

CONFIDENTIAL



Code of Conduct Assessment Report

Annapurna Microfinance Private Limited

May 2015

Conducted by:

ACCESS ASSIST

28A Hauz Khas Village

New Delhi, 110 016

Tel: +91 11 2651 0915, 2685 0821

Fax: +91 11 2685 0821

Mobile No. +91 97486 23494

For:

Annapurna Microfinance Private Limited

1215/1401, Khandagiri Bari

In front of Jaydev Vatika

Bhubaneswar, Odisha - 751 030

Ph.+91 (0674) 2350570

Disclaimer

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

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

© ACCESS-ASSIST – 2015

Annapurna Microfinance Pvt. Ltd.		
Legal Form	NBFC	About Annapurna Microfinance Pvt. Ltd.
Date Established Initiation of Operations	February , 2010	<p>Annapurna Microfinance Pvt. Ltd (AMPL) has been considered as one of the fast growing and potential microfinance institutions. Started its operation initially from Odisha in 2010, AMPL has expanded its program to five other states such as Chhattisgarh, Jharkhand, Bihar, Madhya Pradesh and Maharashtra within a short span of five years. AMPL is being promoted by People’s Forum (PF), a leading development organization operating in Odisha. Having implemented microfinance program in the initial years and realizing the need for an appropriate legal entity to manage that; the Board of PF decided to acquire a Non-Banking Financial Company (NBFC) and then transfer its loan portfolio to the new entity. Accordingly, an existing NBFC named as ‘Gwalior Finance & Leasing Pvt. Ltd’ was acquired, re-named as AMPL and then transformed into a Reserve Bank of India (RBI) regulated NBFC in the year 2013. After the acquisition of the NBFC the MOA & AOA were revised & microfinance was incorporated as one of the key objectives into that.</p> <p>The main purpose of AMPL’s microfinance program is to provide diversified financial products and services to the poor and rural households who are deprived of such services and have been exploited at the hands of local</p>
Operational Areas	<ul style="list-style-type: none"> 61 districts of 6 States including Odisha, Chhattisgarh, Jharkhand, Bihar, Madhya Pradesh and Maharashtra 	
Services and Products offered	<ul style="list-style-type: none"> Term loans to women SHGs and Individuals 	
Lending Model	<ul style="list-style-type: none"> Self Help Group (SHG) and Individual Lending 	
Average Score	Rating	Grade
3.44	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

Annapurna Microfinance Pvt. Ltd.			
	1.00-1.49	C	<p>moneylenders since ages. AMPL adopts SHG channel while providing the financial services for its clients. Its focus is to expand the micro finance portfolio and support through that to those clients who have successfully leveraged the micro finance services and setup micro enterprises in rural and semi urban areas. Facilitating credit plus services such as enterprise development, business planning, finance management and product design and forward and backward linkages etc is also being undertaken by AMPL for its clients.</p> <p>AMPL is being governed by a proactive board having seven experienced members including two independent directors. The day-to-day management of the program is being taken care of by a strong senior management team with the support from nearly 900 staffs working at different levels of the organization. AMPL has developed the required policies, systems and procedures, leveraged resources to implement and expand its microfinance program. Over the years it has made significant progress in terms of its outreach and portfolio growth. As on March 2015 AMPL had a total of 3,30,790 Active Clients and INR 394 crore of Loan Outstanding.</p>

Key Performance Indicators (Progress Up-dates)

Particulars	Mar-12	Mar-13	Mar-14	Mar-15
Number of Groups	2590	7776	14630	30349
Total number of Clients	34024	117677	201014	387065
Total number of Active Clients (loanee)	30062	86445	158684	330790
Share Capital (Rs. In Lakhs)	560.22	1,093.73	1664.48	2,418.98
Total Loan outstanding (Rs. In Lakhs)	2378.55	9200.52	17039.24	39,474.57
Average Loan Outstanding (in Rupees)	1823.715	5789.54	13119.88	28256.90
Total External Loan outstanding (Rs. In Lakhs)	954.27	6782.84	14170.93	36892.67

