



SMERA
Code of Conduct
Assessment

C2

*(Good performance of the
MFI on Code of Conduct
dimensions)*

SMERA Code of Conduct Assessment

Vedika Credit Capital Limited



To verify the grading, please scan the QR Code

Date of Report:

15th June, 2021

Valid Till:

14th June, 2022

SMERA's Code of Conduct Assessment Grading Scale

Grading Scale	Definitions
C1	Excellent performance of the MFI on Code of Conduct dimensions
C2	Good performance of the MFI on Code of Conduct dimensions
C3	Average performance of the MFI on Code of Conduct dimensions
C4	weak performance of the MFI on Code of Conduct dimensions
C5	Weakest performance of the MFI on Code of Conduct dimensions

*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

SMERA (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 the SMERA have been a member of the Board of Directors of the MFI for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

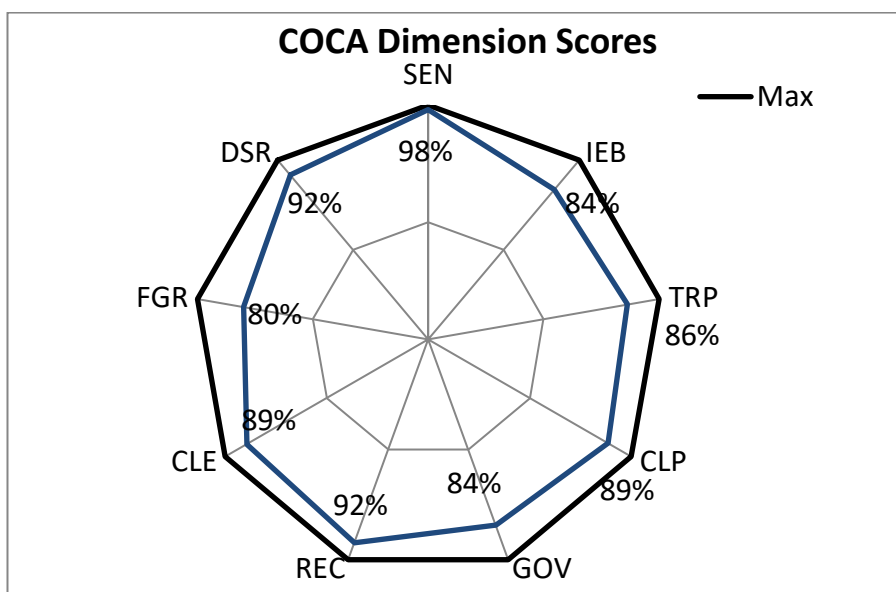
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Historical Rating Grades

Date	Rating Agency	Rating/Grading
5 th March, 2021	Brickwork Ratings	BBB (Stable)
15 th February, 2021	Brickwork Ratings	MF2
30 th September, 2020	SMERA	M3
18 th May, 2020	Acuité Ratings and Research	BBB+
26 th September, 2020	SMERA	M2
31 st October, 2018	SMERA	M2C2
29 th September, 2018	SMERA	M2

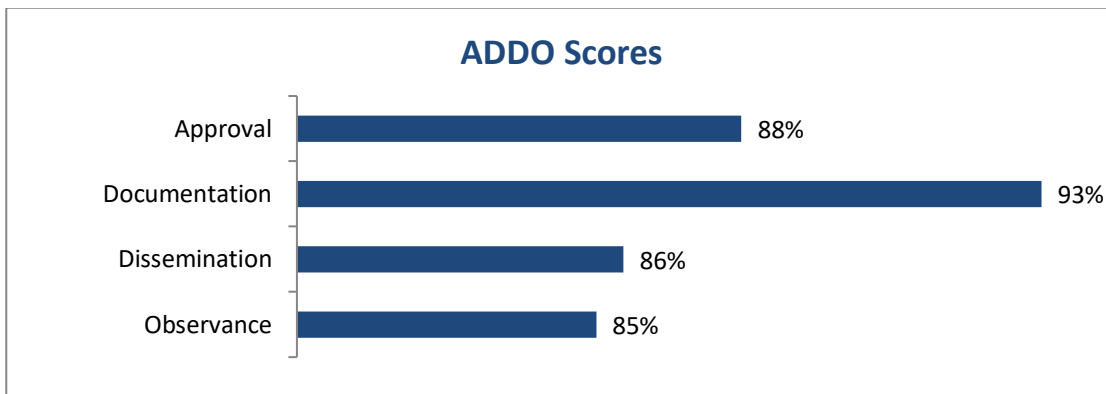
Code of Conduct Assessment Score

COCA Grading - C2 (Good Performance on Code of Conduct dimensions)



