

Shri Bishwajit Das,
Secretary
Belghoria Janakalyan Samity
AE-592, Sector – 1,
Salt Lake City,
Kolkata – 700064

April 03, 2017

Confidential

Dear Sir,

Comprehensive Micro Financing Institution (MFI) Grading

Please refer to your request for Comprehensive MFI Grading of your organization.

1. Our Rating Committee has assigned a grading of '**M4C2**' (**M Four C Two**) to your organization. This signifies average capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.
2. The rationale for the grading is enclosed as an **Annexure - I**.
3. Comprehensive MFI grading provides an opinion of CARE on MFI's capacity to carry out its micro finance operations in a sustainable manner and its adherence to Industry code of conduct. It does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organization or to make loans/ donations/ grants to the said organization.

Thanking you,

Yours faithfully,



Pradip Singh
Analyst
Encl. – As above

Ishan Marda
Ishan Marda
Manager

Grading Report**Comprehensive MFI Grading***Belghoria Janakalyan Samity (BJS)*Comprehensive Grade Assigned: **M4C2**

Date assigned: 31 March 2017

Scale	C1	C2	C3	C4	C5
M1					
M2					
M3					
M4		M4C2			
M5					
M6					
M7					
M8					

Belghoria Janakalyan Samity (BJS) has been assigned a comprehensive MFI grade of **M4C2**. This signifies average capacity of the MFI to manage its operations in a sustainable manner and good performance on code of conduct dimensions.

Grading Rationale

Microfinance Grading	BJS has been assigned “ M4 ” as its performance grade which signifies ‘average’ capacity of the organization to carry out its activities in a sustainable manner’. The organization has sound management, good portfolio quality, standard operating processes and management information system but it has a relatively small size of operations. Its loan portfolio is also concentrated in a limited geographical area.
Code of Conduct Assessment Grade	BJS has been assigned “ C2 ” as its Code of Conduct Assessment Grade which signifies ‘good’ performance on COCA dimensions.

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 Grading has been done on the dimensions of Transparency, Scale of Operations, Operational Setup and Sustainability. 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

CARE (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 CARE 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

CARE's microfinance (MFI) grading is a one-time assessment and the grading is not kept under periodic surveillance. CARE's analysis draws heavily from the information provided by the microfinance institution as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. It does not imply that CARE performs an audit function to detect fraud. In case of NGO MFIs, gradings apply only to their microfinance programs.

CARE's MFI grading is not a recommendation to buy, sell or hold any financial instrument issued by the MFI or to make loans/ donations/ grants to the MFI. It is not an assessment of the debt servicing ability of the MFI. The grading assigned by CARE cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public.

CARE's MFI grading also does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the microfinance grading.

Historical Rating Grades

Date	Rating Agency	Comprehensive Rating Grade
December, 2016	CARE	MFI 3+
November, 2015	CARE	MFI 3+
August, 2015	ACCESS ASSIST	A (3.34 (84%))
October, 2014	CARE	MFI 3+
June, 2013	CARE	MFI 3
December, 2012	ACCESS ASSIST	A (3.05)
April, 2012	CARE	MFI 3



Microfinance Grading Symbols and Definitions

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner.
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFIs with this grade are considered to have modest capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.

Code of Conduct Assessment scale and definitions

C1	MFIs with this grade have excellent performance on Code of Conduct dimensions
C2	MFIs with this grade have good performance on Code of Conduct dimensions
C3	MFIs with this grade have average performance on Code of Conduct dimensions
C4	MFIs with this grade have weak performance on Code of Conduct dimensions
C5	MFIs with this grade have weakest performance on Code of Conduct dimensions

MFI's profile (December, 2016)	
Name of the MFI	Belghoria Janakalyan Samity (BJS)
Legal form	Society (West Bengal Societies Registration Act, 1961.)
Operational Head	Mr. Bishwajit Das (CEO & Secretary)
Year of starting microfinance	2006
Branches (Month YYYY)	25 (December, 2016)
Active borrowers	27,972 (December, 2016)
Total staff	142 (December, 2016)
Operational area	West Bengal
Visit of the Assessment team	18 th March to 25 th March, 2016
Correspondence address	AE-592, Sector - 1, Salt Lake, Kolkata - 700064