Rate of Interest charged (by the NGO/MFI)	12% F	25% R	26% R	24% R
Repayment Rate (Internal)	99.82%	99.91%	99.86%	99.90%
Repayment Rate (External)	100%	100%	100%	100%
No of villages	1251	3453	5837	10542
No of Districts	12	18	26	61
No of States	2	2	2	6
No. of Branch Offices	30	38	54	116
Total No. of staff				884
No. of Field Staff/Credit officers	150	186	224	499
Portfolio at Risk (>60 Days)	0.32%	0.17%	0.11%	0.09%

Credit Products:

The organization has multiple loan products for women SHGs as well as Individual members. Loans have been given for different purposes, with different amount and tenure to SHGs. Loan to SHG for productive purposes is the major part of the loan portfolio whereas the following products have been introduced and implemented to cater to the needs of the large client base. Water Sanitation Loan, Education Loan, Solar Home Lighting Loan and Loan for Persons with Disability (PWD) have been designed by Product development team and interest rate, loan term and loan amount differs from product to product. Below are given the product details of AMPL;

Credit Products					
	Product 1	Product 2	Product 3	Product 4	Product 5
Products' name	SHG	SWASTH	Education Loan	Solar Home Lighting Systems	PWD loan
Purpose	Agri and Agri Allied, Petty Business, Micro Enterprise Loan	Water and sanitation loan	Education Loan	Solar powered lighting system for rural households	Loans for Persons with disability
Delivery model	Group	Individual	Individual	Individual	Individual
Loan size range (in US \$)	156-781	85-420	167 to 1667	70 to 250	upto 1420
Tenure (in months)	12 to 18	12 to 18	12 to 36	12 to 24	12 to 36
Rate of interest (in %)	26.0% ¹	22.0%	18.0%	18.0%	18.0%
Type of interest (flat/declining)	Declining	Declining	Declining	Declining	Declining

¹ The current interest rate of AMPL is 26% of interest for the Agri & Agri Allied & Business Loans. However; until recently (31st March'2015) AMPL was charging 24% for the product under this category.

Processing fee (% of loan amt.)	1%	1%	1%	1%	1%
Security deposit (% of loan)	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance % of Loan	0.55%	0.55%	0.55%	0.55%	0.55%
Repayment frequency	Monthly	Monthly	Monthly	Monthly	Monthly

Code of Conduct of Annapurna Microfinance Pvt. Ltd.

(Approved by the Board of Directors on 20th August, 2012 and modified on 26th March, 2013.)

1. Annapurna Microfinance Private Limited will follow all regulatory norms and Consumer Protection Practices laid down by the Government and Regulators.
2. We at Annapurna are committed to transparency in dealings and to follow fair lending practices.
3. The FPC in vernacular language shall be displayed by Annapurna in its office and branch premises.
4. We at Annapurna do not discriminate on the basis of caste and religion and shall treat everyone with respect.
5. We at Annapurna are committed to make the borrowers fully aware of the procedure and systems related to loans and other products at the time of application, which is free of cost.
6. We communicate all the terms and conditions in vernacular language to the borrower.
7. We will hold all financial transactions only in the branch at a centrally designated place.
8. We provide an option to the member to repay the loan in Monthly installments.
9. Annapurna does not collect any security deposit/margin money from the borrower.
10. Borrower shall produce documents required for identity, age and address Proof as per KYC guidelines provided by the RBI.
11. There is no penalty for either delay or prepayment of loans.
12. Except for the loan installments as mentioned in the repayment schedule, members need not pay any amount in cash or kind to Annapurna staff or any other person.
13. We acknowledge every financial transaction in the presence of our members by providing a receipt.
14. All changes in the terms and conditions of loans will be prospective.

15. We will not visit the member's home or place of work for collections and disbursements. However, our field staff may visit the place of residence/ work of the borrower (but not at odd hours i.e. after 8 pm and before 7 am) only if the

16. Loan application forms will not be returned to the members as it is the property of the organization.
17. We will keep the client information confidential and the same will not be shared with anybody without prior permission of the member except in cases of legal and audit compliance.
18. We shall not use abusive language with members or with anyone else.
19. We shall not use any arm-twisting tactics to collect money from our members.
20. We will take all reasonable care to prevent inappropriate staff behavior and will be accountable for the same.
21. Penalties may also be imposed on the field staff in cases of non-compliance with the Code of Conduct.
22. We do not use outsourced recovery agents for recovery.

