing information verbally as well as written, communicated to clients with break-up.
- Clients were able to recall the pricing terms and conditions.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Pricing data is transparent, information available publicly. (Shared with MFT & Mix)
- Never collected Cash Security from client and also no prepayment charges collected now.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.
- Training given to staff on good conduct and also indicate inappropriate conduct.
- Employee friendly HR policy exists in Saija.

Areas to Strengthen:

- Internal Audit checklist does not have code of conduct compliance.
- Client targeting criteria exist but tools for poverty targeting are not used.
- Present loan products are diversified by name and clientele only. Saija Karobar Rin lost its uniqueness due to modification as per RBI norms while some of the differences are its group size, repayment process and frequency.
- Client drop-out survey / interview conducted but no analysis done on findings and suggestions incorporated.
- No code of conduct compliance report presented and discussed in Board meeting.

Code of Conduct Assessment Report for Saija Finance Private Limited

Summary of the study

The overall grade obtained by Saija Finance Private Limited is A, with a composite score of 3.08, which indicates that the organization has good appraisal systems, transparent pricing policies, employee friendly HR policies to ensure alignment and adherence to a developed Code of Conduct. The client comprehension across Saija is excellent with defined Code of Conduct practices followed throughout the operations. More could be done to improve the diversity in products and services offered and staff conduct.

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 Saija Finance Private Limited

Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Code of Conduct	3.18	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	3.00	<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	2.80	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages

Baseline Results for Saija Finance Private Limited		
Assessment Area	Score (out of 4.00)	Key Elements to be evaluated
Pricing	3.36	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default
Feedback Mechanisms	3.00	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys
Staff Conduct	2.47	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	3.00	<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 3.18
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> • The aspects mentioned in the Code of Conduct of Sadhan and MFIN has been incorporated in the Saija Code of Conduct which is also customized on the institutional values, mission, vision and expectations. 	
b. Visibility	
<ul style="list-style-type: none"> • Code of Conduct is displayed in all field branches and included in most of the documents (manuals, brochures, client materials). 	
c. Training	
<ul style="list-style-type: none"> • Separate training on Code of Conduct to all the BM and ABM by HO staff have been provided and respective BM / ABM imparts training to all the field staff in presence of one HO staff who observes the training to ensure quality delivery of all modules. 	
d. Refreshment	
<ul style="list-style-type: none"> • Saija has made efforts to refresh staff in the Code of Conduct – smooth implementation in branch offices as well as in field areas, conducted 3 trainings on Code of Conduct. 	
e. Awareness	
<ul style="list-style-type: none"> • More than 80% staff has very good understanding of overall code, details and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects. • More than 60% 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">• Saija has separate rules clearly specifying numeric parameters that qualify the target population (income level, assets, opportunities) to start their operations in new area / mohalla / village.	
b. Procedure	
<ul style="list-style-type: none">• Saija follows a uniform procedure for market entry - general community survey, random household visits; evaluation formats exists to evaluate new market along with the potentiality of the area / village with approachable road, political / criminal record, within 15 km radius of branch.	
c. Saturation	
<ul style="list-style-type: none">• During the market identification procedure, Saija strictly identifies the number of MFIs working in the new identified market and accordingly takes a decision; if it is more than 2 MFIs are operating, Saija rejects the proposal of initiating their operations in that area.	
d. Due Diligence	
<ul style="list-style-type: none">• Due diligence for new area is done by atleast 3 departments of Saija – Field Executive / Senior Field Executive, Assistant Branch Manager (ABM) and finally by Branch Manager.	

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 Saija, once the interested members' meeting is conducted by the FE, they fill the individual forms for evaluation known as Personal Information Form, followed by a 2-day Compulsory Group Training (CGT) by the FE. Group Recognition Test (GRT) is conducted on door-to-door basis by the ABM / BM. There is use of peer verification across groups, information collection from neighbours / household members. These information are mentioned in an intensive written document and cross-verification from group members is also done. 	
b. Repayment Capacity	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation & CGT by FE; critically evaluated during GRT by ABM/BM on door-to-door basis; information collection 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, surplus and regular inflow-outflow of cash – captured in the Personal Information Form. 	
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 (CGT and GRT). 	
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 Saija is less than 1 week and this is the USP of the Saija loan. This generated the acceptability of customers in the field where other MFIs also working. 	
f. Approval	
<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 and gets approved accordingly. 	
g. Verification	
<ul style="list-style-type: none"> • Separate Audit team exist in the organization who conducts fortnightly audit of two days for all the branches except Muzaffarpur and Chapra branch (Monthly audit in these branches due to less number of clients) on a surprise basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending 4-5 group meetings in one visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to concerned branch office with copies to all concerned in the head office. 	

