

Guidelines on Fair Practices Code for NBFC-MFIs

CreditAccess Grameen Limited has been extending Microfinance and is also engaged in financing welfare oriented schemes like Water and Sanitation, Education, Improved Cook Stove, Water purifier, Solar light and Health Care, etc. to the poor & low income households. It has adopted an environment conscious approach and strongly believes in “GO GREEN”. As a part of this, a cautious approach in use of natural resources is practiced. The organization is governed by balanced team of learned, experienced practitioners and professionals. To bring total transparency in the working of CreditAccess Grameen the following ‘Code of Fair Practices’ are recommended to be adopted by the Board.

Loan Applications and processing

1. We shall communicate with all our members/ borrowers in the local language namely Kannada in Karnataka, Tamil in Tamil Nadu, Marathi in Maharashtra and Hindi in Madhya Pradesh and Chhattisgarh as they are the respective official languages of the states concerned.
2. We shall collect all necessary documents to comply with **KYC norms of RBI** in respect of the borrowers.
3. We shall provide all necessary details of the loan product along with terms and conditions before taking the loan application. The product details and terms & conditions shall be displayed on **our website and branch premises** prominently. The loan application shall contain documents required for availing the loan
4. We shall record all Loan Applications received in the minute books maintained at the Groups/Kendra’s on the day of such applications. We shall dispose of all the loan applications within 3 weeks from the date of loan application

Loan Appraisal and terms/ conditions

1. We shall train and equip all our Kendra Managers/ Credit Officers to conduct proper due diligence to understand the repayment capacity of the borrower and the details of existing debt if any so that the loan sanctioned is adequate for the purpose and repayable without much strain on the part of the borrower.
2. The Loan sanctioned along with the detailed terms and conditions shall be communicated by means of a **Sanction Letter in local language** and obtain the consent of a borrower by getting the signature of the applicant affixed on the copy of the Sanction Letter to be maintained with the branch as a record.
3. The **Loan agreement** shall encompass the following details;
 1. The interest rate to be charged on annualized basis, the processing fee shall not exceed the RBI prescribed limits and the insurance premium applicable for member and spouse life cover.
 2. We shall always adopt interest rate model taking into account relevant factors such as cost of funds, margin & risk premium, and regulatory cap etc., duly approved from Board. We shall disclose rate of interest for different set of products through formal communications, display in all our office premises and our website. We shall communicate the rate of interest explicitly in the sanction letter.

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3. We shall **not levy any penal rate** of interest on delayed payment/ pre-payment charges to any of the borrowers and shall not stipulate any Security Deposit/ Margin.
4. We shall stipulate that the borrower must **not be a member of more than one SHG/JLG**.
5. We shall provide a minimum **moratorium of one installment** between the grant of loan and due date of the first installment.
6. We shall assure the privacy of borrower's data except for sharing the same with agencies AKMI (Association of Karnataka Microfinance Institution), MFIN, Sa-Dhan, Credit Bureau, Lenders to CreditAccess Grameen, Regulator, Govt. Agencies, and such organizations working in the sector.
7. Loan Agreement shall include the decision to recall / accelerate the repayment whenever the borrower commits a gross deviation of any of the terms and conditions of the loan giving a notice of 7 days to pay off the advance.
8. Loan Agreement shall also contain a clause to release all securities and repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim we may have against the borrower. Under such conditions when the right of set off is to be exercised, we shall serve a notice period of 7 days about the same with full particulars about the remaining claims and the conditions under which we are entitled to retain the securities till the relevant claim is settled/ paid.
9. We shall declare our accountability for any inappropriate staff behavior and timely Grievance Redressal of the borrowers. Grievance redressal channels shall be available on the loan cards issued to the borrowers, as well as at all GFSPL branches.
10. We shall give options of repayment frequency to all customers to choose between weekly, biweekly or monthly depending on their cash flow.

While all the terms and conditions shall be provided to the customers by way of sanction letter and Loan Card, a copy of the Loan agreement shall also be made available to those borrowers who make specific request for the same. . This decision is as a part of the ideology of “GO GREEN”, saving enormous quantity of paper.

Disbursement of Loans

1. We shall serve **notice to borrowers in local language of any change/s in terms and conditions** including disbursement schedule, interest rates, service charges, prepayment charges etc. We shall also effect such changes only prospectively.
2. We shall organize all sanctioning and disbursement of loans to happen at the branch location and more than one official shall be involved in this function. We shall have close supervision of the disbursement function by our senior officials through random checks.
3. We shall issue loan card containing following information.
 1. Borrower's identity and the relevant information.
 2. All the entries in the loan card shall be in the local language.
 3. Annualized rate of interest charged & all the fees if any.
 4. Salient terms and conditions of the loan.
 5. Our acknowledgements for the repayments including installments received and final discharged.

