

# Code of Conduct Assessment Grading

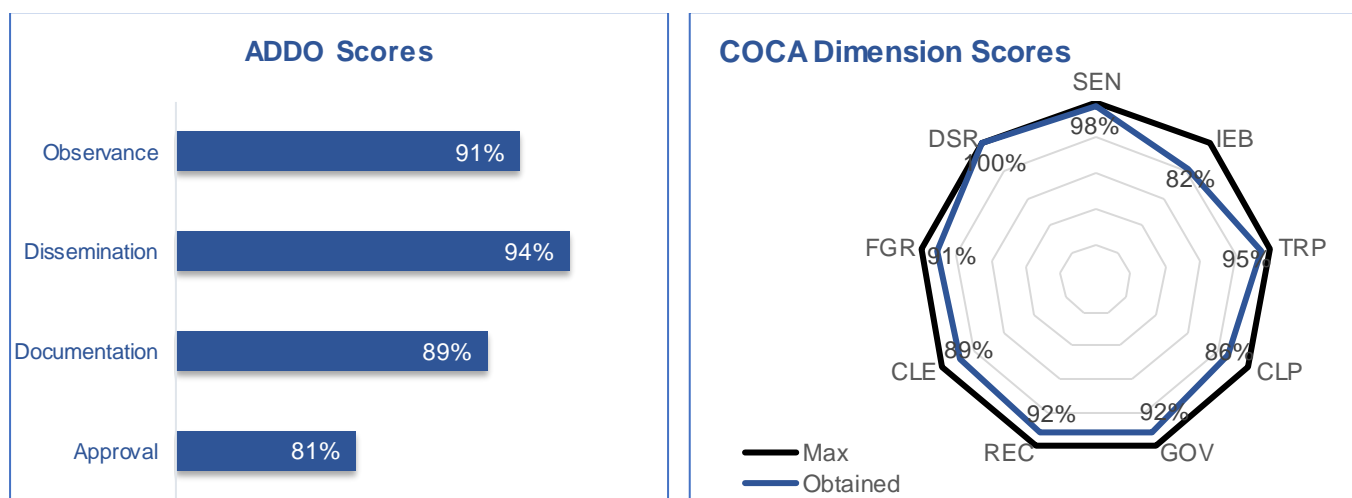
## *Satin Creditcare Network Limited*

**Code of Conduct Assessment Grade Assigned: C1**

**Date assigned: January 14, 2019**

**Assigned by: ICRA Limited**

The microfinance institution (MFI) obtained a Code of Conduct Assessment grade of C1. This signifies excellent performance on the code of conduct dimensions. As a part of this assessment, we visited 18 branches of the MFI across five states and interacted with 415 borrowers.



*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 Sharing*

Satin Creditcare Network Limited's (SCNL) code of conduct grading considers the company's transparent communication mechanism, robust client protection norms and its compliance with best practices related to governance, recruitment, client education and data sharing. The overall score is further enhanced by SCNL's strong performance on the sensitive parameters. There is scope for further improvement in the integrity and ethical behaviour parameters. SCNL's score is lowest on the approval parameters indicating that it needs to incorporate processes for reporting code of conduct parameters to the board.

**Transparency** – SCNL discloses all terms and conditions to its borrowers, in accordance with the Reserve Bank of India's (RBI) fair practices code. SCNL's loan documents are provided in the vernacular language except in one of the states visited. Each client is given a loan card which includes all the terms and conditions and the complete repayment schedule including the number of instalments, the instalment amount (broken into principal and interest) and the due date. No collateral or security deposit is collected for the qualifying loans.

**Client Protection** – SCNL complies with the RBI's guidelines with respect to its microfinance operations. It has a policy that products will not be bundled with the exception of credit life, life insurance and livestock insurance products. SCNL complies with the RBI's guidelines in terms of client indebtedness limit and number of lenders. The company interacts with its borrowers in a respectful and courteous manner. Neither does it employ loan recovery agents nor does it indulge in coercive collection practices. SCNL has a policy of maintaining client data security and takes daily backup of its

digital data. The scores on client protection could be improved further if the incentive structures are aligned with the code of conduct documents designed by the SRO and carries out post disbursement credit bureau checks of its clients and provides regular training to its field staff on the RBI's directions.

**Governance** – SCNL has a transparent and professional governance structure. It has inducted persons with good and sound reputation as members of the board of directors. The board consists of 11 members including seven independent members. The board is actively involved in all policy formulations and other important decisions. SCNL has an audit committee, which is chaired by an independent director. The scores on governance parameters could improve if the reporting on the code of conduct parameters to the board is more structured.

**Recruitment** – SCNL has a board approved free and fair recruitment policy. It mandatorily seeks reference checks from previous employers and responds to reference checks from other companies in a timely manner. SCNL allows sufficient notice period to employees leaving the organisation.

**Client Education** – SCNL makes its borrowers aware of the options, choices and responsibilities through its 3-day client training programme. The clients are also made aware of the organisation's policies and procedures. The internal audit also ensures regular checks on client awareness and understanding of the key terms and conditions. The score on client education parameters could be improved by raising client awareness through regular assessment and training.

**Feedback & Grievance Redressal** – SCNL has a dedicated feedback & grievance redressal mechanism to handle borrower and employee complaints. Monthly reports are prepared on grievances received, resolved and pending for management and board review. The score on the feedback & grievance redressal parameters could be improved through better understanding of clients regarding the options available to them in case of a complaint including SCNL's own grievance redressal mechanism and the MFIN toll free number.

**Data Sharing** – SCNL shares data with all four credit bureaus as per the frequency prescribed. It also provides data and information required by any supervisory or regulatory body including MFIN.

**Integrity & Ethical Behaviour** – SCNL treats its clients and employees with dignity and has created policies for the same. It ensures that its staff is properly oriented and trained to serve the clients effectively. The score on integrity & ethical behaviour parameters could be improved by aligning the field staff incentive structure with the code of conduct parameters.