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 Saija, 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. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> • During the field visit, it was found that 60% of the clients have a fair idea / knowledge of the rate of interest (flat as well as reducing rate of interest) and the upfront processing fee of 1% of the loan amount. Within literacy limits, maximum clients are aware of the cost of loan. 	
c. 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, CGT, GRT, disbursement and center meetings (whenever there is a change / modification). Full and thorough, both verbal and written materials are supplied to the client; all pricing information is broken into fees, interest and insurance premium. 	
d. Rights and Obligations	
<ul style="list-style-type: none"> • Identification of group leader in both the loan products is done by the group members whereas Saija staff act as a facilitator. The roles and responsibilities of the group leader and clients / members are discussed during the center meetings. All the rights and obligations are clearly explained during the CGT and it is reviewed in GRT by ABM/BM. This is also reviewed and discussed during the disbursement process. 	
e. Staff Training	
<ul style="list-style-type: none"> • Separate modules are developed (with the help of ACCION) 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. There are two days earmarked for training for one and half hours on Saturday and Monday as refresher training and experience sharing. 	

5. Products and Services	Score 2.80
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> • Earlier both the products were designed on the basis of clients' needs and requirements. The Saija Karobar Rin (SKR) has now been modified as per guidelines issued by RBI. Hence, many features of product are similar for SKR and SMR but the major differences are in terms of target client, group size, delivery methodology and collection mechanism. 	
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. The products of Saija have been reviewed in June 2009, March 2010, February and May 2011 and changes done in their product accordingly. For example, the repayment for the SKR product was 'daily' and was modified to 'alternate day' collection due to the feedback from members. However, this has now been modified as per the RBI norms and clients' need (feedback from customer through client survey) to 'weekly' repayment collection. 	
c. Diversity	
<ul style="list-style-type: none"> • Both the loan products are having some similar features of repayment tenure, loan size but vary with features like (i) Clientele - SMR loan is availed by female clients only while SKR loan is availed by both male and female who are engaged in business; (ii) Group Size – SKR has a group of 5 members while SMR has 10 members in a group; (iii) Repayment time; and (iv) Duration of meetings. 	
d. Convenience	
<ul style="list-style-type: none"> • Loan process and collection of the group members is done on weekly basis in group meeting. This was disliked by few of the clients. Collection is done in the group meeting at the doorstep of the members. In case of SKR loan product, features are designed specifically as per the requirements of micro-entrepreneurs. For more convenience on loan repayment system, Saija has introduced EKO collection points on pilot basis in Patna and Danapur branch. 	
e. Linkages	
<ul style="list-style-type: none"> • There is only one linked products with the loan to client i.e., micro-insurance provided to the client in collaboration with LIC of India. 	

6. Pricing	Score 3.36
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of Saija is very competitive, and the institution has occasionally reduced interest rates to remain competitive and to adhere with the norms of RBI. The product features are uniform from the start of operations. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of Saija's product are transparent; information is available publicly, and is accurate when compared to institutional documents. 	
c. Fees	
<ul style="list-style-type: none"> • Since initiation of operations, only one fees is collected by Saija from their clients called as Loan Processing Fee. Earlier it was 2% which is reduced to 1%, as per the RBI norms. 	
d. Security Deposit	
<ul style="list-style-type: none"> • Saija has not collected any security deposit from their client against their loan. 	
e. Prepayment	
<ul style="list-style-type: none"> • Earlier there was a financial penalty of 2% for prepayment, but now there is no penalty in terms of restriction on progressive lending; the cut off for progressive lending is restricted to 35 weeks only, to avoid both, fraud and faster promotion to higher loan cycle. 	
f. Default	
<ul style="list-style-type: none"> • Very few cases of default observed in the field and mentioned in their financial reports. no penalty for default collected against the unpaid day, only collecting the scheduled instalment. The defaults are not happened for long time, may be missed with an instalment with 2-3 days or a week, meanwhile the group members arrange the instalment amount and repay to the staff. 	