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	98%
Integrity and Ethical Behavior	IEB	84%
Transparency	TRP	86%
Client Protection	CLP	89%
Governance	GOV	84%
Recruitment	REC	92%
Client Education	CLE	89%
Feedback & Grievance Redressal	FGR	80%
Data Sharing	DSR	92%



VCCL with an overall grade of “C2”, indicate **Good** Performance on Code of Conduct dimensions.

Code of Conduct Assessment Summary

The Code of Conduct report for Vedika Credit Capital Limited (VCCL) evaluates the entity's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behaviour
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

SMERA believes that VCCL exhibits **Good** performance on COCA dimensions. This document details SMERA's approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring VCCL's adherence towards ethical operational practices.

Company Profile

Name of the MFI	:	Vedika Credit Capital Limited	
Operational Head – Microfinance Business	:	Name	Mr. Pradeep Sharma
	:	Designation	COO
	:	Mobile No.	9570395182
	:	Email ID	pradeep.sharma@teamvedika.com
	:	Date of Joining	1 st April, 2020
Date of Incorporation/Establishment	:	15 th March, 1995	
Date of commencement of microfinance business	:	2007	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	406, Shrilok Complex, 4th Floor, H.B. Road, Ranchi-834 001 Jharkhand	
Geographical Reach (As on 31/Mar/2021)	:	No. of States	7
	:	No. of Districts	94
	:	No. of Branches	192
	:	No. of Active Borrowers	177281
	:	No. of Total Employees	1177
	:	No. of Field/Credit Officers	1073

Background:

Vedika Credit Capital Limited, herein referred as VCCL was incorporated in 1995 at Ranchi and is engaged in microfinance operations since 2007 (more than a decade). VCCL was registered as an NBFC-MFI with RBI in June 2015. The company is managed by Jain family. The majority stake of the company is held with Mr. Gautam Jain, Mr. Ummed Mal Jain, Mr. Vikram Jain and Mrs. Kanta Devi Jain. The remaining equity shares are held by other members of Jain family.

Product Profile

Product	Description	Loan size (Rs.)	Repayment Frequency	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
JLG Loan	Income Generating Loan	3,000 – 50,000	12- 24	21.79	1.00	22.79
Individual Loan	Business Loan, House repairing Loan	50,000-2,00,000	12- 24	21.79	1.00	22.79
Consumer Durable Loan	Consumer Durable loan to existing clients	600 – 30,000	12	21.79	1.00	22.79

Capital Structure as of 31/March/2021

Authorized Capital	Rs. 40.00 crore
Paid Up Capital	Rs. 29.46 crore

Shareholding Pattern – (Shareholders –Equity Shares as on 31/March/2020)

Name of Proprietor/ Partner / Shareholders	Shares in %
Gautam Jain	15.12
Ummed Mal Jain	5.11
Vikram Jain	5.47
Kanta Devi Jain	4.25
Anita Jain	2.71
Vinita Jain	2.78
Sidharth Jain	0.10
Aditya Jain	0.05
Vikram Jain Huf	1.00
Gautam Jain Huf	2.84
Ummed Mal Jain Huf	1.82
Linkline Marketing Pvt Ltd	8.75
Jatinder Finance Pvt Ltd	1.30

Vedika It Solution Pvt Ltd	1.24
Vedika Sales & Services Pvt Ltd	7.46
Vedika Agro Mart Pvt Ltd	12.11
Digit	2.43
Gautam Jain Family Welfare Trust	0.40
Vikram Jain Family Welfare Trust	0.42
Vedika Financial Services Pvt. Ltd.	11.65
Insight Merchants Pvt. Ltd.	5.02
Vedika Irrigation and Energy Solution Pvt. Ltd.	7.97
Total	100.00

Optionally Convertible Preference Shares (OCPS)

Shareholders	% Holding
Small Industries Development Bank of India	100.00
Total	100.00

