

Prayatna Microfinance Limited

Office No. 602, 6th Floor, Vinayak Plaza,

Maldahiya Varanasi – 221002

Code of Conduct Assessment (COCA)

IAR – C1

which indicates “**Excellent**” performance of the MFI on Code of Conduct dimensions

Valid from: July 15, 2024

Valid to : July 14, 2025

Infomerics Analytics and Research Private Limited

(CIN: U74999DL2020PTC369018)

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Infomerics 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

Grading Rationale

Code of Conduct Assessment Grade	Prayatna Microfinance Limited obtains “C1” as its Code of Conduct Assessment Grade which signifies ‘Excellent’ performance of the COCA dimensions
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Comprehensive MFI Grading provides opinion of the Rating Agency on MFI’s capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Capacity Assessment Grading has been done on the dimensions of Capital Adequacy, Governance, Management Quality and Risk Management Systems. Assessment on Code of Conduct has been done on the indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on Integrity and Ethical Behaviour and Sensitive Indicators

Conflict of Interest Declaration

The Grading Agency (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 Grading Agency have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

Infomerics / 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 Infomerics from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, Infomerics makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. Infomerics 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 (COCA)

Year	Name of the Agency	Grade
May 04, 2023	Infomerics Analytics & Research	IAR C2

Historical Rating Grades (MFI Gradings)

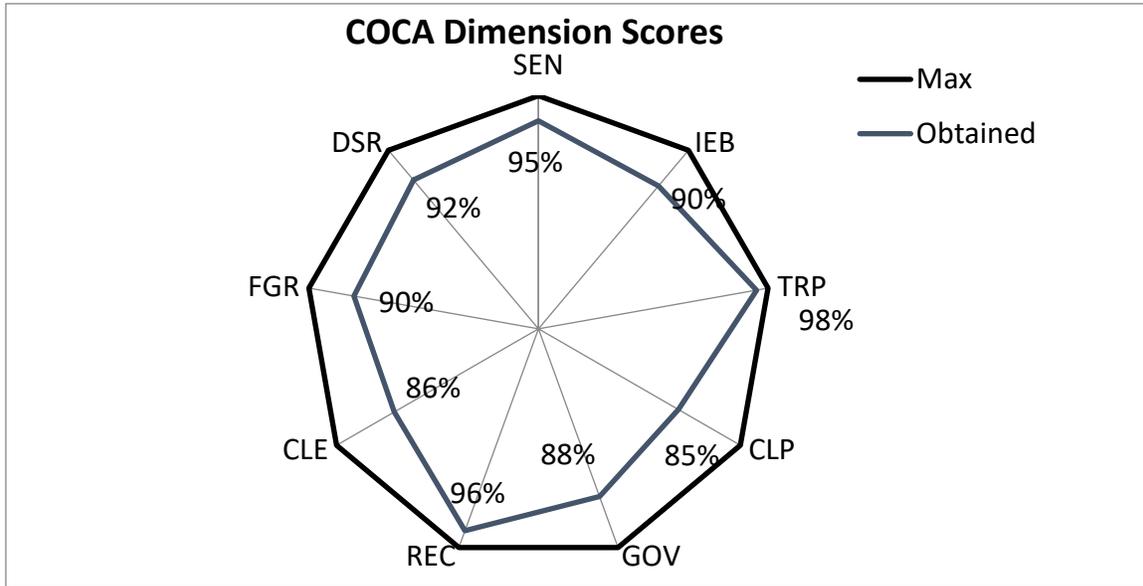
Year	Name of the Agency	Grade
June 13, 2024	Infomerics Analytics & Research	IAR MFI 1
July 28, 2023	Infomerics Analytics & Research	IAR MFI 2
June 27, 2022	Infomerics Analytics & Research	IAR MFI 2
August 02, 2021	Infomerics Analytics & Research	IAR M3+

Historical Rating (Bank Loan Ratings)

