

CONFIDENTIAL



Code of Conduct Assessment Report

DHOSA CHANDANESWAR BRATYAJANA SAMITY (DCBS)

September 2016

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Dhosa Chandaneswar Bratyajana Samity (DCBS)		
Legal Form	Society	About Dhosa Chandaneswar Bratyajana Samity (DCBS)
Date Established & Initiation of Operations	November 17, 2003	Dhosa Chandaneswar Bratyajana Samity (DCBS) was established in the year 2003 in a village called Dhosa located in the district of South 24 Parganas in West Bengal for the welfare of rural poor people especially helpless women and children. It is registered as Society under West Bengal Societies Registration Act (XXV1) of 1961 in 2003.
Operational Area: West Bengal and Bihar		<p>It was started with the initiative of some enthusiastic youths to provide social services and gradually established as an organization to provide loan to the poor in order to make them self-dependent. As on March 31, 2016, DCBS has 7 branch offices and 9,789 borrowers with a portfolio size of Rs.820 Lakhs.</p> <p>DCBS follows group based individual lending model of minimum 10 members and maximum 30 members in a group.</p> <p>The Vision of DCBS is 'Our Vision is Transformation of lives of the rural poor by poverty alleviation through providing effective financial services with participatory approach in a transparent and sustainable manner'.</p> <p>The mission of DCBS is 'To reach the poor rural people to foster social developments through our services in the form of Financial assistance, Technical n Educational assistance and Renewable Energy in all over West Bengal, Neighboring states and the North Eastern Region by 2020'.</p> <p>With regard to Code of Conduct, DCBS Board had approved and adopted Sa-Dhan Code of Conduct (CoC) for MFIs in India. DCBS has been implementing all the CoC guidelines within the organization and in managing the microfinance operation. ACCESS-ASSIST team had done the first CoC assessment of DCBS in February 2013 and the findings were quite positive. At the request of DCBS, the second CoC assessment has been conducted from September 26-29, 2016 by the ACCESS-ASSIST team and the summary of the report is presented below:</p>
Services and Products offered <ul style="list-style-type: none"> • Micro loan: Unnati • SME loan: Dhanalakshmi • Education Loan: Saraswati • Health loan: Shakti • Solar loan • House Repairing Loan • Micro insurance 		
Lending Model <ul style="list-style-type: none"> • Joint Liability Group (JLG) 		
Average Score	Rating	Grade
3.21 (80.25%)	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

Status updates of DCBS-outreach, portfolio and other key indicators

Having started its operation in the year 2003, DCBS has already completed 13 years of its operation in the state. With its motto to support and sustain the poor women and empower them both socially and economically, DCBS has made efforts to organize women to form JLGs, build their capacity and also provide them need based financial services for strengthening various household enterprises. The progress up-dates of DCBS over the last three years are given below:

Key Performance Indicators (Institutional reporting)				
	2013-14	2014-15	2015-16	Aug 2016
Number of Groups	1,590	1,617	1,605	1,608
Total number of Clients	11,145	14,570	14,990	14,150
Total number of Active Clients (loanee)	10,169	12,414	9,789	10,446
Total Loan outstanding (Rs. In Lakhs)	624	1,052	820	759
Average Loan Outstanding (in Rupees)	6,136	8,474	8,377	8,100
Total External Loan outstanding (Rs. in Lakhs)	418	648	563	455
Rate of Interest charged (by the NGO/MFI)	25%	25%	26%	26%
Repayment Rate (Internal)	99.94%	99.71%	99.74%	99.47%
Repayment Rate (External)	100.00%	100.00%	100.00%	100.00%
No of Villages	186	197	216	216
No of Districts	1	1	3	3
No of States	1	1	2	2
No. of Branch Offices	6	6	7	7
No. of Field staff / credit officers	21	21	25	28

Products & Services

Meeting the financial service needs of the members has been one of the core mandates of DCBS since its inception. The current products and services offered by DCBS include micro credit and micro insurance. It also encourages members to undertake regular savings in the individual bank accounts. For micro insurance, DCBS collaborates with the mainstream insurance companies such as LIC & Future Generali and channelizes the services to members. The details of DCBS products and services are given below:

