

PRAYAS JAN VIKAS BHANDOL
Operations Manual

Version 1.0

November 2011

Acknowledgement

This Operation Manual has been prepared with financial support from Dia Vikas and has been written by Microsave. The manual has been reviewed by M2i Consulting, which along with Prayas team has finalized the proposal.

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1. Introduction of the organisation

PRAYAS is a non-profit making voluntary organization, which was established in November, 1997. Prayas works with the poorest communities, backward castes and tribes' families to improve their quality of life through various socio economic development programs. At presently, Prayas has been implementing its development programs in 7 districts of three states Gujarat, Madhya-Pradesh and Assam.

Under the objective of development of the society PRAYAS started its microfinance program where it took initiative to serve the community. Microfinance program aims at providing credit facility to the unbanked people and serve the under-served population of Gujarat and Madhya Pradesh.

Vision and Mission

Prayas has the following vision, mission, objective and strategy.

Vision:

“PRAYAS envisions a society where people have better social and economic opportunities, accessibility to financial services and awareness of rights and duties”

Mission:

“Unite 150,000 socio-economically deprived people by 2017 and empower them through economic and social interventions”

Prayas defines **socio-economically deprived** as those people who are economically and/or socially weak. They may be poor or may not officially be poor but still are in low income category and often lack economic opportunities. They may also belong vulnerable sections such as SCs, STs, OBCs, women, LGBTs or those affected diseases like HIV. These people are often discriminated resulting in their deprivation.

Objectives:

1. To establish a sound and professional micro finance programme to provide access to financial services primarily to low income clients who presently lack it.
2. To strengthen vulnerable sections of the society by making them aware of their rights and empowering them to assert these rights to protect themselves against any form of exploitation.
3. To carry out other social interventions such as capacity building, disaster management, livelihood promotion, community organizationetc which can create social benefits for the community.

Prayas will make social as well as financial interventions however as a strtaegy social and financial interventions will be kept seperate in order to avoid any field level operational confusions. The staffs of social and financial programmes will be different. The microfinance programme of Prayas will be called ‘Prayas Jan Vikas Bhandol’ and Social programmes will be carried out under ‘Social Development Wing’.

2. Microfinance delivery model followed by PRAYAS

PRAYAS uses the concept of Joint Liability Groups (JLGs) to serve in rural and urban areas.

Rural areas: Those areas under the jurisdiction of Panchayats will be considered as ‘Rural’ areas.

Urban areas: Those areas which come under the jurisdiction of Municipalities (Nagar Palika) will be considered as ‘Urban’ areas. This definition will also be followed to define rural and urban households for fulfilling RBI compliance.

Microfinance model

Prayas will use JLG model for delivering microfinance. JLG will be of five women members living in the vicinity of the area selected by PRAYAS. Through JLGs PRAYAS brings together women of targeted families and provides credit to each member of the group. Credit facility is provided to the group starting with the Compulsory Group Training. The group graduates for higher loan cycle with increased loan amount on successful completion of the existing loan cycle. The discipline during the repayment forms the basis of the amount to be given in the next loan cycle.

Joint liability – The joint liability will rest within five members of a JLG. Only these five members within a group will be responsible for making good the amount in case any member falls short of the amount to be repaid on the day of repayment.

In case of defaults, Prayas would expect other members to pay on behalf of the defaulting member. However, it will not insist or apply any pressure on the good members to pay for defaulters. If the other group members express their inability to pay or find it stressful, they will be allowed not to pay and continue with Prayas as normal clients.

Prayas target clients – Prayas will target clients in accordance with the RBI guidelines. In urban areas those people with annual household income of less than Rs120,000 and in rural areas those people with annual household income of less than Rs60,000 will be targeted by Prayas.

3. Organisational structure

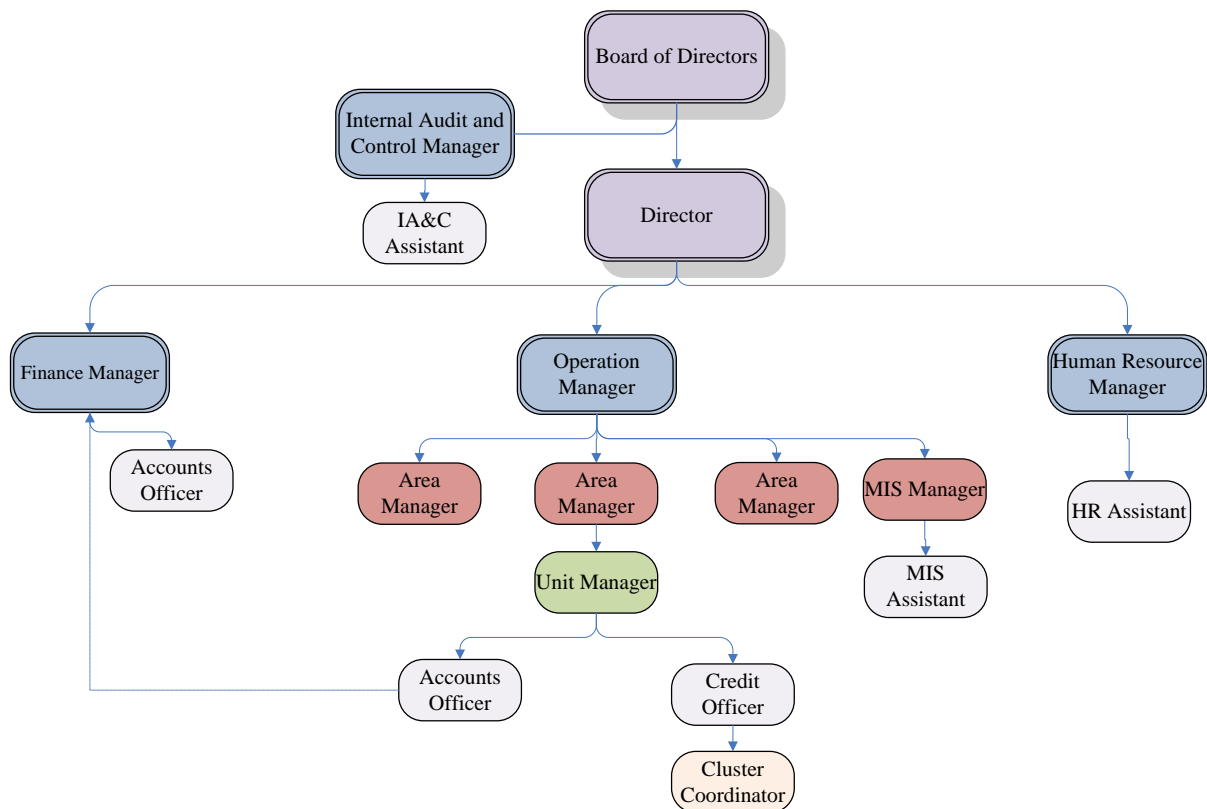
PRAYAS is presently involved in providing financial and non-financial services to its members. For carrying out the activities the organization is divided into two separate structures.

➤ ***Social Development Wing (SD Wing):*** SD wing will carry out all the development activities of non-financial nature. The wing has several programmes going under it such as natural resource management, water and sanitation, rights based programmes, health, education, local self Governance, disaster relief and livelihood promotion etc. The staff and work of this wing will be completely separate from the other wing of the organisation providing financial services.

➤ **Prayas Jan Vikas Bhandol (PJVB):** Jan Vikas Bhandol will be the other wing of the organisation providing microfinance services. PJVB will be the name of the microfinance programme and will have has completely separate staff.

Prayas Micro Finance Wing (Jan Vikas Bhandol)

Organisation Chart



Core Team (HO)

The core team of microfinance is responsible for planning day to day operations of the organisation to achieve its objectives. It includes financial planning, monitoring and controlling of microfinance operations. The core team includes managers heading different departments and functioning together for the achievement of set targets. The core team members are:

- Operation Manager
- Finance Manager
- MIS Manager
- HR Manager
- Area Manager

Unit Team

The unit is responsible to carry out field level operations in accordance with the organizational policies. The Unit team comprises of:

- Unit Manager
- Assistant Manager cum Credit Officer
- Account Officer
- Cluster Coordinator

A full capacity branch will have the following structure.

Unit Manager	1
Credit Officer	1
Cluster coordinator	4
Accounts officer	1
Clusters	20
JLG	500
Members	2500
Active borrowers	2000

4. JLG loan products

PRAYAS will extend credit facility to its members through JLGs, the loan amount increases as the member graduates to the next loan cycle. Prayas will offer monthly loans.

Loan Product

The	JLG Loan (from 1st Dec 2011)
Product	<ul style="list-style-type: none">• General purpose loan; preferable be used in generation of livelihood.• To be given in a JLG of 5 women only• Loan cycle: 1st cycle 5000, 7000, 10000 2nd cycle and onwards 5,000, 7000, 10000, 12000, 15000
Price	<ul style="list-style-type: none">• Interest rate- 26% reducing per annum for 12 months.• Loan Processing Fees (LPF) 1% upfront non-refundable.
Place	<ul style="list-style-type: none">• Disbursement at branch• Collection at cluster meeting
Purpose	<ul style="list-style-type: none">• Income generation and other emergency purposes
Documentation	<ul style="list-style-type: none">• Loan application• Address proof (electricity bill or any other government document mentioning address)• Photo identity proof (voter id, license, PAN card, ration card, letter from village head or any government official with photo)
Collateral	<ul style="list-style-type: none">• No collateral or security will be taken by Prayas

5. Group policies and processes

Area/ Village Selection

New area or village will be selected where there is a need for credit and people lack access to credit from formal financial institutions. The villages also have to be selected to maintain concentration of operations. Areas closer to Unit office or existing areas of operations will be preferred over far off areas. The idea would be to maintain concentration and avoid scattering of operations unless necessary, which could be due to lack of demand in a particular area.

Area/village selection for an existing branch : For an exiting branch to expand its operations to a new village, market or area, first a Village/area survey will be done. The survey can be done by Credit Officer or Unit Manager. Based on the survey the area/village will be approved by the Area Manager. The survey will be done on the Vilage/area survey format given in Annexure 1.

New branch survey: For opening a new branch first a survey of the area will have to be done. The survey can be done by Area Manager, Operation Manager or other senior staffs. Based on the survey finding the decision of opening a new branch will be taken by the Director. The survey will be done using the New Branch Survey format given in Annexure 2.

While conducting the area survey, survey team should please take note of the following:

- Survey team should be prepared to answer villagers' questions in a non-controversial way.
- Survey team should not detail out product information but should just inform people that they are trying to understand the need for and feasibility of offering microfinance services in the village.
- No commitments of any kind should be made to the villagers in return for information.
- Efforts should be made to seek the opinions of local residents like Village Head, School Teachers, and existing members of community based organisations if there is any.

The name and address of key persons should be recorded on the backside of Area/Village survey form. Once the village/area survey is complete, the survey team should meet to discuss their findings internally. This should be followed by discussion with the Director in consultation with senior staff and if needed board members also.

General Meeting

For forming groups in a new area/village first a general meeting should be organized in that village/area. The general meeting should start and end on time. The purpose of the meeting is to inform the residents about Prayas, its vision and mission, and the services and products available. During the course of meeting CC and UM should first introduce themselves and then the organisation. They should then talk about their loan product and a detailed explanation of their operational methodology. During the course of the meeting the following topics should be covered:

- A. Prayas target segment (low income women whose families lack access to financial services). Explain why Prayas engages exclusively with women.
- B. Main features of Prayas loan products
- No collateral required
 - Loans extension via Joint Liability Groups
 - Loan amounts and loan cycles
 - Term, interest rate & monthly instalment amounts
 - If repaid on time, members are eligible for larger loan amounts in the following cycle.
- C. Methodology adopted & terms and conditions
- Group formation & group training process
 - Monthly meetings
 - Loan disbursement process
 - Repayment collection process

Other points to note when conducting the promotional meeting:

- Do not get into arguments or confrontations on interest rates. Make the session as interactive as possible. If the audience is not asking enough questions or if they are hesitant to participate, the conductors can present the information through a role playing exercise, with UM asking typical questions while the CC provides the answers.
- Use proverbs and stories to keep the audience interested and informed. Do not use jargon like microfinance or credit services etc. Keep it simple.
- Staff should be appropriately dressed to present a professional image. Never sit on a chair or some special seat. You have to be seen as one of them. The entire motive of this exercise is to make the people comfortable with us.
- Distribute organisation's brochure (handbill) amongst members and ask them to go through it and also keep it for future reference.

Group formation

The group formation meeting is conducted only subject to expression of interest amongst the client after the conduct of general meeting. During this meeting the CC should explain the details of the group methodology, the concept of joint liability, and the responsibilities of the group leader. It is important for the CC to take time to listen – really listen to what the prospective clients are saying. Not only is there much to learn about local conditions, but by demonstrating good listening skills CC can build good relationships. Most often, the decision to become our client, and to remain our client, is based on these strong relationships.

Under no circumstances should CC decide by themselves who should be in a group. The groups must be self-chosen in order for the concept of joint liability to work. Once 5 potential clients present themselves as a group, the CC must verify that all applicants satisfy Prayas membership criteria. CC must visit the house of each member and inform them and their family members about Prayas. CC should ask about their need for loan and also see their KYC. CC should inform the clients what all documents will be required for loan process. However, at this stage no document will be collected. and The CC should explain the concept of the Compulsory Group Training (CGT) and coordinate the venue, date and time to hold the CGT. The CC should also make a special note to emphasise the importance of being on time for each training session.

It should be ensured during entire process of group formation that no agents or external persons are involved. Any such person offering to bring clients or get involved with process should be immediately discouraged. Prayas does not allow use of agents at any stage of its processes.

Thus, the following are the essential criteria to admit any client into the JLG:

- Only for WOMEN, aged between 18 to 50 years
- Only to women, formed into their own Joint Liability Group (JLG) of 5 members; credit is to be available only in groups, not individually.
- At least three members of the group need to be a permanent resident of the village / area they are staying in; they need to have their own (or husband house). The other members could be having rented house, but need to be staying the same rented house for more than 2 years.
- All the members need to be of same social and economic status and background
- The annual family income of the applicants' households must be less than Rs120,000 in urban areas and less than Rs60,000 in rural areas.
- Not more than two members from a house can become members in a particular group; .
- The distance of members' houses from the proposed JLG should not be more than 10 minutes of walking distance (approx 1km)
- Members should not have availed loan from any other MFI.
- Member should have KYC document.

Secondary conditions and criteria

- Member should attend all days of compulsory group training. Documentation should be complete.

