

FAIR PRACTICE CODE

SHARE Microfin Limited (“SML” or the “Company”) is registered as Non-deposit taking, Systemically Important NBFC - MFI with RBI and commits itself for implementing and adopting fair practices in all its activities and transactions with the stakeholders. The Company has adopted a code of conduct to promote good and fair practices by setting minimum standards in dealing with the clients and increasing transparency so that the clients have a better understanding of the services provided. The Company commits itself for implementing and adopting these fair practices in all its activities and transactions with its members while functioning as an NBFC - MFI

Methodology of extending microfinance loans to Joint Liability Groups

The methodology of loan delivery is initiated by an orientation meeting organized in the villages where women are briefed on the loan disbursements and procedures. Women are then asked to form into groups of five members of their choice and 7 to 10 such groups form a Center/ JLG. The Company does not influence the selection of group members, the decision regarding the income generation activity and the loan amount they intend to take. After formation of the Group, the concerned Field Credit Assistant collects the ID proof and address proof for processing of client details to the Credit Bureau enquiry. After getting the Credit Bureau results, training is conducted for 5 to 7 days on procedures, methodology, calculation of interest rates and business development skills. The purpose of this training is to assist the members in identifying an income generation activity. Once the initial group training is complete and enrolled into a group through a Group Recognition test conducted by the authorized field officer, the groups meet weekly in their villages at a place and time convenient to them. The members undertake the responsibility of approving, disbursing and repaying the loans. A staggered disbursement ratio is maintained in order to build up discipline and promote proper loan utilisation. The field staff of the Company (Field Credit Assistant - Loan Officer) facilitates the loan utilisation, repayments and credit discipline of the groups. At the field level, the Branch manager, Area manager and Divisional manager make surprise visits to the centers/villages and verify the operations with the clients. The clients have access to these higher level staff to highlight and discuss their issues/grievances, if any. The senior staff at field level has been empowered to take certain actions/decisions to address the needs/issues of the clients immediately.

Apart from extending microfinance loans, the company also provides micro enterprise/ business loans to individuals

A. Fair Practices Code for all lending activities

I. Loan Proposal and their Processing

- a) Primary data is collected from the borrower along with Know Your Customer (KYC) norms as per the Company guidelines in the prescribed format.
- b) The authorized staff of the Company shall verify the loan application along with all the sureties and approvals, applicable as per the policies of the Company. The staff should also make sure that the following information is filled completely:
 - Date of application
 - Borrower identification particulars
 - Loan amount and product details
 - Applicable interest rate
 - Term of the loan
 - Repayment particulars

- Details of indebtedness
 - Income details
 - Purpose of the Loan
 - Nominee details for non-credit products offered along with the loan (or) separately
 - Bank account details
- c) All communications by the Company to the borrower shall be in the vernacular language or a language as understood by the borrower.
- d) Loan application forms provided by the Company should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. Borrower has to submit the following documents along with the application to obtain the loan from the Company.
- KYC document as prescribed by the RBI (for both ID Proof & Address Proof)
 - Income Proof
 - Passport size photograph of the client and the Spouse / Guardian
- e) The Company shall give acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed shall also be indicated in the acknowledgement.

II. Loan Appraisal and Terms & Conditions

- a) The designated staff of the Company will convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise the following:
- The amount of loan sanctioned
 - The terms and conditions of the loan
 - Annualised rate of interest
 - Method of application of the annualized rate of interest

III. Disbursement Procedure of loans

- a) The Company should complete the following documentation at the time of disbursement of the loan wherever applicable:
- Demand promissory note
 - Surety or Guarantee
 - JLG members/ Group acceptance
 - The acceptance of the terms and conditions by the borrower, rate of interest, processing charges, repayment terms and all other terms and conditions if any.
- b) The Company shall keep the acceptance of these terms and conditions by the borrower and all the other concerned documents on its record/safe custody by the authorized persons.
- c) The Company shall furnish a copy of the loan agreement containing all the terms and conditions attached to the loan in the vernacular language as understood by the borrower along with the copies of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

- d) Loans will be disbursed in the Company's branch premises only.
- e) Loan passbook will be given to every borrower for each loan. The loan passbook would contain the repayment schedule, effective interest rate and processing charges and Insurance premium and claim procedure details etc.
- f) The Company will take decision to recall payment under the loan agreement as agreed with the borrower under intimation.
- g) The Company will not charge any penalty on delayed payments and the same has been mentioned in the Loan agreement in Bold and vernacular language as understood by the borrower.
- h) The Company will give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively.