Loan Products						
	Micro loan:	SME loan:	Education loan:-	Health loan:	Solar Loan	House Repairing Loan
	Unnati	Dhanalakshmi	Saraswati	Shakti		
Clientele	Women	Women	Women	Women	Women	Women
Utilization	Income Generation	Income Generation	Education	Health	Power	House Repairing
Loan size	Rs.10,000-30,000	Rs.31,000-50,000	Rs.1,000-5,000	Rs.1,000-5,000	Rs.1,000-15,000	Rs.30,000
Loan tenure	12 Months	24 Months	12 Months	12 Months	12 Months	24 Months
Guarantor	Group	Group	Group	Group	Group	Group
Collateral requirements	-	-	-	-	-	-
Repayment	Weekly	Weekly	Weekly	Weekly	Weekly	Weekly
Interest rate (Reducing)	26%	26%	20%	20%	16%	18%
Other charges (Insurance)	1%	1%	1%	1%	1%	1%
Processing fee	1%	1%	-	-	-	-
Security deposit / risk contribution	-	-	-	-	-	-

Scoring of DCBS Code of Conduct Assessments across ten broad components of CoCA-1 & 2

Assessment Area	CoCA-1: (Feb 2013) Score (out of 4.00)	CoCA-2: (Sept 2016) Score (out of 4.00)	Key Elements evaluated
Code of Conduct	3.45	3.45	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	3.00	3.00	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.13	3.21	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.00	3.29	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	3.10	3.30	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	2.68	3.09	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default

Assessment Area	CoCA-1: (Feb 2013) Score (out of 4.00)	CoCA-2: (Sept 2016) Score (out of 4.00)	Key Elements evaluated
Feedback Mechanisms	2.75	2.90	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys
Staff Conduct	3.20	3.20	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Board	2.83	3.33	<ul style="list-style-type: none"> • Responsibility • Member experience/ exposure/ reputation in MF • Composition • Role • Code of Conduct Compliance Report • Member attendance in meeting
Human Resources	3.06	3.25	<ul style="list-style-type: none"> • Field staff experience/ exposure in MF • Recruitment • Staff Exit • Complaint Redressal
Overall Score	3.04	3.21	

Summary of Second CoC Assessment Results

The Second CoC Assessment of DCBS revealed the following major observations and priority areas under each component.

1. Code of Conduct	Score : 3.45
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> • DCBS has customized their Code of Conduct as per the industry code of conduct (Sa-Dhan - MFIN) along with their institutional values, mission, vision and expectations. 	
b. Visibility	
<ul style="list-style-type: none"> • Code of Conduct is displayed in all the branch offices as well as in the Head Office in local language and included in most of the documents (operation manual, client materials). 	
c. Training	
<ul style="list-style-type: none"> • DCBS has hired a dedicated training officer for staff orientation & training. Training programs are conducted on Code of Conduct for the staff at all levels once it was implemented. However, for the new staff joining as Credit Officer, they are briefed during on-the-job training about the Code of Conduct and its aspects by Branch Manager as well as Regional Manager. 	
d. Refresher	
<ul style="list-style-type: none"> • DCBS has made efforts to refresh staff about the Code of Conduct through its monthly review meetings held at the Head Office. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> • Almost 90% staffs have very good understanding of overall code, details and expectations. During the meeting with branch staff, maximum members were aware of the Code of Conduct and its aspects. • Almost 75% clients have very good understanding of overall code, details and expectations. 	