Compulsory Group Training

In order to train the members in the organizational products and policies Prayas will carry out three day Compulsory Group Training (CGT) followed by Group Recognition Test (GRT). Training sessions will only be held if the entire group is present and arrives in a timely fashion. Group members must agree, of their own volition, to the terms and conditions of joint liability.

During the group training process members should learn about the organisation, and the JLG loan products related processes During the CGT, the members should choose a name for their group and elect a Group Representative for the loan cycle. There should be one Group Representative in a JLG. This position can be rotated with successive loan cycles.

Person involved	Documents involved
CC	CC register
	Address proof (original and photocopy)
	ID proof (original and photocopy)
	2 Joint Photographs

It is important that all the members submit valid ID and address proofs to the CC before the completion of the 3 days training. During the three days training the CC should make sure that the members properly adhere to the time of the meetings etc. this should help CC to judge the discipline of the client; which is an important implication of a JLG kind of lending.

<i>Day 1, Duration: 45 minutes</i>
<ul style="list-style-type: none"> • CC Arrive at the meeting venue of the group with the group attendance sheet and brochure in time for the meeting • If some members are missing, wait for 5 minutes for them to turn up • If they do not turn up, reschedule the meeting for another day. • If some members have dropped out, ask the group to find replacements by the next meeting. • In case some members are absent, enquire about the reasons. • When all the members have been accounted for, check to see if there are any replacements. • If there are any replacements, check if the new member meets the eligibility criteria. • If the member is not satisfactory, ask the group to find yet another replacement and reschedule the meeting. • If the member meets the criteria, then congratulate all members and note down the starting time. • Take the attendance and gets all the members to sign the CGT register. • The training begins and following are explained: <ul style="list-style-type: none"> ○ Name of organization, Head office address and Branch address and location ○ Name of Director, Unit Manager and Cluster Coordinator ○ Prayas vision and why we are doing microfinance ○ About microfinance and JLG methodology ○ Group discipline and credit discipline ○ About product (Loan term, amount, interest rate, processing fee, instalment size and loan purpose, disbursement process, collection process) ○ Insurance premium and benefits ○ Role of group leader ○ Ask member queries ○ Ask members to prepare KYC documents and get them photocopied and bring next day.
<i>Day 2, Duration: 45 minutes</i>
<ul style="list-style-type: none"> • Reach the venue on the second day with the application forms and the Group Attendance Sheet. • If all the members are not present on time, cancel the meeting and reschedules it for the next day • If all the members are present, congratulate the members, note the starting time and take attendance on CGT register with the members' signature. • The training begins and following are explained: <ul style="list-style-type: none"> ○ Name of organization, Head office address and Branch address and location ○ Name of Director, Unit Manager and Cluster Coordinator <p><i>Quick recap of</i></p> <ul style="list-style-type: none"> ○ Name of organization, Head office address and Branch address and location ○ Name of Director, Unit Manager and Cluster Coordinator

<ul style="list-style-type: none"> ○ Prayas vision and work done so far ○ About microfinance and JLG methodology ○ Group discipline and credit discipline <p><i>Re-explain</i></p> <ul style="list-style-type: none"> ○ About product (Loan term, amount, interest rate, processing fee, instalment size and loan purpose, disbursement process, collection process) ○ Disbursement process, loan cycle and collection process and collection on holidays ○ Group discipline and credit discipline ○ Joint liability ○ Insurance premium and benefits ○ Role of group leader ○ Grievance redressal, explain in case of complaints they can call given no. ○ Ask of member queries ○ Collect KYC documents and photographs – for those clients whose KYC or photos are not satisfactory ask them to bring tomorrow ○ Check KYC with original and sign
<i>Day 3, Duration: 75 minutes</i>
<ul style="list-style-type: none"> ● Arrive the meeting venue for CGT-day 3 training with group file including application form (and group attendance sheet) ● Check if all the members have arrived at the starting time. ● If any member is absent by starting time, reschedules the CGT day 3 and leave. ● If all the members have arrived on time, congratulate members and note starting time on group attendance sheet ● Take the attendance and get the members’ sign on register and start training, explain. <ul style="list-style-type: none"> ○ About product (Loan term, amount, interest rate, processing fee, instalment size and loan purpose, disbursement process, collection process) ○ Disbursement process, loan cycle and collection process and collection on holidays ○ Group discipline and credit discipline ○ Joint liability ○ Insurance premium and benefits ○ Role of group leader ○ Grievance redressal, explain in case of complaints they can call given no. ○ Ask of member queries ○ Explain the “Group Recognition Test” (GRT) process to the group ○ Collect KYC documents and check with original and sign for remaining members ○ Visit house of each member, fill Member Profile form and Loan application form. Ask for loan purpose, income/expense and indebtedness in detail.

CGT in second and subsequent cycle

In second and subsequent cycle the CGT would be for one day and KYC documents will also be collected on the same day.

CGT in second and subsequent cycle: 45 minutes

- Reach the venue with the application forms and the Group Attendance Sheet.
- If all the members are not present on time, cancel the meeting and reschedules it for the next day
- If all the members are present, congratulate the members, note the starting time and take attendance on CGT register with the members' signature.
- The training begins and following are explained:

Quick recap of

- Name of organization, Head office address and Branch address and location
- Name of Director, Unit Manager and Cluster Coordinator

Explain

- Discuss need for second cycle loan
- Explain loan product in the relevant cycle (Loan term, amount, interest rate, processing fee, instalment size and loan purpose, disbursement process, collection process)
- Group discipline and credit discipline
- Joint liability
- Insurance premium and benefits
- Grievance redressal, explain in case of complaints they can call given no.
- Ask of member queries
- Collect KYC documents and photographs – for those clients whose KYC or photos are not satisfactory ask them to bring tomorrow
- Check KYC with original and sign
- House visit and form filling

Group Recognition Test

Upon completion of the CGT by the CC, the UM or Credit officer should administer the Group Recognition Test (GRT) along with all the documents. Any staff above UM can also administer GRT. The GRT is designed to assess the quality of the proposed groups, and to confirm that they meet Prayas criteria. All members must be present for GRT; otherwise the meeting should be cancelled. All members should come with original KYC documents for verification. The GRT will be done using GRT format. Annexure 3.

Person Involved	Documents Involved
CC	CC Register
UM	Member profile
	Loan Application Form (LAF)
	Loan appraisal form
	GRT format
	Group Resolution Form (GRF)

The UM should verify original KYC, raise queries to group members to determine how well they have understood the systems and rules of Prayas , monthly meeting requirements,

concerned processes and procedures and finally to ensure that they are willing to assume their financial responsibilities. The UM should ensure to engage all members of the group in this question and answer session. If the members are not aware of JLG product, related processes, or member responsibilities, the UM may fail the group. The failed group should be given another chance by extending the training period.

The format for membership form, loan application, appraisal and group resolution are given in Annexure 4.

6. Loan process

Loan appraisal

Based on the results of the GRT, the UM should decide whether to approve the group or not. If approved, the UM will check the homes of the prospective clients to perform verification checks on their assets and income activities as noted in the Loan Application forms, speak with member's immediate relatives to see if there is family support for the member's interest in becoming a client of Prayas.

Unit Manager/Credit Officer should compulsorily visit house of each member while doing loan appraisal. All details in the member profile and application should be thoroughly checked. KYC document should be verified and should be signed by UM/CO.

During this process, the UM also has the opportunity to observe and mentor the performance and skill sets of the CC. In cases where the CC has not adequately carried out his or her responsibilities, in the event a group fails the GRT, or when the UM discovers certain members are ineligible, the UM should guide the CC.

Following the GRT and household visits, the UM informs the members if the group is approved or not. If yes; the member are told that they would be informed by the CC of the disbursement details.

Loan Sanction

Based on the appraisal done by the UM, UM will recommend the loan. This will be sent to Operation Manager/Area Manager for verification. Here past loan history and other details as per criteria will be re-checked and the loan will then be sanctioned by Area Manager/Operation Manager.

Loan Disbursement

The Group Leader is to be communicated about the loan sanction/rejection and disbursement over phone. If phone number is not available then the same is communicated directly by visiting the Group Representative's place. If the loan amount is sanctioned then CC should once again inform her/him about upfront charges (both individually and Group wise manner), which is to be deposited at the time of disbursement.

After the group passes the GRT; the CC informs to the GL about the details of disbursement; subject to the availability of funds. The CC will inform the date and time of disbursement and will also ask her that all members whose loans have been sanctioned have to be present along with their original photo ids.. The intimation of the disbursement should be given to the clients atleast 1 day in advance of the actual day of disbursement.

People Involved	Documents Involved
CC	LPF Receipt
UM	Insurance Receipt
Accounts Officer	Loan card
	Promissory Note

Each unit will run the pre-disbursement process on the day of the disbursement. Before the first group arrives for disbursement, all documents, loan card with photographs and bundles of money should be arranged.

- Loan would be disbursed only in the office in the presence of Unit manager, Finance officer and Cluster coordinator
- Disbursement will happen only in presence of all the members of the group. After the disbursement, the same need to be reconciled with the bank.
- Following items need to be collected from the group members
 - Loan Processing Fees
 - Insurance Fees
 - Pro note /RCLL
 - Signed copy of Group resolution
- Following items need to be handed over to the group members
 - Sanctioned loan amount – cash
 - Loan card-Repayment Schedule, duly signed by the Unit Manager and the cluster coordinator.
 - Receipt of the Loan Processing Fees & insurance premium

Disbursement guidelines

- At the time of disbursement UM will ask a few questions on client awareness and establish identity before disbursing.
- There should not be presence of any unauthorized persons at the time of disbursement.
- Disbursement will be made to each individual client and cannot be made to any other person on behalf of any absent client. In case of any emergency reason if a client is not able to come then UM will go to house of client later to disburse loan.
- Disbursement to one group should take around 20 minutes. Groups will be scheduled accordingly. Groups will be called at different times and all groups will not be called at the same time. In a day maximum of Rs10 lakh or 15 groups can be disbursed. Disbursement will take place latest upto 6.00pm.
- Data entry of disbursement on a day must be completed by 11.00am of next day. The data entry should be done by Accounts officer.

Loan utilization check (LUC) and client contact

Loan utilization check has to be done for 100% clients. The check must be done within one month of the disbursement. The LUC can be done by UM and AM. Prayas will maintain regular contact with its clients. Hence, after the LUC, each client will be met two more times during the tenure of the loan. Hence, there should be at least three visits made to every client during the tenure of the loan. 1st visit within one month (LUC), 2nd visit in 6th month and 3rd in the 9th month. 'LUC and client contact format' has to be used for these visits.

Loan Collection

The collections from the members is made only in centre/area meetings. The date/day of repayment is as per the repayment schedule and the time is as mutually decided by the group at the time of GRT.

Person Involved	Documents Involved
Cluster Coordinator	Loan Demand Sheet (LDS)
	Loan Card

- Repayment Route Maps would be charted out well before, at the time of area approval, which would involve fixing up the Time, Days and Place of repayment in a particular area.

Repayments:

- Would be collected by the cluster coordinator and UM.
- To be done on scheduled dates of repayment. In the beginning of the month each UM will send a report to HO on any collection falling on holidays in that month and the likely amount that might get held in hand due to bank closure on these days. Based on the amount the Operation Manager or Director may allow disbursements on those days as special cases. UM will follow the instructions given by HO in such cases.
- Repayments can start from 8 am in the morning and should finish by 12.30 pm in the afternoon.
- The collections can be done on all days of the week but not more than Rs3lakh can be collected in a day.
- The entire repayment amount collected during the day need to be deposited in the bank on the same day. The entry should also be made in MIS on the same day. The MIS should be sent to HO latest by 11.00am on next day. In afternoon, each working day, Cluster coordinator would be engaged in business development – forming new groups, group trainings, etc.
- Loans can be closed by prepayment only in the office.

Prepayment and pre-closure: Prayas will not accept any prepayments. However, pre-closure of loans are allowed. Pre-closure can be done under two situations.

- Member is migrating or is delinquent and is unable to pay regularly. In such cases pre-closure of loan will be done and no subsequent loan can be issued. Client will be considered dropped out. Such pre-closures can be done at any stage of loan and will be allowed for single clients, rest of the group can continue normally.
- In second case, pre-closure can be allowed if client wants to continue and wants subsequent loans. In such cases, pre-closure can be done only after or on the day of the 10th installment. Pre-closure before 10th installment will not be allowed. In such cases of

pre-closure entire group has to pre-close. This kind of pre-closure is NOT allowed for a single client.

In all kinds of pre-closure interest only upto the installments due will be collected. No interest for future pre-closed installment will be charged, only principal outstanding of will be collected. No penalty will be collected for pre-closure.

Pre-closure can be done only at the branch office when the entries have to be made in MIS, loan card will be cancelled and other formalities will be done.

7. Delinquency management

Delinquency occurs when a member fails to repay the instalment on the due date. If during a team meeting any one or more group member/s do not pay till the end of the day then delinquency is said to have occurred and then the whole portfolio outstanding on that account is at risk. Whenever such a situation arise following steps will be followed:

- the cluster coordinator will involve the group in discussion and understand the reason for overdue.
- CC will then ask the other members to make up for the overdue installment.
- In case members are adamant and dont want to pay then CC informs UM. The UM will come to the spot while CC can proceed for other meetings.
- UM will discuss with the members and infomr them that it can have implications on their future loans.
- A way out is decided, if members say that they dont have money now but cann arrange from the village or their houses, then UM accompanies them to their houses to collect money.
- In case of situations where some client has run away or has deliberately defaulted and does not want to pay amount. The member will be removed from the group. The rest of the group members will continue their cycle.
- Under no circumstance, any delinquent client will be threatened, abused or dealt coercively by Prayas staff. Discussions and negotiations will be the only way to follow up on the overdue loan.
- No penalty will be charged for any overdue payment.

8. Policies relating cash/ cheque handling

The maximum amount of cash balance that can be maintained overnight at any branch and head office is Rs 100,000 (Rupees One Lakh). In case the cash balance exceeds the mentioned limits than the branches are required to inform to the Area Manager.

Exceptional circumstances where Area Manager or Finance Manager can authorise the Branch Manager to keep the overstated amount of cash are:

- Collection of delinquent/ default loans
- Delay in collection due to any reason beyond the control of any Cluster Coordinator
- Cancellation of disbursement after banking hours
- Bank holiday/strike etc.

Cash Policy for Branch

The cash policy at branches aims at effective usage of cash and bank balances.

