



This is to certify that

**Svasti Microfinance Private Limited**

has been assigned  
a SMERA COCA Grading of

**SMERA C1**

This rating indicates Excellent performance on Code of Conduct dimensions

D&B D-U-N-S® Number: 85-955-8903

Location: Mumbai

Entity Type: NBFC-MFI

This Rating is valid from Jun 15, 2021 to Jun 14, 2022

For SMERA Gradings & Ratings Private Limited



To verify this certificate click:

[www.smeraonline.com/verify-certificate-859558903](http://www.smeraonline.com/verify-certificate-859558903)

or scan the QR Code

Sankar Chakraborti  
Chief Executive Officer

**Disclaimer :** SMERA's Ratings / Gradings / Due Diligence and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.



**SMERA**  
**Code of Conduct**  
**Assessment**

**C1**

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

## **SMERA Code of Conduct Assessment**

---

**Svasti Microfinance Private Limited**



To verify the grading, please scan the QR code

***Date of Report:***

***June 15, 2021***

***Valid till:***

***June 14, 2022***

## SMERA's Code of Conduct Assessment Grading Scale

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

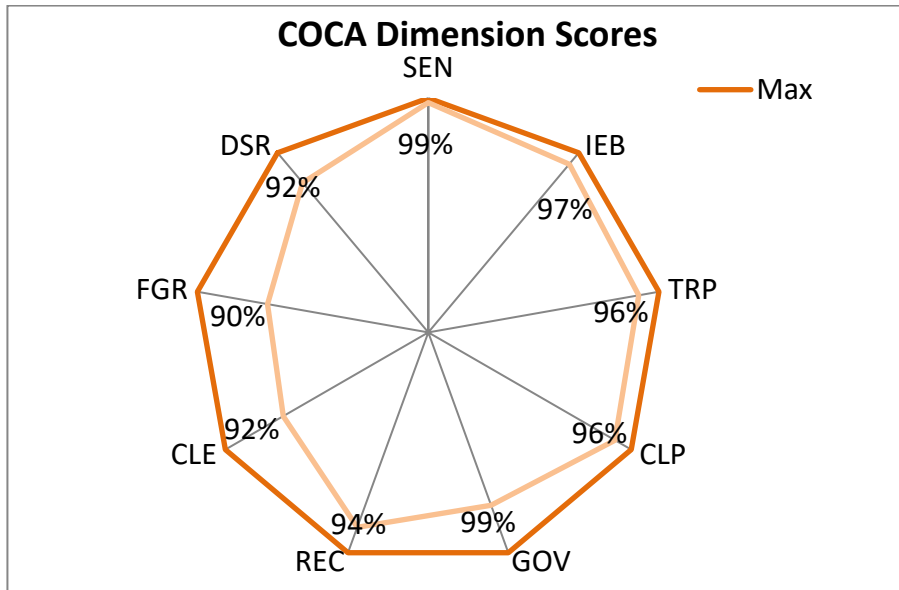
SMERA's Ratings / Gradings / Due Diligence and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.

## Historical Rating Grades

Date	Rating Agency	Rating/Grading
March-2020	ICRA	M2
Nov-2019	ICRA	C2
March-2020	Acuite Ratings and Research	BBB+ (Stable)
January-2019	SMERA	M2
December-2017	SMERA	M2

## Code of Conduct Assessment Score

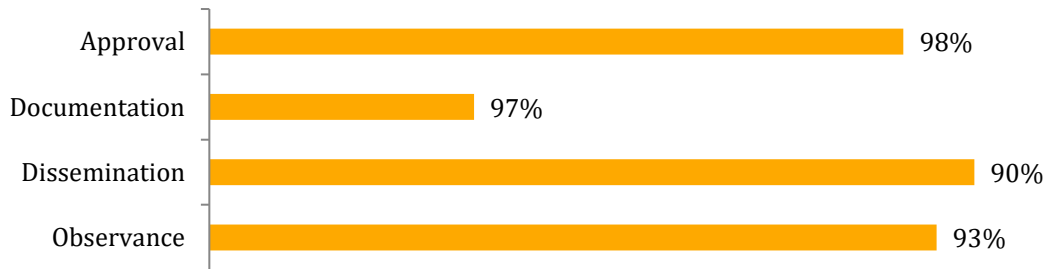
**COCA Grading - C1 (Excellent Performance on Code of Conduct dimensions)**



### SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	99%
Integrity and Ethical Behavior	IEB	97%
Transparency	TRP	96%
Client Protection	CLP	96%
Governance	GOV	99%
Recruitment	REC	94%
Client Education	CLE	92%
Feedback & Grievance Redressal	FGR	90%
Data Sharing	DSR	92%

### ADDO Scores



SMPL 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 SMPL Microfinance Limited 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 SMPL 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 SMPL's adherence towards ethical operational practices.

