SMERA Code of Conduct Assessment

IDF Financial Services Limited

To verify the grading, please scan the QR Code

SMERA

Code of Conduct Assessment

C1

(Excellent performance of the MFI on Code of Conduct dimensions)

Date of Report:

31st December, 2024

Valid Till:

30th December, 2025

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**.*

To verify the grading, please scan the QR Code

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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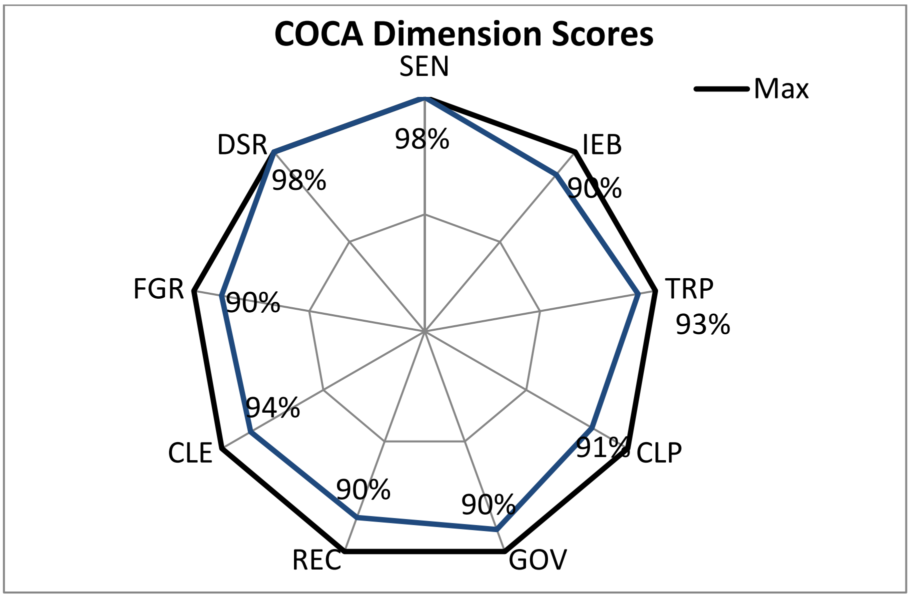
Historical Rating Grades

Date	Rating Agency	Rating/Grading
03-January-2024	SMERA	M1
29-January-2024	INFOMERICS	BBB-/Stable
21-December-2023	CRISIL	BBB-/Stable
30-November-2022	SMERA	M2
28-September-2022	CRISIL	BBB-/stable
30-November-2021	SMERA	M3C2

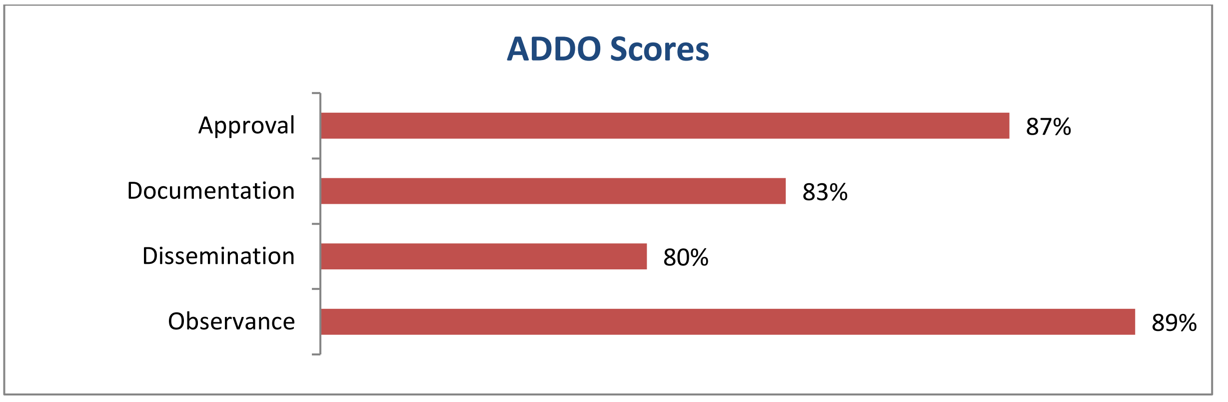
Code of Conduct Assessment Score

COCA Grading – C1 (Excellent Performance on Code of Conduct dimensions)



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	98%
Integrity and Ethical Behavior	IEB	90%
Transparency	TRP	93%
Client Protection	CLP	91%
Governance	GOV	90%
Recruitment	REC	90%
Client Education	CLE	94%
Feedback & Grievance Redressal	FGR	90%
Data Sharing	DSR	98%



IDF with an overall grade of "**C1**" indicate **Excellent Performance on Code of Conduct dimensions**.