Receipt of cash or cash/ bank equivalents from Head Office:

UM will send the fund request letter along with the demand sheet to head office at a regular interval of fifteen days i.e. fortnightly. The request has to be endorsed by the AM. The request is sent through an email to the CEO and the Finance Manager with a copy to AM. The respective documents are filed and kept safe at each branch for future references. The request letter and the demand sheet have the details of approved loans for final sanction from head office. On sanctioning of funds from head office the intimation is sent through an email and funds are transferred from head office to the branch through RTGS transfer or through cheques deposition in the bank account of the branch. The intimation of fund transfer is made through email and telephonically.

Receipt of Cash from Members:

collections from members is made during the repayment meetings. Each Cluster Coordinator deposits the cash collected during the collection meeting to Unit Manager or the accounts officer. It is the responsibility of the Unit Manager and the Accounts Officer to deposit cash in the bank account on the same day of collection. Any excess funds are also deposited along with the cash collected if it exceeds the maximum permissible limit.

9. Books and records maintained at branch and HO

Following books and registers are to be maintained at all branches:

- CGT register – will contain details of CGT conducted to be maintained by UM.
- Attendance register – all staffs have to mark attendance daily on it and UM has to sign after verification
- Movement register – all staffs have to make entry of where they going and purpose in this register every day.
- Complaint register – all client complaints have to be recorded in this register. UM, AM going for monitoring visits will make entries in it.
- Bank book – will contain transactions in bank account, to be maintained by Accounts officer and checked by UM.
- Cash book – Cash book will record all cash movement and has to be updated daily. Accounts officer will maintain it and UM will check and sign it every evening after reconciling all entries.
- Petty cash book – will record details of the imprest amount of Rs2,000.
- Asset register – will record details of all assets of branch, will be maintained by Accounts officer.
- LPF/Insurance book – will maintain details of processing fee and insurance premium collected. To be maintained by Accounts officer and checked by UM.
- Disbursement collection file – This will contain printouts of disbursements made and collection sheet. These have to be signed by UM.
- Internal audit file – will contain audit reports of the branch.
- Leave file – will contain leave applications.
- Circular file – all circulars issued by HO have to be filed in this file.

- Log book (in branches where there is four wheeler) – will contain log of four-wheeler to be maintained by Accounts Officer and checked by UM.

10. Reporting requirements

Branch Reporting Schedule

All branches at Prayas update the accounting and the MIS systems on daily basis. It is the responsibility of the Unit Manager to get all books and records updated and send the MIS the day on which entries have been made in it.

Head Office Reporting

It is the responsibility of the HO staff to compile all reports and prepare the consolidated Monthly Progress Report (MPR). These consolidated reports are presented to the senior management team for consideration. The financial reports are prepared and consolidated by the staff of Finance Department and the report stating the operational progress are prepared by operations staff, for this purpose the entire responsibility rests on the respective department heads i.e. the Operation Manager and the Finance Manager.

All consolidated reports are prepared on monthly basis. Monthly reports of all branches are shared amongst other branches at the staff meeting at every quarter. These reports are also presented to the Board of Directors during the next board meeting.

11. Monitoring Schedule for UMs/ AMs and Operation Manager

Following will be the monitoring schedule of the staffs

S No.	Person monitoring	Location	Frequency
1	Unit Manager	3 Groups	Every day
2	Area Managers	All branches and 5 Groups in each branch	Quarterly
3	Operation Manager	All branches and 5 Groups in each branch	Six monthly

12. Code of conduct/ Expected behaviour from staff

Codes of conduct are the general expected behaviours from all employees of PrayasMicro Finance. Every employee is expected to follow the points of code of conduct and display utmost adherence to the codes.

1. Prayas staffs will behave cordially with clients and will not use harsh, abusive, discriminative or derogatory language with the clients.
2. Prayas staffs will not threaten and use coercion with clients for any activities of the organization including for collection or payment or overdues.

3. Prayas staffs will not visit house of clients at odd hours, particularly after dark for office related work.
4. Prayas staffs will not make collections from any client on the day or for a few days when the family might have suffered some serious personal loss, death or accident.
5. All staffs of Prayas will protect the data of clients and will not share it with any external party. Data in MIS will be password protected with clearly defined rights of access, while hardcopies of documents will have restricted access which will be governed by the UM.
6. Prayas staffs will directly deal with clients and will not use any unauthorized agents or external parties for any functions related to identification, origination or training of clients or in other functions such as loan appraisal, disbursements and collections.
7. Staffs will be prompt in addressing any queries or grievances from the clients or fellow colleagues in the most amicable way.
8. Staffs will never consume tobacco or alcohol during office hours.
9. Staffs will take special care of Prayas's property and assets as his / her own.
10. Staffs will be decently dressed in clean clothes while attending office. They will maintain personal hygiene such as proper haircut, etc.
11. Staffs will help their co-workers in achieving the highest degree of performance.
12. Be honest, cordial, and transparent with clients, fellow colleagues, lenders, and supporting institutions.
13. Maintain confidentiality of organisation and client-related information.
14. Observe the ethical principles to ensure that organisational policy, procedures, or positions are not abused for any personal or family gain or benefit.

A detailed code of Conduct was recently announced by Sadhan (a network of MFIs in India) attached in *Annexure*.

13. Client grievance redressal policy

Any client can register a formal complaint in case of any grievance or for seeking any information or explanation. Prayas will have two level of grievance redressal mechanism:-

- Unit level
- Head Office level

Unit level redressal mechanism will help in resolving all issues arising due to conflicts or non adherence of principles at any unit. The head office redressal mechanism provides solutions to all issues which are related to Prayas in any manner. The Unit Managers are responsible for communicating the conflicts and issues arising in their unit and successful settlement addressed by branch. All Unit level settlements will be reviewed at Head office during the Monthly Meetings.

As a measure of creating more transparency for the clients and staff there will be an additional mechanism by organizing 'Open Forum' periodically. All members and other staff will be invited through proper means of communication. The open forum will provide an opportunity to

all members to discuss the issues of common importance. Open forums will be addressed by the board of directors and senior management team, who will be responsible for answering and providing clarification for the issues raised in the forum. For detailed description please refer below.

Unit level grievance redressal

- Each client will be provided the phone number of the Unit Manager and the Area Manager. The phone numbers as well as the address of Unit office will be printed on the client loan card. The client can register the complaint either over the phone or by walking into the Unit Office.
- Any complaint by the client will be noted in the Complaint register to be maintained at the Unit office. The client should be provided information, clarification or action taken to the client within 7 days. The AM will routinely check the complaint register and will cross-check with clients whether the complaint has been addressed satisfactorily.
- Complaint register will be carried to field to register complaints by UM, AM and Internal auditor during monitoring and audits.
- The grievances noted at Unit level will be monitored by the grievance redressal manager based at HO. The units will send a grievance redressal report every month to the grievance redressal manager.

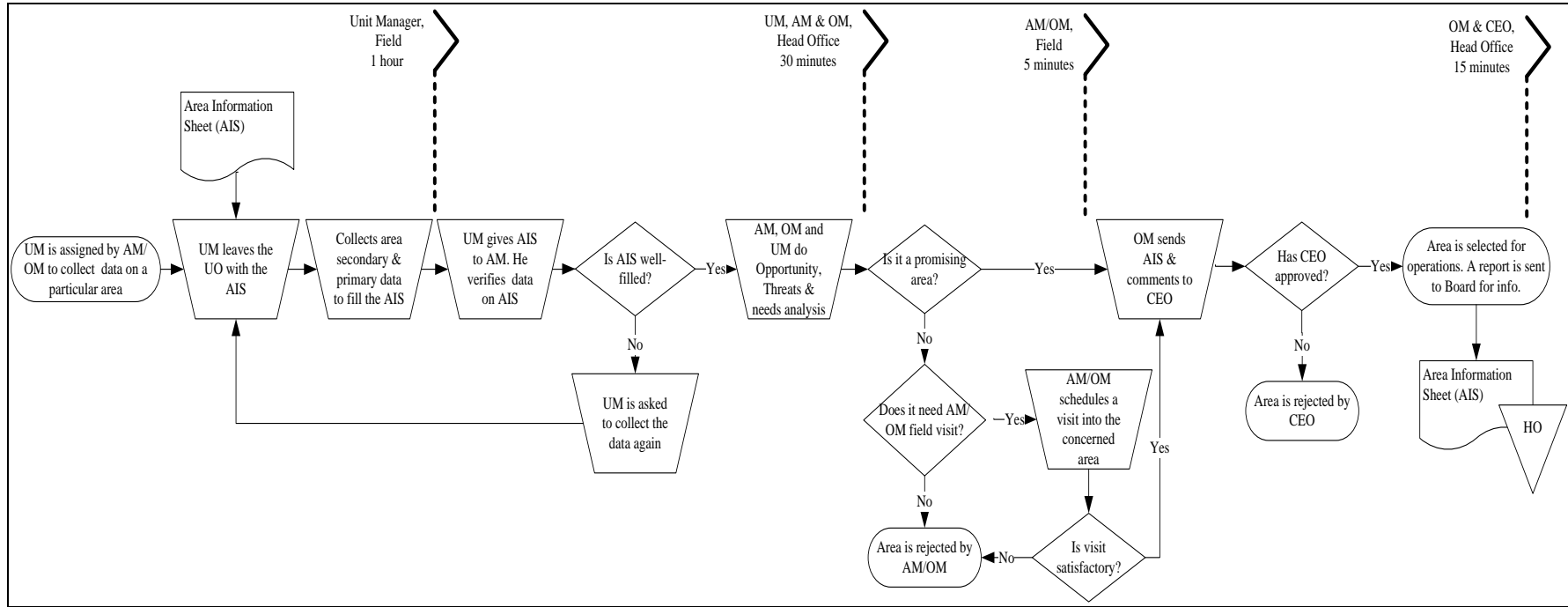
Head office level grievance redressal

- Head office address and phone number of the designated Senior Management staff who will also act as grievance redressal manager will be printed on the loan card.
- In case the client's complaint has not been satisfactorily addresses by the Unit Manager or the nature of the grievance is such that client feels it necessary to inform the Head Office then the Grievance redressal manager can be contacted.
- The complaint will be noted in the complaint register at the Head Office.
- Grievance redressal manager will take required action and will receive the action taken report from the concerned Unit/staff.
- The client will be intimated of the action taken within 5 days of the complaint.
- A monthly report will be generated by grievance redressal manager which will show the number of complaints received in Unit under different categories and number of complaints resolved. The report will be presented to the Director.

Open Forums

Prayas will organize 'Open Forums' at different locations where community members will be coming and will have an opportunity to directly interact with the Director and other Senior Management team members. The clients may raise any concerns or complaints on such forums directly with the Director.

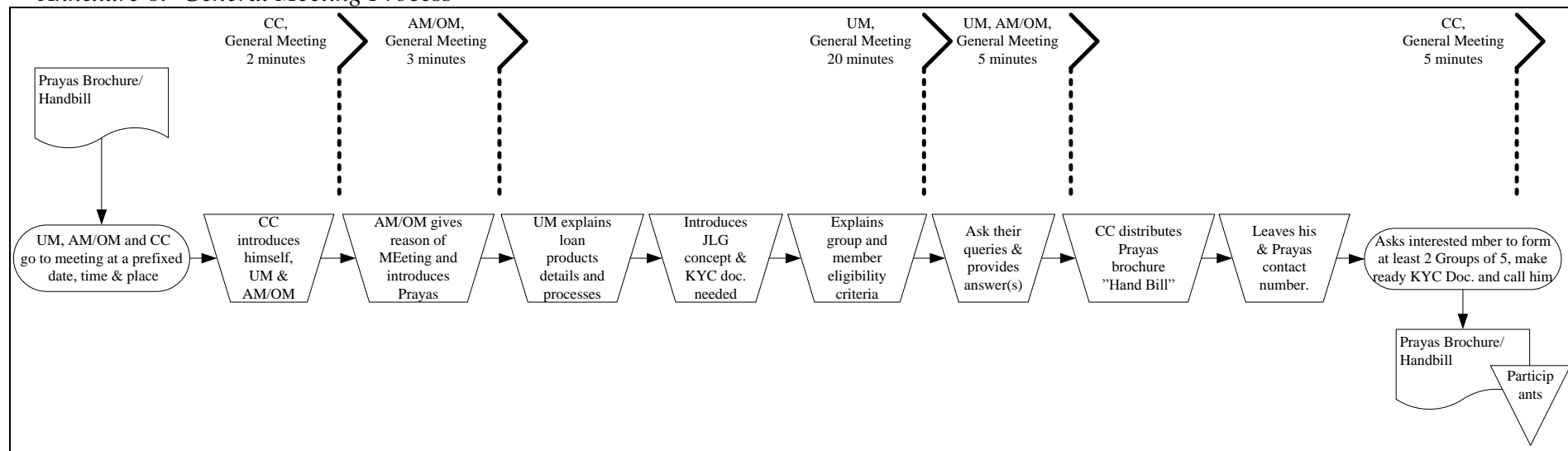
Annexure 7: Area Selection Process



<p>Process Description</p>	<p>Staff member informs Operation Manager (OM) and/or Chief Operation Officer (CEO) about area to be selected and actions are taking accordingly.</p> <ul style="list-style-type: none"> • Unit Manager (UM) is assigned by the OM or Area Manager (AM) to collect data on a particular area • UM leaves the Unit Office (UO) with the Area Information Sheet (AIS) • He collects the area secondary and primary data needed to fill out the 	<ul style="list-style-type: none"> • If AIS is not filled properly, AM asks UM to collect the data again • Otherwise, UM, AM and/or OM do opportunity and threats analysis by using data collected • They check whether the area is promising or not • If it is not promising, AM and/or OM may decide to do a field visit to cross-check data depending on the result of the analysis • If a field visit is not needed, the area 	<ul style="list-style-type: none"> • If the area is promising after data analysis or satisfactory after AM /OM conducted the field visit, OM transmits AIS to CEO along with his comments • After reviewing data and OM’s comments, the CEO may accept his decision or not. If OM’s decision is not approved, the area is rejected. Otherwise, it is accepted • If area is accepted, a report is prepared and sent to the Board of Directors for information.
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	<p>AIS</p> <ul style="list-style-type: none"> • UM gives the AIS to AM who verifies if the sheet is complete and captures the required information. 	<p>is simply rejected by AM and/or OM</p> <ul style="list-style-type: none"> • But, in case a field visit is needed, it is scheduled and executed by AM or OM on the concerned area • AM / OM rejects the area when the visit is not satisfactory 	<ul style="list-style-type: none"> • The AIS is filed at the Head Office.
Risks	<ul style="list-style-type: none"> • Data collected by UM may be erroneous and provide wrong image about the area 	<ul style="list-style-type: none"> • Secondary data available may not reflect the current image of the area 	
Risks Mitigation	<ul style="list-style-type: none"> • <i>UM must be trained in data collection strategy</i> 	<ul style="list-style-type: none"> • <i>AM/OM must take good consideration of the period of which the secondary data are related when analysing them. This will help to decide at which extent the information collected are applicable to the area's current situation.</i> 	