## Company Profile

Name of the MFI	:	Svasti Microfinance Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Bhagavathi Subramaniam Narayanan
	:	Designation	Promoter and Whole time Director
	:	Mobile No.	9840099120
	:	Email ID	<a href="mailto:narayanan@svasti.in">narayanan@svasti.in</a>
	:	Date of Joining	15 <sup>th</sup> March,2010
Date of Incorporation/Establishment	:	23 <sup>rd</sup> February,1995	
Date of commencement of microfinance business	:	01 <sup>st</sup> October, 2010	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance lending to Joint Liability Groups (JLG) Model	
Correspondence Address	:	New No.187 (Old No.107) Peters Road, Chennai, Tamil Nadu – 600 086	
	:	No. of States	4
Geographical Reach (As on 31/Dec/2020)	:	No. of Districts	34
	:	No. of Branches	63
	:	No. of Active Borrowers	1,88,242
	:	No. of Total Employees	809
	:	No. of Field/Credit Officers	466
No. of Lenders	:	31 lenders (including Banks and institutional lenders)	
Statutory Auditors	:	PKF Sridhar & Santhanam LLP	

### Background:

Svasti Microfinance Private Limited (SMPL) is a non-deposit taking NBFC –MFI registered with the Reserve Bank of India. SMPL was started in October 2008 as Svasti Foundation by promoters Mr. P Arunkumar and Mr. B. Narayanan. During its inception, each of the promoters brought in equity of Rs. 5 Million each. Svasti Foundation started microfinance operations in October 2008. In October 2010, Svasti Foundation transitioned to a NBFC called Svasti Microfinance Private Limited by acquiring existing NBFC called Easy Housing and Finance Limited. In March 2011, SMPL received its second round of equity infusion from Bamboo Finance – the equity arm of Blue Orchard of Rs. 45 Million (USD 1.01 million). Entity received its NBFC-MFI on 19th April 2017.



## Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Income Generating Loan	JLG Loan	20,000 – 80,000	21.00	1.00	22.00
LAP Loans/Business Loan	Individual Loan	10,000 – 5,00,000	24.00	2.00	26.00
Commercial Loan	Individual Loan	3,000 – 10,590	21.00 – 25.00	1.00	22.00 – 26.00

## Capital Structure as of 31/Dec/2020

<b>Authorized Capital</b>	Rs. 137.00 crore
<b>Paid Up Capital</b>	Rs. 64.40 crore

## Shareholding Pattern – (Shareholders –Equity Shares as on Dec 31, 2020)

Equity Shares	
Shareholders	% Holding
Promoters	7.25
Nordic Microfinance Initiative Fund III KS	7.25
Poonawala Group	0.34
Other Corporate	8.58
Other HUF/Individuals/LLP	15.68
<b>Total</b>	<b>100.00</b>

## Promoters/Directors Profile

Director Details		Profile
Name:	Mr. P. Arunkumar	He has more than six years of experience at ICICI Bank as legal advisor to the corporate banking, project finance, structured finance, private banking and treasury operations. He was part of the core strategic team that planned and executed the bank's foray into international markets.
Designation:	Promoter and Whole time Director	
Qualification:	B. Sc., LLB	
Name:	Bhagavathi Subramaniam Narayanan	As an auditor, he has been involved in conducting central audits of Oriental Bank of Commerce and Andhra Bank. As a banking technology consultant he has been involved in projects for providing technology solutions to banking operations of ICICI Bank, ING Vysya Bank and Lord Krishna Bank. He also was a key member of the startup team of myTiger.com, a business intelligence venture, where his contribution lay primarily in heading the technology team.
Designation:	Promoter and Whole time Director	
Qualification:	B.Com, FCA, CISA	
Name:	Mr. M. N. Venkatesan	Mr. Venkatesan is a Chartered Accountant and Senior Partner, Mr. Narain & Co., Chartered Accountants, Chennai, a 57 year old firm. He has been in charge of RBI appointed central statutory audits of Andhra Bank, Oriental Bank of Commerce, State Bank of Mysore, Corporation Bank and The Lord Krishna Bank Limited. Presently, he is the central statutory auditor of Allahabad Bank. He was the Director of Indian Overseas Bank from December 2002 to December 2008.
Designation:	Chairman and Independent Director	
Qualification:	B.Com, FCA	
Name:	Ms. Smriti Chandra	She is an experienced Investment Professional with a history of working in the investment Banking industry. Skilled in Financial Modeling and Structuring, Pitch documents, Valuation, Corporate Finance, Strategy and Corporate Advisory, Investment Banking, Due diligence and Deal Negotiation.
Designation:	Investor Representative – Nordic Microfinance Initiative	
Qualification:	CA	
Name:	Mr. A Ramanathan	He has headed the financial inclusion department of NABARD and has been associated with it for almost 10 years. He currently holds directorships in various MFIs including Village Financial Services,
Designation:	Independent Director	
Qualification:	B.A (Economics), MBA	