Code of Conduct Assessment Summary

The Code of Conduct report for IDF Financial Services Limited (IDF) 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 IDF exhibits **Excellent** 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 IDF 's adherence towards ethical operational practices.

Company Profile

Name of the MFI	:	IDF Financial Services Limited	
Operational Head – Microfinance Business	:	Name	Mr. Naganagouda M Patil
		Designation	Managing Director
		Mobile No.	+(91)- (7760970001)
		Email ID	idffspl.md@gmail.com
Date of Incorporation/Establishment	:	27th October, 1994	
Date of commencement of microfinance business	:	1st April, 2009	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	No.05, Anugraha, National High School Road, V V Puram, Bangalore - 560004	
Geographical Reach (As on 30/Sept/2024)	:	No. of States	3
		No. of Districts	27
		No. of Branches	92
		No. of Active Borrowers	80,976
		No. of Total Employees	363
		No. of Field/Credit Officers	195
No. of Lenders	:	32 lenders (including Banks and Institutional lenders)	
Feedback from Lenders	:	Positive	
Statutory Auditors	:	M/s. R R Kulkarni & Co. Chartered Accountants	

Background:

- Initiatives for Development Foundation (IDF) is a non-profit organization founded by Developmental Bankers and Administrators who have expertise in micro credit, micro enterprise development, sustainable agriculture, rural development, transfer of technology, entrepreneurship promotion, corporate planning, communication and administration, social research, NGO constitution and Institutional development of grass root organizations. Initiatives for Development Foundation (IDF) was set up as a Registered Public Charitable Trust during November 2001.
- IDF Financial Services Private Limited, herein referred as IDF was carved out of IDF and is dedicated to provide Microfinance and allied financial services. In order to scale and promote microfinance operations and generate adequate capital, microfinance division of IDF was delineated from its parent organization and registered as IDF, a Non-Banking Financial Company in April 2009 with its Registered Office in Bangalore & Administrative office in Dharwad. IDF is run by a dedicated team with technical, organizational and banking experience.

- The company is working on Joint Liability Group (JLG) lending model for providing collateral free, small ticket-size loans amounting to Rs. 25,000 to 60,000 to group of economically active poor women for a period of 12 to 36 months. Women Customers who are involved in income generation activities like agriculture, agriculture allied activities like animal husbandry, fishing, poultry, bee keeping etc. and running small businesses like Vegetable stall, Kirana Store, Tailoring, Tuitions, Imitation Jewelry, etc. They generally use these funds for Working Capital, Business Expansion, and Educational.

Product Profile

Product	Description	Loan size (Rs.)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
I Cycle	Income Generating Loan	30,000-40,000	26.50-27.00	1.00	27.5-28.00
II Cycle		40,000-60,000			
III Cycle		60,000-75,000			
IV Cycle onwards		75,000-125,000			
Individual Loan	Individual Loan	75,000-1,25,000	26.50-27.00	1.00	27.5-28.00

Capital Structure as of 30/Sept/2024

Authorized Capital	Rs. 35.00 crore
Paid Up Capital	Rs. 32.80 crore

Shareholding Pattern (as on September 30, 2024)

Equity Shares	
Shareholders	**% Holding**
Mr. Vivekanand. N. Salimath	11.70
Mr. Naganagouda M Patil	11.70
Mr. T V Srikantha Shenoy	9.85
IDF SHG Federation Dharwad	58.24
Other Individuals	8.51
Total	**100.00**

Compulsorily Convertible Preference shares	
Shareholders	**% Holding**
IDF SHG Federation Dharwad	100
Total	**100.00**

Optionally Convertible Preference Shares	
Shareholders	**% Holding**
IDF SHG Federation Dharwad	43.66
Swavalambana Trust	10.17
Other Individuals	46.17
Total	**100.00**