Details of Loan Products (December, 2016)				
Product	Description	Loan size (Rs)	Interest Rate (p.a.)	APR (Interest Rate and Processing fees)
Prcrona	Loan given for starting a business or for expansion of business	10,000 to 30,000	26%	27% (Processing fee of 1%)
Ananya	Loan given for starting a business or for expansion of business	31,000 to 40,000	26%	27% (Processing fee of 1%)
Water & Sanitation	Loan given for drinking Water and Sanitation	10,000 to 40,000	20%	21% (Processing fee of 1%)
Education	Loan given for education (fee) of children	10,000 to 40,000	20%	21% (Processing fee of 1%)

Ownership/Equity Structure: Shareholding pattern is not applicable as it is Society.

Profile of Governing Body Members of BJS

Governing Body Members (December, 2016)				
Sr No	Name	Designation In the board	Education	Brief profile
1	Mr. Satyabrata Chakraborty	President	M. Sc. In Agriculture	Vast banking experience of about 25 years in different responsible positions and worked as Deputy Manager, Branch Manager, Lead District Manager and Asst. Regional Manager in United Bank of India. Apart from the banking service he worked as a Public Relation Officer in Fertilizer Corporation of India and

				Department of Health, Govt. of India.
2	Mr. Sumit Banerjee	Vice President	M.Com	He is working as an "Assistant Coordinator" under the State Rural Development Agency and is attached with various social work.
3	Mr. Bishwajit Das	Secretary	M.Com	He has 28 years of experience in micro finance and social development fields. He has worked in nationally and internationally reputed leading social development organizations in various responsible positions. He has received various trainings from organizations/financial institutions like - UNITUS (Global Microfinance Accelerator), Access Development Services (ADS), ABN AMRO, Planet Finance.
4	Ms. Kakali Das Halder	Treasurer	B.A.	She has about 8 years of experience in the MFI sector and is attached with social activities including Women Rights.
5	Mr. Ranjit Kr Dutta	Member	M.A. in Political Science	He has been working in NGOs and implementing different projects including micro credit programs.
6	Ms. Mary Banerjee	Member	B.Com	She worked as the Coordinator and Councilor of Gandhi Academy of Management Studies She was also the Administrator of Blue Beli Nursing Home. Presently she is a vocalist of reputed band "Tectas" and working as Relation Manager with E. F. Insurance Pvt. Ltd.
7	Ms. Mira Debnath	Member	H. S.	She is a social worker and is involved in social development work related to women empowerment for more than 23 years.

Key Performance Ratios		
	March, 2015	March, 2016
Portfolio at Risk (>30 days)	0.05%	0.03%
Capital to Risk Weighted Capital Adequacy Ratio (CRAR)	48.03%	36.55%
Operating Expense Ratio (OER)	11.80%	8.88%
Funding Expense Ratio (FER)	11.43%	12.99%
Write-offs to average portfolio	0.31%	0.73%
Return on Assets (RoA)	3.17%	2.44%
Return on Equity (RoE)	8.27%	8.39%
Active borrowers per loan / credit officer	464	430
Active borrowers per branch	1198	1291

Compliance with RBI's Directions for MFIs

Sr No	RBI's Direction	Status
1	85% of total assets to be in the nature of qualifying assets	In compliance
2	Net worth to be in excess of Rs 5 Crore	In compliance
3	Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas	In compliance
4	Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles	In compliance
5	Total indebtedness of the borrower not to exceed Rs 100,000 (excl medical and education loans)	In compliance
6	Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty	In compliance
7	Pricing guidelines are to be followed	In compliance
8	Transparency in interest rates to be maintained	In compliance
9	Not more than two MFIs lend to the same client	In compliance