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Ummed Mal Jain	He started his career as an Advocate in Patna High Court. Later on, he drifted into business out of choice and started a food grain business. Thereafter, he ran a flourmill for several years. In order to diversify his business, he promoted VCCL in the year 1995.
Designation:	Chairman	
Qualification:	LLB	
Name:	Mr. Gautam Jain	He is the managing director of the company. He has over a decade of experience in the financial domain.
Designation:	Managing Director	
Qualification:	MBA (Marketing)	
Name:	Mr. Vikram Jain	He used to manage a Food Grain business (a family business) before joining VCCL. He is a Fund Management Specialist.
Designation:	Director	
Qualification:	B.Com (H)	
Name:	Mr. Deep Kumar Hessa	He was associated with NGOs and has knowledge of Rural Tribal area in Jharkhand.
Designation:	Independent Director	
Qualification:	LLB and LLM	
Name:	Mr. Maqsoodul Hasan Ansari	He has 34 years of experience in skill development of the marginalized sections of the society in India. He served as Head of the Department of Rural Management at XISS, Ranchi for a period of 14 years. He is having a Lifetime membership of the International Institute of Adult and Lifelong Education, New Delhi since the Year 1990. He has written and published small books and produced Audio-visual aids, which helped in creating awareness in the rural masses for developmental interventions. He received "Mahatma Gandhi Peace Award-2015" in the field of Education on 2nd of October 2015.
Designation:	Independent Director	
Qualification:	MBA with Specialization in Marketing Management & Doctorate of Philosophy (Ph.D.)	
Name:	Mr. Siba Prasad Nayak	He is Nominee Director from SIDBI. He has 17 years of experience in Banking and Financial Institutions like SIDBI. He is experienced in MSME Lending. He is presently working as Assistant General Manager in SIDBI, Ranchi, looking after MSME lending in the state of Jharkhand.
Designation:	Nominee Director	
Qualification:	B. Com and Masters in Industrial Relations and Personnel Management	

SMERA Observations:

- VCCL has six-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.
- The company has more than one-third of its board members as Independent directors.

Management's Profile

Management Details		Profile
Name:	Mr. Pradeep Sharma	He has over 18 years of experience in microfinance sector.
Designation:	COO	
Qualification:	Graduate	
Name:	Mr. Abhishek Agarwal	He is Chief Financial Officer of the Company. ACS and MBA (Finance) by qualification, he is managing the financial actions of a company including tracking cash flow and financial planning as well as analyzing the company's financial strengths and weaknesses and proposing corrective actions, all strategic and tactical matters as they relate to budget management, cost benefit analysis, forecasting needs and the securing of new funding. He has over 10 years' experience in micro finance sector.
Designation:	CFO	
Qualification:	ACS & MBA (Finance)	
Name:	Mr. Gaurav Kumar Vohra	He is the Company Secretary of the company. ACS and Law graduate by qualification, he looks after the corporate and other statutory compliances of the Company & he is responsible for the efficient administration of a company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented.
Designation:	Company Secretary	
Qualification:	ACS & LL.B	
Name:	Mr. Chandan Kumar Malviya	He has 7 years of experience in Banking Audit, Accounting and Micro finance. He has handled account creation, transactions and Audit at various industries of Microfinance, Telecom and other private organizations.
Designation:	Audit Head	
Qualification:	Graduate	
Name:	Mr. Biplob Sen Gupta	He has more than 8 years of experience in HR in various industries like Steel and Power, Microfinance and Telecom industry.
Designation:	HR	
Qualification:	MBA	

SMERA Observations:

- VCCL senior management has adequate experience across sectors such as microfinance, Banking, finance, IT and development sector.
- Majorities of the senior management members have been associated with it for long tenure and have risen from ranks.
- VCCL has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO, except the auditor who directly report to the board.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Mar/2021
No. of States	5	7	7	7
No. of Districts	48	85	101	94
No. of Branches	96	178	212	192
No. of Active Members	2,04,678	2,10,860	2,22,105	1,77,281
No. of Active Borrowers	2,04,678	2,10,860	2,22,105	1,77,281
No. of Total Employees	660	1,198	1,410	1,177
No. of Field/Credit Officers	565	1,062	1,262	1,073
No. of JLGs	52,481	54,682	56,942	39,256
No. of Individual Loans	0	0	0	0
Owned Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Mar/2021
Total loan disbursements during the year (in crore)	288.96	353.18	474.71	137.22
Total portfolio outstanding (in crore)	320.67	348.24	422.32	347.02
Managed Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Mar/2021
Total portfolio outstanding (in crore)	125.52	147.17	146.13	120.99
Securitised Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Mar/2021
Total portfolio outstanding (in crore)	0	67.51	46.77	49.98