Annexure 8: General Meeting Process



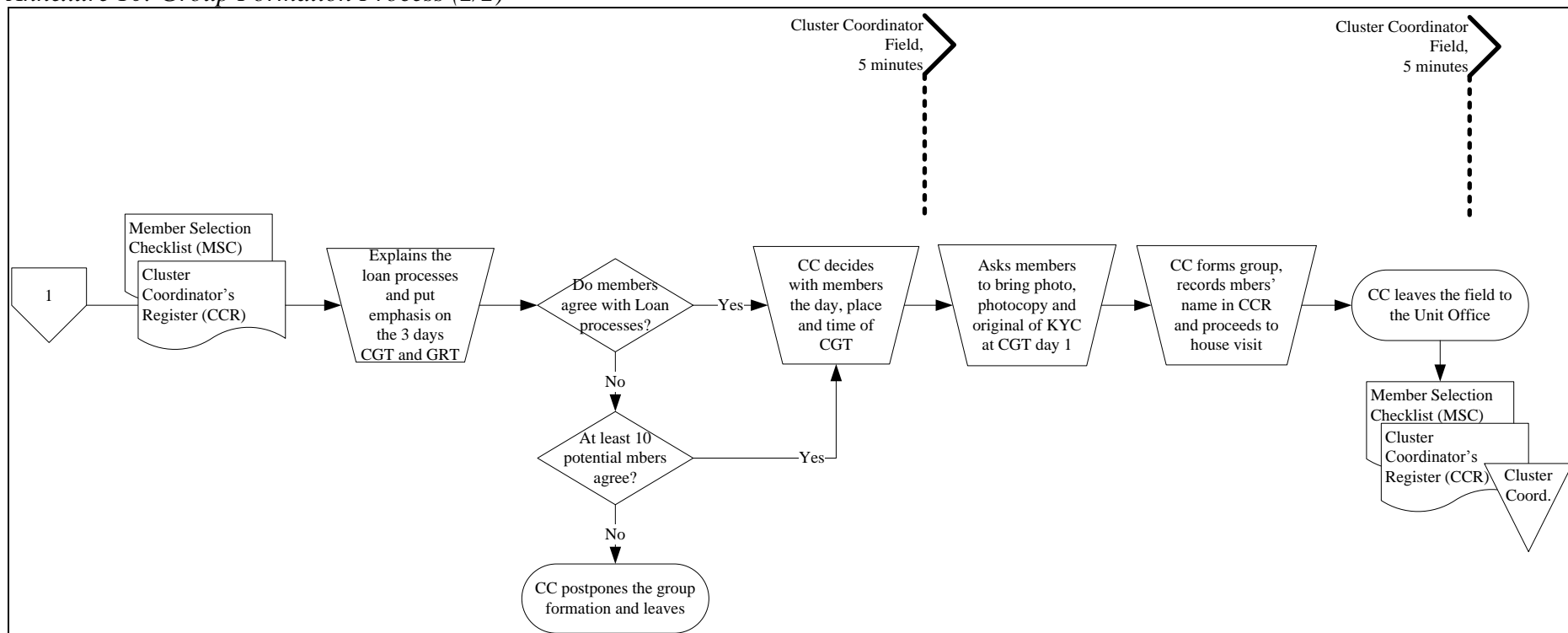
Process Description	<ul style="list-style-type: none"> • CC, UM, AM and/or OM go to meeting at a prefixed date, time and place. CC goes with Prayas’ Handbill or Brochure. CC. UM and AM are responsible of General Meeting, OM may decide to attend or not. • CC introduces himself, UM, AM / OM • AM / OM explains the purpose of the meeting and introduces Prayas and its microfinance programme to the meeting participants. • UM explains Prayas’ loan products and processes 	<ul style="list-style-type: none"> • UM introduces Joint Liability Group (JLG) concept and the needed Know Your Customer (KYC) document to participants. Basically the KYC documents are: <ul style="list-style-type: none"> ➤ Either Election Identification Card, Certificate of municipal office or Pan Card as identity proof ➤ Ration Card or Electricity bill as proof of address ➤ A joint photograph of the potential group member with her spouse or a member of her family • He explains group and group member 	<ul style="list-style-type: none"> • He asks participants their queries and provides answers to them. • CC distributes Prayas’ Handbill/Brochure to all meeting’s participants • CC leaves his/her and Prayas contact number • CC asks interested members to form at least two (02) groups of 5 members and call him for the group formation meeting. And then reminds them to make ready their KYC documents. The meeting ends and participants, CC, UM and AM/OM leave the place. <i>CC goes back to the Unit Office with any</i>

		eligibility criteria	<i>remaining Brochures/Handbills.</i>
Risks	<ul style="list-style-type: none"> • UM may forget some of the points to say during the meeting 		
Risks Mitigation	<ul style="list-style-type: none"> • <i>A General Meeting Guide must be prepared to help UM to know and standardising to information that supposed to be said. UM must be trained on how to use this Guide and conduct such a meeting.</i> 		

Annexure 9: Group Formation Process (1/2)

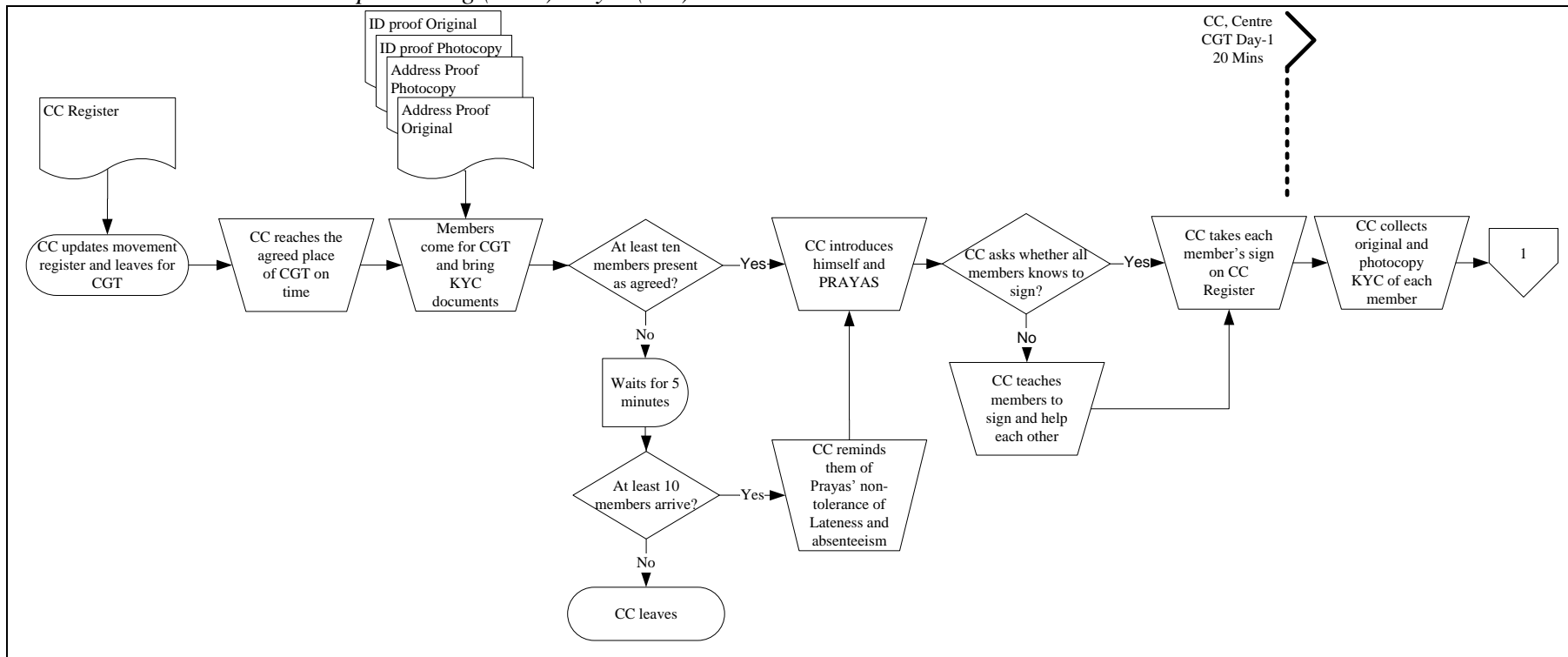
<p>Process Description</p>	<ul style="list-style-type: none"> • Women from existing or new operation areas who are interested in joining Prayas get together and contact the Cluster Coordinator (CC) for group formation. <i>At least 5 potential members must get together before inviting the CC</i> • Before starting the group formation, CC must check whether the monthly group formation target of the Unit had already been met or not. If the monthly target is met, then CC postpones the group formation to the following month. • If the monthly target of the Unit is not met, CC goes to the field with the Member Selection Checklist (MSC) and the Cluster Coordinator Register (CCR) at a pre-fixed date, place and time. <i>It must be a Saturday since groups are formed on Saturday only</i> • CC starts the group formation meeting if at least 5 potential members are present. In case they are not present, CC waits for 5 minutes • If the number of women present is less than 10, then CC postpones the group formation and leave the field • But, if at least 10 women are present, CC tell them about Prayas' non-tolerance of lateness and absenteeism and then starts the meeting 	<ul style="list-style-type: none"> • S/he introduces himself, PRAYAS and its loan products • S/he explains the member and group eligibility criteria as well as the joint liability concept and the required Know Your Customer (KYC) documents. Basically the KYC documents are: <ul style="list-style-type: none"> ➤ Either Election Identification Card, Certificate of municipal office or Pan Card as identity proof ➤ Ration Card or Electricity bill as proof of address ➤ A joint photograph of the potential group member with her spouse or a member of her family • CC replies to potential members' questions and asks them if they agree with eligibility criteria, joint liability concept and KYC documents • If all members don't agree, CC checks if at least 10 women have agreed • If less than 10, s/he postpones the group formation and leaves. • When at least 10 of them agree, CC fills the Member Selection Checklist (MSC) to record their name and the type of KYC documents they have.
<p>Risks</p>	<ul style="list-style-type: none"> • CC may come late at the meeting place 	
<p>Risks Mitigation</p>	<ul style="list-style-type: none"> • <i>The CC must come to the meeting place at least 5 minutes before the starting time. This will serve as an example and reinforce the timely attendance discipline</i> 	

Annexure 10: Group Formation Process (2/2)



Process Description	<ul style="list-style-type: none"> • CC explains the loan processes to members and put emphasis on the 3 days Continuous Group Training (CGT) and the Group Recognition Test (GRT) • CC asks members if they agree with loan processes • If all of them don't agree, CC checks if at least 10 of them agree. If no, s/he postpones the group formation 	<ul style="list-style-type: none"> • Otherwise, CC decides together with the members the day, time and place of the CGT • S/he asks potential members to bring the photocopy and the original of their KYC documents at the CGT day 1 • CC forms the group(s) and records members' name in the Cluster Coordinator Register (CCR) and proceeds to members' house visit • Then CC leaves the field to the Unit Office with the MSC and CCR
Risks Mitigation		

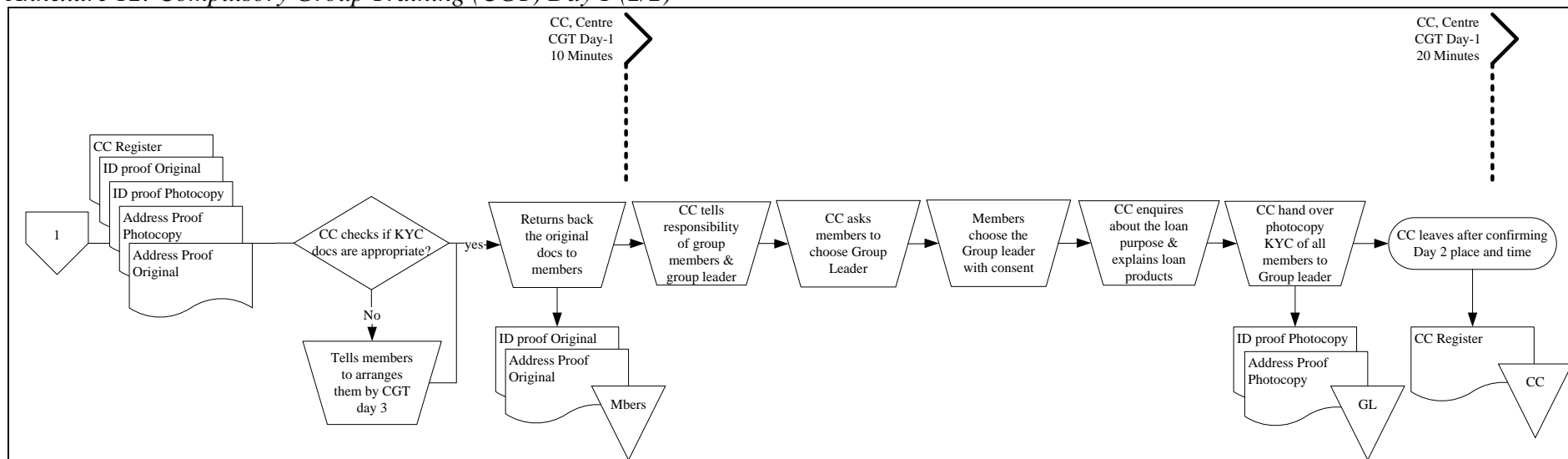
Annexure 11: Continuous Group Training (CGT) Day 1 (1/2)