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

3. Appraisal Process	Score : 3.21
<p>Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<p>a. Client Data Collection</p>	
<ul style="list-style-type: none"> The Credit Officer undertakes a survey for a potential area and identifies some interested women who are willing to be a member of the organization. Credit Officer arranges a meeting in a certain place to discuss the important and necessary things related to forming a group followed by group training by Credit Officer and Branch Manager. Then a Group consisting of 10-30 members is formed with the interested women. There is use of peer verification across groups, information collection from neighbours/household members. However, only primary information about the member is captured in the database along with the KYC documents. Cross-verification from group members is also done. 	
<p>b. Repayment Capacity</p>	
<ul style="list-style-type: none"> Repayment Capacity is assessed during the individual primary evaluation by the Credit Officer; critically evaluated by Branch Manager on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities. 	
<p>c. Debt Thresholds</p>	
<ul style="list-style-type: none"> Debt thresholds limits are calculated on the basis of the level of income or expenditure of the family. Threshold is conditional on at least two parameters, including income, expenditure, assets, outstanding. 	
<p>d. Loan History</p>	
<ul style="list-style-type: none"> Loan history of the client also captured in the loan application form and it is checked and kept available during and throughout the appraisal process. 	
<p>e. Processing Time</p>	
<ul style="list-style-type: none"> It was observed through the interaction with the staff members and clients in the field that the loan processing time of DCBS is 2-3 weeks. This is primarily due to the paucity of funds. 	
<p>f. Approval</p>	
<ul style="list-style-type: none"> After all the due diligence in the field, all the loan applications are presented and discussed in the loan committee in the branch office and gets approved accordingly. 	
<p>g. Verification</p>	
<ul style="list-style-type: none"> Separate Audit team exist in the organization who conducts internal audit for all the branch offices on a quarterly basis. Audit team verify loan documents, all client enrolment documents, transaction related documents, bank documents and conducts the field audit by attending group meetings during field visit and also does the loan utilization check during their field visit. Audit team submits their compliance report to concerned branch office with copies to all concerned in the head office. 	

4. Client Comprehension	Score : 3.29
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 DCBS, the client review time is 2-3 weeks since the terms and conditions of the products and services offered by DCBS are mentioned during the initial group meeting and the appraisal and evaluation is conducted by the Branch Manager, post which the loan is sanctioned, which takes 1-2 weeks. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> In DCBS, there are three channels used to educate and explain loan pricing information including processing charges, interest rates, among others. There is use of verbal explanation and written documentation (loan form and passbooks) to inform the members. 	
c. Awareness	
<ul style="list-style-type: none"> During the field visit, it was found that 60% of the clients have a fair idea and knowledge of the rate of interest (flat rate of interest); the upfront processing fee of 1% of the total loan amount and insurance charges of 1% of total loan amount. The awareness is within the literacy limits but there has to be a continuous effort by the field staffs to refresh the clients to increase their awareness level. 	
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, group meetings, appraisal and disbursement. Whenever there is a change/modification, thorough and detailed with both verbal and written materials are supplied to the client. 	
e. Rights and Obligations	
<ul style="list-style-type: none"> Identification of group leader is done by the group members whereas DCBS staff acts as a facilitator. The roles and responsibilities of the group leader and clients/members are discussed during the group meetings and fully explained and reviewed with each client of each group. The client is given loan if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion. 	
f. Staff Training	
<ul style="list-style-type: none"> There is a dedicated Training officer who provides formal trainings to the field staff about the importance of making sure that the client understands the information (during the time of joining). The do's & don'ts to be followed by the staff while interacting with the clients are also mentioned in the Operational Manual and are part of the training process. 	

5. Products and Services	Score : 3.30
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> • DCBS's loan products for the clients are designed to suit specific needs of the community and it has been modified as per the guidelines issued by Reserve Bank of India (RBI). Many features of the products are similar but the major differences are in terms of size, tenure and purpose. 	
b. Review	
<ul style="list-style-type: none"> • Infrequent and unscheduled reviews are done and accordingly the product features are modified. 	
c. Diversity	
<ul style="list-style-type: none"> • DCBS offers six different loan products and the loan products have 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 group guarantee but majority of the portfolio is concentrated in only one product (98.64% of the portfolio in Micro Loans and three loan products-Education Loans, Health Loans & House Repairing Loans have no portfolio). A special loan called "Solar Loan" is disbursed through a dedicated branch in an area where there is no electricity. 	
d. Convenience	
<ul style="list-style-type: none"> • DCBS's loan is highly convenient which was also shared by clients during the client visits. The clients need to attend weekly group meetings which are held for 20-30 minutes and recoveries take place in the group meetings. 	
e. Linkages	
<ul style="list-style-type: none"> • There are two linked products with the loan to client i.e., credit plus micro-insurance provided to the client in collaboration with LIC of India (mandatory). Apart from this, DCBS also offers accident insurance policy, two options, one from LIC of India and the other from Future Generali. DCBS is also planning to link the clients through several Government schemes like Pradhan Mantri Jan Dhan Yojna (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY), Pradhan Mantri Suraksha Bima Yojna (PMSBY), among others. 	