7. Feedback Mechanisms	Score 3.00
<p>Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys</p>	
<p>a. Existence</p>	
<ul style="list-style-type: none"> • In Saija, two different mechanism exist for the client feedback – one is customer care number (non toll free) and other is a client feedback / complain box exist in the branch where clients are free to drop their feedback. The complaint box is opened by the audit team and the issues resolved thereof. 	
<p>b. Staff Training</p>	
<ul style="list-style-type: none"> • Training is provided in client relations in different formats. 	
<p>c. Client Awareness</p>	
<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. Urban clients were more aware with the customer care number and they were utilising the same regularly for their feedback. 	
<p>d. Usage</p>	
<ul style="list-style-type: none"> • Feedback mechanism is frequently used by different branches’ client, more used by the urban clients. 	
<p>e. Checking</p>	
<ul style="list-style-type: none"> • Dedicated systems are in place within the organization across all the branches. There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback / complaint, the staff (at HO level) circulates the same to all senior management staff, operations head and concerned staff. The concerned staff / department need to discuss with the complainant and should respond within 24 hours. The complaint need to be resolved within a week. 	
<p>f. Staff Resources</p>	
<ul style="list-style-type: none"> • For client feedback mechanism, there is adjunct responsibility of head office staff. 	
<p>g. Client Exit Interviews/ Drop out Survey</p>	
<ul style="list-style-type: none"> • In Saija, Client Exit Interviews are conducted regularly with the drop-out clients, but only reasons are captured. No analysis is done on the reasons, collected during the client exit interviews. 	

8. Staff Conduct	Score 2.47
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 branch office and all the staff are aware of the rules mentioned in the book. The rule book of Saija 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 client, among others. 	
b. General Training	
<ul style="list-style-type: none"> • Saija has a separate department and a training center for conducting the training program for the field as well as branch 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"> • Earlier all the new staff joining Saija underwent a 15 days induction program which consist of classroom as well as field level exposure. Now Saija reduced the induction program to 10 days where all the participants stay in Danapur and have classroom as well as field level exposure. 	
d. Evaluation	
<ul style="list-style-type: none"> • On the basis of the job performance, all staff are reviewed annually and get promoted, in case of Field Executive the first appraisal / evaluation of their performance done in 9 months accordingly promoted. In Saija, annual performance review done with tangible outcomes (salary, promotion). 	
e. Review of Conduct	
<ul style="list-style-type: none"> • Evaluation of the field staff as well as branch personnel is done by his / her superior only. 	
f. Incentive / Disincentive	
<ul style="list-style-type: none"> • Incentive and disincentives is based on both portfolio quality and outreach but done for first two levels of the field staff (FE and Senior FE). During the performance review for the field staff, both the portfolio quality and outreach are measured to calculate the incentives and disincentives, penalties levied for any drop-out clients / group. 	
g. Recovery / Default	
<ul style="list-style-type: none"> • In operation manual of Saija, 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 3.00
<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 well defined in bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Board of Saija is very vibrant, 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 Saija has diverse experience in banking & insurance, microfinance, credit rating, poverty elimination program and HR. Almost all the board members of Saija has good experience in the microfinance sector. 	
<p>c. Composition</p>	
<ul style="list-style-type: none"> • Five members' board of Saija chaired by Mr. S. R. Sinha has 2 nominated members from ACCION – Mr. Siddhartha Chowdhri, Country Head – India Operations & Mr. Hannes Mandroff, Senior Technical Advisor and the remaining two are Ms. Rashmi Sinha heading HR & non-financial linkages in Saija & Mr. D. Ravishankar is an Independent Director of Saija. 	
<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. The complaint/ suggestions received from the customer through customer care number / complaint box are sent to all the board members. Different committees (within the board) are responsible for different aspects. Regular operational decisions related to financials, cost transparency, disclosures, among others is the responsibility of Mr. Sinha and regular HR related issues is handled by Ms. Sinha. 	
<p>e. Code of conduct compliance report</p>	
<ul style="list-style-type: none"> • No Code of Conduct compliance report is prepared and presented in the board. In the board, no discussions on the code of conduct are held. 	
<p>f. Members' attendance in meeting</p>	
<ul style="list-style-type: none"> • More than 85% of the members of the board were present in the Board meeting (last three). Some of the board members attend the meetings through tele-conference calls. 	