Significant progress made by AMPL since the last CoCA done in Feb'2013

Particulars	Status as on 2013	Status as on 2015
Operational Area	2 States Odisha and Chhattisgarh	06 States including Odisha, Madhya Pradesh, Chhattisgarh, Bihar, Maharashtra and Jharkhand
Loan Products	Single SHG product and loan is being provided to different purposes of SHG members.	5 diversified products a) Water and Sanitation, b) Solar Home lighting, c) Education loan and e) Loan for Persons with Disability and the products have been designed to suit the need of the clients with different interest rate, loan tenure and amount.

HR Dept.	HR Dept. was small with additional responsibilities.	Now the HR Dept. has been strengthened with a dedicated HR Head and a strong team. Staff grievance redressal mechanism has been improved.
Social Performance Management	No exclusive staff for SPM	New Social Performance Management Dept. was opened with exclusive personnel for SPM
Poverty Tool	No tool for poverty assessment	PPI tool was introduced and data has been collected as per PPI indicators from each client.
Branch Ambience	It was manageable	Branch ambience has been improved with adequate place and infrastructure for client to do transactions
Client Education	CGT was being done without IEC material	Compulsory Group Training is being done using IEC materials which help the illiterate clients to see and remember. Financial Literacy programmes are undertaken periodically for client education
Staff Training	There was limited staff training on Code of Conduct	Key Staff members have been trained on Responsible Lending Practices with the support of PSIG project of SIDBI. Training Dept. was strengthened with trainer and adequate sophisticated infrastructure
Use of improved Technology	Centralized MIS was functional at HO level	On pilot basis field staffs have been given tablets to do transactions and at the same time to capture the real time data with more transparency. Voice recording system is being used to capture the voice of the clients who lodge grievances through toll free phone number.
Product Development Team	No dedicated product development team	Exclusive Product Development unit was set up to carry out the review of the existing products and develop new products. It also hired the services of M2I, MicroSave and Enclude for product development.
Risk Department	No exclusive Risk Dept.	Risk Dept. played key role in reducing over indebtedness and introducing need based products and services using Credit Bureau data

Key Highlights:

- Adopted the Unified Code of Conduct by Sa-Dhan and customized as per the AMPL mission, vision, values and displayed in vernacular language in all branches and HO along with details of loan products and Dos and Don'ts for staff and clients
- Five different loan products have been designed and implemented to cater to the need of the clients. Compulsory Group Training is being done using IEC materials
- The presence of HO (Credit & Appraisal) staff during loan appraisal and disbursement ensures transparency and strengthens internal control mechanism
- Robust Internal Audit mechanism.
- Pricing information verbally as well as written, communicated to clients.
- Staff are dedicated and have a good rapport with the clients
- Pricing data is transparent, information available publicly in branches.
- 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 AMPL.
- Exclusive staff is being assigned for Social Performance Management and data is being captured as per PPI tool
- Many social interventions are carried out for the welfare of the needy people and addressing their primary needs like health and sanitation, education, agriculture, through the parent organization Peoples Forum

Code of Conduct Assessment Report for AMPL

Summary of the study

The overall grade obtained by AMPL is **A**, with a composite score of **3.44**, 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 AMPL is excellent with defined Code of Conduct practices followed throughout the operations. More could be done to provide credit plus services like financial literacy, health education and Business Development Services to more number of clients.

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

Baseline Results for AMPL			
Assessment Area	Score: COCAT February 2013	Score: (out of 4.00) COCAT April 2015	Key Elements to be evaluated
Code of Conduct	3.18	3.27	<ul style="list-style-type: none"> • Design • Visibility/ Dissemination • Training (Staff) • Refresher • Awareness (Staff) • Awareness (Client)
Market Entry	3.25	3.50	<ul style="list-style-type: none"> • Criteria for identification • Procedure • Saturation • Due diligence
Appraisal Process	3.25	3.46	<ul style="list-style-type: none"> • Client data collection • Repayment capacity • Debt thresholds • Loan History • Processing time • Approval • Verification
Client Comprehension	3.13	3.54	<ul style="list-style-type: none"> • Client Review Time • Explanatory Channels • Awareness • Disclosure of prices & terms • Rights and obligations • Training (Staff)
Products and Services	2.40	3.40	<ul style="list-style-type: none"> • Design & appropriateness • Review • Diversity • Convenience • Linkages
Pricing	3.09	3.32	<ul style="list-style-type: none"> • Competition • Transparency • Fees • Security Deposits • Prepayment • Default