IV. Release of Security

- a) The Company shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against borrower.
- b) If the Company has any claim against borrower in respect of the loan outstanding and repayment of all dues or on realization of the outstanding amount of loan, the Company shall give prior notice about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

V. General

- a) The Company will not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement, unless new information, not earlier disclosed by the borrower, has come to the notice of the Company.
- b) If there is any specific request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the Company, if any will 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.
- c) The Company will not resort to undue harassment i.e. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- d) The Company will ensure that its staff is adequately trained to deal with the customers in an appropriate manner without resorting to rude behavior.

VI. Grievance Redressal Mechanism

- a) The Company has adopted Grievance Redressal Mechanism. In case a Company's staff is involved in any kind of misbehavior, disciplinary action against such staff shall be taken immediately.
- b) All the grievances related to staff will be taken through grievancecell@sharemicrofin.in and also through the contact number 9573111182.
- c) All the clients have access to the higher level staff (i.e. Branch Manager, Area Manager & Divisional Manager) to highlight and discuss their issues/grievances if any. The senior staff at field level has been empowered to take certain actions/decisions to address the needs/issues of the clients immediately.
- d) In order to ensure that all disputes arising out of the decisions of the company's functionaries are heard and disposed of at least at the next higher level, clients may contact the client grievance cell as follows:

Designation	Grievance Redressal Officer (Mrs. Vijayalaxmi)
Contact No.	18001236585 (The contact number have been allocated exclusively to the Grievance Cell Officer. Calls will be taken between 10.00 am to 5.00 pm on all working days and at the time of making such calls, clients need to provide details such as client ID and branch name)
Email id	grievancecell@sharemicrofin.in

- e) All the branches shall have a suggestion and complaint box in their premises where the clients can make their grievances.
- f) All the grievances shall be attended within 48 hours of the complaint for all the complaints received over phone and for all the grievances given in the complaint box will be addressed within a week to fortnight time on a case-to-case basis.
- g) If the complaint/dispute is not redressed within a period of one month, the client may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI:

Designation	The General Manager
Contact address	Department of Non Banking Supervision (DNBS), Secretariat Road, Saifabad, Hyderabad – 500 004
Contact No.	Tel: 040-23241270 Fax: 040-23232648
Email id	dnbshyderabad@rbi.org.in

The Board of Directors of the Company shall periodically review the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management.

VII. Review of the Compliance of the Fair Practices Code

- a) The Managing Director of the Company will review the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism once in a quarter.
- b) A report on the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism will be placed before the Board of Directors of the Company once in a year.

VIII. Measures/ Regulations against Charging of Excessive Interest

- a) Board of Directors of the Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.
- b) The Company will obey the guidelines with regard to transparency of terms & conditions of the loan as mentioned in the Fair Practices Code of the Company.
- c) The Company shall adopt interest rate model with the Board Approval by taking into account the relevant factors such as Cost of Funds, Margins, and Risk Premiums etc.
- d) Charging different rates of interest for different products shall be disclosed in the loan application form and loan sanction letter to the Borrower.

IX. Privacy of Client Information

- a) Shall keep personal client information strictly confidential.
- b) Shall disclose client information to a third party only under the following conditions:
 - Client has been informed about such disclosure and permission has been obtained in writing.
 - The party in question has been authorized by the client to obtain client information from the Company.
 - It is legally required to do so.
 - This practice is customary amongst financial institutions and available for a close group on reciprocal basis (such as a credit bureau).

X. Regarding Repossession of Financed Vehicles

As the company does not offer vehicle loans, the clause of repossession of vehicles is not applicable to the Company.

- a) In case of financed vehicles, the Company will have a built in re-possession clause in the loan agreement with the borrower which must be legally enforceable.
- b) To ensure transparency, the Company shall ensure that the terms and conditions of the loan agreement should also contain provisions regarding:
 - Notice period before taking possession
 - Circumstances under which the notice period can be waived
 - The procedure for taking possession of the security
 - A provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property

- The procedure for sale/ auction of the property

B. Fair Practices Code specifically for microfinance activity

In addition to the general principles as above, the Company follows fair practices that are specific to its lending business and regulatory framework.

