

Shri Kartick Biswas,
Managing Director,
Uttrayan Financial Services Private Limited
Block No-EC 127, Sector 1
Salt Lake City,
Kolkata – 700 064

March 31, 2017

Confidential

Dear Sir,

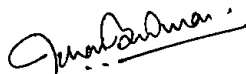
Comprehensive Micro Financing Institution (MFI) Grading

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

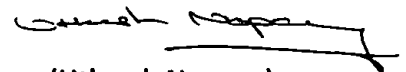
1. Our Rating Committee has assigned a grading of '**M4C2**' (**M Four C Two**) to your organization. This signifies average capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.
2. The rationale for the grading is enclosed as an **Annexure - I**.
3. Comprehensive MFI grading provides an opinion of CARE on MFI's capacity to carry out its micro finance operations in a sustainable manner and its adherence to Industry code of conduct. It does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organization or to make loans/ donations/ grants to the said organization.

Thanking you,

Yours faithfully,



(Rohan Burman)
Dy. Manager
Encl. – As above



(Utkarsh Nopany)
Manager

CREDIT ANALYSIS & RESEARCH LTD.

Grading Report

Comprehensive MFI Grading

Uttrayan Financial Services Private Limited (UF SPL)

Comprehensive Grade Assigned: **M4C2**

Date assigned: 31 March 2017

| Scale | C1 | C2 | C3 | C4 | C5 |
|-------|----|-------------|----|----|----|
| M1 | | | | | |
| M2 | | | | | |
| M3 | | | | | |
| M4 | | M4C2 | | | |
| M5 | | | | | |
| M6 | | | | | |
| M7 | | | | | |
| M8 | | | | | |

Uttrayan Financial Services Private Limited (UF SPL) has been assigned a comprehensive MFI grade of **M4C2**. This signifies average capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.

Grading Rationale

| | |
|---|---|
| Microfinance Grading | UF SPL has been assigned "M4" as its performance grade which signifies 'average' capacity of the organization to carry out its activities in a sustainable manner'. The organization has sound management, good portfolio quality, standard operating processes and management information system but it has a relatively small size of operations. Its loan portfolio is also concentrated in a limited geographical area. |
| Code of Conduct Assessment Grade | UF SPL has been assigned "C2" as its Code of Conduct Assessment Grade which signifies 'good' performance on COCA dimensions. |

Comprehensive MFI Grading provides opinion of the Rating Agency on MFI's capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Grading has been done on the dimensions of Transparency, Scale of Operations, Operational Setup and Sustainability. Assessment on Code of Conduct has been done on the indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on Integrity and Ethical Behaviour and Sensitive Indicators.

Conflict of Interest Declaration

CARE (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of CARE have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

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

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

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

Historical Rating Grades

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Historical Rating Grades (MFI Grading)

| Year | Rating Agency | Comprehensive Rating Grade |
|---------------|---------------|--|
| February 2013 | CARE | MFI 3 (5 th on a scale of 1-8) |
| January 2015 | CARE | MFI 3+ (4 th on a scale of 1-8) |
| July 2016 | CARE | MFI 3+ (4 th on a scale of 1-8) |

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Microfinance Grading Symbols and Definitions

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

Code of Conduct Assessment scale and definitions

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

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MFI's profile (December, 2016)

| | |
|--------------------------------------|---|
| Name of the MFI | Uttrayan Financial Services Private Limited (UF SPL) |
| Legal form | NBFC-MFI |
| Operational Head | Mr. Kartick Biswas (Managing Director) |
| Year of starting microfinance | 2008 |
| Branches (Month YYYY) | 63 (December, 2016) |
| Active borrowers | 87,595 (December, 2016) |
| Total staff | 324 (December, 2016) |
| Operational area | West Bengal (10 districts), Assam (2 districts), Bihar (2 districts) and Meghalaya (1 district) |
| Visit of the Assessment team | 22 nd to 27 th March, 2017 |
| Correspondence address | EC – 127, Sector 1, Salt Lake, Kolkata 700064 |

Details of Loan Products (December, 2016)

| Product | Description | Loan size (Rs) | Interest Rate (p.a.) | APR (Interest Rate & Processing fees) |
|-------------|---|----------------|----------------------|---------------------------------------|
| Small Loan | Loan given for income generating activities | 8000-30000 | 26.00% | 27.00% |
| Medium Loan | | 31000-50000 | 26.00% | 27.00% |

