

PRE-DUE DILIGENCE CHECKLIST

Promoters and Board

- History (How the organization came into existence)
- Brief bio of promoters
- Ask about promoters' experience in microfinance/banking/financial services
- Shareholding pattern
- Detailed profile of board members, no of years of association with the MFI

Second Line of Leadership

- Brief bio of senior management - CEO and heads of key functions
- Background & current responsibilities in the organization
- Organogram

Product and Processes

- Geographical spread - list of districts or operational area map, if possible
- Operational model - group/individual, description of the model and associated processes along with the manual, if any
- HR manual, if any, containing policies for recruitment, performance appraisal, compensation
- Details of the training provided to the employees
- Loan products - loan size, tenure, repayment frequency, interest rate, upfront processing fees, security deposit, other upfront deductions, interest paid on security deposit (if any), center fund collected (if any), guarantee required (if any), collateral security required (if any); prepayment/pre-closure norms, penalties collected (if any)
- Credit-life insurance - amount collected for insurance, amount paid as premium to insurance company, amount of sum assured, how is the claim settled, details of coverage (death/accident/illness; if death, then death due to what causes; does coverage include cover for death due to natural disasters etc)
- Other products offered

External Assessments

- Copies of rating/grading and other external assessment reports

MIS & Accounting

- What software do they use? (Description and essential features)
- Reasons for using this software

Financial Performance

- Operational snapshot - no of states, no of districts, no of branches, no of total members, no of active clients, no of loan officers (including trainees), no of supervisory and administrative staff, total loan portfolio managed (separately showing on-Balance Sheet and off-Balance Sheet portfolio), PAR, repayment rate
- Latest audited/provisional financial statements and audited statements for past three years (statements should be with Schedules)
- Unaudited statements up to the previous month of establishing contact, if audited statement cannot be made available for the current financial year
- List of debt funds received till date and currently outstanding from different institutions - with interest rate and remaining maturity (check for foreign exchange risk if any)
- Capital structure - composition & sources (check for foreign exchange risk if any)

Strategy

- Strategic business plan for the next five years with a clear map of growth and expansion
- Fund raising plans and pipeline