Date	Rating Assigned	
	Long Term	Short Term
October 05, 2023	IVR BBB; Stable	-
November 09, 2022	IVR BBB-; Positive	-
July 16, 2021	IVR BBB-; Stable	-
May 26, 2020	IVR BBB-; Stable	-

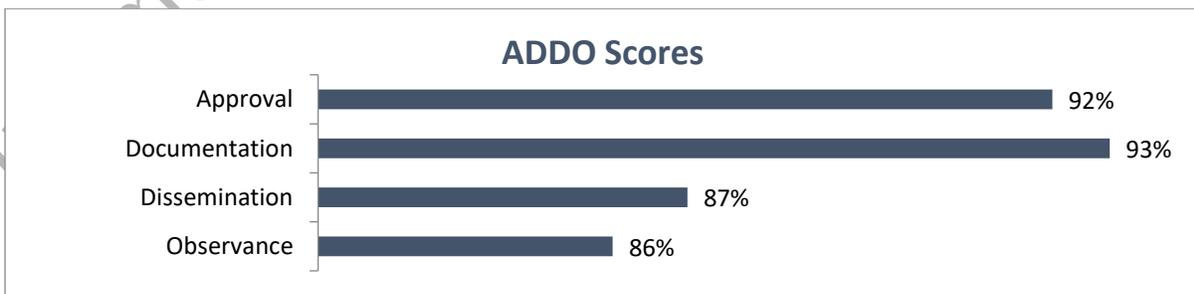
Code of Conduct Assessment Score

COCA Grading – ‘C1’ (‘Excellent’ performance of the MFI on Code of Conduct dimensions)



Scores on Parameters

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	95%
Integrity and Ethical Behavior	IEB	90%
Transparency	TRP	98%
Client Protection	CLP	85%
Governance	GOV	88%
Recruitment	REC	96%
Client Education	CLE	86%
Feedback & Grievance Redressal	FGR	90%
Data Sharing	DSR	92%



Code of Conduct Assessment Summary

The Code of Conduct report for '**Prayatna 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 Behavior
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

Infomerics believes that '**Prayatna Microfinance Limited**' exhibits '**C1**' performance on COCA dimensions.

This document details Infomerics 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 PML's adherence towards ethical operational practices.

Company Profile

Name of the MFI	Prayatna Microfinance Limited	
Registered Office/ Corporate Office	Reg. Office- B-208 C. R. Park New Delhi South Delhi DL 110019 Corp. Office- Office No. 602, 6th Floor, Vinayak Plaza, Maldahiya Varanasi – 221002	
Date of Incorporation	August 23, 2017	
Date of Commencement of Microfinance Business	May 2018	
CIN	U65929DL2017PLC322587	
Group	NA	
Legal Status	Non-Banking Finance Company (NBFC-MFI)	
RBI Classification	Registered as a NBFC-MFI under RBI Act.	
Lending Model	Joint Lending Group (JLG)	
Geographical Reach as on April 30, 2024	No. of States	7
	No. of Districts	25
	No. of Branches	93
	No. of Active Borrowers	70713
	No. of Total Employees	457
	No. of Credit Officers	427
Managing Director	Mr. P. S. Hooda	
Statutory Auditor	S R Dinodiya & Co.	
Net worth (Rs. Crore)	Rs.28.57 crore as on March 31, 2024	