Ownership/Equity Structure**Shareholding Pattern (December, 2016)**

| Shareholder | % Shareholding |
|---|----------------|
| Mr. Kartick Biswas | 25.36 |
| Mr. Apu Dhar | 18.09 |
| Ms. Soma Biswas (wife of Mr. Biswas) | 10.23 |
| Srijanee Foundation (owned by Biswas & Dhar family) | 27.25 |
| Others (mainly owned by Biswas & Dhar family) | 19.07 |
| Total | 100% |

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Profile of Board of Directors

| Board of Directors (December, 2016) | | | |
|-------------------------------------|---------------------------|--|--|
| Sr No | Name | Education | Brief profile |
| 1 | Mr. Kartick Biswas | B. Sc | Mr. Kartick Biswas possesses 15 years of experience in microfinance activities. |
| 2 | Mr. Apu Dhar | B.A. | Mr. Dhar has more than a decade experience in microfinance activities. He has specialized knowledge and experience in operations aspects of MFI. |
| 3 | Mr. Bijon Kanti Choudhury | Post Graduate in Physics, CAIIB, CFA (Prelims) | He retired as Deputy General Manager of UCO Bank and has wide range of experience in credit, treasury and investment activities of Bank. |
| 4 | Mr. Anindya Sen | B.Sc.(Chemistry) B.A.CAIIB | He retired as Sr. Vice President (Eastern Zone) from Axis Bank Ltd with a working experience of about 23 years. |
| 5 | Mr. Arata Kr Sahoo | PG in Applied & Analytical Economics | Mr. Sahoo is engaged with Small Industries Development Bank of India (SIDBI) since inception. On behalf of SIDBI he is also officially engaged with Utrayan as a Nominee Director. |
| 6 | Mr. Probindu Kr Biswas | B.Sc | Mr. P.K.Biswas has more than a decade experience in microfinance activities. He has specialized knowledge and experience in financing aspects of MFI. |

| | Key Performance Ratios | |
|--|------------------------|-------------|
| | March, 2015 | March, 2016 |
| Portfolio at Risk (>30 days) | 0.34% | 0.32% |
| Capital to Risk Weighted Capital Adequacy Ratio (CRAR) | 20.21% | 24.62% |
| Operating Expense Ratio (OER) | 10.91% | 12.86% |
| Funding Expense Ratio (FER) | 15.09% | 15.60% |
| Write-offs to average portfolio | 0.39 | 0.10 |
| Return on Assets (RoA) | 0.48 | 3.44 |
| Return on Equity (RoE) | 3.22% | 28.99% |
| Active borrowers per loan / credit officer | 286 | 506 |
| Active borrowers per branch | 905 | 1306 |

Compliance with RBI's Directions for MFIs

| Sr No | RBI's Direction | Status |
|-------|---|---------------|
| 1 | 85% of total assets to be in the nature of qualifying assets | In compliance |
| 2 | Net worth to be in excess of Rs 5 Crore | In compliance |
| 3 | Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas | In compliance |
| 4 | Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles | In compliance |
| 5 | Total indebtedness of the borrower not to exceed Rs 100,000 | In compliance |

| Sr No | RBI's Direction | Status |
|-------|---|---------------|
| | (excl medical and education loans) | |
| 6 | Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty | In compliance |
| 7 | Pricing guidelines are to be followed | In compliance |
| 8 | Transparency in interest rates to be maintained | In compliance |
| 9 | Not more than two MFIs lend to the same client | In compliance |

Section 1: Microfinance Grading

Transparency

- o Registered as Non-Banking Finance Company – Micro Finance Institution (NBFC-MFI). Legal form is subjected to greater regulatory norms and reporting.
- o The company has 6 directors of which 2 are promoter directors, 3 are independent directors and 1 is a nominee director. The board meets on a monthly basis.
- o Existence of monitoring committees like audit committee, nomination and remuneration committee, stakeholders relationship committee & compliance management committee, etc.
- o Credit policies are well established documented and communicated
- o Transparency in lending process is adequate
- o Transparency in usage of funds is adequate
- o The company has outsourced the internal audit team function to a Chartered Accountant (CA) firm, which conducts audit of its branches on a quarterly basis. Moreover, the company has an internal audit team. The branch audits are conducted on rotational basis.
- o Overall disclosure is moderate

Operational Setup

- o Long experience of the founders in the area of financial services including microfinance activity
- o The promoters have more than 15 years of experience in microfinance sector
- o Supported by five member board with experience in the microfinance, banking & financial services
- o Majority shares of the company are held by the promoters
- o The company is being managed by professional staff with experiences ranging from 4 years to 22 years
- o Separate departments with clear demarcated roles and responsibilities, with minimum overlapping of roles
- o Training is provided by senior staff members
- o The monthly back-up of the system is stored in CD drives and hard disk drives.