Section 1: Microfinance Grading

Transparency

- BJS was incorporated in 2006 and is registered as a society registered under West Bengal Societies Registration Act, 1961.
- Long track record of over 10 years in microfinance sector.
- Started and headed by Mr. Bishwajit Das who is the Chief Executive Officer (CEO) and Secretary of the society. Mr. Biswajit Das has over two decades of experience in the field of microfinance.
- BJS has an experienced governing body led by Mr. Satyabrata Chakraborty who is the President of the society with Mr. Bishwajit Das as the Secretary. There are total 7 governing body members as on December 2016.
- The governing body members meet on a bi-monthly basis. The governing body is supported by several monitoring committees which look after several functions of the organization. The governing body is periodically apprised about the decisions taken by these monitoring committees.
- Credit, operational and HR policies are well established, documented and communicated to the staff members.
- Internal audit of BJS is conducted by two members having adequate working experience with microfinance institutes and knowledge about the organizational policies on accounting. Audit of branches are conducted on quarterly basis and report is submitted directly to the Audit committee.
- Internal audit is done at all the branches of BJS on quarterly basis with well-defined audit calendar. The objective of the department is to monitor and evaluate financial as well as operational data and borrower level processes.
- Transparency in lending process is adequate with the lending norms and repayment schedule and interest rate charged explained to the borrowers as well as printed on loan cards.
- BJS has M/s. K N Jain & Co. (Membership No.: 059027) as the statutory auditor and the Auditor's Report for FY2015-16 has no qualifications and the auditor Mr. Samya Sengupta has given as favourable feedback on the accounting practices and systems followed by the organization.
- Overall disclosures are above average.

Operational Setup



- o BJS has a well-defined organization structure with a 4-tier reporting hierarchy whereby it has, Credit officers (CO), Branch Managers (BM), Regional Manager (RM), Departmental heads, Secretary/Chief Executive Officer (CEO) and the Executive committee. The society has been able to engage professionals in different departments, all having considerable experience in their area of expertise.
- o BJS has adopted SHG model in the rural areas. A dedicated team along with people from operations selects potential areas based on demographic and socio-economic profile. The CO visits the local areas & villages, interacts with potential customers regarding BJS's retail lending activity and their financial requirement. SHG is formed when a CO is able to gather at least 8-10 women members (between the age of 18-58 years).
- o A Compulsory Group orientation programme (GOP) is provided to the eligible clients prior to lending to them for a minimum period of four continuous days. In these training, the SHG members are taught about the mission, vision, objectives, loan products, services offered by BJS, group liabilities, BJS's Grievance Redressal mechanism and importance of savings. During each session, the CO records the date, time and names of all those present. A physical verification (home visit for Client profile) is also scheduled during GOP.
- o GOP is followed by Group Recognition Test (GRT) conducted by the BM. Only when a group qualifies the GRT and also the members qualify the lending criteria, loan is provided to them.
- o Appraisal, disbursement and collection process is handled independently by the branches. The branches are dependent on Head Office (HO) for funds and other technical support including HR and MIS. HO keeps track of operations of branches through regular reporting by the branches and supervisory staff and internal audit.
- o Loan application is collected by CO, who then makes a visit to the prospective member's household and/or business place and examines the credit history, business prospects and other aspects and submits the loan application to BM along with KYC documents. Appraisal process is handled independently by the branches where the ultimate authority of sanctioning of loans lies with the BM.
- o Members who are clients of more than one MFI are not eligible to become members and must fall within the income criteria as stipulated by RBI directions for rural and urban areas. This is checked through household cash flow analysis in

each loan cycle. A self-declaration in this regard is also obtained from the client.