Compliance with RBI's Directives for MFIs

RBI's Direction	VCCL's Status	Compliance
85% of total assets to be in the nature of qualifying assets	More than 85% of total assets to be in the nature of qualifying assets as on 31 st March, 2021.	Complied
Net worth to be in excess of Rs 5 Crore	Net owned fund of VCCL stood at Rs 85.11 Crore as on 31 st March, 2021.	Complied
Income of borrower not to exceed Rs 125,000 in the rural areas and Rs 200,000 in the urban and semi-urban areas*	VCCL extends loans to borrowers whose income does not exceed Rs.1,25,000 in the rural areas and Rs.2,00,000 in the urban areas.	Complied
Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	VCCL offers loan up to Rs.75,000/- in the first cycle and Rs.1,25,000/- in the subsequent cycles depending on client repayment capacity, type of activity etc.	Complied
Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	VCCL conducts credit bureau check on the loans outstanding from other MFIs. The company ensures the total indebtedness of the borrower does not exceed Rs.1,00,000.	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Tenure of loans is not less than 24 months for loan amount in excess of Rs 30,000.	Complied
Pricing guidelines are to be followed	Loans are provided at a rate of 21.79% reducing balance basis which meets the RBI criteria.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client.	Complied
Not more than two MFIs lend to the same client	VCCL verifies the same through credit check from credit bureaus	Complied

RBI's Direction	VCCL's Status	Compliance
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	VCCL is charging processing fee of 1.00% on the disbursed loan amount plus applicable service tax.	Complied
Collateral free loans	VCCL does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	VCCL does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	VCCL does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	VCCL shares its client data with all the credit bureaus.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	VCCL provides more than 50% of total loans for income generation activities as on 31 st March, 2021.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	CRAR of VCCL stood at 31.62% as on 31 st March, 2020.	Complied
The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more'.	The statutory auditor has certified the appropriate provisions have been made.	Complied

Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Board approved policies, compliant with the RBI guidelines. • Code of Conduct framed as per the VCCL mission, vision, values and displayed in all branch offices & HO. • Membership with MFIN and Sa-Dhan. • Board with rich experience from Banking and finance background. • Experienced and qualified management with more than a decade of experience in MFI industry. • Credit policies are well established documented and communicated. • Adequate loan appraisal & monitoring systems. • High standard of governance and integrity by inducting persons with good and sound reputation in the industry and understanding of microfinance industry. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Toll Free helpline number for client feedback/grievance. • Data sharing with credit bureau (Equifax, CIBIL, Experian and High Mark). 	<ul style="list-style-type: none"> • Grievance Register was available in the branches; however very limited records were observed in the registers of the visited branches. • Insurance Claim settlement process has taken longer than the standard time in some of the assessed branches; however it is understood that the delay has been from the clients' end. • Awareness among the staff on RBI guidelines was found to be moderate.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • The MFI have the policy to place reports on COC compliance before the board at the end of every quarter. • The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit. • Board has approved a policy of recovering delinquent loans. • MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year and the same is documented in HR manual. • In all the branches, the contact number and address of SRO nodal official was properly displayed. • Awareness among client and staff on SRO grievance redressal mechanism was found to be moderate to high. • The MFI have the policy to place reports on COC compliance before the board. • Fixed Component compensation of staff is not impacted in event of overdues. VCCL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.
Sensitive Indicators	<ul style="list-style-type: none"> • In the sample of clients during COCA on the total indebtedness of borrower was within the prescribed limit stipulated by RBI. • Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderate. • VCCL provides sanction letter with all terms and conditions of the loan including annualized interest rates to the clients. • VCCL provide repayment schedule to the clients including break-up of principle and interest. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • VCCL shares accurate data with all credit bureaus on a frequency prescribed by SRO. • VCCL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. The organization also has a well-documented policy on pre-payments.