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- The branches are connected to the HO through cloud-based software, BIJLI, with all the reports being generated within a short time
- The company has an insurance cover for cash-in-transit.
- Insurance for borrowers is present
- The company follows Joint Liability Group (JLG) based lending model to extend loans to individuals
- The loan given to a member of the group is guaranteed by all other members of the group
- Adequate loan appraisal & monitoring systems
- Adequate system for tracking over-dues
- Management information system (MIS) is adequate for current level of operations
- Risk management systems are reasonable
- Good maintenance of accounting and record through TALLY software

Scale of Operations

- As on Dec. 31, 2016, it covers 87,595 active borrowers and has an AUM of Rs.114.80 crore, comprising of own portfolio of Rs.57.01 crore and managed portfolio of Rs.57.79 crore.
- The operations of UFSPL is spread over 15 districts across 3 states (West Bengal, Bihar, Meghalaya and Assam) with 90.02% of the portfolio being concentrated in West Bengal.

Sustainability

- Reasonable second line of leadership. Majority of the senior management has more than five years of experience in microfinance sector.
- Capital adequacy ratio at comfortable levels (at 24.96% as on March 31, 2016 and 25.23% as on Dec 31, 2016)
- Legal form allows equity infusion from the investors.
- Satisfactory asset quality
- High collection efficiency
- The sector faces socio political risks but has huge unmet potential demand.
- Has presence in areas with high penetration of other MFIs

Industry Outlook

Post the AP crisis and regulatory intervention by RBI, the microfinance sector has seen strong growth in loan portfolio on account of improving funding profile, control over operating expenses, improving margins and moderate leverage levels. RBI has revised the lending norms for the MFI sector, post Andhra Pradesh (AP) crisis in 2010 and Malegam Committee Report on NBFC-MFI in 2011. The sector has evolved with the advent of credit bureaus in the sector and subsequent

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control over asset quality. MFI sector saw 30+ days past due (DPD) of around 0.33% as on March 31, 2016. As on the same date, aggregate gross loan outstanding for the sector was Rs.53,233 crore, registering 84% Y-o-Y growth from Rs. 28,940 crore as on March 31, 2015. (Source: MFIN)

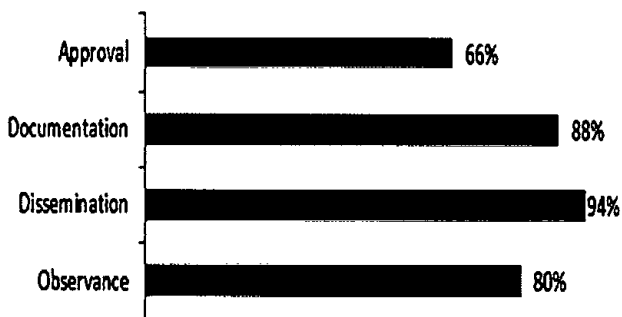
Impact of Demonetization -

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

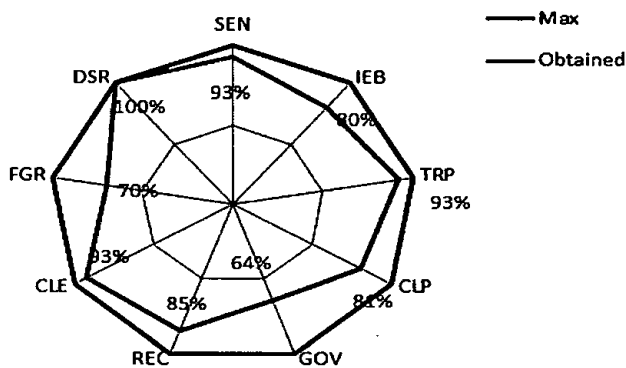
Post demonetization, MFIs are increasingly looking for cashless disbursement and collection through Jan-Dhan accounts and by leveraging technology. With 8 NBFC-MFIs converting into Small Finance Banks (SFBs) by March 2017, the competitive environment is bound to undergo a major shift within the microfinance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

Section 2: Code of Conduct Assessment

ADDO Scores



COCA Dimension Scores



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

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Code of Conduct Assessment Summary

UFSPL has a good governance structure with majority of Board comprising of independent directors and a strong organizational structure. The staff was found to be trained and ethical while dealing with clients and there is good amount of transparency in the operations. Standard operating processes is also in place. However, the company does not have any policy of restructuring the loans provided to the borrowers.