10. Human Resources	Score 3.56
Key Elements: Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal	
a. Field staff experience/ exposure in MF	
<ul style="list-style-type: none">• Field staff of Saija is well experienced in the field, recruiting experienced HR for the ABM/ BM level, but many FE/ Senior FEs are experienced and having good exposure of MF. On an average more than 4 years of experience of the team involved in field level operations.	
b. Recruitment	
<ul style="list-style-type: none">• There is a separate department in Saija who is responsible for HR functions exclusively headed by Ms. Rashmi Sinha. Recruitments are done by publishing the requirements with the job profile in job sites, local newspaper and word to mouth for field staff. Proper recruitment process followed for each level of staff – written, public speaking test and personal interview. Recruitment is conducted with reference checks. Regular appraisal of Field Executives done in first 9 months, next 12 months and third in 15 months. Most of the ABMs were promoted from FE / BOE.	
c. Staff Exit	
<ul style="list-style-type: none">• Staff exit interview conducted for all the staff and modifications in the systems and processes, taken thereof.	
d. Complaint Redressal	
<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 Saija are mentioned below:

- a) Interest cap on loans at 26 percent per annum: Since July 1, 2011, Saija has reduced its interest rates on both the products from 15%, flat for SMR (31.74%, reducing) and 18%, flat for SKR to 26%, reducing.
- 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): Saija is currently charging 1% loan processing fees as per the RBI guidelines issued. It was charging 2% earlier but has reduced the same. 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: Saija used to charge 2% prepayment charges but post RBI guidelines, they have barred the prepayment charges and now collect any prepayment without any charges. Saija never charged any security deposit or upfront fees for the loans.
- 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. The household income of the clients visited under the study was mixed. Around 10% of the client households had an income more than the amount stipulated by RBI.
- f) Total indebtedness of borrower not exceeding Rs50,000: Saija strictly follows this guideline and does not lend to members who have a 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: The products and services offered by Saija have loan tenure of less than 24 months (52 weeks from July 1, 2011).

The Saija Karobar Loan has lost its uniqueness due to compliances with the RBI guidelines issued. Following are the modifications in the terms and conditions:

- The total loan amount has also been reduced to Rs15,000 from more than Rs20,000.
- Loan tenure increased from 144 days to 52 weeks.
- Repayment changed from 'alternate day' to 'weekly'.

This was corroborated by discussions with clients where the clients felt that the change has been negative for them and they have to now borrow as per the terms which are unsuitable for them.

Overall, Saija is compliant on the RBI guidelines issued. However, there is a need to review their lending policies based on the household income of the clients.

Conclusion

Saija Finance Private Ltd has achieved a composite CoCAT score of 3.08 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:

- Code of Conduct customized as per the Saija’s mission, vision, values and displayed in all branches & HO. Aspects of the Sa-Dhan and MFIN Code of Conduct incorporated. This has been approved by the Board and implemented across all branch offices of Saija.
- The loan processing time is within a week and this was appreciated by the clients. Moreover, the time taken for meetings is also less and liked by the clients.
- Pricing information communicated to the clients verbally as well as written. Pricing data is transparent, information available publicly, shared with MFT, Mix, MFIN and other networks.
- Clients were able to re-call the interest rates and other charges associated with the loans. The behaviour of Saija staff was appreciated by the clients and they seldom coerced or put pressure on the clients.
- Dedicated Customer Care Helpline for client feedback, issues/ complaints addressed on priority basis.

Areas to Strengthen:

- There is a need to develop products and services which are based on the needs and requirements of clients / members.
- Financial Education need to be provided to the clients / members. Some of them have been provided with such literacy programmes. However, there is a need to expand across all the clients.
- Internal Audit checklist need to incorporate the aspects of code of conduct compliance. This needs to be monitored and tracked during the internal audit exercise. Based on the findings of this, a report on Code of Conduct compliances need to be presented and discussed during the Board meeting.
- Client targeting criteria implemented by Saija. However, there is a need to use Poverty Tool for assessing the poverty levels of their clients.

Average Score	Rating	Grade
3.08	3.50-4.00	AA
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	1.50-1.99	CC
	1.00-1.49	C

Annexure 1: 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 9 broad assessment components which are further disaggregated into 53 elements. The 9 broad components are: *Code of Conduct, Market Entry, Appraisal Process, Client Comprehension, Products and Services, Pricing, Feedback Mechanisms, Staff Conduct, and Governance.*

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.