	<ul style="list-style-type: none"> • The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.
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BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> • Awareness among the staff on RBI guidelines was found to be moderate. • VCCL has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages. • Circulars of the most recent RBI directions are available in the form of office orders in the visited branches. • VCCL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • The loan interest rate and processing fees is mentioned on the loan passbook provided to the client. • The loan card provides complete repayment schedule with interest and principal separately mentioned. • Clients interviewed were aware of the charges and price for all services availed. • In each of the branches visited, loan documents were maintained in the local language. • VCCL displays the effective rate of interest on its products, at all its branches. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • Pricing policy of loans is displayed in branches visited. • VCCL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. • VCCL provides acknowledgement to the clients while they apply for loan. • VCCL provides sanction letter with all terms and conditions of the loan including annualized interest rates to the clients. • VCCL provide repayment schedule to the clients including break-up of principle and interest. • VCCL enters into loan agreement with the clients with all the terms and conditions. • Previous financial year annual financial statement and report is not available in the public domain. Code of conduct compliance report of last financial year of VCCL is not available in the company website.

<p>Client Protection</p>	<ul style="list-style-type: none"> • VCCL has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behavior with the clients. • VCCL has documented policy on client data security which forms part of its fair practice code. • VCCL has framed a Fair Practice Code and has also adopted the RBI fair practices code. • Employees are trained on aspects of appropriate behavior with the clients. • Staffs were found to be aware of the need to have professional conduct with the clients.
<p>Governance</p>	<ul style="list-style-type: none"> • VCCL maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body. • VCCL has 1/3rd of independent persons in its Governing Board, and the Board is actively involved in all policy formulations and other important decisions. • VCCL discloses its MD's compensation in its audited reports (Ref. Audit Report 2020). • An audit committee of the Board with an independent director as chairperson. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year. • No adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • Action taken report based on the last audit report was available in the branches visited. • Staff satisfaction related to compensation and incentive is covered under scope of Internal Audit.
<p>Recruitment</p>	<ul style="list-style-type: none"> • VCCL's board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it. • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year; however the same is not documented in the HR manual.
<p>Client Education</p>	<ul style="list-style-type: none"> • VCCL in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services

	<ul style="list-style-type: none"> • VCCL does not charge clients for the trainings provided to clients by itself or through a related party. • Awareness among client on annualized Interest rate & Insurance claim settlement process was found to be moderate to high.
<p style="text-align: center;">Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • The Board has approved a policy for redressal of its clients' grievances, which requires board to be updated on the functioning of grievance redressal mechanism. • MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level. • VCCL has a policy on time frame and process for client's complaint resolution. • Clients were found to be aware of the helpline number. • Feedback mechanisms are regularly tracked and monitored. • In the branches visited, the contact number and address of Sa-Dhan/MFIN nodal official was displayed properly. • Complaints lodged through helpline at H.O and branches are documented and resolved. • Awareness among client and staff on MFIN grievance Redressal mechanism was found to be moderate to high. • Dedicated team at HO level to document and follow up on the client complaints.
<p style="text-align: center;">Data Sharing</p>	<ul style="list-style-type: none"> • Operational for FY 2020 is available on the website of VCCL; however financial data of VCCL is not available in the public domain. • VCCL has a documented process for sharing data with the credit bureaus. VCCL share data with all Credit Bureaus prescribed by SRO. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called for by MFIN and RBI as and when required as per compliance. • VCCL shares accurate data with all credit bureaus on a frequency prescribed by MFIN. • VCCL performs compulsory credit bureau checks for all its clients.

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 (Sadhan-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 Behaviour	
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	26
Building Blocks	Number of Indicators
Transparency	40
Client Protection	122
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
Total	250

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).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP) > Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 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.
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, we observed all branches and interacted with Branch Staff and Borrowers of the MFI through call/video conferencing during the Covid situation. The details of the branches are provided below.

Sr No	Branch	State	No of clients interviewed
1	Tollyganj	West Bengal	17
2	Baguiati	West Bengal	20
3	Halisahar	West Bengal	20
4	Koderma	Jharkhand	21
5	Pandra	Jharkhand	23
6	Giridih	Jharkhand	15
7	Puri	Odisha	17
8	Nimapada	Odisha	18
Total			151

About SMERA Gradings & Ratings

SMERA, widely known as 'The SME Rating Agency', was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world's first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

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Registered Office
905, Lodha Supremus, Lodha
iThink Techno Campus, Near
Kanjurmarg Railway Station,
Kanjurmarg (East)
Mumbai - 400 042
Tel: +91 22 6714 1111
Email – info@acuite.in

Website:
www.microfinanalytics.com