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Vivekanand N Salimath	He has 23 years of experience in Syndicate Bank in various capacities. Served the Executive Director of RUDSETI, Ujire, for 8 years; Founder/Managing Trustee of IDF; Promoter/Director of Gramya TS Pvt Ltd (Company for marketing SHG products). He is Chairman of IDFFSPL since inception. Member-MFI Standing Committee of RBI, Bangalore, Ex-President, Association of Karnataka Microfinance Institutions (AKMI), Ex Board Member-NABARD-RECARD Member Board of Directors Sa-Dhan. Treasurer Has considerable experience in rural enterprise development and banking.
Designation:	Chairman	
Qualification:	Master of Science (Agriculture), CAIIB	
Name:	Mr. Naganagouda M Patil	Has experience of 20 years in Syndicate Bank as Rural Development Officer, Lead District Manager Director, RUDSETI (5 years) on deputation. With IDF since 2004, has implemented Watershed Development and livelihood programme. In-charge of MF operations of IDF since its inception in 2005 and Managing Director of IDF FSPL since inception. Has considerable experience in rural enterprise development and banking.
Designation:	Managing Director	
Qualification:	Master of Science (Agriculture), CAIIB	
Name:	Mr. T V Srikantha Shenoy	He has experience of over 19 years in Syndicate Bank, including as Founder Secretary of Syndicate Institute of Rural Development (SIRD) for 1 year and as Director of RUDSETI for 5 years on deputation. He Has served as a Chief Mentor at Karnataka Farmers Resource Centre – an SLBC initiative. He is also the director of, Agricultural Skill Council of India, Delhi, a sector specific council for creating an end-to-end approach on skilling and linking all the stakeholders of Agriculture Value Chain and Synergy to Solutions. Indian representative Member in the Knowledge Program on Small Producers Agency with HIVOS- IIED, London
Designation:	Director	
Qualification:	Master of Science (Agriculture), CAIIB	

		Chief promoter of sustainable farm livelihood and green technologies
Name:	Mr. Gururaj M Deshpande	He is a native of Hubli. Mr. Deshpande is also a founder trustee of the Initiatives for Development Foundation (IDF). He has served in Syndicate Bank for nearly 3 decades in various capacities. He was the director of the Women Self-Employment Counselling Cell (WSECC), sponsored by the Government of Karnataka, Department of Women and Child Welfare. He is an excellent trainer and has conducted several programs under Udyogini and other entrepreneurship activities. He has been very instrumental in coordinating the activities of the IDF Trust in the preliminary activities of the Mahila Kisaan Swashakthikaran Programme. Currently he is serving as the chairperson of the IDF SHG Federation Dharwad.
Designation:	Director	
Qualification:	B.Sc.	
Name:	Mrs. Kasturi D Dambal	Mrs. Dambal is the Representative Director appointed by the Company on behalf of SHG Federation, Dharwad. She is an SHG member who has worked up to the level of the Board of Directors. She has been an active member in the SHG community and has field level expertise in organizing and leading the SHG
Designation:	Director	
Qualification:	Secondary	

SMERA Observations:

- IDF has no independent director on its board.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective. The board composition has remained same since the last financial year.

Management's Profile

Management Details		Profile
Name:	Mr. A B Magadum	He has worked in Vijaya Bank as Rural Development Officer, Lead Bank Manager, MSME (Micro Small & Medium enterprises) Cell Head at Vijaya Bank's Head Office. He has an experience of 35 years in the banking sector. He has got good experience in the field of rural development and MSME sector. After his superannuation he joined the organization as Consultant for Administration, Finance and Risk Management departments.
Designation:	Head- Administration, Finance & Risk Management	
Qualification:	Master of Science (Agriculture)	
Name:	Mr. Shakarappa M Desai	He joined IDF FSPL in 2021. He is currently serving as Head of Operations in the Kalyan-Karnataka & Maharashtra Regions. He has over 35 years of banking services. He joined Syndicate Bank as a rural development officer and served as branch head in various rural and semi-urban areas for about 15 years. He has worked as LDM in Belgaum and Bagalkot districts and also worked as ED for RUDSETI, regional manager of Ballari District. He has also served as DGM in Syndicate Bank's corporate office under SLBC/FI/RRB and PSC segments. After superannuation, he worked as MD for DCC Bank. Before joining IDF, he worked as an advisor to the State Crop Insurance Cell, Govt. of Karnataka.
Designation:	Head Operations-(Kalyan-Karnataka & Maharashtra)	
Qualification:	Master of Science (Agriculture)	
Name:	Mr. S G Kolkar	He is currently heading the credit disbursement process of the Company. He brings with him 30 years of rich experience from Karnataka Grameen Vikas Bank in the field of administration and inspection. He has been associated with IDF FSPL since 2010.
Designation:	Head Disbursement	
Qualification:	Bachelor of Commerce	
Name:	Mr. Shambu C. Sangapur	He is IT Head in charge of all technological functions including systems management, software adoption, normalization and backup among a host of others. Mr. Sangapur is a Postgraduate in Computer Applications and has rich experience in teaching, from his 8 years spent lecturing.
Designation:	Head – IT	
Qualification:	MCA	