Background

- Prayatna Microfinance Limited (PML) was incorporated in August 2017 by one Ms. Mala Srivastava and Ms Sushmita Srivastava to initiate a Micro Finance activity. However, the company received RBI registration for Micro Finance Activities in May 2018 and commenced business operation since then. Currently, PML is registered as Non-Banking Finance Company – Microfinance Institution (NBFC-MFI) and provides microfinance service to women oriented Joint Liability Groups (JLG).
- Being a microfinance institution, the sole objective of the company is improving the lives of people. It started working towards its objective to improve the quality of life of poor people through sustainable community development activities and educate the people including women, youth and children at adolescent stage so that they can enjoy their rights.
- The company currently covers 25 districts of seven states in India, namely, Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan and Delhi/NCR with largest base in Uttar Pradesh. The company has a total of 93 branches across these states. Along with lending, it also started extending support to women borrowers by providing various technical trainings for self- improvement and income generation.
- Beside direct lending, the company entered into a partnership to work as a Business Correspondence (BC) like MAS Financial Services Limited, wherein PML would be managing the entire micro finance operation for designated areas on behalf of FI's for a certain fee income (upto 9-10%). PML also provides the first loss default guarantee (FLDG) to its banking partner to a certain limit (upto 10%) for such arrangements.
- As on March 31, 2024 (prov.), PML is managing a total loan portfolio of Rs.195.28 crore (including managed portfolio under Business correspondence model from various Banks/MFIs aggregating to Rs.39.40 crore) through its network of 93 branches spread across 7 states with around 70713 active borrowers.
- The company started giving Loan against property (LAP) since FY21 with an exclusive branch in Delhi.
- Currently, the operations of the company are managed by Mr. P. S. Hooda (MD and an Ex-banker), along with other three directors and a team of experienced personnel.

Product Profile

Loan Product Name	Type Of Product	Tenure	Collection Frequency	Any Advance Deduction	Min & Max Loan Ticket Size	P. F.	ROI
Agriculture Loan	JLG	12	Weekly	Nil	10,000 - 30,000	2%	26.50%
Agriculture Loan	JLG	24	Weekly	Nil	35,000 - 75,000	2%	26.50%
Animal husbandry	JLG	12	Weekly	Nil	10,000 - 30,000	2%	26.50%
Animal husbandry	JLG	24	Weekly	Nil	35,000 - 75,000	2%	26.50%
Rural Artisans and Cottage Industry	JLG	12	Weekly	Nil	10,000 - 30,000	2%	26.50%
Rural Artisans and Cottage Industry	JLG	24	Weekly	Nil	35,000 - 75,000	2%	26.50%
Small Business Loan	JLG	12	Weekly	Nil	10,000 - 30,000	2%	26.50%
Small Business Loan	JLG	24	Weekly	Nil	35,000 - 75,000	2%	26.50%
WASH Loan	JLG	12	Weekly	Nil	Upto 30,000	2%	26.50%
Secured Loans-LAP	LAP	60 & 72 months	Monthly	Nil	Upto 7,00,000	up to 3%	21-24%

Capital Structure as on March 31, 2024

(Rs in crore)

Authorized Capital	25.00
- Equity Share Capital	15.00
- Preference Share Capital	10.00
Equity - Paid Up Capital	11.27
Preference Share Capital	6.50

Shareholding Pattern as on March 31, 2024

Equity Shares	
Shareholders	Holding
Mrs. Sushmita Srivastava	39.78%
Mrs. Mala Srivastava	39.78%
Mr. Prem Singh Hooda	9.41%
Mrs. Riya Srivastava	11.00%
Others	0.03%
Total	100%

Preference Shares	
Shareholders	Holding
Rockland Hotels Limited	71.43%
Mrs. Riya Srivastava	8.57%
Mrs. Sanya Srivastava	10.00%
Mrs. Somya Srivastava	10.00%
Total	100%

PROFILE OF GOVERNING BODY MEMBERS/DIRECTORS OF PML

Name	Age / DOB	Designation	Education	Brief Profile	Total Years of Experience	Experience in
		In the board	Qualification			Micro finance
Mr. Prem Singh Hooda	06-Jun-1955	Managing Director	M.Sc. (Agriculture), CAIIB, DBM	Mr. P. S. Hooda has experience of over 36 years especially in Banking and Micro Finance Industry. He has worked with Oriental Bank of Commerce and retired as General Manager in 2015. He has worked as Deputy Managing Director in Cashpor Micro Credit, a Micro Finance Company. He was also an expert consultant in Coleman Research (a Hong Kong based Company)	43	43
Mr. S. C. Sinha	31-Jul-1952	Director	B.com (Hon.), CAIIB	Mr. S. C Sinha has experience of 38 years in Banking Industry. He has been an Executive Director with Oriental Bank of Commerce and Member in the Board for Industrial & Financial Reconstruction. He was also a member of the Apex committee of the SIDBI innovation and incubation Centre (SIIC).	36	36