<p>Process Description</p>	<ul style="list-style-type: none"> • Cluster Coordinator (CC) updates the Movement Register and leaves for the field • CC reaches field at the time and place as agreed between members and CC • Members come for Continuous Group Training (CGT) and bring their KYC documents • CC checks whether all members have turned up as agreed, at least ten members should be present to start CGT 	<ul style="list-style-type: none"> • CC introduces himself and Prayas • CC enquires whether all members know how to sign their name which is required for future documentation • If members do not know to sign, then CC teaches them to sign or else s/he proceeds with the training • S/he takes each member's name and signature on his/her register (CC Register) • CC collects original and photocopy of KYC document from each member
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	<ul style="list-style-type: none"> • If at least ten members are present then CC proceeds, else CC waits for five minutes • If a minimum of ten (10) members arrive in meantime, CC reminds them about Prayas' zero tolerance of lateness and absenteeism and then proceeds with the meeting • Else, CC cancels CGT and returns to the Unit Office 	
Risks	<ul style="list-style-type: none"> • Members fail to bring KYC document on day 1 	<ul style="list-style-type: none"> • Members do not learn to sign during short time of CGT
Risks Mitigation	<ul style="list-style-type: none"> • <i>CC shall ask members to arrange the KYC documents as they already agreed by the end of the day3 of CGT</i> 	<ul style="list-style-type: none"> • <i>CC can take help from other members to teach other members to learn to sign in their name</i> • <i>CC asks members to practice to sign in their name after meeting also</i>

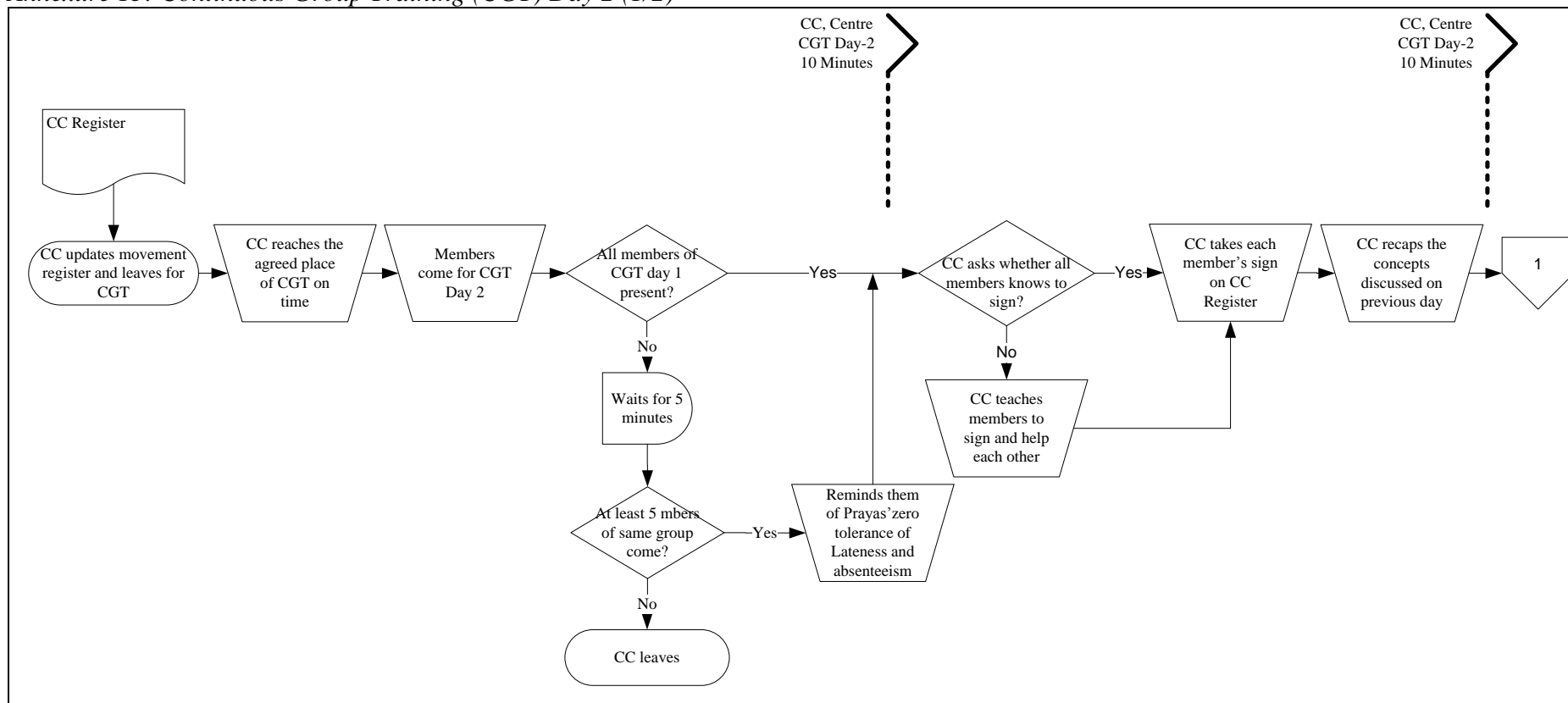
Annexure 12: Compulsory Group Training (CGT) Day 1 (2/2)



<p>Process Description</p>	<ul style="list-style-type: none"> • CC checks whether the photocopy KYC documents matches with the originals of each client and are appropriate or not • If documents are not in order then CC returns the original and photocopy documents to the members and asks them to arrange the required documents latest by the day3 CGT • If documents are appropriate then CC returns the original to the members • CC explains the responsibility of the members and the Group Leader (GL) • CC asks members to choose the group leader for their respective groups if there are two groups. <i>CC must put point out that the GL is chosen with the agreement of all members</i> 	<ul style="list-style-type: none"> • Members choose the group leader amongst themselves with the consent of all the members • CC enquires about the purpose of the loan from each member, then s/he explains the loan products in detail along with the fees and other charges such as insurance premium • CC hands over the photocopy of members’ KYC documents to GL to keep it safe till the Day 3 of CGT • CC ends the day1 of the training after confirming the place and timing for day 2 of CGT
<p>Risks</p>	<ul style="list-style-type: none"> • CC may accept counterfeit KYC documents 	

Risks Mitigation	<ul style="list-style-type: none">• <i>CC must be well-trained on how to identify fake documents. Also, s/he must be very vigilant in comparing original documents against the photocopies</i>	
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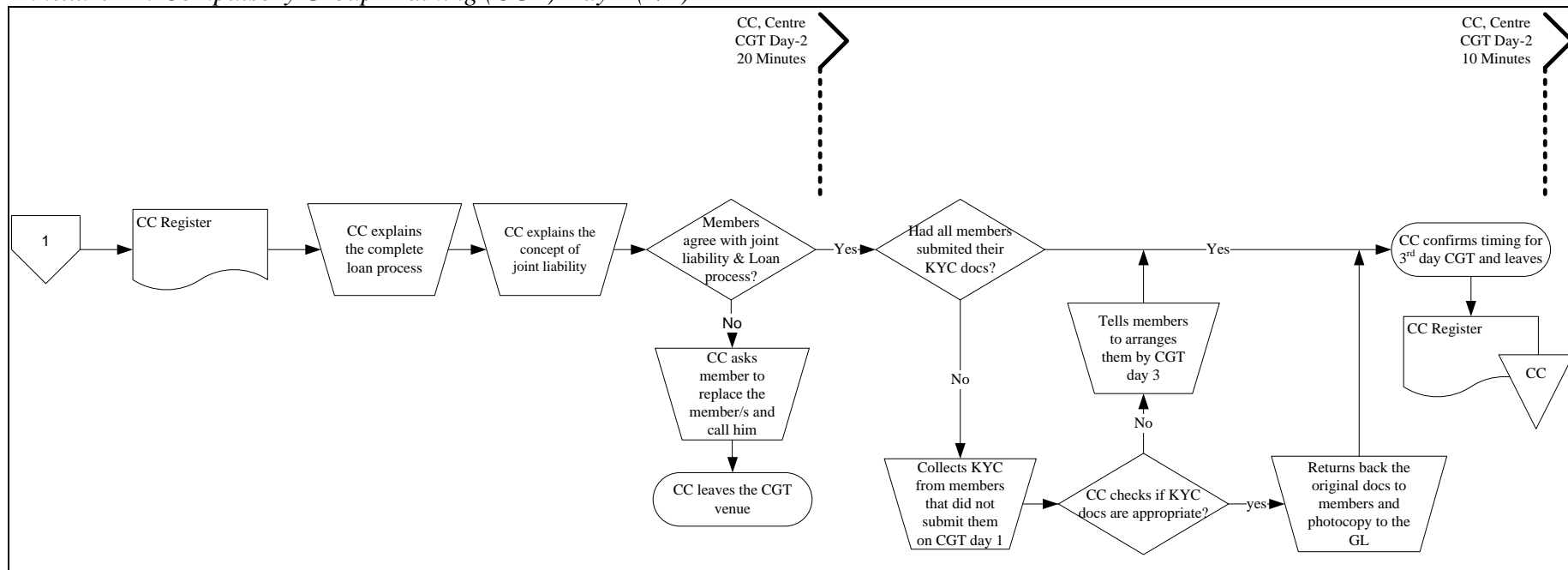
Annexure 13: Continuous Group Training (CGT) Day 2 (1/2)



<p>Process Description</p>	<ul style="list-style-type: none"> • Cluster Coordinator (CC) updates the Movement Register and leaves for the field • CC reaches field at the pre-fixed day, time and place • Members comes for Continuous Group Training (CGT) and brings the KYC documents if they had not submitted on the previous day • CC checks whether all members who attended the meeting on the first day have turned up as agreed. At least one (01) group of five members should be present 	<ul style="list-style-type: none"> • But, if at least five members (of the same group) are present then CC reminds them of Prayas' non-tolerance of lateness and absenteeism; then s/he proceeds with the CGT day 2 • CC enquires whether all members know to sign their name which is required for future documentation • If members does not know to sign then CC teaches them to sign or else s/he proceeds with the day 2 of CGT • CC takes each member's signature on the CC Register
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	<p>to start day2 of CGT</p> <ul style="list-style-type: none"> • If all members that attend to the Day CGT are not present, CC verifies if at least 5 members of the same group come • In case 5 members of same group are not present, CC postpones the CGT and leaves 	<ul style="list-style-type: none"> • S/he recaps the content discussed on the previous day of CGT
Risks	<ul style="list-style-type: none"> • Members fails to bring KYC document on day 1 	<ul style="list-style-type: none"> • Members do not learn to sign during short time of CGT
Risks Mitigation	<ul style="list-style-type: none"> • <i>CC shall ask members to arrange the KYC document as they already agreed by the end of the day3 of CGT</i> 	<ul style="list-style-type: none"> • <i>CC can take help from other members to teach other members to learn to sign in their name. Also, CC asks members to practice to sign in their name after meeting</i>

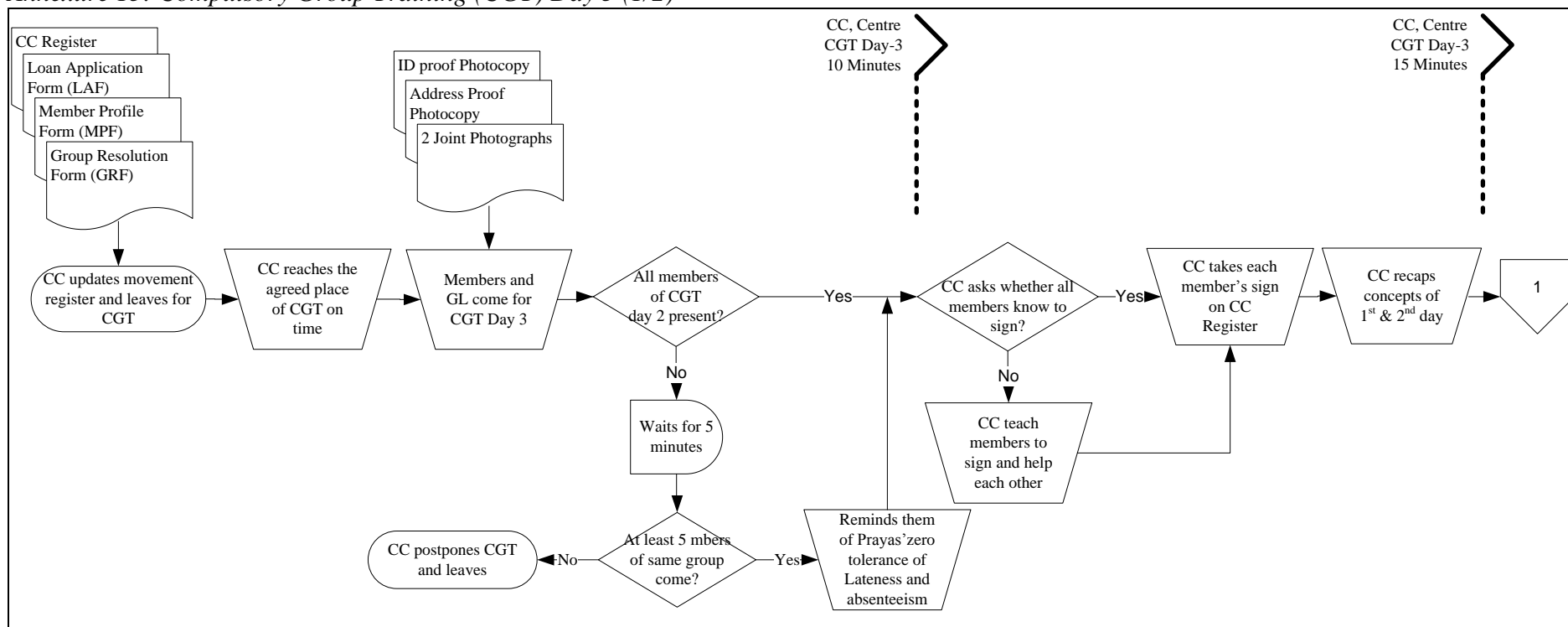
Annexure 14: Compulsory Group Training (CGT) Day 2 (2/2)



<p>Process Description</p>	<ul style="list-style-type: none"> • CC explains the complete loan process in detail, s/he tells about the disbursement process and collection meetings • CC explains the concept of Joint Liability where each member takes the responsibility of other member in case of any delay or default • CC confirms from all members whether they agree with loan processes and joint liability in their group or not • If any member/s do not agree, CC asks other members to replace those member/s and call him when they find appropriate member to join the group • If all members agree, then s/he proceeds for next step 	<ul style="list-style-type: none"> • CC checks if all present members had submitted their KYC documents on the first day of CGT • If no, CC collects KYC documents from members who did not submit them on CGT day 1 and have brought them on day 2 • CC checks if KYC documents are appropriate • If yes i.e. document matches with original and fulfils the purpose of KYC norms then CC returns the original to the member and photocopy to GL • If no, i.e. documents are not fit for the purpose then CC returns them to the member; and asks her to arrange all the documents till next day • CC confirms the timing of CGT day 3 and leaves with the
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		CC register
Risks		
Risks Mitigation		