Baseline Results for AMPL			
Assessment Area	Score: COCAT February 2013	Score: (out of 4.00) COCAT April 2015	Key Elements to be evaluated
Feedback Mechanisms	2.75	3.50	<ul style="list-style-type: none"> • Existence • Training (Staff) • Client awareness • Usage • Checking • Staff Resources • Client Exit Interviews/ Drop-out surveys
Staff Conduct	3.13	3.43	<ul style="list-style-type: none"> • Rule Book • General training • Induction • Evaluation • Review of conduct • Incentive/ Disincentive • Recovery/ defaults
Governance	3.17	3.50	<ul style="list-style-type: none"> • Responsibility • Member experience/ exposure/ reputation in MF • Composition • Role • Code of Conduct • Compliance Report • Member attendance in meeting
Human Resource	3.31	3.50	<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 : 3.27
Key Elements: Design, Visibility, Training, Refreshment, Awareness	
a. Design	
<ul style="list-style-type: none"> The aspects mentioned in the Unified Code of Conduct of Sa-Dhan and MFIN have been incorporated in the AMPL 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 branch offices and HO. Along with Code of Conduct, loan product details, Dos and Don'ts for staff and clients have been displayed in the Branches. It is comprehensive and in English and Odia languages. 	
c. Training	
<ul style="list-style-type: none"> Separate trainings on Code of Conduct to all RM, BM, Development Officer and Field Credit officer by HO staff have been provided and respective AM / BM imparts training to all the Field Credit Officers (FCOs). Training on Responsible Lending Practices has been conducted for key staff members along with selected Branch Managers. 	
d. Refresher	
<ul style="list-style-type: none"> There is no refresher training on code of conduct though AMPL has made efforts to refresh staff in the Code of Conduct through its monthly staff meetings. 	
e. Awareness (Staff and Client)	
<ul style="list-style-type: none"> More than 70% staff has very good understanding of overall code, details and expectations. During the meeting with branch staff it is observed that maximum members were aware of the Code of Conduct and its aspects. More than 70% clients have very good understanding of overall code, details and expectations. 	

2. Market Entry	Score : 3.50
Key Elements: Identification, Procedure, Saturation, Due Diligence	
a. Identification	

2. Market Entry	Score : 3.50
Key Elements: Identification, Procedure, Saturation, Due Diligence	
<ul style="list-style-type: none"> • AMPL through its operation and other departments conducted studies for identification of areas for carrying out its social interventions. These studies formed the base for AMPL to further look into possibility of market entry. It has specific rules that qualify the target population (income level, assets, opportunities, among others) to start their operations in new area. At the same time, it gives importance to the microfinance program performance of other MFIs as well as Financial Institutions in the area through credit bureau check. Its Risk Dept. oversees the availability of Banks and internet connectivity to provide time bound services to its clients. 	
b. Procedure	
<ul style="list-style-type: none"> • AMPL 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, demographics. It has a well-designed market survey format. Using available technology and seek information from Credit Bureau on the basis of pin code. 	
c. Saturation	
<ul style="list-style-type: none"> • During the market identification procedure, AMPL strictly identifies the area based on the number of MFIs working in the new proposed market. It mainly focuses on poorer clients who have not yet been served financially and accordingly takes a decision. At the same time it takes stock of the existence of women SHGs in the area through secondary data. 	
d. Due Diligence	
<ul style="list-style-type: none"> • AMPL collects secondary data through credit bureau; Govt. department and other institutions. Due diligence for new area is done by 3 departments of AMPL – Operations, Risk, Finance and Board. All Field Credit Officers, Branch Managers and Regional Managers are involved in the field survey. After due analysis Risk Department recommends to open Branch. This is finally approved by the AMPL Board. 	
3. Appraisal Process	Score : 3.46
Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
a. Client Data Collection	