MFI strengths and weaknesses pertaining to Code of Conduct

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none">• Good governance with reputed members in the management committee and independent directors which form majority of the board• Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems• Strong human resource profile through training | <ul style="list-style-type: none">• The board is headed by the promoter, who acts as the managing director of the company• Although the company has majority independent directors, it does not have a policy with a minimum stipulation of 1/3rd board members as independent• The company does not have any policy relating to re-structuring of loans• Public disclosures of data are moderate |

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Significant observations

| Higher Order Indicators | |
|--|---|
| Integrity and Ethical Behaviour | <ul style="list-style-type: none"> • Standard operating process and policies are in place with strong degree of adherence and the staff is appropriately trained to abide by the code of conduct • Fair degree of transparency observed while dealing with borrowers and the staff was found ethical and the management treats borrowers and staff members with dignity • The Board and board level committees in place which help good oversight in observations with Code of Conduct. • Emphasis is on empowerment of slum dwellers through periodic financial literacy trainings and social capital is built through community meetings as well as the annual general meetings of the society. • The grievance redressal report of the borrowers are placed only once in the board meeting. • Staff satisfaction relating to compensation and incentives are not covered by the internal audit report. |
| Sensitive Indicators | <ul style="list-style-type: none"> • The clients surveyed were well aware of the loan products, interest rates and charges for loan. • The borrowers had no grievances with respect to conduct, punctuality and behavior of the loan officers. • UFSPL complies with the RBI's latest guidelines. All changes relating to the RBI guidelines are communicated from HO to branches through internal circulars. • UFSPL provides insurances and charges 0.6% as premium which is paid to the insurer. • Clients receive loan cards, passbooks, but there is no system to provide sanction letters to the clients. |

| Building Blocks | |
|---------------------|---|
| Transparency | <ul style="list-style-type: none"> • The Credit and HR policies of the company are in place and documented in its operational manual and HR manual. • The details of loan products are displayed in the branches and are in local languages and loan cards given to borrowers have interest & principal amount, fees and insurance printed on them and further, the loan officers have explained them to borrowers. • The borrowers are not provided sanction letters; however the loan forms/loan cards mention terms and conditions of the loan along with the annualized interest rates. • The company does not provide any other product or service apart from MFI loans. |

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| | <ul style="list-style-type: none"> • The company has continuous training programmes for its staff at various levels which is imparted by the senior management team. The training mainly covers operational aspects like details of loan products and conduct with borrowers. • UFSPL has fair amount of disclosures in the public domain with key financial and operational parameters on its web site which are not more than 1 year old. • Clients don't receive sanction letters from the company. • The interest rates on the loan products have remained the same over the past 1 year. |
| Client Protection | <ul style="list-style-type: none"> • The products and charges (interest and fees) were in compliance with the RBI guidelines. • The borrowers are given valid receipts for every payment made by them. • The society works on a monthly schedule with fixed days for promotion, accepting new applications, credit appraisal and disbursement and collection. The turn-around time (TAT) is around 10 days from the date of loan application to disbursement. • The field staff is trained to assess the income and indebtedness of clients and also have documented criteria in the operational manual. • The operational manual of the company provides guidelines for conducting meetings with the borrowers and their conduct. The staff is also trained on the same issues. • The field staff is trained for not using any coercive or abusive language or provide any threat in case non-payment by the borrowers. The sample of borrowers surveyed did not have negative comments about the field staff. • The clients are informed about sharing of their data with credit bureaus and other agencies. • Internal audit reports do not keep track of loan utilization by the clients. Further, the internal audit reports also do not keep track of borrower's income. • Some clients were not satisfied with the repayment frequency of the loan and wanted a lower frequency. • The copy of the KYC documents received by the field staff is not stamped with 'verified with original' declaration. |
| Governance | <ul style="list-style-type: none"> • Good governance with reputed people comprising the Board and presence of board level sub-committees. • Out of 6 directors, 3 are independent directors and 1 is a nominee director. • UFSPL has several board level committees which deal with various aspects of the microfinance operations. • All detailed operational activities are reviewed and reported at the monthly Core Team meetings The highlights of these discussions are |