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6. We shall prominently display our Grievance Redressal System including the **Toll free no.1800-425-0205** and designation of the nodal officer apart from Branch address and telephone number of the branch.
7. We shall detail the non-credit products namely Health Care Cover wherever applicable and obtain the consent of the beneficiaries under the scheme.

Non-Coercive Methods of Recovery

1. We shall collect all our recoveries at the **central designated place namely Kendra Meetings**. Only in the case of borrower fails to attend at Kendra Meeting on 2 or more occasions and also fails to repay, our field staff shall visit to the place of residence or place work of the borrower for recovery.
2. We shall ensure that a uniform systems and procedure approved by Board as a policy in the matter of staff recruitment, training and supervision. Our policy shall be to train field staff through training programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
3. We shall not have any incentives for the number of loans mobilized and the rate of recovery. We shall have a policy of appraisal of field staff, where the compliance of code of conduct and customer satisfaction shall be the parameters for appropriate compensation.
4. We shall initiate necessary disciplinary action against staff who abuses any of the items under Code of conduct.
5. We shall not engage/outsource any recovery agents for recovery.

General

1. We shall refrain from interference in the affairs of the borrower/ member except for the purposes provided in the terms and conditions of the loan agreement (unless the borrower/member declared/ disclosed earlier false information which comes to our notice on a later date).
2. We shall oblige the request for transfer of borrowal account, the consent or otherwise i.e. objection of the NBFC, if any, should be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
3. We shall lay down effective Grievance Redressal Mechanism by way of installing **complaint boxes** at all our offices, arrange for the **Toll Free Number 1800-425-0205** and designate a senior level officer as Grievance Redressal Officer. We shall provide the address / telephone no. of the Ombudsman working at the office of Association of Karnataka Microfinance Institutions and such other Grievance Redressal offices being made available at different states we are working.
4. We shall provide 5 days' time to redress grievance of any member at the branch level failing which the borrower will escalate the matter through the **Toll free number 1800-425-0205 to Grievance Redressal Cell at Head Office** which shall resolve the grievance within 7 days. If the borrower still not satisfied can escalate the matter to the Ombudsman, Association of Karnataka Microfinance Institutions. We shall submit the

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periodical consolidated review report of the Grievance Redressal Committee to the Board of Directors for their review and approval.

5. We shall display our Fair Practices Code in local languages in all our office premises. Also the following informative displays shall be organized at branches and our web site;
 1. Loan products with salient features
 2. Dos and don'ts for field staffs.
Grievance Redressal Mechanism detailing Branch Manager's name and contact number, Area Manager's name and contact number, Toll Free number 1800-425-0205 and nodal officer designation, Ombudsman's address and contact number and availability of complaints box.
 3. Sa-Dhan-MFIN Code of conduct
 4. We shall bring out a statement in local language articulating our commitment to transparency and Fair Lending Practices and the same shall be displayed in the office premises and loan cards.
 6. We shall provide training and refresher courses to all our members/ borrowers at annual interval at free of cost so as to bring about the awareness of all the changes that might have occurred during the period. We shall train our field staff to enable them to render such training to borrowers. Also we shall cover a minimum of 5 % of our borrowers/ members to be contacted to study the borrowers' feelings about our systems and procedures, quality of loan products and any other deficiencies so as to bring about necessary changes for their utmost convenience.
 7. Our field staffs shall not call on the borrowers **before 6 am and after 8 pm** and shall not visit their residence or work place on days of festival, marriage etc., or any mourning occasions for the purpose of recovery.
 8. We shall create awareness amongst the borrowers and support them by giving loans to adopt hygienic equipment like improved smokeless stove, water purifier, solar lights, sanitation, education, health care, etc. for their day-to-day requirements. This would go a long way in bringing about the green effect.
 9. We shall ensure that the procedure for application of loan is not cumbersome and loan disbursements are made as per pre-determined time schedule driven through the well-defined process.
 10. The details of insurance product, the terms and conditions of the policy, claim settlement, nomination, etc. shall be advised in detail in local language and necessary consent is obtained from the applicant.

Internal Control System

We shall constitute a **Fair Practice Code Compliance Committee** to review the implementation at Quarterly intervals and furnish feedback on the same to the Board of Directors at their review at half-yearly intervals. We shall incorporate verification and checks for compliance of all the practices through the specific designed officials in the hierarchy and through effective internal audit/ periodical inspections.