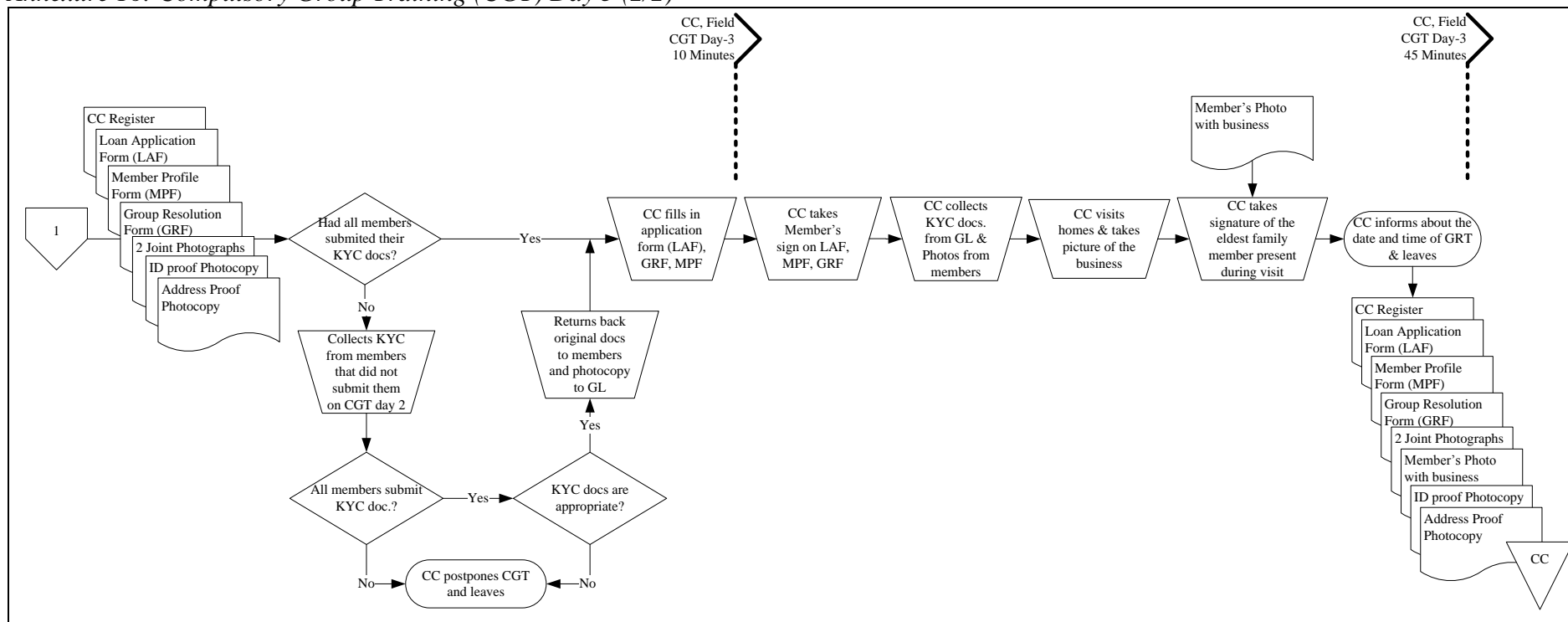
Annexure 15: Compulsory Group Training (CGT) Day 3 (1/2)



Process Description	<ul style="list-style-type: none"> Cluster Coordinator (CC) updates the Movement Register and leaves for the field CC reaches field at the time and place as s/he agreed with members. S/he comes with the CC Register and the loan documents: <ul style="list-style-type: none"> ➤ Loan Application Form (LAF) 	<ul style="list-style-type: none"> Otherwise, CC reminds them of Prayas' zero tolerance of lateness and absenteeism and proceeds with the CGT CC enquires whether all members know to sign in their name, which is required for future documentation If members do not know to sign then CC teaches them Then CC takes each member's signature on the CC
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	<ul style="list-style-type: none"> ➤ Member Profile Form (MPF) ➤ Group Resolution Form (GRF) • Members come for Continuous Group Training (CGT) and bring the KYC documents if they had not submitted them on the previous day(s). Members also bring two (02) Joint Photographs (<i>Photograph of member and her husband or any family member</i>). The Group Leader comes with the photocopies of address and ID proofs • CC checks whether all members who attended the meeting on the first two days have turned up as agreed, • If all of them are not present, CC waits for 5 minutes. At least five (05) members should be present to start CGT day 3 • If at least five (05) members of the same group, who attended to CGT day 1 & 2, are not present, CC postpones CGT and leaves 	<p>Register</p> <ul style="list-style-type: none"> • CC recaps the content discussed on the previous days of CGT
Risks		
Risks Mitigation		

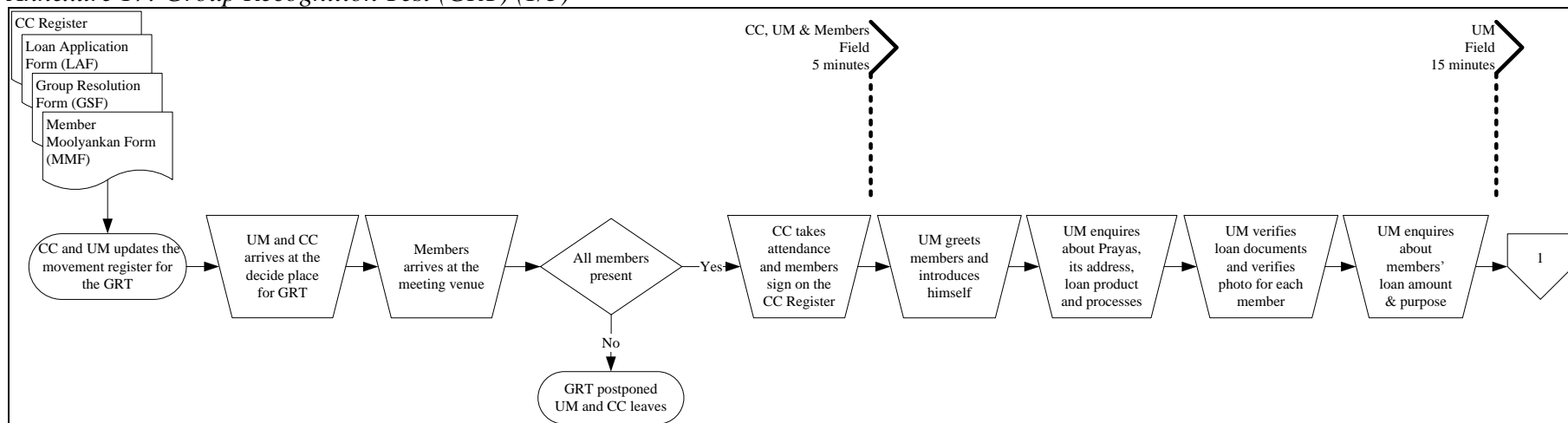
Annexure 16: Compulsory Group Training (CGT) Day 3 (2/2)



Process Description	<ul style="list-style-type: none"> • CC checks if all members had submitted their KYC documents • If any members remain, CC collects the documents from them. But, if all the members present do not bring their KYC documents (original + photocopy), CC postpones the CGT and leaves • If all the remaining members submit their documents, CC verifies their accuracy and appropriateness • In case KYC documents collected are not appropriate, CC postpones the CGT and leaves • If documents are appropriate, CC returns the original 	<ul style="list-style-type: none"> • CC takes members' signature on the loan documents • CC collects the photocopies of KYC documents from the group leader and then joint photographs from members, which s/he attaches to the loan documents • CC visits members' house and takes their pictures along with their business • In the group members' house, CC takes the signature of one of her family members. <i>Most likely, the signature of the eldest in the family is taken during the visit</i> • After completing house visit CC informs the date and timing for GRT to the members and leaves
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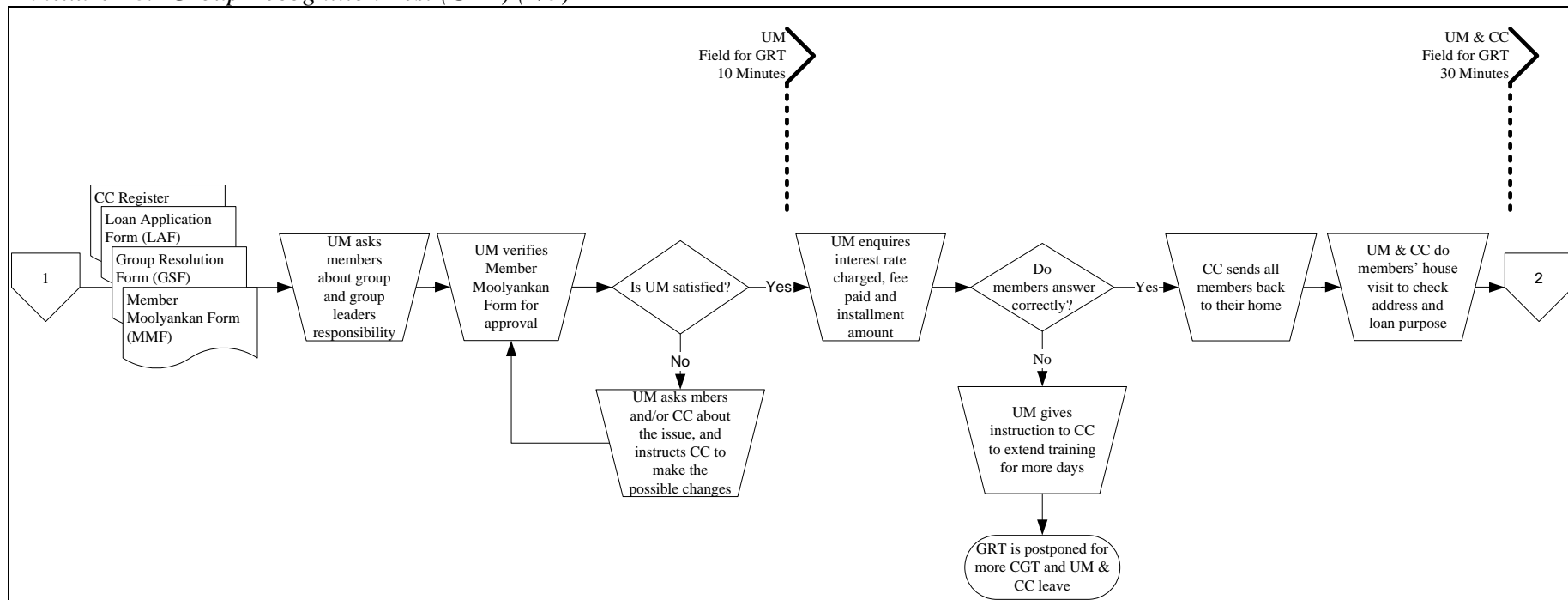
	<p>to the member and then gives the photocopy to the group leader</p> <ul style="list-style-type: none"> • CC fills in Loan Application Form (LAF), Group Resolution Form (GRF) and the Member Profile Form(MPF) 	
Risks		
Risks Mitigation		

Annexure 17: Group Recognition Test (GRT) (1/3)



<p>Process Description</p>	<ul style="list-style-type: none"> • CC and Unit Manager (UM) update the Movement Register and leave for Group Recognition Test (GRT). They take along with them the group file that has the Loan Application Form, Member Moolyankan Form, Group Resolution Form and the CC Register • UM and CC arrive at agreed place and time • Members come for Group Recognition Test (GRT) • CC checks whether all members have turned up as required, • If all member are not present on time, UM postponed the GRT and leaves along with CC • If all members are present, CC takes attendance and members sign the CC register 	<ul style="list-style-type: none"> • UM greets clients and introduce himself • Unit manager enquires about Prayas, its office address, loan product and loan processes • UM verifies the loan documents including the KYC documents attached with the loan forms and the joint photographs of the members and family member • UM enquires about the amount and purpose of the loan members applied for
<p>Risks</p>		
<p>Risks Mitigation</p>		

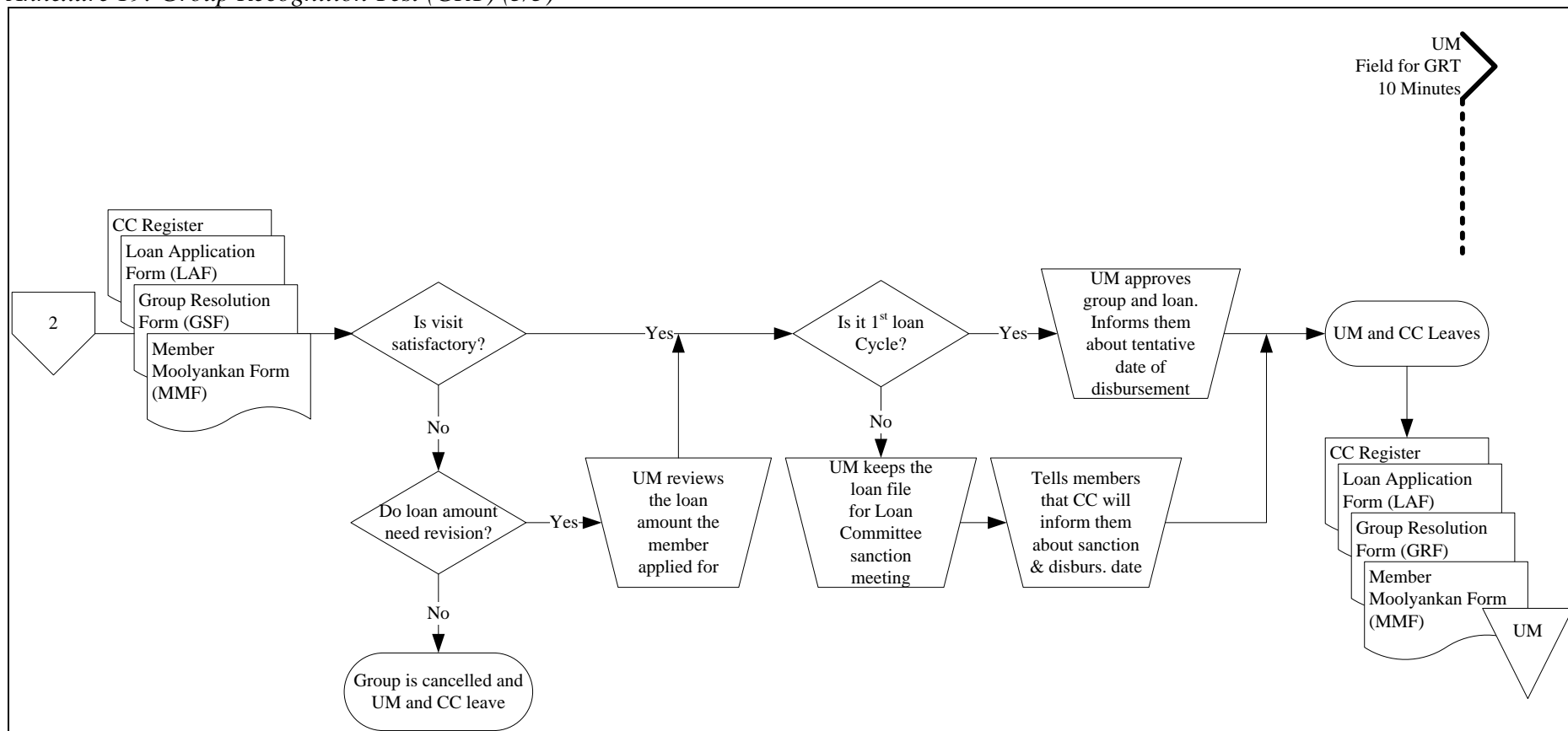
Annexure 18: Group Recognition Test (GRT) (2/3)



