



SMERA
Code of Conduct
Assessment

C3

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

SMERA Code of Conduct Assessment

Dhosa Chandaneswar Bratyajana Samity



To verify the grading, please scan the QR Code

Date of Report:

11th November 2022

Valid Till:

10th November 2023

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**.*

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Disclaimer

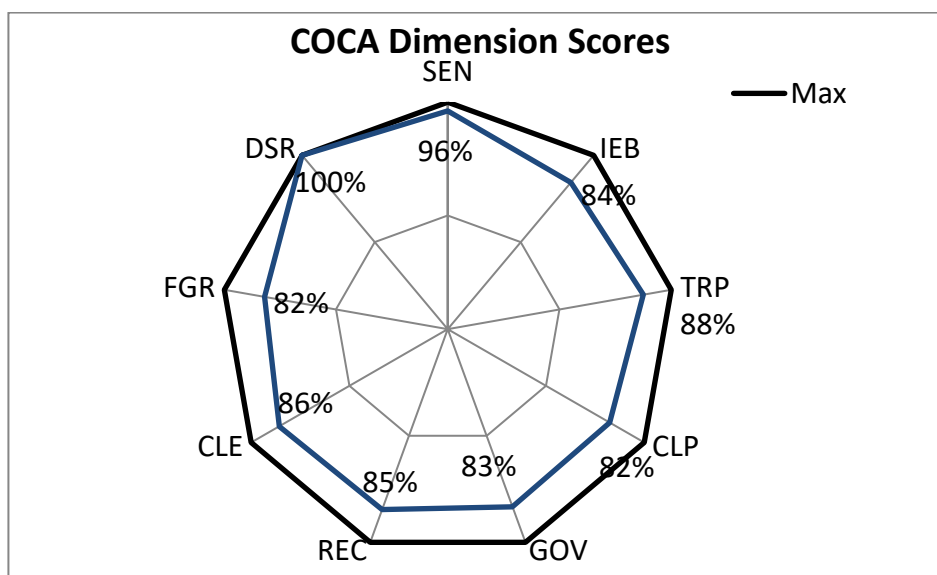
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Historical Rating Grades

Date	Rating Agency	Rating/Grading
28-Feb-2022	CARE Ratings	MFI3+
31-Jan-2020	SMERA	M4C3

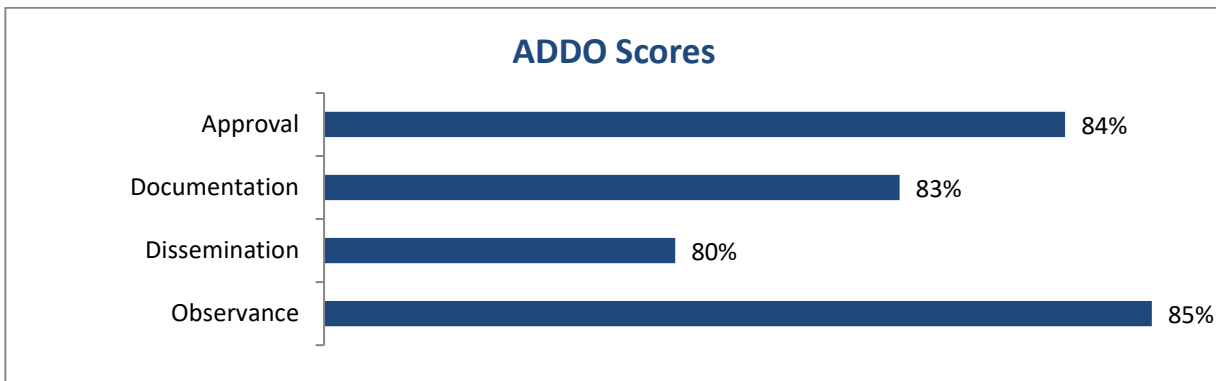
Code of Conduct Assessment Score

COCA Grading - C3 (Average Performance on Code of Conduct dimensions)



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	96%
Integrity and Ethical Behavior	IEB	84%
Transparency	TRP	88%
Client Protection	CLP	82%
Governance	GOV	83%
Recruitment	REC	85%
Client Education	CLE	86%
Feedback & Grievance Redressal	FGR	82%
Data Sharing	DSR	100%



DCBS with an overall grade of “C3” indicate **Average Performance on Code of Conduct dimensions.**

Code of Conduct Assessment Summary

The Code of Conduct report for Dhosa Chandaneswar Bratyajana Samity (DCBS) 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 DCBS exhibits **average** 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 DCBS's adherence towards ethical operational practices.