- Criteria for sanctioning of loans (loan size, tenure, purpose etc.) are defined and documented.
- Cash flows of clients are checked before sanction. However, client's income surplus is considered for deciding loan amount or loan tenure. Further, loan disbursements are made by the branches through cash mode only. Separate bank account is maintained for each branch. The amount collected by the branches from the borrowers is deposited into the bank account of the HO on a regular basis (daily or on next day).
- Training is given to fresh employees in HO by the senior management members and an experienced trainer. Apart from this, periodic training programmes are also conducted for staffs on a regular basis. The senior management members participate in external training programs, workshops and conferences.
- Selection criteria with respect to educational qualifications and experience are in place. The recruitment process is centralized at HO and mainly handled by the senior management. Generally, the society does not hire people from outside at the Branch Manager level. However, experienced and performing Credit Officers (CO) is promoted to Branch Manager.
- BJS has adequate system for tracking over-dues in place and risk management systems.
- BJS uses BIJI (Business Information Justified and Logically Integrated, on-line software developed by Force Ten Technologies). The database of BJS is maintained by Force-Ten Technologies Pvt. Ltd in Kolkata. Further, the society has a backup cloud based server to ensure efficient functioning, maintenance and disaster management.
- The MIS system at BJS is adequate for the current level of operations as it provides information for the loan portfolio management both at the operational level and managerial level, including among others the breakdowns by sector, loan-size, geographical spread and lender-wise portfolio. It also helps in maintaining security of data and faster access to reports for day-to-day monitoring.

Scale of Operations

- BJS is operating in 6 districts of West Bengal managed through a network of 25 branches. The operations of the society are managed by a workforce of 142



employees as on December 31, 2016.

- o BJS is a small sized MFI player with a loan portfolio stood at Rs. 22.50 cr as on Mar 31, 2016 (Rs.10.50 cr as on Mar 31, 2015) and Rs.32.10 cr as on December 31, 2016.
- o Low borrower base. covering 21,952 active borrowers as on Mar 31, 2016 (14,380 as on Mar 31, 2015) and 27,972 active borrowers as on December 31, 2016.

Sustainability

- o BJS has a moderate resource base which improved over the years with lending from banks and financial institutions. It has term loans from SIDBI (including a subordinate loan). Ananya Finance, Maanaveeya Development & Finance Pvt. Ltd., Kashi Vishwanatha Vidya Samasthe (Milaap - a crowd funding platform), Rashtriya Mahila Kosh (RMK), State Bank of India (SBI), Indian Overseas Bank (IOB), Dena Bank, UCO Bank, United Bank of India (UBI), Bandhan Bank, Reliance Capital Ltd and Bharatiya Mahila Bank and working capital borrowing (Cash Credit) from State Bank of India (SBI), and Bangiya Gramin Vikash Bank (BGVB). Apart from this, BJS also availed interest free business loan from KIVA, USA.
- o During FY16, BJS availed funds aggregating to Rs.15.33 crore in the form of debt, Rs.0.50 crore from SIDBI as subordinated loan and Rs.2.03 crore as interest free loan from KIVA, USA. In view of increased debts CAR deteriorated from 48.03% as on Mar 31, 2015 to 36.55% as on March 31, 2016.
- o Overall gearing stood at moderate level of 2.55 times as on March 31, 2016 [P.Y.: 2.06 times]. Its Capital Adequacy Ratio (CAR) stood at 36.55% as on March 31, 2016 [P.Y.: 48.03%].
- o BJS has maintained good asset quality with low PAR. Its PAR stood at 0.03% as on March 31, 2016 [P.Y.: 0.05%].
- o BJS reported net surplus of Rs.0.55 crore on total income of Rs.4.68 crore for financial year ending March 31, 2016 (FY16) as compared to net surplus of Rs.0.38 crore on total income of Rs.2.31 crore for FY15.
- o The main objective of BJS is to provide loans to the rural poor who do not have access to banking facilities for their economic upliftment. Major activities of BJS include the following:
 - Formation and nurturing of SHGs



- Inculcating savings habit among the poor.
 - Imparting skill to the SHG members by way of giving vocational training on various income generating activities
 - Organising health camps, eye camps and medical check-up camps.
 - Knowledge development via financial literacy and awareness campaigns.
- o This apart, BJS also runs a non-formal primary school for kids between the age of 3-10 years in Baduria, West Bengal. Around 40 underprivileged students from the adjoining area are admitted in the school. It has also set-up BJS School of Financial Literacy, in collaboration with ISMW (Indian School of Microfinance for Women), for imparting financial literacy to poor women. BJS also runs a handicraft training center and a computer training center for imparting such skills to the poor free of cost. During FY15, BJS started a project 'Targeting Hardcore Poor' with financial and technical support of Bandhan. The project involves selection of 100 very poor women who have been selected under a pre-set selection criteria for uplifting their economic condition. These women are provided training to earn their livelihood and income generating assets are distributed among them based on their desire and capability. Their activities are monitored closely and any further support which is required by them is provided.

o **Industry Outlook**

Post the AP crisis and regulatory intervention by RBI, the microfinance sector has seen strong growth in loan portfolio on account of improving funding profile, control over operating expenses, improving margins and moderate leverage levels.