3. Appraisal Process	Score : 3.46
<p>Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification</p>	
<ul style="list-style-type: none"> • Before group formation, AMPL does credit bureau check to know the present level of indebtedness and credit history. After credit bureau check the member will be included in the SHG. In AMPL, once the interested members' meeting is conducted by the FCO, they fill the individual forms for evaluation followed by an orientation on AMPL and SHG to the members by the FCO. Grading of SHG is being done by the BM. Credit Department cross verifies the data and approves the formation of groups and loan appraisal. There is use of peer verification across groups, information collection from neighbours/household members. This information being captured in the MIS. 	
<p>b. Repayment Capacity</p>	
<ul style="list-style-type: none"> • Repayment Capacity is assessed during the individual primary evaluation by FCO. Critically evaluated during loan application check by BM and AM on door-to-door basis; information collection on household incomes, expenditures, assets and liabilities is also done. Loan Appraisal Officers do the appraisal and recommend the loan amount as per repayment capacity. 	
<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. The loan products are well designed with ranges in different cycles. 	
<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. HO shares Credit Bureau data of each member along with Branch staff. Appraisal Officer do check credit history using credit bureau data and Pass Book check of SHGs. 	
<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 AMPL is 7-10 days. 	
<p>f. Approval</p>	
<ul style="list-style-type: none"> • After all the due diligence in the field, all the loan applications are being presented and discussed in the loan committee in the Head Office and get approved accordingly. 	
<p>g. Verification</p>	

3. Appraisal Process	Score : 3.46
Key Elements: Client Data Collection, Repayment Capacity, Debt Thresholds, Loan History, Processing Time, Approval, Verification	
<ul style="list-style-type: none"> • Credit Dept. and Appraisal Dept. do cross verify the processes and documentation. Separate Audit team exist in the organization who conducts internal audit of two days for all the branch offices 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 : 3.54
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 AMPL, the client review time is more than a week since the terms and conditions of the products and services offered by AMPL are mentioned during initial 2-3 group meetings, post which the loan is sanctioned. 	
b. Explanatory Channels	
<ul style="list-style-type: none"> • In AMPL, 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 IEC materials are being used during Group Training to inform the members. 	
c. Awareness	
<ul style="list-style-type: none"> • During the field visit, it was found that 90% 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. 	
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, CGT, GRT, disbursement and group meetings (whenever there is a change/modification). Full and thorough, both verbal and written materials are supplied to the client. 	
e. Rights and Obligations	

4. Client Comprehension	Score : 3.54
Key Elements: Client Review Time, Explanatory Channels, Disclosure of Price and Terms, Rights and Obligations, Staff Training	
<ul style="list-style-type: none"> • Identification of group leader is done by the group members whereas AMPL staff act as a facilitator. The roles and responsibilities of the group leader and clients/members are discussed during the group meetings. The client is given loan if and only if she agrees for the terms and conditions and there is no scope for any other negotiation or discussion. 	
f. Staff Training	
<ul style="list-style-type: none"> • Separate modules are developed by AMPL 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. 	

5. Products and Services	Score : 3.40
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
a. Design and Appropriateness	
<ul style="list-style-type: none"> • The products were designed on the basis of clients' needs and requirements. All AMPL products have now been modified as per guidelines issued by RBI. AMPL takes the support of Technical Organization like M2I and Vita to design products. At the same time, feedback of Risk Depts. is being sought to decide loan size. Hence, 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"> • Review of existing loan products and services are done on an annual basis and accordingly the product features has been modified. A product development team was deployed and they do the review as per RBI guideline and suggest in bringing changes in the products. 	
c. Diversity	
<ul style="list-style-type: none"> • Five of the loan products have diverse features in terms of loan size, repayment tenure and purpose but are similar in features like target clientele (availed by female clients only), interest rate and SHG as the Guarantor. But for individual loan the repayment tenure, interest rate and other features are differed from product to product. 	
d. Convenience	

5. Products and Services	Score : 3.40
Key Elements: Design and Appropriateness, Review, Diversity, Convenience, Linkages	
<ul style="list-style-type: none"> • AMPL loans are highly convenient which was also shared by clients during the client visits. Loan process and disbursement of the group members is done on monthly basis in group meeting. Collection is done in the group meeting. 	
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 Bajaj. 	