1. General

- a) The Fair Practices Code in vernacular language shall be displayed by the Company in its office and branch premises.
- b) A statement shall be made in vernacular language and displayed by the Company in its premises and in loan cards articulating our commitment to transparency and fair lending practices.
- c) The Company's Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers.
- d) Training if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products.
- e) The effective rate of interest charged and the grievance redressal system set up by the Company shall be prominently displayed in all its offices in the respective vernacular language and on its website.
- f) A declaration that the Company is accountable for preventing inappropriate staff behavior and timely grievance redressal shall be made in the loan agreement and also in the Fair Practice Code displayed in its office/branch premises.
- g) The Company shall comply with the KYC Guidelines of RBI and due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- h) All sanctioning and disbursement of loans shall be done only at the Company's central location and there shall be close supervision of the disbursement function.
- i) The Company shall not collect any security on any loan provided under the microfinance activity.

2. Disclosures in loan agreement / loan card

- a) The Company will have a Board approved, standard form of loan agreement which should preferably be in vernacular language.
- b) The loan agreement of the Company shall disclose the following details:
 - All the terms and conditions of the loan
 - Pricing of the loan which involves only three components i.e. the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof)
 - No penalty is charged on delayed payment
 - No pre-payment charges will be collected

- No Security Deposit / Margin is being collected from the borrower
 - The borrower cannot be a member of more than one SHG / JLG
 - Moratorium between the grant of the loan and the due date of the repayment of the first installment as provided in the NBFC-MFIs (Reserve Bank) Directions, 2011 and as amended in future
 - An assurance that the privacy of borrower data will be respected except as agreed with the borrower
- c) The Loan Card provided by the Company shall reflect the following details:
- The effective rate of interest charged
 - All other terms and conditions attached to the loan
 - Information which adequately identifies the borrower
 - Acknowledgements by the Company of all repayments including installments received and the final discharge.
 - The loan card will prominently mention the grievance redressal system set up by the Company and also the contact number of the Grievance cell.
 - Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself
 - The loan card should be in vernacular language except numerical mentioned on the card.

3. Avoiding Over-indebtedness:

- a) Shall conduct proper due diligence to assess the need and repayment capacity of client before making a loan and must only make loans commensurate with the client's ability to repay.
- b) Shall not give loan to a borrower who is a member of more than one SHG/JLG.
- c) Shall not breach the total debt limit for any client, as prescribed by the RBI or Central/State Governments.
- d) All loans will be approved through the Centralised Loan Approval Process (CLAP) ie all applications would be sent to the credit bureau(s) to understand client over indebtedness.

4. Non-Coercive Methods of Recovery

- a) Collections shall be done in the common place where the clients can feel free for paying their installments.
- b) Do not contact or meet clients at odd hours, as per the RBI guidelines for loan recovery. Loan recoveries should not be made in the field before 06.00 am in morning and after 07.00 pm in the evening.
- c) Staff shall follow client protection guidelines adopted by the Company and should not force the clients for recoveries.
- d) Staff shall be allowed to make recovery at the place of residence or work of the borrower only if the borrower fails to appear at the central designated place on 2 or more successive occasions.
- e) Staff should not use any other persons for collection of recoveries from the clients.

- f) Staff should enter the details in the passbook after the collecting the repayments or the staff should issue the receipt to the client as evidence for repayment.
- g) The Company shall ensure that a Board approved policy is in place with regard to the Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code should necessarily contain the following provisions:
- Lay down minimum qualifications necessary for the field staff
 - Shall have necessary training tools identified for them to deal with the customers
 - Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
 - Compensation methods for staff shall have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.

5. Internal control system

The Company shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.

C. Code of Conduct

In addition to the above fair practices code, the Company commits itself to the code of conduct of Microfinance Institutions Network (MFIN) and Sa-Dhan, of which, the Company is a member.

The Fair Practices Code is subject to revision based on the RBI guidelines and such revisions shall be made on a time to time basis.