RBI has revised the lending norms for the MFI sector, post Andhra Pradesh (AP) crisis in 2010 and Malegam Committee Report on NBFC-MFI in 2011. The sector has evolved with the advent of credit bureaus in the sector and subsequent control over asset quality. MFI sector saw 30+ days past due (DPD) of around 0.33% as on March 31, 2016. As on the same date, aggregate gross loan outstanding for the sector was Rs.53,233 crore, registering 84% Y-o-Y growth from Rs. 28,940 crore as on March 31, 2015. (Source: MFIFIN)

Impact of Demonetization -

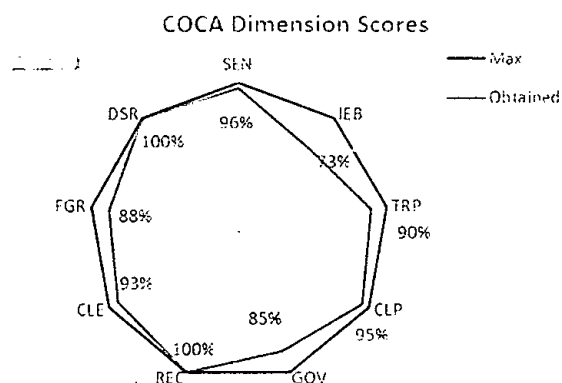
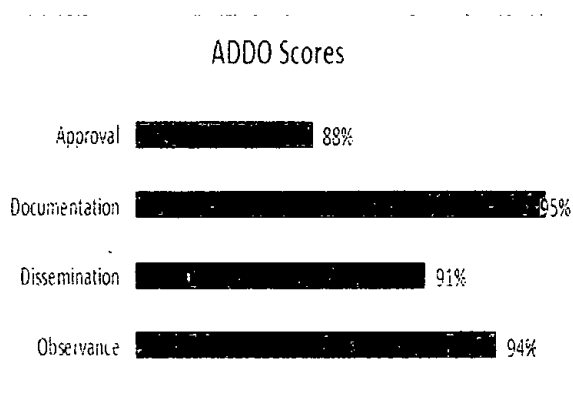
Post demonetization of high value currency notes, many of the MFIs have faced collection issues as they generally operate in cash. For the first 2 weeks following the announcement of demonetization, the collection ratio reportedly declined to 80%.

Subsequent increased in supply of new currencies by RBI led to increase in collections in the fourth week of November. But the collections have come down subsequently due to the dispensation provided by RBI (earlier by 60 days and later increased to 90 days) to financial institutions in terms of recognizing NPAs. This was misrepresented to the borrowers by influential people (as some kind of loan waiver), and thus resulted in fail in collection efficiency in few states like Uttar Pradesh, Maharashtra and Madhya Pradesh.

Post demonetization, MFIs are increasingly looking for cashless disbursement and collection through Jan-Dhan accounts and by leveraging technology. With 8 NBFC-MFIs converting into Small Finance Banks (SFBs) by March 2017, the competitive environment is bound to undergo a major shift within the microfinance industry as a whole. As these entities are expected to remain focused on microfinance, cashless disbursement and collection of loans is bound to increase in the future.



Section 2: Code of Conduct Assessment



SEN: Sensitive Indicators; IEB: Integrity and Ethical Behaviour; TRP=Transparency; CLP=Client Protection;
 GOV=Governance; REC=Recruitment; CLE=Client Education; FGR=Feedback and Grievance Redressal;
 DSR=Data Security

Code of Conduct Assessment Summary

BJS was found to have a good governance structure with governing body having majority non-executive independent member and a strong organizational structure with standard operating processes in place. The staff was found to be trained and ethical while dealing with clients and there is good amount of transparency in the operations. Grievance redressal mechanism in place with a helpline number printed in the loan card/application form and board level grievance redressal committee which meets on a monthly basis.