6. Pricing	Score : 3.32
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
a. Competition	
<ul style="list-style-type: none"> • Pricing of the loan product of AMPL is very competitive, and the institution has occasionally reduced interest rates. The institution has kept the interest rates at 24%, reducing to adhere with the norms of RBI as on 31st Mach 2015. However, the management has decided to raise the interest rate to 26% from 1st April taking into account the fund cost. 	
b. Transparency	
<ul style="list-style-type: none"> • Pricing of AMPL products are transparent; information is available publicly in the branch offices, and is accurate when compared to institutional documents. 	
c. Fees	
<ul style="list-style-type: none"> • Only one fee is collected by AMPL from their clients called as Loan Processing Fee. The processing fee is 1%, as per the RBI norms. 	
d. Security Deposit	
<ul style="list-style-type: none"> • AMPL 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"> • There is no penalty on prepayment. 	
f. Default	

6. Pricing	Score : 3.32
Key Elements: Competition, Transparency, Fees, Security Deposit, Prepayment, Default	
<ul style="list-style-type: none"> • Very few cases of defaults have been observed in the field. No penalty for default collected against the unpaid day; only collecting the scheduled instalment. The group members arrange the instalment amount and repay to the staff in case an individual fails to repay. Staff behaviour during default management is normal as told by delayed payment clients. 	

7. Feedback Mechanisms	Score : 3.50
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 AMPL three different mechanisms exist for the client feedback – one is helpline number (toll free) and the other one is the complaint register/box kept at the branch offices. In addition to that Clients can directly contact with grievance redressal officer. 	
b. Staff Training	
<ul style="list-style-type: none"> • Training is provided in client relations in different formats. Staff induction and training of AMPL is of higher quality in comparison to its counterparts. AMPL has adequate infrastructure along with full time trainers for staff training. 	
c. Client Awareness	
<ul style="list-style-type: none"> • Clients are well-versed in critical feedback and know that it is their right and obligations to express a complaint; they can identify the branch manager and can locate the office. Nearest Branch from HO clients were more aware with the helpline number. 	
d. Usage	
<ul style="list-style-type: none"> • Clients have shared that there were no complaints and that they are aware of the contact numbers. Hence, there is limited usage. 	
e. Checking	

7. Feedback Mechanisms	Score : 3.50
<p>Key Elements: Existence, Staff Training, Client Awareness, Usage, Checking, Staff Resources, Client Exit Interviews / Drop out Surveys</p>	
<ul style="list-style-type: none"> • Dedicated systems are in place within the organization across all the branch offices. There is a clear process to ensure that complaints are processed and resolved. After receiving a call from the client regarding any feedback / complaint, the staff (at HO level) circulates the same to 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 particularly manager HR. At the same time there is exclusive Grievance Redressal Officer. 	
<p>g. Client Exit Interviews/ Drop out Survey</p>	
<ul style="list-style-type: none"> • In AMPL, Client Exit Survey / Interview are conducted on regular basis. This need to be analysed and formalised and proper systems need to be developed in order to capture the reasons for the exit / dropout and action undertaken accordingly. 	
8. Staff Conduct	Score : 3.43
<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 is available in the head office and all the staff are aware of the rules mentioned in the book. The rule book of AMPL clearly mentions the staff conduct, written penalties associated with broad types of misbehaviour. Rule book clearly specifies to the field staff that how to behave in the field, how to interact with the clients, among others. 	
<p>b. General Training</p>	
<ul style="list-style-type: none"> • AMPL has been conducting separate training program for the field staff to orient them towards the conduct in the field, good and bad conduct with clients, dress code, among others. 	
<p>c. Induction</p>	
<ul style="list-style-type: none"> • All the new staff joining AMPL undergo a 1 week induction program which consists of classroom training, followed by Branch and field visits for the next 3 weeks. 	

8. Staff Conduct	Score : 3.43
Key Elements: Rule Book, General Training, Induction, Evaluation, Review of Conduct, Incentive / Disincentive, Recovery / Default	
d. Evaluation	
<ul style="list-style-type: none"> On the basis of the job performance, all staff are reviewed biannually (mid-term and end-term) and accordingly promoted. In AMPL, annual performance review done with tangible outcomes (salary, and promotion). The appraisal parameters encompassed soft skills and behaviour. 	
e. Review of Conduct	
<ul style="list-style-type: none"> Self-Evaluation is done by each of the employee and feedback from their supervisors and peers is sought. 	
f. Incentive / Disincentive	
<ul style="list-style-type: none"> Incentives and disincentives are based on both portfolio quality and outreach of the FCO 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. 	
g. Recovery / Default	
<ul style="list-style-type: none"> In operation manual of AMPL, 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. There is no penalty system for delayed payment. The peer mechanism in SHG promoted by the staff members reduces delayed payment. 	