Mrs. Somya Srivastava	03-Aug-1991	Whole Time Director	B.Sc. Hons in business management	<p>Mrs. Somya Srivastava is a young female entrepreneur with the vision to create a high impact social enterprise. She is particularly sensitive towards the poor financial services in rural parts of the world, which constitutes for a major proportion of the population in the developing countries. She believes that development of such infrastructure is critical in impoverished regions, which can be efficiently done through microfinance. Having worked in healthcare sector with Rockland Group for almost 5 years she is aware of the practical hardships in the process of developing a network, which effectively and efficiently reaches the needy which is also is an intricate part of microfinance. Ms. Srivastava has consistently achieved laurels academically throughout school and university. Her ambitious character has led her to gain first-hand experience in various corporate settings. Before joining the Rockland Group Management team she worked with Rockland Hospitals Ltd. and Sharan, one of</p>	6	6
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				India's chief National Government Organizations.		
Mrs. Sushmita Srivastava	11-Feb-1968	Whole Time Director	Graduate	Mrs. Sushmita Srivastava is a serial female entrepreneur. She has been a promoter and director for Rockland group of Companies, based in Delhi. Her strong focus has been on community service. As part of Rockland Hospitals she has taken number of social initiatives on health and community development. With her 30 years of successful experience of running large enterprises, she now wants to focus on serving the BoP market through the medium of financial inclusion.	34	6

Comments:

- PML has four-members board. Board members have strong experience in microfinance, banking, finance, risk and development sectors

MANAGEMENT'S PROFILE

Name	Designation	Qualifications	Total Experience
Mr. Mukesh	CFO	CA	16 Year Experience in Accounts, Finance and Taxation with organizations in the field of Travel & Hospitality / Finance / Media / Telecom and Project Management.
Mr. Mukesh Kumar Jha	Business Head	M.B.A.	Having total experience of 16+ Years in microfinance
Mr. Vicky Hooda	Sr. Manager IT	Postgraduate	4 Years experience in Microfinance Industry
Mrs. Priyal Aggarwal	CS	CS	She is newly qualified CS.
Mr. Anurag Thakur	Deputy Business Head	Graduate	13 Years in Microfinance
Mr. Dheeraj Mangla	Audit Head	Graduate	10 Years in Microfinance

Comments:

- PML's senior management has adequate experience across sectors such as Microfinance space and development sector.
- PML has dedicated department wise / function wise heads and no major functional overlaps have been observed.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

For the period ended / As on,	FY22	FY23	FY24
Number of states	6	6	7
Number of districts	19	20	25
Branches	70	75	93
Number of active JLG groups	3675	4970	6419
Number of active JLG members	45971	57146	70713
Number of active JLG borrowers	45971	57146	70713
Loan Portfolio			
No. of loan disbursed during the year	38518	48491	52963
Amount of loan disbursed during the year (Rs. Cr)	129.35	183.50	213.50
Average Loan size disbursed during the year (Rs.)	33581.70	37850.32	40311.16
Overdue at the beginning of the year (Rs. crore)	0.32	1.05	1.99
Principal due during the year (Rs. crore)	87.94	139.69	153.54
Principal recovered during the year (Rs. crore)	87.21	138.75	153.78
Overdue at the end of the year (Rs. crore)	1.05	1.99	1.76
Recovery rate (%)	97.37%	98.59%	98.24%
Total outstanding loan portfolio (Rs. crore)	111.56	156.31	195.28
Portfolio at risk (PAR) >30 days (%)	3.70	2.30	3.23
Portfolio at risk (PAR) >90 days (%)	3.00	1.90	1.13
CAR (Tier 1) %	17.22	16.20	19.04
CAR (Tier 2) %	-	-	-
CAR (Overall) %	17.22	16.20	19.04