Process Description	<ul style="list-style-type: none"> • UM asks members about their responsibility towards the group as an individual and also the responsibility of group leader towards the group and members • UM verifies Member Moolyankan form of each individual by asking her the details filled in the form • If UM is not satisfied, s/he questions members and/or the CC regarding the issue found and then, instructs the CC to make the possible rectifications 	<ul style="list-style-type: none"> • If the UM is satisfied, s/he enquires interest rate charged on the loan as well as the fees, number and amount of instalment • If members do not answer correctly, UM gives instruction to CC to extend the training for more days • S/he postpones the GRT and leaves the field along with the CC • But if members answer correctly and UM is satisfied then s/he proceeds with the GRT • CC sends all members back to their house for the UM's house visit • UM along with CC visit the houses of members and
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		<p>verify the details mentioned about their socio economic status such as pucca or kacha, single or double storey etc.</p> <ul style="list-style-type: none"> • UM also checks the houses address and if the purpose and amount of the loan they applied for match with the business s/he sees in the house
Risks		
Risks Mitigation		

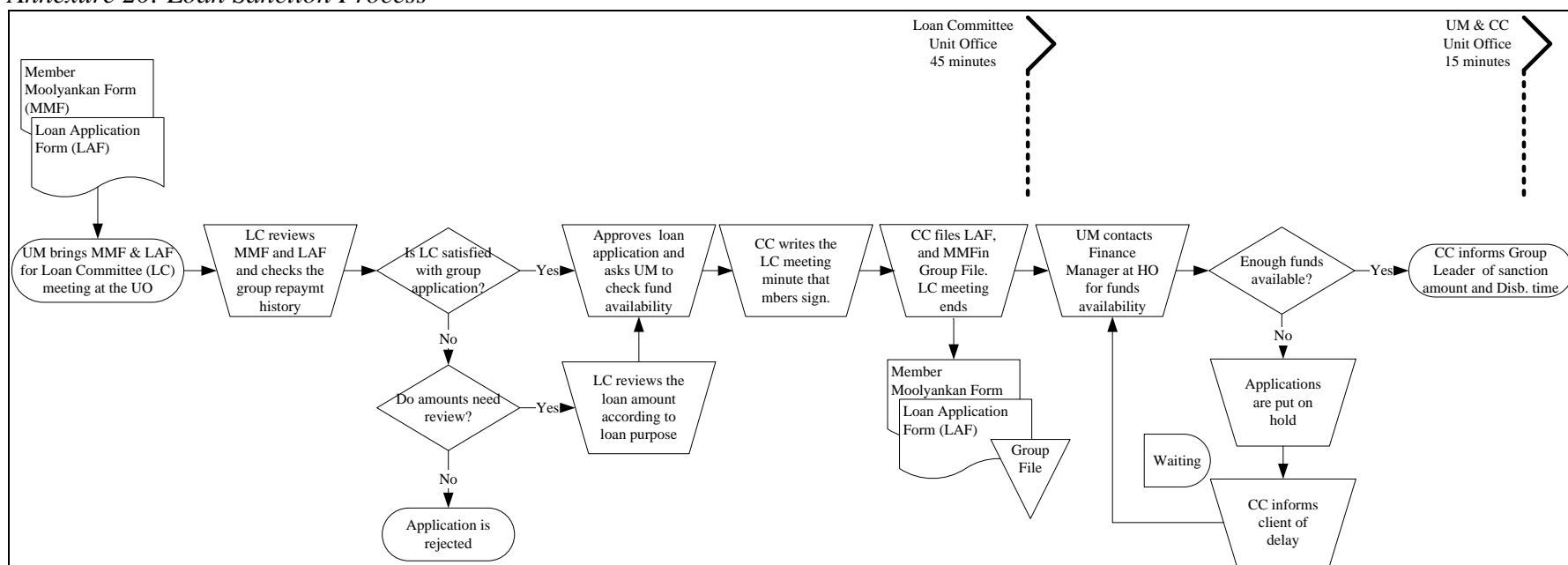
Annexure 19: Group Recognition Test (GRT) (3/3)



<p>Process Description</p>	<ul style="list-style-type: none"> • If UM is not satisfied for the loan application after the visit, s/he may decide whether to review the loan amount or to cancel the group. The group cancellation happens mostly with new groups where member provides wrong information (<i>false address – wrong loan purpose and business information etc.</i>). When UM feels like the likelihood of delinquency is high, s/he may decide to reduce the loan amount or cancel the group • If UM decided to review the loan amount, s/he does so • When satisfied, UM checks whether it is a new group (<i>i.e. first loan cycle</i>) or not • If it is not a first cycle loan, UM keeps the loan files for the Loan Committee’s sanction meeting
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	<ul style="list-style-type: none"> • Then, s/he tells members that CC will inform them about the sanction decision and the disbursement date • But if it is a first loan cycle, then UM approves the group and loan application, and then informs members of the tentative date of disbursement • UM and CC leaves for office along with all the documents.
Risks	
Risks Mitigation	

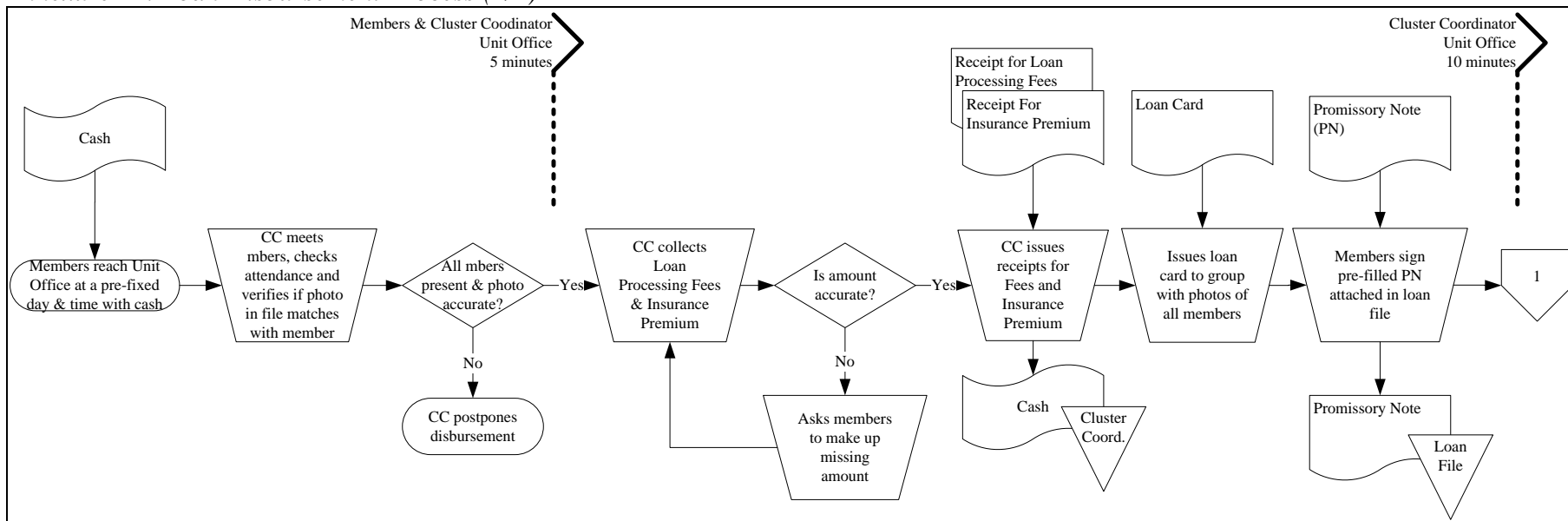
Annexure 20: Loan Sanction Process



Process Description	<p>The loan sanction process occurs with the 2nd cycle loan application and onward</p> <ul style="list-style-type: none"> • The Unit Manager (UM) brings the group file including the Member Moolyankan Forms (MMF) and the Loan Application Forms (LAF) to the Loan Committee (LC) meeting at the Unit Office. The LC is comprised of: 	<ul style="list-style-type: none"> • CC writes the Loan Committee meeting's minute and asks all the present member to sign • CC files the MMF and LAF in the group file and the Loan Committee meeting ends
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	<ul style="list-style-type: none"> ➤ Area Manager ➤ Unit Manager ➤ Cluster Coordinator <ul style="list-style-type: none"> • The Loan Committee reviews the MMF and the LAF then checks the loan repayment history of group. <i>In fact, it is to verify if the previous loan amount and purpose are in line with current loan demand; and then check how the group made the repayment of the previous loan.</i> • If the LC is not satisfied with any application, it checks if amount needs to be reviewed or not • Loan amount is reduced went needed; otherwise, the loan application is simply rejected • When LC is satisfied with the loan application, it approves it and then asks Unit Manager to check fund availability with the Head Office 	<ul style="list-style-type: none"> • UM contacts Finance Manager at the Head Office to verify if funds are available for loan disbursement • If there is no enough funds to satisfy the amount to be disbursed, the applications are put on hold • And CC informs members about the delay in disbursement • But when fund is available, CC informs the group leader about the loan amount sanctioned and the disbursement date and time.
Risks		<ul style="list-style-type: none"> • Members may not be discouraged if their loan amount is reduced
Risks Mitigation		<ul style="list-style-type: none"> • <i>CC must explain member the raison of loan amount reduction, and then encourages them to do well so that at the following cycle their amount will be increased</i>

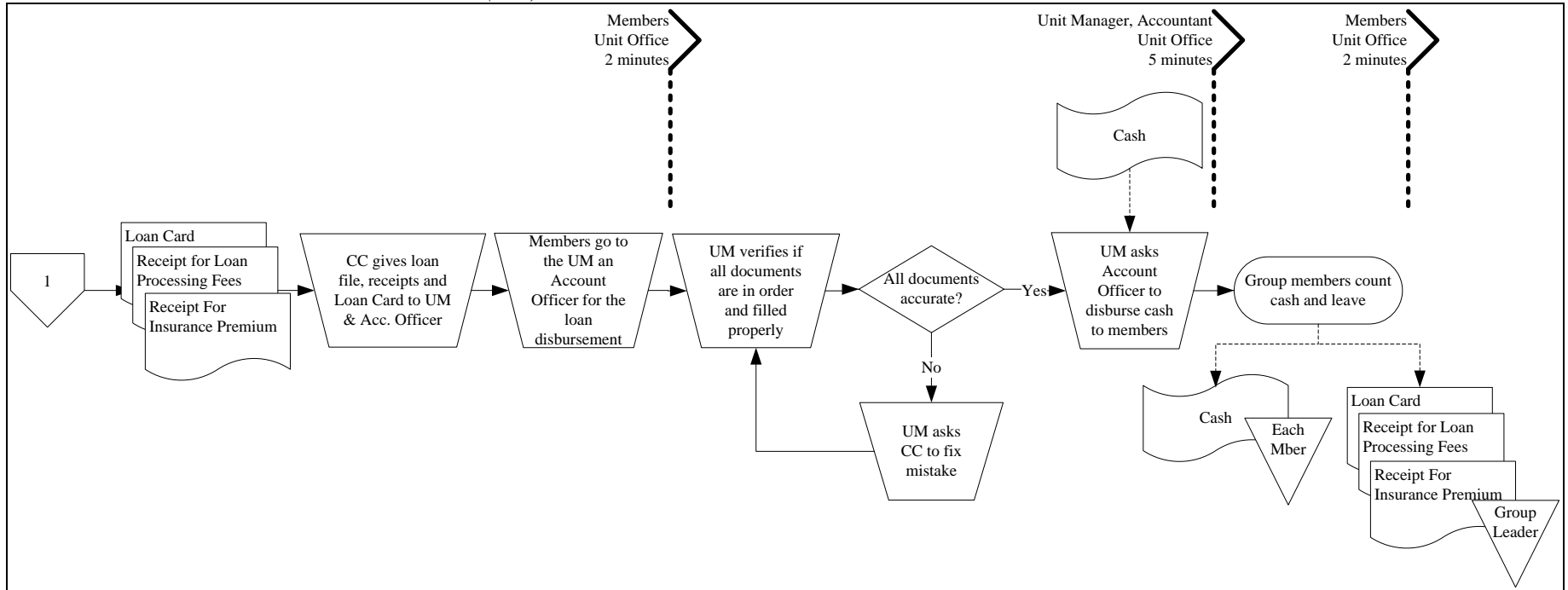
Annexure 21: Loan Disbursement Process (1/2)



Process Description	<ul style="list-style-type: none"> Members reach the Unit Office at a pre-fixed day and time for loan disbursement with cash to pay the Loan Processing Fee and Insurance Premium CC meets members, checks attendance and verifies if members' photo in the loan file matches with the member present for the disbursement If all members are not present at the disbursement pre-fixed time, CC postpones the loan disbursement. Also, if the photograph of the member does not match with the member herself, member is rejected and loan disbursement is postponed for the group When members are timely present and match with their photograph in the loan file, CC collects the 	<ul style="list-style-type: none"> CC verifies if amount collected is accurate. In case it is not, s/he asks members to make up the missing amount and get back to him/her When the amount is accurate, CC keeps cash and issues two (02) receipts which pertain to the group Loan Processing Fee and Insurance Premium respectively S/he gives members the Loan Card, which has the five (05) members' joint photograph (member + spouse/one family member). <i>For old members, at each new cycle, the old Loan Card is kept at the Unit Office and the photographs are removed and attached to the new Loan Card</i> S/he takes the loan file and asks members to sign the pre-prepared Promissory Note
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	Loan Processing Fee and Insurance Premium	
Risks	<ul style="list-style-type: none"> • CC may misappropriate the cash collected from members 	
Risks Mitigation	<ul style="list-style-type: none"> • <i>As soon as the loan disbursement is done, in the same day, the Cluster Coordination must submit the cash collected to the Account Officer. The duplicate copy of the receipts in the receipts book and the summary sheet of loan disbursed will serve as means of verification by the Account Officer</i> 	