9. Governance	Score : 3.50
Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting	
a. Responsibility	
<ul style="list-style-type: none"> Functional responsibilities are broadly defined in the bye-laws and business rules, individual board members assigned and undertake committee functions on a regular basis. Board of AMPL is very vibrant; each individual member is assigned with work through committees and performs accordingly. 	
b. Experience/ exposure/ reputation in MF	
<ul style="list-style-type: none"> The board of AMPL comprising members from India and abroad, has diverse experience in banking, credit rating and other developmental programs. Almost all the board members of AMPL have good experience in the microfinance sector. 	

9. Governance	Score : 3.50
Key Elements: Responsibility, Experience/ exposure/reputation in MF, Composition, Role, Code of Compliance report, Members' attendance in meeting	
c. Composition	
<ul style="list-style-type: none"> Seven members' Board of AMPL consists of its Chairman Mr. Govind Chandra Pattanaik, Mr. Dibyajyoti Pattanaik, Whole time Director, Aditya Bhandari, and Pradip Kumar Saha, Nominated Directors, Mr. Sean Leslie Nossel, Mr. Krishna Kumar Tiwari are independent Directors and Mrs. Laetitia Couney, Nominee Director. 	
d. Role	
<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 helpline number / complaint registers are sent to all the board members. Different committees (within the board) are responsible for different aspects. Regular operational decisions related to financial statements, cost transparency, disclosures, among others are the responsibility of Chairman-cum-Managing Director, Mr Gobinda Chandra Pattnaik , Whole time Director and Chief Financial Officer Mr. Dibyajyoti Pattnaik 	
e. Code of conduct compliance report	
<ul style="list-style-type: none"> Discussions are held on the aspects of Code of Conduct, social performance management and grievance redressal mechanism during the board meetings; however, compliance report on Code of Conduct is not prepared and presented in the board. 	
f. Members' attendance in meeting	
<ul style="list-style-type: none"> More than 85% of the board members were present in the Board meeting (last three). For oversee Board Members, video conferencing mode was being used. 	

10. Human Resources	Score : 3.50
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 AMPL are well experienced in the field, FCOs 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	

10. Human Resources	Score : 3.50
Key Elements: Field staff experience/ exposure in MF, Recruitment, Staff Exit, Complaint Redressal	
<ul style="list-style-type: none"> • AMPL has a separate HR department led by HR Manager and controlled by a committee who looks after the recruitment process and other HR related aspects. They are governed by the well defined and comprehensive HR policy. Recruitments are done by publishing the requirements with the job profile in job websites, local newspaper and word to mouth, for field staff. Proper recruitment process followed for each level of staff – written and personal interview. AMPL does campus interview for higher level staff from reputed management Institutions. 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 being taken. 	
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. There is grievance redressal number and the HR Manager takes the calls from staff through dedicated grievance redressal number. There is women grievance redressal officer to take calls from women staff. 	

Compliance to RBI Guidelines:

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

- Interest on loans: Post the RBI guidelines, AMPL have reduced its interest rates on the products to 26% per annum on a reducing basis.
- 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): AMPL is currently charging 1% loan processing fees as per the RBI guidelines issued. Moreover, the insurance charges recovered from the clients are paid directly to Life Insurance Company of India.
- No penalties for delayed payments, security deposit or margin money to be taken upfront: AMPL have barred the prepayment charges post RBI guidelines and now collect prepayment without any charges. AMPL used to charge security deposit or upfront fees for the loans which has now being stopped.
- 85 percent of MFI assets being under agriculture, micro and small enterprises: 100% of their portfolio is under micro, small and medium enterprises.