Name:	Mr. Chandrashekhar S Yellur	He is currently Head-Audit & IR and he is a Graduate in agriculture Sciences and He has served in Erstwhile Krishna Grameen Bank & Vijaya Bank. He has a Total Banking service of 36 years in various capacities as Agriculture officer, Branch Head, Lead Bank Manager, and Regional Head. He joined our organization in 2019.
Designation:	Head – Audit	
Qualification:	Bachelor of Science (Agriculture)	
Name:	Mr. Basavaraj Alagawadi	He has 36 Years of Banking service in 3 different Banks i.e. Union Bank of India, Vijaya Bank & Bank of Baroda. Served in various capacities having exposure in various aspects of banking and ex-DGM (Recovery) from Bank of Baroda.
Designation:	Head Accounts	
Qualification:	BSc Agri (M), LLB (SPL). CAIIB	
Name:	Mr. Raghavendra H. Harapanahalli	He is presently the Head of Operations Credit and business development. He is a graduate in Agricultural Science and worked earlier as a Field Investigator in the University of Agricultural Sciences, Dharwad. He joined IDF as a training coordinator and soon diversified into its microfinance activities.
Designation	Head -Operations	
Qualification	Bachelor of Science (Agriculture), Master of Administration	
Name:	Mr. C S Prashant Hegde	He is an associate member of Institute of Company Secretaries of India (ICSI). He is also a commerce graduate from Karnataka University, Law graduate from Karnataka State Law University. He has 8 years of experience in the field of statutory compliance. His area of expertise is Compliance of Company law and other laws relating to various Companies. He also has experience in FEMA, Intellectual property laws, FDI laws, Labour Laws, RBI laws for NBFCs, Compliances of NIDHI companies, Compliances of LLP law.
Designation	Company Secretary	
Qualification	Bachelor of Commerce, bachelor's in legal law, ACS	
Name:	Mr. Gopal K Bhandiwad	An agriculture graduate with 35 years of banking experience, he worked as an agriculture officer at UCO Bank and Karnataka Bank before joining Syndicate Bank as a rural development officer. He served in various roles, including branch head, director of RUDSETI, and head of the Financial Inclusion Division. Post retirement, he joined IDF FSPL as Head of the Human Resources Department.
Designation	Head-Human Resource Development	
Qualification	BSc Agri	

SMERA Observations:

- IDF senior management has adequate experience across sectors such as microfinance, Banking, finance, and development sector.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- IDF has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO.

Compliance with RBI's Directives for MFIs

RBI's Direction	IDF's Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms 95.29% of total assets as on Sept 30, 2024.	Complied
Net worth to be in excess of Rs 5 Crore	Net owned fund of IDF is excess than the RBI stipulated criteria. Stood at Rs.50.23 Cr. as on Sept 30, 2024.	Complied
MFIs will have to ensure compliance with relating to as a collateral-free loan Given to a household having annual household income up to ₹3,00,000.	IDF check and took a declaration from borrowers for the total household income in their membership form and the total indebtness may check from credit information bureau and also in their meetings with Customers.	Complied
Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.	IDF conducts credit check on the loans outstanding through credit bureaus and follow same guideline prescribed by the RBI.	Complied
Pricing guidelines are to be followed	Loans are provided at a range of 26.50% - 27.00% on reducing balance basis based on the board approved policy w.e.f Sept 30, 2024.	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	IDF verifies the same though credit check from credit bureaus.	Complied
RBI's Direction	**IDF's Status**	**Compliance**
RBI has relaxed the pricing norms for NBFC-MFIs and Provides each MFI should place a board-Approved policy regarding pricing of microfinance loans.	IDF is charging processing fee of 1.00% (excluding GST) on the disbursed loan amount plus applicable GST as per board approved policy.	Complied
Collateral free loans	IDF does not accept any	Complied