Company Profile

Name of the MFI	:	Dhosa Chandaneswar Bratyajana Samity	
Operational Head – Microfinance Business	:	Name	Mr. Animesh Naiya
		Designation	Secretary & CEO
		Mobile No.	(91) (7797200310)
		Email ID	animeshnaiya@dcbs.in
Date of Incorporation/Establishment	:	1 st December, 2003	
Date of commencement of microfinance business	:	17 th November, 2003	
Legal Status	:	Society	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	CB-35, Sector-I, Salt Lake City, Kolkata 700064	
Geographical Reach (As on 31/Mar/2022)	:	No. of States	02
		No. of Districts	07
		No. of Branches	12
		No. of Active Borrowers	14110
		No. of Total Employees	65
		No. of Field/Credit Officers	45

Background:

Dhosa Chandaneswar Bratyajana Samity (DCBS) is a non- profit organization established in the year 2003 as a society registered under West Bengal Societies Registration Act. The entity started micro lending activity from 17th November, 2003 with for the betterment of the poor and for the empowerment of women. The entity is currently engaged in Microfinance lending to Joint Liability Groups (JLGs) and various Social activities.

Product Profile

Product	Description	Loan size (Rs.)	Repayment (in Months)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
PRAGATI- I	Income Generating Loan	10,000 – 50,000	12-24	26.00	1.00	27.00
Solar Loan	Individual Loan	10,000		10.00	1.00	11.00
Water Sanitisation	Individual Loan	30,000		26.00	1.00	27.00
Small Enterpeniour	Entrepreneurship Loan	50,000 – 1,00,000		26.00	1.00	27.00

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Animesh Naiya	He has more than 20 years of experience in Microfinance sector. He is the Founder CEO of DCBS.
Designation:	Secretary	
Qualification:	Graduate in Arts, Diploma in computer, Accounts, Microfinance etc.	
Name:	Mr. Santosh Kumar Haldar	He has more than 15 years of experience in MFI sector.
Designation:	President	
Qualification:	Graduate in Arts	
Name:	Mrs. Aparna Roy Mondal	She has more than 20 years of experience in Microfinance sector. She is the Co-Founder of DCBS.
Designation:	Treasurer	
Qualification:	Masters in Arts & Humanities	
Name:	Mr. Sahabuddin Molla	He has 15 years of experience in MFI sector.
Designation:	Member	
Qualification:	B.Sc.	
Name:	Mr. Subhankar Mondal	He has 20 years of experience in Microfinance sector. He is the Founder CEO of “ASTHA”, a Microfinance Institution.
Designation:	Assistant Secretary	
Qualification:	Graduate in Commerce	
Name:	Mr. Nabin Chatterjee	He has 15 years of experience in Microfinance sector. He is the Founder CEO of “Deep Joyoti Foundation”, a micro finance Institution.
Designation:	Member	
Qualification:	Graduate in Commerce	

Name:	Mrs. Sumita Naskar	She is a successful Entrepreneur promoted by DCBS. She is also a trainer of the Entrepreneurs.
Designation:	Member	
Qualification:	Graduate in Arts	

SMERA Observations:

- DCBS has seven-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA feels that DCBS should strengthen its governance structure by inducting independent members in its Board.

Management's Profile

Management Details		Profile
Name:	Mr. Animesh Naiya	He has more than 20 years of experience in Microfinance sector. He is the Founder CEO of DCBS. He has undergone of various training sessions on Accounts, Finance, HR , Risk etc. at BIRD, Sa-Dhan and AMFI-WB.
Designation:	Secretary	
Qualification:	Graduate in Arts, Diploma in computer, Accounts, Microfinance etc.	
Name:	Mr. Pinak Pratim Dan	He has 20 years of working experience in MFI sector.
Designation:	Financial Executive	
Qualification:	M.Com	
Name:	Sujit Kumar Chakrabarty	He has 36 years of experience in development sector.
Designation:	Development Manager	
Qualification:	B. Tech, MBA	
Name:	Riya Das	She has 4 years of experience in MFI sector.
Designation:	Accounts Manager	
Qualification:	M.Com	
Name:	Sudipta Bhadra	He has 15 years of experience in various sectors including 8 years of experience in MFI sector.
Designation:	HR Manager	
Qualification:	M.A(Eco), HR Diploma	
Name:	Aritra Naiya	He is looking after DCBS's Financial product design and BC portfolio of Organization.
Designation:	Marketing Manager	
Qualification:	B. Tech, MBA	
Name:	Saikat Haldar	He has 13 years of experience in MFI sector.
Designation:	Operation Manager	
Qualification:	B.A	
Name:	Bijaya Sarkar	She has more than 4 years of experience in MFI sector.
Designation:	IT Executive	
Qualification:	B. Tech, MBA	
Name:	Mr. Sahabuddin Molla	He has 16 years of experience in MFI sector.
Designation:	Internal Auditor	
Qualification:	B.Sc.	