MFI Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems. Strong human resource profile through training. Well defined organization structure with a 4-tier reporting hierarchy with strong governing body with reputed members. 	<ul style="list-style-type: none"> BJS has to spread its service in more new areas to cover more women with their microcredit program. Geographical concentration risk with single state of operation.

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 governing body level committees in place which help good oversight in observations with Code of Conduct. • Emphasis is on empowerment of rural poor women and improved their economic condition by providing them with small loan from income generation activities.
• Sensitive Indicators	<ul style="list-style-type: none"> • The clients surveyed were well aware of the loan products, interest rates and charges for loan. • The borrowers had no grievances with respect to conduct, punctuality and behavior of the credit officers. • BJS comply with the RBI's latest guidelines for qualifying assets with respect to tenor of >24 months for loans above Rs.30,000 and borrowers are given the right to choose the tenor with prepay without penalty. • BJS is in compliance with the all other RBI's guidelines for NBFC-MFIs. • The borrowers are not provided sanction letters, however the loan forms/loan cards mention terms and conditions of the loan along with the annualized interest rates. • BJS takes insurance cover for borrowers from Life Insurance Corporation of India (LIC).

Building Blocks	
Transparency	<ul style="list-style-type: none"> • The policies of the society are in place and documented in its operational manual, MIS manual, account manual, internal audit manual and HR manual. • The details of loan products are displayed in the branches and are in local languages and loan cards given to borrowers have interest & principal amount, fees and insurance printed on them and further, the loan officers have explained them to borrowers.




Client Protection

- The borrowers are not provided sanction letters; however the loan forms/loan cards mention terms and conditions of the loan along with the annualized interest rates.
- Details related to latest RBI's guidelines are available at the branches.
- Submits information/ book debt statements as per the requirement of the lender.
- The society has continuous training programmes for its staff at various levels which is imparted by the senior management team. The training mainly covers operational aspects like details of loan products and conduct with borrowers.
- The society has fair amount of disclosures in the public domain with operational parameters, detailed financial statements and annual report on its web site.
- BJS is regular in submitting operational and financial information to external associations and agencies like Sa-dhan, Equifax, Mix Market, Experian Credit Bureau and High Mark Credit Bureau.
- The products and charges (interest and fees) were in compliance with the RBI guidelines.
- Credit policy communication is done verbally through group meetings and training sessions to the group members.
- Credit policies are strictly adhered to for formation of groups, field verification and credit appraisal.
- The loan cards given to the clients have documented repayment schedule and the charges and interest rates written on them.
- BJS comply with the RBI's latest guidelines for qualifying assets with respect to tenor of >24 months for loans above Rs.30,000 and borrowers are given the right to choose the tenor with prepay without penalty.
- The field staff is trained to assess the income and indebtedness of clients and also have documented criteria in the operational manual.
- The operational manual of the society provides guidelines for conducting meetings with the borrowers and their conduct. The staff is also trained on the same issues.
- The field staffs are trained for not using any coercive or abusive language or provide any threat in case non-payment by the borrowers. The sample of borrowers surveyed did not have negative comments about the field staff.