6. Pricing	Score : 3.09
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of DCBS is relatively competitive; DCBS has kept the interest rates for its major product at 26%, reducing, to adhere with the norms of RBI. DCBS also offers other loan products with an interest rate of 16-20%, reducing. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of DCBS products is highly transparent. The pricing information is displayed in all the branch offices and the individual loan cards / passbooks. Further, pricing information is made available to the client in the form of total interest amount, processing fee and insurance charges. DCBS shares pricing and operational information publicly to Mix Market. 	
c. Fees	
<ul style="list-style-type: none"> • DCBS charges two types of fees i.e. Loan processing fees of 1% of the loan amount and insurance charges of 1% of the loan amount, which is directly paid to the Insurance provider. 	
d. Security Deposit	
<ul style="list-style-type: none"> • DCBS earlier used to charge security deposit from their client against their loan which they have discontinued after the RBI guidelines. 	
e. Prepayment	
<ul style="list-style-type: none"> • DCBS does not encourage prepayment by its clients. However, if the client wants to prepay, DCBS accepts the prepayment. 	
f. Default	
<ul style="list-style-type: none"> • There is no description of the penalties for default. Operation policy describes recovery practices in case of default and recommended to use persuasion with team effort and frequent interaction with the defaulting groups and members for ensuring loan recovery. Few cases of default were observed in the field. 	

7. Feedback Mechanisms	Score : 2.90
Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys	
a. Existence	
<ul style="list-style-type: none"> • In DCBS, two level feedback mechanisms exist. Head Office landline number (non-toll free) as a Helpline number for addressing feedback/grievance exists in the organization for clients with a system where complaints are processed, considered and resolved. Complaint Box exists in the branch offices where clients are free to write /drop their feedback. Operations Manager has the authority to open it during the branch visit. In addition, Branch Manager, Regional Manager who visits the field takes the feedback from the clients. 	
b. Staff Training	
<ul style="list-style-type: none"> • Training is provided in client relations to the new and existing staff usually by the Branch Manager and by the Regional Manager during weekly branch review meetings and also through the monthly meetings conducted at the Head Office by a dedicated training officer. 	
c. Client Awareness	
<ul style="list-style-type: none"> • Clients are aware of how can they would file a complaint if necessary (identification of Credit Officer/Branch Manager, location of the branch office and phone number) 	
d. Usage	
<ul style="list-style-type: none"> • Clients have shared that there were few complaints in terms of delayed loans. However, they were aware of the branch office and the contact number of the credit officer. Hence, we can assume there is limited usage. 	
e. Checking	
<ul style="list-style-type: none"> • There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback/complaint, the Head Office Staff circulates the same to all senior management staff and concerned staff. The concerned staff/department discuss with the complainant and responds accordingly in a stipulated time. 	
f. Staff Resources	
<ul style="list-style-type: none"> • For client feedback mechanism, there is adjunct responsibility of head office staff. 	
g. Client Exit Interviews/ Drop out Survey	
<ul style="list-style-type: none"> • In DCBS, Client Exit Survey/Interview reasons and details are mentioned in the branch register but no action is taken. This need to be formalised and systems need to be strengthened and action undertaken accordingly. 	

8. Staff Conduct	Score : 3.20
<p>Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default</p>	
<p>a. Rule Book</p>	
<ul style="list-style-type: none"> • Rule book in the form of operation manual is available in the head office and all the staffs are aware of the rules mentioned in the book. The rule book of DCBS clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour (58 points mentioned in the operational manual). Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the clients, among others. 	
<p>b. General Training</p>	
<ul style="list-style-type: none"> • DCBS has been conducting monthly training program for the field staff at Head Office level to orient them towards the conduct in the field, good and bad conduct with clients, among others. 	
<p>c. Induction</p>	
<ul style="list-style-type: none"> • All the staff, especially the Credit Officers after selection, undergoes one day orientation at Head Office before joining any branch. Credit Officers are allocated a branch for joining and subsequently on the job training commences with field visits along with a Senior Credit Officer and Branch Manager for a month. Branch Manager/Regional Manager also gives informal training on (on their roles, responsibilities and operational structure and code of conduct) in this process. 	
<p>d. Evaluation</p>	
<ul style="list-style-type: none"> • All staffs are reviewed annually and accordingly promoted based on the performance assessment reports. In DCBS, annual performance review done with tangible outcomes (salary and promotion). 	
<p>e. Review of Conduct</p>	
<ul style="list-style-type: none"> • Evaluation of the field staff as well as branch manager is done by their supervisors and endorsed by the Secretary. 	
<p>f. Incentive / Disincentive</p>	
<ul style="list-style-type: none"> • Incentive and disincentives is based on both portfolio quality and outreach of the field officers and critically evaluated during the appraisal process. During the performance review for the field staff, the portfolio quality, outreach, accountability, conduct, discipline and behavior are measured to calculate the incentives and disincentives. 	
<p>g. Recovery / Default</p>	
<ul style="list-style-type: none"> • In operation manual of DCBS, broad guidelines for collection in case of defaults are mentioned. Operation policy describes recovery practices in case of default and recommended to use persuasion and frequent interaction with the defaulting groups and members for ensuring loan recovery, specific parameters or procedures are defined in the operation manual for the recovery/defaults. 	