- e) Lending to borrowers whose household income does not exceed Rs60,000 (in rural areas) and Rs120,000 (in urban areas): Calculating the household income in rural and urban areas is a debatable since they do not have fixed monthly income. Their income is seasonal and dependent on several factors. However, AMPL puts all efforts to verify the household income and adheres to RBI guideline on household income.
- f) Total indebtedness of borrower not exceeding Rs50, 000: AMPL strictly follows this guideline and does not lend to members who have loans from 2 or more MFIs and Rs50, 000 as the total loan outstanding. This is mentioned in their Code of Conduct and followed across all levels.
- g) Tenure of loan not being less than 24 months: All the loans larger than Rs15,000 have a tenure of 24 months and loans below Rs15,000 have a tenure of 12-24 months, as desired by the clients.

Overall, AMPL is compliant on the RBI guidelines issued.

Conclusion:

AMPL has adopted the Unified Code of Conduct by Sa-Dhan & MFIN, customized that as per the its mission, vision, values and displayed in all branches & HO. Within its ambit, the Board and top management have been guiding constantly to motivate and encourage staff to adhere to Code of Conduct in their respective responsibilities and activities. Staffs are being oriented on the Code of Conduct during the periodical meetings.

Adequate emphasis has been given for staff induction, client education, and appraisal and grievance redressal mechanism etc. Creating a dedicated SPM unit, introduction of PPI tool, diversification of products and services and sharing of pricing related information with clients in a transparent manner etc have been some of the key achievements of the organization in this regard. It was also encouraging to see that AMPL developed a robust Internal Audit mechanism encompassing code of conduct parameters and assess that during its periodical internal audit process at branch level. AMPL also has established a dedicated Customer Care Helpline for client feedback, issues/complaints and address that on a priority basis. Additionally, AMPL has been undertaking various social and development interventions for the welfare of the needy people and addressing their primary needs like health, sanitation, education, enterprise promotion etc through its parent organization, Peoples Forum. Thus the efforts made by AMPL to address both the financial and social and aspects have been quite helpful for its clients.

No doubt that AMPL has done well in implementing its Code of Conduct provisions for the betterment of the clients. However; it is also suggested that AMPL should give adequate attention to improve/expand further a few areas including the following aspects;

- Credit Plus activity may be expanded further as there is high demand for that from clients.
- Client drop-out survey /interview are conducted and analysed by interns/students. Corrective actions are taken as per the suggestions / recommendations of the study. However, this needs to be conducted for all drop-out clients. Similarly, employee exit interview needs to be analysed and midcourse alterations may be introduced taking into account their feedback.
- The on-going financial education may be scaled-up to cover all the clients. The clients should be enabled to better understand and make analysis of their household cash flows.
- As a part of re-enforcing process specific training plan may be made to orient/re-orient staffs including the newly recruited staff on code of conduct principles.
- Though Board discusses on aspects relating to Code of Conduct, SPM, no compliance report is presented in Board meeting. In view of the senior management of AMPL should prepare and present the compliance report to board during the board meeting and see advisory from them.
- Inclusion of more women representatives in the Board may be done to further strengthen the women empowerment initiatives and social performance agenda of AMPL.

Final CoCAT Scoring of AMPL:

Annapurna Microfinance Pvt. Ltd. has achieved a composite CoCA score of **3.44** with an overall grade of **“A”**, indicating that the organisation is growing and doing well in most of the components of CoCOT.

Average Score	Rating	Grade
3.44	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

The current CoCAT score of **3.44 (May'2015)** obtained by AMPL has been progressively better than its previous score of **3.06**; got during the last CoCAT; administered in February'2013. AMPL has enhanced its scoring in each of the ten broad components of CoCAT. This substantiates the fact that AMPL has been making concerted efforts to improve further in its adherence and compliance to all the parameters or principles of the Code of Conduct.

Annexure 1: Number of Client Interviews across Branch Offices

S. No.	Name of Branch	Number of Clients
1	Balipatna, Odisha	08
2	Begunia, Odisha	10
3	Nayagarh, Odisha	11
4	Chandikhol, Odisha	10
5	Jajpur Road, Odisha	09
6	Barapali, Odisha	15
7	Attabira, Odisha	19
8	Kanke, Jharkhand	16
9	Ramgad, Jharkhand	12
10	Peterwar, Jharkhand	14
	Total	124

Annexure 2: Code of Conduct Assessment Tool (CoCAT)**Introduction**

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

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

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

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

CoCAT helps to:

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

Methodology

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

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

CoCAT is largely based on observation of 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.