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| | <p>passed on to the rest of the Managing Committee members during the quarterly Board Meetings.</p> <ul style="list-style-type: none"> • The company has taken initiatives to better manage the cash during the current scenario of demonetization. • UFSPL has a separate internal audit team and also engages external CA firm to conduct the internal ratings of the branches. The branches are audited alternatively by the CA firm and the internal audit team. • The audit committee is a board level sub committee which meets quarterly. • The compensation of the MD is disclosed in the audited reports. • The statutory auditor M/s. K.N.Jain & Co. has given as favourable feedback on the accounting practices and systems followed by the organization. • The company does not have a policy of debt restructuring of clients facing stress. • Staff satisfaction relating to compensation and incentives are not covered by the internal audit report. |
| Recruitment | <ul style="list-style-type: none"> • HR policies are in place with criteria for selection and growth opportunities in place. • The company engages an external agency to conduct the background checks of all prospective employees. • The company ensures that an employee from a particular area (or an employee who has served that area in his previous employment) is not posted in the same area. • The company has proper notice period for employees who have and does reference check for new recruits. |
| Client Education | <ul style="list-style-type: none"> • Periodic financial literacy trainings are given to borrowers. • High emphasis on attendance of yearly meetings is given and absenteeism is penalized by way of lower amount of loan disbursed in subsequent loan cycle. |
| Feedback and Grievance Redressal | <ul style="list-style-type: none"> • Grievance redressal mechanism is in place and the surveyed borrowers were aware of such mechanisms. • The company has a board level grievance redressal committee. • There are many avenues for the borrowers to express their grievances and the company takes note of the grievances along with the corrective action on the grievance. • Information about grievance redressal mechanism by industry associations was lacking in borrowers. |
| Data Sharing | <ul style="list-style-type: none"> • Data is shared on a monthly basis with the credit bureaus like High Mark as well as SROs like Sa-dhan on annual basis. It also submits reports to Mix Market on a quarterly basis. • The brief snapshot of operational and financial data is available on website |

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Annexure: Methodologies

Microfinance Grading Methodology

CARE Ratings' MFI Grading Framework

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

CARE evaluates an MFI under a four point framework:

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

The various aspects covered under each parameter are given below:

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

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COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions were identified by reviewing the various norms for ethical finance. These included RBI's fair practices guidelines for Non Banking Financial Companies, industry code of conduct (Sa-dhan and MFIN) and Smart Campaign's Client Protection Principles (CPP).

In 2016, need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

| | |
|------------------------------|--------------------------------|
| Highest Order | |
| Sensitive Indicators | |
| Higher Order | |
| Integrity & Ethical Behavior | |
| Building Blocks | |
| Governance | Client Protection, Recruitment |
| Transparency | Feedback/Grievance Redressal |
| Client Education | Data Sharing |

Chart: COCA Indicators Framework

Number of indicators in each category is presented below

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

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Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise

| MFI Size | No. of branches to be visited | No. of borrowers to be visited |
|---|---|---|
| Small MFI (Less than 8 branches) | All branches | 15 clients per branch covering minimum two centers. |
| Small / Mid size MFI (up to 2,50,000 borrowers) | 8 – 10 branches (geographically distributed) | 120-150 clients (15 clients per branch covering minimum two centers). |
| Large MFI (>2,50,000 borrowers) | 12 – 15 branches (geographically distributed) | 240-300 clients (20 clients per branch covering minimum two centers). |

Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office, particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branches for review. The branches are chosen in across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.

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6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations for collecting information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

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

| Sr No | Branch | State | No of clients interviewed |
|--------------|----------------------------|-------------|---------------------------|
| 1 | Habra (24 Pgns) | West Bengal | 25 |
| 2 | Madhyamgram (24 Pgns) | West Bengal | 25 |
| 3 | Narayanpur (24 Pgns) | West Bengal | 21 |
| 4 | Mathurapur (Maldaha) | West Bengal | 20 |
| 5 | Bhandup (Maldaha) | West Bengal | 20 |
| 6 | Samsi (Maldaha) | West Bengal | 22 |
| 7 | Harishchandrapur (Maldaha) | West Bengal | 20 |
| 8 | Mothabari (Maldaha) | West Bengal | 22 |
| 9 | Fulia (Nadia) | West Bengal | 23 |
| 10 | Sutragarh (Nadia) | West Bengal | 20 |
| 11 | Sonapur (Kamrup Metro) | Assam | 20 |
| 12 | Chenga (Barpeta) | Assam | 21 |
| 13 | Lalgunj (Vaishali) | Bihar | 24 |
| Total | | | 283 |

Aman

6/1/20