9. Board	Score : 3.33
<p>Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting</p>	
<p>a. Responsibility</p>	
<ul style="list-style-type: none"> • Functional responsibilities are broadly defined in bye-laws and business rules. Board of DCBS is active, each individual member are assigned their work and are performed accordingly. 	
<p>b. Experience/ exposure/ reputation in MF</p>	
<ul style="list-style-type: none"> • The board of DCBS has experience in microfinance and other developmental programs. Almost all the board members of DCBS have fair experience in the microfinance sector. 	
<p>c. Composition</p>	
<ul style="list-style-type: none"> • DCBS board consists of seven members, Mr. Santosh Kumar Halder, President; Mr. Balaram Bar, Vice President; Mr. Animesh Naiya, Secretary; Mr. Arun Kumar Das, Assistant Secretary; Mrs. Aparna Roy Mondal, Treasurer; Mr. Subhankar Mandal, Member; Mr. Utpal Kumar Gharui, Member. 	
<p>d. Role</p>	
<ul style="list-style-type: none"> • Roles of individual members of Board are very clear on policy setting; all strategic decisions are taken by the board. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Mr. Animesh Naiya, Secretary. 	
<p>e. Code of conduct compliance report</p>	
<ul style="list-style-type: none"> • The Code of Conduct was adapted by the institution during the Board meeting of September 4, 2013. Post adaptation of Code of Conduct, few aspects was discussed during the Board meeting of February 10, 2016. However, the Code of Conduct compliance report needs to be presented frequently and deliberated among the board members with proper corrective actions thereof. 	
<p>f. Members' attendance in meeting</p>	
<ul style="list-style-type: none"> • More than 90% of the board members were present in the Board meeting (last three). 	

10. Human Resources	Score : 3.25
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 staffs of DCBS are experienced in the field; Credit Officers are experienced and have good exposure of Micro Finance activities. On an average the field level operations have more than 5 years of experience in Microfinance operations. 	
b. Recruitment	
<ul style="list-style-type: none"> • DCBS has a separate HR department who looks after the recruitment process and other HR related aspects. Recruitments are done by newspaper advertisements, word of mouth for field staff. Proper recruitment process followed for each level of staff –personal interview, on job training for one month followed by confirmation. Recruitment is conducted with proper reference checks. 	
c. Staff Exit	
<ul style="list-style-type: none"> • Staff exit interview conducted for all the staff. However, analysis of the same and corrective actions not taken. 	
d. Complaint Redressal	
<ul style="list-style-type: none"> • There is an informal system for Complaint Redressal for the employees in the organization. While interaction with the field staff it was observed that in case of any grievance employees can reach the higher authority within the organization without any apprehensions. 	