		Hindustan Microfinance and Asirvad Microfinance .
--	--	---------------------------------------------------

### SMERA Observations:

- SMPL has five-member board. Board members have adequate experience in microfinance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.

### Management's Profile

Management Details	Designation	Profile
Name:	Mr. P. Arunkumar	He has more than six years of experience at ICICI Bank as legal advisor to the corporate banking, project finance, structured finance, private banking and treasury operations. He was part of the core strategic team that planned and executed the bank's foray into international markets.
Designation:	Promoter and Whole time Director	
Qualification:	B. Sc. ,LLB	
Name:	Bhagavathi Subramaniam Narayanan	As an auditor, he has been involved in conducting central audits of Oriental Bank of Commerce and Andhra Bank. As a banking technology consultant he has been involved in projects for providing technology solutions to banking operations of ICICI Bank, ING Vysya Bank and Lord Krishna Bank. He also was a key member of the startup team of myTiger.com, a business intelligence venture, where his contribution lay primarily in heading the technology team.
Designation:	Promoter and Whole time Director (CFO)	
Qualification:	B.Com, FCA, CISA	
Name:	Sojanya Bum	Sojanya heads Finance and Accounts at Svasti. He is a Chartered Accountant with more than 12 years of experience in Audit and Accounting. Prior to joining Svasti, he was a part of the founding team at IDFC FIRST Bank for around 5 years, and with HDFC Bank for a similar tenure prior to that. Throughout his banking career, he has experience working on the Indian GAAP, Ind AS and US GAAP accounting principles. He has also been associated with Price Water House Coopers where he was involved in the audit of financial sector companies
Designation:	Senior Vice President - Finance & Accounts	
Qualification:	C.A.	

		including Goldman Sachs and Franklin Templeton group.
Name:	Narayan Bhaskar	Narayan heads the Human Resource, Administration & Training at Svasti. He has overall experience of 18 years in Human Resource, and legal Department. Prior to joining Svasti he worked with ICICI Bank and Pangea3. Narayan has done is his Post Graduation Diploma in Human Resources and he is also a qualified lawyer
Designation:	Vice President, HR & Admin	
Qualification:	B.Com, Post-Graduation, Diploma in HRD, LLB, LLM	
Name:	Nitesh Kumar Sinha	Nitesh heads the LAP Credit, Operations Audit and Centralize Disbursement Locations at Svasti. He has an overall experience of around 14 years in the microfinance sector. Prior to joining Svasti he has worked with NEED, Ujjivan and BASIX. Nitesh Kumar has done his Bachelor's in Commerce and MBA in Rural Management.
Designation:	Vice President – Operations Risk Management	
Qualification:	B.Com. and MBA (Rural Management)	
Name:	Ravikumar Nagaram	RaviKumar heads the Microfinance Business Operations at Svasti. He has around 18 years of experience in the microfinance business sector. Prior to join Svasti he has worked with Share Microfinance and Spandana Sphoorthy Microfinance. Ravikumar has done his Bachelor's in Commerce.
Designation:	Vice President, Microfinance Loan	
Qualification:	B.Com.	
Name:	Peeyush Dubey	Peeyush heads the MSME Business at Svasti. He has around 12 years of experience in the microfinance business sector. Prior to join Svasti he has worked with NEED Microfinance. Peeyush has done his Bachelor's in Science (Agriculture), and an MBA in Rural Management.
Designation:	Vice President – MSME Loans	
Qualification:	B.Sc. (Agriculture) and MBA (Rural Management)	
Name:	Sudhakar Seetha	Sudhakar heads the Services & Consumer Finance business at Svasti. He has an overall experience of 16 years in microfinance sector. Prior to joining Svasti, he worked with Share Microfinance. Sudhakar has a Bachelor's Degree, in Arts.
Designation:	Vice President – Services & Consumer Finance	
Qualification:	B.A.	

**SMERA Observations:**

- SMPL’s senior management has adequate experience across sectors such as Microfinance, Banking, finance, HR and IT.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.

- SMPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

### **Highlights of Microfinance Operations**

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
No. of States	3	4	4	4
No. of Districts	13	19	32	32
No. of Branches	30	47	62	63
No. of Active Members	1,19,852	1,61,166	2,00,325	1,88,242
No. of Active Borrowers	1,19,852	1,61,166	2,00,325	1,88,242
No. of Total Employees	412	552	861	809
No. of Field/Credit Officers	226	325	508	466
No. of SHGs	0	0	0	0
No. of JLGS	119,852	157,248	200,325	187,510
No. of Individual Loans	121	253	721	732
<b>Owned Portfolio</b>				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total loan disbursements during the year (in crore)	254.52	308.10	390.07	67.16
Total portfolio outstanding (in crore)	203.91	199.60	301.27	313.9
<b>Securitized Portfolio</b>				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total portfolio outstanding (in crore)	11.99	94.92	10.84	3.85
<b>BC/Managed Portfolio</b>				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total portfolio outstanding (in crore)	10.77	31.63	113.11	82.06

### **Loan utilisation schedule:**

Loan Utilisation	31/Mar/2018 (%)	31/Mar/2019 (%)	31/Mar/2020 (%)	31/Dec/2020 (%)
Agriculture	0.00	0.00	0.00	0.00
Production	9.00	7.00	7.00	6.40
Trade	30.00	27.00	25.20	25.00
Services	57.00	59.00	63.00	64.00
Other	4.00	6.00	4.80	4.60
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Compliance with RBI's Directives for MFIs

RBI's Direction	SMPL's Status	Compliance
85% of total assets to be in the nature of qualifying assets	85.64% of total assets to be in the nature of qualifying assets as on Dec 31,2020.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth to be in excess of Rs 5 Crore. as on Dec 31,2020	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*	Income of borrower not to exceed Rs 125,000 in the rural areas and Rs 200,000 in the urban and semi-urban areas*	Complied
Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	Complied
Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	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 not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Complied
Pricing guidelines are to be followed	Pricing guidelines are to be followed	Complied
Transparency in interest rates to be maintained	Transparency in interest rates to be maintained	Complied
Not more than two MFIs lend to the same client	Not more than two MFIs lend to the same client	Complied

RBI's Direction	SMPL's Status	Compliance
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	Loan pricing to include processing fee (not exceeding 1% of the loan amount)	Complied
Collateral free loans	Collateral free loans	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	MFIs shall not collect any Security Deposit / Margin from the borrower.	Complied
No late payment or prepayment penalties	No late payment or prepayment penalties	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.	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.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	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.	The Company has reported CRAR of 34.39% as on Dec 31, 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 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'.	Complied

## Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Experienced and qualified management who have considerable experience in microfinance industry are instrumental in growth of SMPL.</li> <li>• Transparency in loan pricing and policies.</li> <li>• Adequate software-based MIS to handle current scale of operations.</li> <li>• Compulsory training on products terms and conditions to client prior to every loan.</li> <li>• Compulsory check on over indebtedness of every borrower. SMPL mandates CB checks for capturing overall indebtedness. The checks are automated and done centrally.</li> <li>• Code of Conduct framed as per the SMPL’s mission, vision, values are displayed in all branch offices &amp; HO.</li> <li>• SMPL 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.</li> <li>• SMPL obtains an external CA certification for compliance with the criteria regarding qualifying assets, aggregate amount of loans for income generating activity and the pricing.</li> <li>• Adequate loan appraisal &amp; monitoring systems.</li> <li>• SMPL takes written consent from the client for sharing client data for third party disclosure.</li> <li>• SMPL combines the methodology of selecting and servicing the customers in the field with the help of latest technology and processes at the back office.</li> <li>• SMPL is committed to the best practices which will help in building deeper relations with its customer and thus focusing on the same.</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness among the Staff regarding RBI guideline was found moderate.</li> </ul>



- Company has vigilant process to prevent and control risk involved in the process of disbursing loans to customers. Risk Control Unit has been formed to handle day to day operational activities to bring down operational risks.
- SMPL's recruitment policy is well-defined with the applicant required to appear for an interview and provide a relieving letter from the previous employer. SMPL also performs a reference check for all its employees and responds to the reference checks sought by any other entities for its employees.
- The MFI has a system of recording the number, nature and status of resolution of complaints. SMPL has a dedicated tollfree customer helpline number which has been displayed in all the branches, and the number has also been given on all the loan cards and applications.