<p>Governance</p>	<ul style="list-style-type: none"> • The borrowers are informed about sharing of their data with credit bureaus and other agencies. • BJS is governed by a board consisting of 7 (Seven) members with 6 (Six) are independent members. • Majority of the governing body members have adequate experience in their respective areas of specialization. • The governing body members meet on a bi-monthly basis. The governing body is supported by several monitoring committees which look after several functions of the organization. The governing body is periodically apprised about the decisions taken by these monitoring committees. • Loan is disbursed by cash mode only. • The details of transactions for the day are updated in the MIS on a daily basis. • Internal audit of BJS is conducted by two members having adequate working experience with microfinance institutes and knowledge about the organizational policies on accounting. Audit of branches are conducted on quarterly basis and report is submitted directly to the Audit committee. • Internal audit is done at all the branches of BJS on quarterly basis with well-defined audit calendar. The objective of the department is to monitor and evaluate financial as well as operational data and borrower level processes. • The statutory auditor M/s. K N Jain & Co. has given as favourable feedback on the accounting practices and systems followed by the society.
<p>Recruitment</p>	<ul style="list-style-type: none"> • HR policies are in place with criteria for selection and growth opportunities in place. • The society has proper notice period for employees who have and does reference check for new recruits.
<p>Client Education</p>	<ul style="list-style-type: none"> • Periodic financial literacy trainings are given to borrowers. • It has also set-up BJS School of Financial Literacy, in collaboration with ISMW (Indian School of Microfinance for Women), for imparting financial literacy to poor women. • BJS also runs a handicraft training center for creating employment opportunity for women and a non-formal school for the children of the member families.
<p>Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • Grievance redressal mechanism is in place and the surveyed borrowers were aware of such mechanisms. • BJS has a grievance redressals mechanism in place

	<p>with a helpline number printed in the loan card/application form.</p> <ul style="list-style-type: none"> • The society has a board level grievance redressal committee which meets on a monthly basis.
<p>Data Sharing</p>	<ul style="list-style-type: none"> • BJS is regular in submitting operational and financial information to external associations and agencies like Sa-dhan, Equifax, Mix Market, Experian Credit Bureau and High Mark Credit Bureau. • The society has fair amount of disclosures in the public domain with operational parameters, detailed financial statements and annual report on its web site.

Annexure: Methodologies

Microfinance Grading Methodology

CARE Ratings' MFI Grading Framework

CARE's MFI grading is a one-time assessment of a Micro Finance Institution's (MFI) operational and financial capability to undertake and sustain the targeted level of operations.

CARE evaluates an MFI under a four point framework:

- I. **Transparency;**
- II. **Operational setup;**
- III. **Scale of operations and**
- IV. **Sustainability.**

The various aspects covered under each parameter are given below:

<p>I. TRANSPARENCY</p> <ul style="list-style-type: none"> • Governance • Accounting Policies • Internal Control • Transparency in the usage of grants and funds • Transparency in the lending process 	<p>III. SCALE OF OPERATIONS</p> <ul style="list-style-type: none"> • Geographical spread of operations and outreach • Variety of loan Products • Efforts to increase outreach and coverage
<p>II. OPERATIONAL SETUP</p> <ul style="list-style-type: none"> • Promoter/Management Assessment • Organisational Structure • Systems and Procedures • Quality of Information System • Lending policy • Quality of Loan Monitoring process • Litigation • Risk Mitigating mechanisms 	<p>IV. SUSTAINABILITY</p> <p><i>a) Financial Sustainability</i></p> <ul style="list-style-type: none"> • Resource Profile • Cost Structure • Interest rate policies • Capital Adequacy • Asset quality • Earnings • Liquidity and Asset Liability Management <p><i>b) Operational Sustainability</i></p> <ul style="list-style-type: none"> • Succession planning • Competition • Resource arrangements • Vision

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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 (Sa-dhan and 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 Behavior	
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	123
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
Total	251

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).

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, CARE team visited ten branches of the BJS. The details of the branches visited are provided below.

Sr No	Branch	State	No of clients interviewed
1	Falakata (Alipurduar)	West Bengal	25
2	Alipurduar (Alipurduar)	West Bengal	17
3	Madarihat (Alipurduar)	West Bengal	20
4	Khagrabari (Coochbehar)	West Bengal	18
5	Mathabhanga (Coochbehar)	West Bengal	21
6	Tufanganj (Coochbehar)	West Bengal	18
7	Baduria (North 24 Pgs.)	West Bengal	25
8	Basirhat (North 24 Pgs.)	West Bengal	17
9	Katiahat (North 24 Pgs.)	West Bengal	22
10	Taki (North 24 Pgs.)	West Bengal	20
Total			210