Compliance to RBI Guidelines

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

- a) Interest on loans: DCBS has set its interest rate based on the RBI guidelines. The interest charged by DCBS varies from 18to 25% for its different loan products per annum on a reducing balance.
- b) Loan pricing to include processing fee (not exceeding 1% of the gross loan) interest charge and insurance premium (to be paid directly to the insurance provider): DCBS is currently charging 1% loan processing fees as per the RBI guidelines issued. The insurance charges are also 1% which is paid directly to Insurance Companies (LICI and Future Generali).
- c) No penalties for delayed payments, security deposit or margin money to be taken upfront: DCBS does not charge any fine or penalty to collect delayed payments. It encourages clients to utilize the loans for the full period and advise them not to make prepayments. However, if clients make any pre-payment, DCBS does not charge any fine for that. Also it does not take any margin money.
- d) 85 percent of MFI assets being under agriculture, micro and small enterprises: More than 85% of its portfolio is under micro, small and medium enterprises, agriculture and other allied activities. A small portion of the portfolio is created on clean energy.
- e) Lending to borrowers whose household income does not exceed Rs1,00,000 (in rural areas) and Rs160, 000 (in urban areas): Calculating the household income of poor clients in rural and urban areas is bit tough since they do not have fixed monthly income. For many, their income is seasonal and dependant on several factors. However, DCBS puts all efforts to verify the household income and adheres to RBI guideline on household income.
- f) Total indebtedness of borrower not exceeding Rs1,00,000: DCBS strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs1,00,000 as the total loan outstanding. This is mentioned in their Code of Conduct & Credit Policy 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.
- h) Collateral: As per RBI guidelines, DCBS does not take any loan collateral.

ACCESS-ASSIST's review of loan documents and interaction with borrowers revealed no violation of the above-mentioned guidelines.

Overall, DCBS is fairly compliant on the RBI Guidelines / Fair Practices.

Conclusion

DCBS has achieved a composite CoCAT score of **3.21** with an overall grade of **“A”**, indicating that the organisation is growing and strengthening its code of conduct processes. Although DCBS has got strong institutional performance in many key components, there is also room for improving that further and strengthening the processes. The key highlights and areas of improvement of DCBS are given below;

Strengths:

- Strengthening the livelihoods of the clients in such an area where there is limited access to finance.
- Few social interventions apart from microfinance are being performed like health awareness camps been organized.
- Unified Code of Conduct customized as per the industry code of conduct (Sa-Dhan & MFIN) along with the institutional values, mission, vision and expectations and displayed in all branch offices and Head Office.
- Helpline number and branch office compliant box for client feedback/grievances.
- Strong laid down policies on staff conduct in operation manual.
- Loan processes are easily acceptable by client with small group size (less time taken for meeting)
- Two options of accident insurance product available for the clients called “Jeevan Madhur” in collaboration with Life Insurance Corporation of India and Future Generali. This is on a voluntary basis taken by the clients.
- MIS software known as “Technocrat” exists in the system which integrates the financial and microfinance operational data / information.
- A dedicated branch for solar lamp loans for non-electrified villages.
- Data sharing with credit bureau (Equifax and Highmark-recently applied for membership).
- Membership with Sa-Dhan, NAM, Association of Micro Finance Institutions (AMFI, West Bengal)

Areas to Strengthen:

- Code of Conduct compliance report need to be presented to the Board more frequently and deliberated in details and actions taken thereof.
- Maximum portfolio is concentrated only on one loan product although DCBS have product diversity.
- Client training on pricing terms and conditions and feedback mechanism with mechanisms to assess client awareness on a regular basis can be incorporated.
- Financial literacy can be provided to the clients to make them understand their household cash flows and household planning as a part of the social intervention of DCBS.
- Client drop-out survey / interview exists but further analysis on the reasons for drop-outs need to be conducted.

Average Score	Rating	Grade
3.21	3.50-4.00	AA
	3.00-3.49	A
	2.50-2.99	BB
	2.00-2.49	B
	1.50-1.99	CC
	1.00-1.49	C

Annexure 1: Number of Client Interviews across Branch Offices

S. No.	Name of Branch Office	Number of Clients
1	Dhamua	25
2	Dhosa	27
3	Dakshin Barasat	27
4	Jaynagar	26
5	Jeeban Mandal Haat	27
	Total	132

Annexure 2: Code of Conduct Assessment Tool (CoCAT)

Introduction

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

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

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

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

CoCAT helps to:

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

Methodology:

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

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

CoCAT is largely based on observation of behavior, conduct, and practices. Although the premise is the existence of a Code of Conduct, the tool is really meant to monitor compliance with the principles laid out by the organization. If broad principles are missing from the institution’s consideration, these will be identified. Other standards may be written, but may not be turned into any meaningful practice. 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.