Details on Human Resources

	FY22	FY23	FY24
Credit officers	188	252	271
Total employees	286	397	457
No. of Branch	70	75	93
Employee productivity			
Number of loans per credit officer	287	207	261
Number of members per credit officer	287	207	261
Number of borrowers per credit officer	287	207	261
Amount of loan outstanding per credit officer (Rs. crore)	0.39	0.56	0.72
Branch productivity			
Number of members per branch	657	763	760
Number of individual borrowers per branch	657	763	760
Amount of loan outstanding per branch (Rs. crore)	1.59	2.08	2.10

Bifurcation of AUM

(Rs. Crore)

Period ended	Mar 31, 2022	Mar 31, 2023	Mar. 31, 2024
Managed portfolio	26.29	10.57	39.40
Own loan portfolio	85.27	145.65	155.28
AUM	111.56	156.31	195.28

During FY24, owned and managed portfolio both has increased with significant increase in disbursement during FY24.

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Compliance with RBI's Directives for MFIs

RBI's Direction	PML Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 75% of total assets	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of PML stood at Rs. 28.57 crore as on March 31, 2024	Complied
A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.	PML here by complies with it , as per latest RBI circular. Firstly it is informed at every level starting from sourcing, loan officers, branch manager have been given proper training and thoroughly informed with specific format for calculation is shared and further the same is being verified at every level by the qualified audit team.	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	PML verifies the same though credit check from credit bureaus.	Complied
The REs shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.	PML has provided a board approved policy that enables the REs to extend flexibility with respect to the repayment periodicity and it is circulated at every level and closely monitored that the same is extended as approved.	Complied
Collateral free loans	PML does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	PML does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	PML 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	Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, VML shares its	Complied

data submission prescribed by the CIC.	clients data with Equifax, CRIF Highmark etc	
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.	PML complies with it and towards the same REs are provided with proper training as per latest RBI circular. There is a specific format as approved by the board and it is ensured that the same is followed.	Complied
The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.	PML complies with it. As mentioned, it is calculated as per the format shared to them and it is pre-approved by the board. Further it is ensured by the audit team that it is compiled properly.	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 that appropriate provisions have been made.	Complied

Pricing of Loans

- Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:

- A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
- Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
- The range of spread of each component for a given category of borrowers; and
- A ceiling on the interest rate and all other charges applicable to the microfinance loans.
- There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

Strengths and Weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> Board approved policies, compliant with the RBI guidelines. Membership with Sa-dhan. Board with rich experience from banking and finance background. Experienced and qualified management with more than a decade of experience in MFI industry. Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems. 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. Adequate software-based MIS to handle current scale of operations. Code of Conduct framed as per the PML's mission, vision, values are displayed in all branch offices & HO. High focus on client relationship and empathetic behavior towards borrowers. The loan documents were available in the regional language in every branches. 	<ul style="list-style-type: none"> Awareness among the staff on RBI compliance was found to be moderate from high in the sample branches.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • Standard operating process and policies are in place with strong degree of adherence and the staff is appropriately trained to abide by the code of conduct. • Fair degree of transparency observed while dealing with borrowers and the staff was found ethical and the management treats borrowers and staff members with dignity. • The Board and board level committees in place which help good oversight in observations with Code of Conduct. • 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. • Awareness among client and staff on Sa-dhan grievance redressal mechanism was found to be moderate to high. • Fixed Component compensation of staff is not impacted in event of overdues. PML, in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • In all the branches, the contact number and address of Sa-dhan nodal official was properly displayed. • 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.
Sensitive Indicators	<ul style="list-style-type: none"> • Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be adequate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • PML shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan. • PML 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