SMERA Observations:

- DCBS senior management has adequate experience across sectors such as microfinance, Banking, finance, HR and development sector.
- DCBS has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
No. of States	2	2	2	2
No. of Districts	6	6	6	7
No. of Branches	11	09	09	12
No. of Active Members	19650	19883	20514	21178
No. of Active Borrowers	10230	8703	8669	14110
No. of Total Employees	54	55	57	65
No. of Field/Credit Officers	42	42	42	45
No. of SHGs	0	0	0	0
No. of JLGS	3930	3977	4103	4235
No. of Individual Loans	10230	8703	8669	14110
Owned Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total loan disbursements during the year (in crore)	26.47	4.90	15.47	4.17
Total portfolio outstanding (in crore)	15.54	12.07	13.33	10.12
Managed Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total loan disbursements during the year (in crore)	0.00	0.00	4.23	11.81
Total portfolio outstanding (in crore)	00.00	0.00	3.71	12.46

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 DCBS mission, vision, values and displayed in all branch offices & HO. • Membership with Sa-dhan. • Board with rich experience from Microfinance 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. • Awareness among client on SRO Grievance Redressal mechanism was found to be moderate to high in the visited branches. • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Toll Free helpline number for client feedback/grievance. 	<ul style="list-style-type: none"> • Awareness among the staff on grievance redressal mechanism was found to be moderate. • Grievance Register was available in the branches; however very limited records were observed in the registers of the assessed branches.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • The MFI does have the policy to place reports on COC compliance before the board at the end of every financial year. • 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 mentioned in the operational manual. • In all the branches visited, the contact number and address of Sa-Dhan nodal official was properly displayed. • Awareness among client and staff on Sa-Dhan 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. DCBS, 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"> • Clients interviewed were moderately aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • DCBS shares accurate data with all credit bureaus on a frequency prescribed by Sa-Dhan. • DCBS 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.

BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> • Awareness among the staff on RBI guidelines was found to be moderate. • DCBS 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 visited branches. • DCBS's 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. • 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. • DCBS displays the details of the loan products including their interest rates and client grievance redressal system on its website. • DCBS does not issue sanction letters to the borrowers. • DCBS does not enter into loan agreement with the clients at the time of loan disbursement. • Previous financial year annual financial statement and report is available in the public domain.
Client Protection	<ul style="list-style-type: none"> • DCBS has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behavior with the clients. • DCBS has documented policy on client data security which forms part of its fair practice code. • DCBS does not take written consent of the client for third party disclosures and does not offer Non-credit products to its clients. • DCBS 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	<ul style="list-style-type: none"> • MFIs maintain standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body.

	<ul style="list-style-type: none"> • DCBS has no independent persons in its Governing Board. • DCBS does not disclose its MD’s compensation in its audited reports (Ref. Audit Report 2022). • DCBS is yet to have 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 relevant 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 not covered under scope of Internal Audit.
<p style="text-align: center;">Recruitment</p>	<ul style="list-style-type: none"> • DCBS’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 HR Manual.
<p style="text-align: center;">Client Education</p>	<ul style="list-style-type: none"> • DCBS in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services • DCBS does not charge clients for the trainings provided to clients, 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. • DCBS 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.

	<ul style="list-style-type: none"> • In all the branches assessed, the contact number and address of Sa-Dhan nodal official was properly displayed. • Grievance Register was available in the branches; however very limited records were observed in the registers of the visited branches. • Awareness among client and staff on SRO grievance redressal mechanism was found to be moderate. • 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 and financial data for FY 2022 is available on the website of DCBS. • 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. • DCBS shares accurate data with all credit bureaus on a frequency prescribed by Sa-Dhan. • DCBS 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	Dhosa	West Bengal	17
2	Dakshin Barasat	West Bengal	20
3	Karandighi	West Bengal	20
4	Telta	Bihar	21
5	Hiyatnagar	West Bengal	23
6	Tulshihata	West Bengal	15
7	Lohapur	West Bengal	17
8	Shakuntala	West Bengal	18
Total			151

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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