	Collateral for extending the credit.	
MFIs shall not collect any Security Deposit / Margin from the borrower.	IDF does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	IDF 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.	IDF shares its client data with CRIF Highmark, Equifax, Experian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	IDF provides more than 50.00% of total loans for income generation activities as on 30/Sept/2024.	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 IDF stood at 23.34% as on 30/Sept/2024 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI.	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
• Experienced and qualified management who have considerable experience in microfinance industry are instrumental in growth of IDF till date. • Transparency in loan pricing and policies. • Adequate software-based MIS to handle current scale of operations. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. IDF manual mandates CB checks for capturing overall indebtedness. The checks are automated and done centrally. • Board approved policies, compliant with the RBI guidelines. • Code of Conduct framed as per the IDF's mission, vision, values and displayed in all branch offices & HO. • IDF communicates with borrowers in a transparent and professional manner, uses single effective interest rates and marks entries in their passbooks while making disbursement. Additionally, it communicates with its clients in the vernacular language. Credit policies are well established documented and communicated. • IDF obtains an external CA certification for compliance with the criteria regarding qualifying assets, aggregate amount of loans for income generating activity and the pricing. • Adequate loan appraisal & monitoring systems. • Data sharing with credit bureau (Equifax and High Mark). • IDF is committed to the best practices which will help in building deeper relations with its customer and thus focusing on the same, • IDF's recruitment policy is well-defined with the applicant required to appear for an interview and provide a relieving letter from the previous employer. IDF also performs a reference check for all its employees and	• Awareness among the staffs regarding RBI guideline found moderate. • IDF has no independent director on its board.

responds to the reference checks sought by any other entities for its employees.	

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behavior	• The MFI has the policy to place reports on COC compliance before the board at the end of every financial year. • 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 not mentioned in the operational manual. • In all the branches, the contact number and address of nodal official was properly displayed. • Awareness among client and staff on grievance Redressal mechanism was found to be moderate to high. • Fixed Component compensation of staff is not impacted in event of overdues. in its fair practices code provides importance for transparency in pricing and clear communication to the clients.
Sensitive Indicators	• Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderately high. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • IDF shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan. • IDF 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. • The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.

BUILDING BLOCKS	
Transparency	• Awareness among the staff on RBI guidelines was found to be moderate to high. • IDF 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 with the most recent directions were available in the branches. • IDF 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. • Clients interviewed were aware of the charges and price for all services availed. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • IDF displays the details of the loan products including their interest rates and client grievance redressal system on its website. • IDF issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates.
Client Protection	• IDF has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behavior with the clients. • IDF has documented policy on client data security which forms part of its fair practice code. • IDF 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.
Governance	• IDF maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body. • IDF has no independent director on its board. • The MFI has documented guidelines regarding debt-restructuring for clients facing repayment stress • 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.
Recruitment	• IDF 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 and the same is not documented in Operational Manual.
Client Education	• IDF in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services • IDF 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.
Feedback and Grievance Redressal	• 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. • Clients were found to be aware of the helpline number. • Feedback mechanisms are regularly tracked and monitored. • In all the branches, the contact number and address of Sa-dhan nodal official was properly displayed. • Complaints lodged through helpline at H.O and branches were found documented.
Data Sharing	• Operational data for FY 2024 is available on the website of IDF. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called for by Sa-dhan and RBI as and when required as per compliance. • IDF shares accurate data with all credit bureaus on a frequency prescribed by Regulators/SRO's. • IDF 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 have interacted with below branches.

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S. No.	Branch	State	No of clients interviewed
1	Madagaon	Goa	20
2	Mapusa	Goa	18
3	Sanquelim	Goa	25
4	Belgaum	Karnataka	22
5	Gokak	Karnataka	24
6	Hukkeri	Karnataka	16
7	Yaragatti	Karnataka	22
8	Akluj	Maharashtra	20
9	Akkalkot	Maharashtra	22

10	Ausa	Maharashtra	22
11	Chakur	Maharashtra	19
12	Dhalgaon	Maharashtra	20
13	Gadhinglaj	Maharashtra	23
14	Kurudwadi	Maharashtra	23
15	Mandrup	Maharashtra	22
16	Pandharpur	Maharashtra	20
17	Sangola	Maharashtra	21
18	Solapur	Maharashtra	20
Total			379

About SMERA 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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