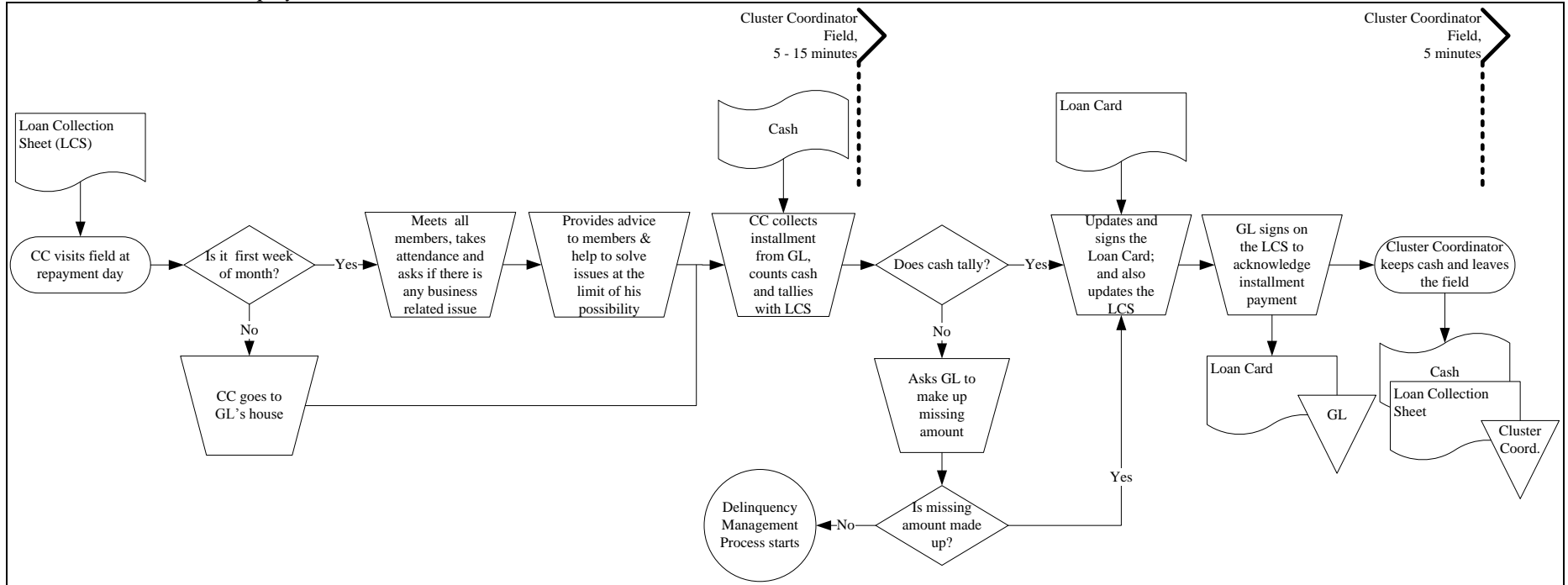
Annexure 22: Loan Disbursement Process (2/2)



<p>Process Description</p>	<ul style="list-style-type: none"> • CC gives loan file to the Unit Manager and Account Officer for loan disbursement along with the receipts and group loan card. <i>The disbursement is done by the Unit Manager and the Account Officer; in case the Account Officer is not available, a CC can help the Unit Manager during the process</i> • Members go the Unit Manager and Account Officer for the disbursement • The Unit Manager verifies if loan documents are in order and properly filled in the loan file. Also, s/he checks the accuracy of the receipts and the identity of members 	<ul style="list-style-type: none"> • If there is any discrepancy, the Unit Manager asks the concerned CC to fix it and get back to him • When documents are accurate, s/he asks account officer to disburse cash to each member as per the amount sanctioned • Group members count cash and leave the Unit Office. Each member leaves with the cash, while the Group Leader carries the group Loan Card along with the receipts of Loan Processing Fee and Insurance Premium paid
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Risks	<ul style="list-style-type: none"> • Unit Manager may not well-verify the accuracy of the loan documents 	
Risks Mitigation	<ul style="list-style-type: none"> • <i>Unit Manager should properly verify the order and accuracy of the KYC documents as well as other loan documents. The signature of members must also be verified</i> 	

Annexure 23: Loan Repayment Process



<p>Process Description</p>	<ul style="list-style-type: none"> • The CC goes to the field at the repayment day • If it is not the first week of the months, CC goes to the Group Leader’s (GL) house for the loan collection. • When it is the first week of the month, CC meets with all group members to do the loan collection. <i>PRAYAS meets with all group members at least once a month to facilitate their interaction with the CC</i> • CC takes attendance and asks members if there is any issue related to their business • CC provides advice to members and help to solve the issues at the limit of his possibility. <i>CC may request the assistance of the UM and/or AM for any serious matter of which s/he does not have much knowledge</i> 	<ul style="list-style-type: none"> • Then CC collects instalment from GL, counts cash and tallies with the amount on the Loan Collection Sheet • If cash does not tally, CC asks the GL to make up the missing amount • In case missing amount is not made up, then the Delinquency Process Management starts • When the cash collected tallies or if the missing amount is made up, CC updates and signs the Loan Card. Also, s/he updates his/her loan collection sheet (LCS) • GL signs on the LCS to acknowledge loan repayment and keeps the group loan card • Then CC keeps cash along with the loan collection sheet and leaves the field.
<p>Risks</p>	<ul style="list-style-type: none"> • CC may receive counterfeit notes during the collection 	<ul style="list-style-type: none"> • CC may not count well cash received and/or forget to tally it with the amount on the collection sheet • CC may misappropriate cash collected from the field • CC may be robbed on his/her way back to the Unit Office after the loan collection
<p>Risks Mitigation</p>	<ul style="list-style-type: none"> • <i>Generally, the fake currency notes are 500 and 1,000; therefore for such big amount, the CC can record down the note’s serial number on the collection sheet in front of the specific group. This will serve as proof and help identify group when the currency note is detected as fake</i> 	<ul style="list-style-type: none"> • <i>CC should count very well the cash received and tally it with the amount on the collection sheet before leaving the meeting venue.</i> • <i>CC should be a trustworthy person and trained on the main characteristics of a “Microfinance Field Officer”. Also, during the recruitment process, the credibility and sincerity of the CC must be properly checked. Moreover, PRAYAS may institute the system of guardians guarantee (Someone will accept paying PRAYAS back in case the staff does a fraud) before any CC is recruited.</i> • <i>CC must make sure that all collection</i>

		<i>happens in the day time. S/he can be accompanied by a member, after the collection is done, if the area is seen as very risky.</i>
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Annexure 24: Code of conduct criteria by Sadhan

1. Integrity and Ethical behaviour	Remarks
There is a board resolution indicating the adoption of the Code of Conduct.	
The Code of Conduct is available in vernacular language.	
Code of Conduct is displayed in all offices (branches / headoffice).	
The operational manual contains guidelines of staff behavior towards clients consisting of:	
A. To address clients in a polite manner	
B. Not to use abusive or threatening language	
C. How to behave with family members of the clients	
The training manual/ human resource manual contains sections pertaining to social mission and Code of Conduct.	
The internal audit checklist specifies that the client protection issues will be covered in its scope.	
2. Transparency	
The application form/loan agreement/ other documents (such as leaflets etc.) contains annualised effective interest rate (reducing basis) in vernacular language.	
The loan card/sanction letter contains processing charges of the loan products in vernacular language.	
The loan card/sanction letter contains prepayment charges on the loan products in vernacular language.	
The loan card/sanction letter contains insurance charges on the loan products in vernacular language.	
The loan card/sanction letter contains insurance cover on the loan products in vernacular language.	
The loan card/sanction letter/agreement or other document mention group liability clearly in vernacular language.	
Clients are informed about the interest rate, processing fees and other charges on loans during the training.	
There are written guidelines for staff members who provide these trainings to the clients.	
Clients are informed about prepayment charges and conditions during training.	
There are written guidelines for staff members who provide these trainings to the clients.	

Clients are informed about group liability during the training.	
There are written guidelines for staff members who provide these trainings to the clients.	
Effective rate of interest is communicated to the clients during trainings/ other interactions.	
There are written guidelines for staff members who provide these trainings to the clients.	
Changes in effective interest rate resulting from prepayments are communicated to clients during trainings/other communications.	
There are written guidelines for staff members who provide these trainings to the clients.	
Effective interest rate is mentioned in loan card/ sancion letter	
MFI provides receipt of amount collected as upfront fees	
MFI provides receipt/acknowledgement of the amount of instalments collected	
MFI provides repayment schedule or similar documents which tell about the amount (no. of instalments) paid and outstanding after each instalment.	
Latest financial statements are updated on the website of the organization.	
Latest financial statements are provided to Sa-Dhan for analysis.	
Key operational data are presented on the website of the organization (latest quarter)	
3. Client protection: Fair practices	
There is an approval from the board that the MFI will not discriminate on the basis of caste and religion	
Operational manual and other documents do not specify for caste and religion based discrimination	
Staff have been trained not to discriminate on the basis of caste and religion	
The practice of sharing the surplus/profit (including Corporate Social Responsibility (CSR) activities) with the clients is approved by the Board.	
If the MFI is profitable, a reduction in operating expenses has resulted in reduction in interest rate charged.	
MFI has spent money on the welfare of clients during the past one year.	
The board approved the list of documents which will be collected from clients.	
The operations manual clearly specifies the documents the MFI will collect from the clients.	
Operational manual specifies that no collateral will be taken from clients for small ticket loans.	

Operational manual specifies that the MFI will release all collateral to the clients within one week of payment of all dues by the clients.	
4. Client protection: avoiding overindebtedness	
The operational manual presents how the loan officers will assess the repayment capacity of the clients.	
The format of the loan application form enables analysis of cash flows and indebtedness of clients.	
The operational manual links the loan sizes and duration with the assessment of the repayment capacity of clients.	
The internal audit manual (or guidelines) requires internal audit checks to be performed on whether loans have been disbursed after an appropriate appraisal of repayment capacity.	
The MFI provides training to its operational staff on how to assess the repayment capacity of the clients.	
The operational manual specifies that information related to clients borrowing from other MFIs should be collected.	
The field staff are trained on the need to get information related to clients borrowing from other MFIs.	
The loan form/appraisal form have provisions for collecting information on clients borrowing from other MFIs.	
Internal Audit check the number of MFIs from which the clients have borrowed.	
5. Client protection: Appropriate interaction and collection practices	
The operational manual clearly presents guidelines to prevent the following:	
A. Abusive language or threats	
B. Visiting borrowers at odd hours	
C. Forcible entry into dwelling and forced seizure of property without the legal orders	
There are clear guidelines/circulars at the branches which prohibit:	
A. Abusive language or threats	
B. Visiting borrowers at odd hours	
C. Forcible entry into dwelling and forced seizure of property without the legal orders	
Internal audit checks behaviour of field staff towards clients.	
Monitoring staff check that the field staff are not abusive towards clients as reflected in monitoring reports.	
The operational manual clearly specifies that the MFI will use only social collateral for loan recovery.	
The operational manual contains written guidelines on how to deal with clients in case of individual or mass difficulties repaying loans.	

The staff has been trained on the guidelines on how to deal with clients in case of individual of mass difficulties repaying loans.	
6. Client protection: Privacy of client data	
The operational manual presents how client data will be stored by the MFI.	
The operational manual defines access rights (within the MFI) to client data collected by the MFI.	
The internal audit manual (or guidelines) require internal audit checks to be performed on whether client data has been stored with adequate security.	
7. Governance	
Percentage of independent directors on the board	
The profile of Board members is provided along with this compliance report.	
Operational manual and other key policies are approved by the Board of Directors.	
Summary of key changes in the operational manual is provided to the Board of Directors.	
The Board is provided with financial and operational information in proper format which will enable them to take informed decision.	
There are committees of the board that meet regularly.	
There is a board resolution approving the exact compensation of the CEO.	
8. Client education and financial literacy	
The operational manual specifies that the training will be provided to make clients aware of the	
A. Objectives of the MFI	
B. Products and services offered by the MFI	
C. Terms and conditions of loan	
Staff members are trained on how to inform clients of	
A. Objectives of the MFI	
B. Products and services offered by the MFI	
C. Terms and conditions of loan	
The operational manual specifies that financial literacy training, particularly relating to effective interest rates, will be conducted for the clients.	
There are trained staff in the organization to provide financial literacy training for the clients, particularly on issues relating to cost of credit to the clients.	
9. Competition	
Regular interaction with MFIs at the local level is approved by the board.	
Sharing of information with other MFIs is approved by the board.	

Do you provide data to credit bureaus?	
The operational manual of the MFI specifies how to proceed while providing services to clients served by other MFIs.	
The human resource manual of the MFI specifies how to proceed while recruiting staff from other MFIs.	
The operational manual/other policy documents mandate the MFI to go to areas which are underserved.	
The internal audit checklist specifies checking of accuracy of information pertaining to serving unserved areas.	
10. Feedback and grievance redressal mechanism	
Board has approved the system of grievance redressal of clients.	
Operational manual includes details of the grievance redressal	
Grievance redressal mechanism forms part of the training of staff.	
There are dedicated staff in the MFI for feedback and grievance redressal.	
Mechanism of grievance redressal is part of the training of the clients.	
Details of the grievance redressal mechanism are mentioned in the loan card/other communication.	
The information about Sa-Dhan's Ethics and Grievance Redressal Committee is part of the training of the clients.	
Report on summary of grievances was presented to board/ senior management within the last one year.	
The board approved of conducting client satisfaction surveys.	
The MFI conducted client satisfaction survey during the past one year.	
Conducting exit survey is approved by the board.	
The MFI conducted exit surveys of clients during the past one year.	
Reports are available for the last one year.	
Reports were presented to the board during the last one year.	