

## 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 villagers 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 8 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 KYC consent form as per guidelines along with 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 2 to 6 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 (usually BM and above cadre), the groups meet weekly in their villages at a place and time convenient to them. The members undertake the responsibility of approving and repaying the loans. The field staff of the Company (Field Credit Assistant - Loan Officer) facilitates the loan utilization, 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. Additional documents sought must be reasonable and necessary for completing the transaction.
- b) The authorized staff of the Company shall verify the loan application along with all the credentials and group members as guarantee (as part of group guarantee) 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
  - Other Loan Repayment particulars

- Details of indebtedness
- Household 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
- d) Loan application forms provided by the Company should include necessary information which will not affect 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)
  - 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, at the time of disbursement:
- The terms and conditions of the loan
  - Annualized rate of interest along with Fact sheet
  - Method of application of the annualized rate of interest
  - Shall communicate the effective rate of interest and the approach for gradation of risk and rationale for charging different rate of interest for different category of borrowers

## **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, loan documents
  - Spouse signature/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.
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- d) Loans will be disbursed in the Company's branch premises / digitally.
- e) Loan passbook will be given to every borrower for each loan. The loan card would contain Information which adequately identifies the borrower, all other terms and conditions attached to the loan , acknowledgements by the company of all repayments including installments received and the final discharge; and details of the grievance redressal system, including the name and contact number of the nodal officer of the Company.
- f) The Company will take decision to recall payment under the loan agreement as agreed with the borrower under intimation.
- g) The Company will give notice to the borrower in the vernacular language of any change in the terms and conditions including disbursement schedule, interest rates, Processing fee, GST prepayment charges etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively.

#### **IV. Release of Security (Individual Lending Only)**

- 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 including recovery related grievances**

- 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 [staffgrievances@sharemicrofin.in](mailto:staffgrievances@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 including recovery related grievances are heard and disposed of at least at the next higher level, clients may contact the client grievance cell as follows:

Designation	<b>Grievance Redressal Officer</b>
Contact No.	18001236585 (The contact number have been allocated exclusively to the Grievance Cell Officer. Calls will be taken between 09.30 am to 05.30 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	<a href="mailto:grievancecell@sharemicrofin.in">grievancecell@sharemicrofin.in</a>

- 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) The client may contact the Officer-in-Charge of the Regional Office of Department of Non-Banking Supervision(DNBS) of Reserve Bank of India:

Designation	The General Manager
Contact address	Department of Non Banking Supervision (DNBS), Secretariat Road, Saifabad, Hyderabad – 500 004
Contact No.	Tel: 040-23241270
Email id	<a href="mailto:doshyderabadic@rbi.org.in">doshyderabadic@rbi.org.in</a>

Further, clients can directly lodge their complaints under cms portal <https://cms.rbi.org.in/>  
 (OR)

MFIN (the SRO) of the Company through their toll-free number 1800 102 1080 or website [www.mfinindia.org](http://www.mfinindia.org)

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. Ombudsman Scheme

- a) Clients can also contact Mr. B. B. Sankara Rao (Principal Nodal Officer appointed under Ombudsman Scheme) on 040 2780 8380
- b) If the complaint/dispute is not redressed within a period of one month (30 days), the client may approach the RBI's NBFC Ombudsman of their respective regions as per below details:

<b>Regional Office</b>	<b>States covered under Centre (Area of Operation)</b>	<b>Address &amp; Contact Details of RBI - NBFC Ombudsman</b>
Chennai	Tamil Nadu, Andaman and Nicobar Islands, Karnataka, Andhra Pradesh, Telangana, Kerala, Union Territory of Lakshadweep and Union Territory of Pondicherry	C/o. Reserve Bank of India, Fort Glacis, Chennai, Tamil Nadu. PIN - 600 001 Tel No.: 044 2539 5964 / 2539 5488 Email Id: nbfcchennai@rbi.org.in
Mumbai	Maharashtra, Goa, Gujarat, Madhya Pradesh, Chhattisgarh, Union Territories of Dadra and Nagar Haveli, Daman and Diu	C/o. Reserve Bank of India, RBI Byculla Office Building, Opp. Mumbai Central Railway Station, Byculla, Mumbai, Maharashtra. PIN - 400 008 Tel No.: 022 2302 8140 / 2302 2024 Email ID: nbfcomumbai@rbi.org.in
New Delhi	Delhi, Uttar Pradesh, Uttarakhand, Haryana, Punjab, Union Territory of Chandigarh Himachal Pradesh, and Rajasthan and State of Jammu and Kashmir	C/o. Reserve Bank of India Sansad Marg, New Delhi. PIN - 110001 Tel No.: 011 2372 4856 / 2372 5218 - 19 Email ID: nbfcnewdelhi@rbi.org.in
Kolkata	West Bengal, Sikkim, Odisha, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar and Jharkhand	C/o. Reserve Bank of India, # 15, Netaji Subhash Road, Kolkata, West Bengal. PIN - 700 001 Tel No.: 033 2230 4982 / 2230 5899 Email ID: nbfcokolkata@rbi.org.in

#### **VIII. 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.

#### **IX. 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.

## **X. 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).

## **XI. 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 regarding the income and existing debt of the household.
- 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.

- **Client Education:**
  - Shall educate clients, staff, and any persons acting on their behalf on the Company's fair practices code and its implementation.
  - Shall follow approved Company process to raise clients' awareness of the options, choices, and responsibilities vis-à-vis financial products and services available.
  - Shall inform all new clients about the organization's policies and procedures with regard to the loans.
- 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 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
  - Simplified factsheet on pricing
  - No penalty is charged on delayed payment
  - No pre-payment charges will be collected
  - No Security Deposit / Margin is being collected from the borrower
  - 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 and / or language understood by the borrower except numerical mentioned on the card

**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 breach the total debt limit for any client, as prescribed by the RBI or Central/State Governments.
- c) All loans will be approved through the Centralized Loan Approval Process (CLAP) i.e. all applications would be sent to the credit bureau(s) to understand client over indebtedness.

**3. 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 sunrise in morning and after sunset in the evening. Staff shall follow client protection guidelines adopted by the Company and should not force the clients for recoveries.
- c) Staff should not
  - use threatening or abusive language,
  - harass relatives, friends or co-workers of the clients
  - publish name of the clients
  - use or threat of use of violence or other similar means to harm the client or client's family / assets / reputation
  - mislead the client about the extent of the debt or the consequences of non-repayment
- 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.
  - Shall ensure that all staff and persons acting for the Company or on behalf of the Company:
    - a) Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
    - b) Do not indulge in any behavior that in any manner would suggest any kind of threat or violence to clients.
    - c) Do not visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues.
    - d) Shall follow approved Company procedure to deal with client default sensitively.

#### **4. 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.

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