## Significant Observations

<b>HIGHER ORDER INDICATORS</b>	
<b>Integrity and Ethical Behavior</b>	<ul style="list-style-type: none"> <li>• The MFI has the policy to place reports on COC compliance before the board at the end of every financial year.</li> <li>• The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit.</li> <li>• Board has approved a policy of recovering delinquent loans.</li> <li>• 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.</li> <li>• 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 mentioned in the H.R. Manual.</li> <li>• In all the branches, the contact number and address of nodal official was properly displayed.</li> <li>• Awareness among the staff on grievance Redressal mechanism was found to be moderate to high.</li> <li>• Fixed Component compensation of staff is not impacted in event of overdues. SMPL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> </ul>
<b>Sensitive Indicators</b>	<ul style="list-style-type: none"> <li>• Awareness among the staff on RBI guidelines was found to be moderately.</li> <li>• There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> <li>• SMPL shares accurate data with all credit bureaus on a frequency prescribed by SRO's.</li> <li>• SMPL 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.</li> <li>• The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.</li> </ul>

<b>BUILDING BLOCKS</b>	
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Awareness among the staff on RBI guidelines was found to be moderate.</li> <li>• SMPL has documented the pricing of its loan products in its operational manual. In the branches loan documents had been maintained in local languages.</li> <li>• Circulars with the most recent directions were available in the branches.</li> <li>• SMPL in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> <li>• The loan interest rate and processing fees is mentioned on the loan passbook.</li> <li>• Clients interviewed were aware of the charges and price for all services availed.</li> <li>• Audit committee verifies through the audit reports whether all clients have received the necessary loan documents.</li> <li>• SMPL displays the details of the loan products including their interest rates and client grievance redressal system on its website.</li> <li>• SMPL issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates.</li> </ul>
<b>Client Protection</b>	<ul style="list-style-type: none"> <li>• SMPL has a board-approved policy regarding client data security.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• SMPL has documented policy on client data security which forms part of its fair practice code.</li> <li>• SMPL has framed a Fair Practice Code and has also adopted the RBI fair practices code.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• Staffs were found to be aware of the need to have professional conduct with the clients.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• SMPL maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body.</li> <li>• The MFI has documented guidelines regarding debt-restructuring for clients facing repayment stress</li> <li>• An audit committee of the Board with an independent director as chairperson.</li> <li>• The MFI has got its accounts audited in a timely manner after the end of the most recent financial year.</li> </ul>

	<ul style="list-style-type: none"> <li>• No adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> </ul>
<b>Recruitment</b>	<ul style="list-style-type: none"> <li>• SMPL board has reviewed its recruitment policies at least once annually.</li> <li>• The MFI has a defined and documented process for responding to reference check requests.</li> <li>• There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it.</li> <li>• MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs.</li> <li>• 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 H.R. Manual.</li> </ul>
<b>Client Education</b>	<ul style="list-style-type: none"> <li>• SMPL in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services</li> <li>• SMPL does not charge clients for the trainings provided to clients by itself or through a related party.</li> </ul>
<b>Feedback and Grievance Redressal</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Feedback mechanisms are regularly tracked and monitored.</li> <li>• In all the branches, the contact number and address of SRO's nodal official was properly displayed.</li> <li>• Complaints lodged through helpline at H.O and branches were found documented.</li> </ul>
<b>Data Sharing</b>	<ul style="list-style-type: none"> <li>• Financial and operational data for FY 2021 is not available on the website of SMPL.</li> <li>• MFI has a well-defined process for sharing data with the credit bureaus.</li> <li>• MFI has provided data called for by SRO's and RBI as and when required as per compliance.</li> <li>• SMPL shares accurate data with all credit bureaus on a frequency prescribed by Regulators/SRO's.</li> <li>• SMPL performs compulsory credit bureau checks for all its clients.</li> </ul>

## 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.

<b>Highest Order</b>	
Sensitive Indicators	
<b>Higher Order</b>	
Integrity & Ethical Behaviour	
<b>Building Blocks</b>	
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
<b>Total</b>	<b>250</b>

## 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.

S. No.	Branch	State	No of clients interviewed
1	Anand	Gujarat	23
2	Nadiad		24
3	Naroda-Ahmedabad		21
4	Annapurna-Indore	Madhya Pradesh	22
5	Bhopal-Sivania		23
6	Hoshangabad		20
7	Ahmednagar	Maharashtra	19
8	Amalner		22
9	Andheri East		23
10	Aurangabad		24
<b>Total</b>			<b>221</b>

## 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.

SMERA is a wholly owned subsidiary of Acuité Ratings & Research Limited. Acuité, a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India, is registered with SEBI as a credit rating agency.

---

© 2020 SMERA Gradings & Ratings Private Limited

---

**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](mailto:info@acuite.in)

Website:  
[www.microfinanalytics.com](http://www.microfinanalytics.com)