	<p>organization also has a well-documented policy on pre-payments.</p> <ul style="list-style-type: none"> The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.
BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> The policies of the MFI are in place and documented in its operational manual and HR manual. The MFI has complied with RBI's NBFC-MFI directions and no security deposit has been collected from the borrowers. PML 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. The loan interest rate and processing fees is mentioned on the loan passbook and sanction letter provided to the client. The MFI has a system to review the prevailing base rates of the five largest banks and the same are presented to the board and recorded in the board minutes. Clients interviewed were moderately 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. PML issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates, processing fee and insurance premium. Previous financial year annual financial statement and report i.e FY2022 is not available in the public domain.
Client Protection	<ul style="list-style-type: none"> PML has a board-approved policy regarding client data security. Employees are trained on aspects of appropriate behaviour with the clients. PML has documented policy on client data security which forms part of its fair practice code. PML has framed a Fair Practice Code and has also adopted the RBI fair practices code. Staffs were found to be aware of the need to have professional conduct with the clients.

	<ul style="list-style-type: none"> • Insurance is provided through IRDA approved insurance agency. • The loan cards given to the clients have documented repayment schedule and the charges and interest rates printed on them. • The borrowers will receive manual receipt for every payment made by them. • The field staff is trained for not using any coercive or abusive language or provide any threat in case of non-payment by the borrowers. • The sample of borrowers surveyed were satisfied with the behaviour of the field staff.
<p>Governance</p>	<ul style="list-style-type: none"> • Good governance with reputed people comprising the Board and presence of board level subcommittees. • Out of 4 directors, 1 is managing director and 3 are directors. • PML has several board level committees which deal with various aspects of the microfinance operations. • The key operational and key financial metrics are apprised to the board on a daily basis. The detailed operational and financial performance is updated to the Board in the quarterly Board Meetings. • The MFI places regular reports on compliance with COC, Sa-dhan and RBI Guidelines before the board. • The MFI has a dedicated internal audit team and the head of internal audit reports directly to the Board Committee. Internal audit is done on an interval of 45-60 days basis and the report is submitted directly to the audit committee and Board of Director. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year. • The statutory auditor M/s. S S Dingliwala & Co. has given favourable feedback on the accounting practices and systems followed by the organization. Also, there are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.
<p>Recruitment</p>	<ul style="list-style-type: none"> • PML'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.

	<ul style="list-style-type: none"> • There is documentary evidence to suggest that MFI has honoured 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. • All new recruits shall be on probation for a period of 3-6 months and be confirmed in the post on completion of probation period only after he/she is found to be suitable for confirmation by competent authority. In case one is not found suitable, the probation period may be extended for another 6 months.
<p>Client Education</p>	<ul style="list-style-type: none"> • The MFI has trained staff for the purpose of increasing clients' awareness and periodic financial literacy trainings are given to borrowers by the MFI staff. • The surveyed borrowers indicated that they were informed about the organization's policies and procedures when they joined the MFI and there has not been any instance where the MFI has charged its clients for training provided to them.
<p>Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • Prayatna Microfinance Limited has a grievance redressals mechanism in place with a helpline number, email id printed in the loan card/passbook and there is one designated redressal officer. • However, if the issue is not resolved, the escalations should be forwarded to HO. The Credit Monitoring Officers of HO would specifically review the grievance handling procedure during their periodic monitoring visits.
<p>Data Sharing</p>	<ul style="list-style-type: none"> • Financial and operational data for FY 2024 is available on the website of PML. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called by Sa-Dhan and other state level SROs and RBI as and when required as per compliance.

	<ul style="list-style-type: none">• PML shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan.• PML performs compulsory credit bureau checks for all its clients.
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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

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)	8 – 10 branches (geographically distributed)	120-150 clients (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).
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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 in person and through branch visits and Video call. The details of the branches are provided below.

SL. No.	Branch	State	No of clients interviewed
1	Prithvipur	Madhya Pradesh	15
2	Jatara		20
3	Baldebgarh		18
4	Palera		15
5	Harpalpur		15
6	Badagaon (VC)		22
7	Gursarai	Uttar Pradesh	15
8	Sri Nagar		15
9	Charkhari		20
10	Muskara		21
11	Raath		18
12	Ranipur		22
TOTAL			216

About Infomerics Analytics and Research:

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