

Fair Practice Code in conducting Microfinance.

As directed by the Reserve Bank of India, from time to time through its circulars, the Bank has adopted Fair Practice Code for retail microfinance borrowers as approved by the Board of Directors. The same shall be displayed in the branches and website of the Bank in vernacular languages. The salient features of the same are:

Applications for Loan	<ul style="list-style-type: none">a) In the loan application form, the Bank shall provide comprehensive information including information about fees and charges, if any, payable for processing and amount of such fees refundable in case of non-acceptance of loan application, prepayment options and other matters which affects the interest of the borrowers, irrespective of the amount of loan sought by them.b) The application forms and agreements will be provided in the language understood by the borrower.
Processing	<ul style="list-style-type: none">a) The Bank/ Its authorised representatives shall provide acknowledgement for receipt of all loan applications indicating the time frame within which the application will be disposed of.b) The Bank/ Its authorised representatives shall verify the loan application and if additional details / documents are required; these will be sought from the applicant.c) The Bank will process the application without delay. In case the application is turned down, the Bank/ Its authorised representatives will convey the reasons for rejection within one month via physical or digital communication to the applicant.
Loan Appraisal and Terms and Conditions	<ul style="list-style-type: none">a) The sanctioning authority will be expected to ensure proper assessment of the credit application as per the extant instructions and credit policy of the bank.b) All the terms and conditions and other caveats will be duly communicated by the Bank to the borrower.c) The bank/ Its authorised representatives would convey to the borrower/guarantor the credit limit along with the terms and conditions thereof in the language understood by the borrower and obtain the borrower's/guarantor's acceptance
	<p>of these terms and conditions given with his/her full knowledge on record.</p> <p>A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement would be shared physically/ digitally to the borrower in the language understood by the borrower.</p>

	<p>The sanction letter / loan agreement will clearly state that the credit facilities will be extended solely at the discretion of the Bank.</p> <p>Any fees/charges payable by the borrower to the Bank and/ or its partner/ agent shall be explicitly disclosed in the KFS. The borrower shall not be charged any amount which is not explicitly mentioned in the KFS.</p> <p>Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.</p> <p>Bank shall provide a loan card to the borrower in the language understood by them which shall incorporate the following:</p> <ul style="list-style-type: none"> • Information which adequately identifies the borrower. • KFS on pricing and charges associated with the Loan. • All other terms and conditions attached to the loan. • Acknowledgements of all repayments including instalments received and the final discharge. • Details of the grievance redressal system, including the name and contact number of the respective officials of the Bank.
Disbursement of loans including changes in Terms and Conditions	<p>The Bank would ensure timely disbursement of loans sanctioned in conformity of terms and conditions governing such sanction.</p> <p>Any changes in the terms and conditions of the sanction such as interest and charges will be notified to the borrower before effecting the changes.</p> <p>Any changes in interest rate and charges will be affected only prospectively after giving due notice to the borrower.</p> <p>While fixing repayment schedule, a provision of flexible repayment periodicity shall be fixed as agreed with the borrower/s.</p>
Post Disbursement Supervision	<p>The post disbursement supervision, if any, will be stipulated at the time of issue of the sanction letter. The sanction letter would also mention whether the Bank or the borrower will bear the cost of supervision.</p> <p>Before taking a decision to recall / accelerate payment or performance under the agreement, the Bank will give notice to borrowers, as specified in loan agreement or a reasonable period, if no such condition exists in the loan agreement.</p> <p>To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.</p>

Penal Charges	<p>a) The penal charges applicable to Microfinance as covered in this Policy are subject to the overarching 'Policy on Penal Charges in Loan Accounts'.</p> <p>b) Banks may levy penal charges in loan accounts for noncompliance of material terms and conditions of loan contract by the borrower.</p> <p>c) The quantum and reason for penal charges shall be clearly disclosed by the Bank to the customers in the loan agreement and Most Important Terms & Conditions (MITC)/ Key Fact Statement (KFS) as applicable.</p> <p>d) Penal charges shall not be capitalized. In other words, no interest shall be applied/ computed on such penal charges.</p> <p>e) The penal charges will be collected only for the actual number of days for which the account was in default / has arrears/ is overdrawn (or) for the actual number of days for which the material terms and conditions remained non-complied.</p>
Others	<p>a) The Bank will not interfere in the affairs of the borrowers except for conditions stipulated in the terms and conditions of the loan sanction documents.</p> <p>b) All non-credit products (both financial products such as investment products, insurance products, etc. as well as non-financial products should be provided only with the explicit consent of the borrower, and it should be ensured that there is no direct or indirect linkage between the loan provided to the borrower and other non-credit products. No non-credit products shall be sold as a pre-condition for the loan product, and it shall be based on the voluntary decision of the borrowers and details of such products shall be explicitly communicated to the borrower in the loan card itself.</p> <p>c) In case any information not disclosed earlier by the borrower has come to the notice of the Bank, the Bank will have the right to elicit the necessary information from the borrower and initiate action to protect its interest.</p> <p>d) While, the Bank may participate in credit-linked schemes framed for weaker sections of the society, the Bank shall not discriminate on grounds of gender, caste, and religion in the matter of lending.</p> <p>e) Bank or its agent shall not engage in any harsh methods towards recovery such as:</p> <ul style="list-style-type: none"> • Use of threatening or abusive language • Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m. • Harassing relatives, friends, or co-workers of the borrower. • Publishing the name of borrowers.

	<ul style="list-style-type: none"> • Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation. • Misleading the borrower about the extent of the debt or the consequences of non-repayment.
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Displaying information at Customer Service Points (CSPs)	<p>All CSPs will have the following information displayed for the benefit of the customer.</p> <ul style="list-style-type: none"> • The FPC document, in the vernacular language, articulating Bank's commitment to transparency and fair lending practices. • All the product details. • The effective rate of interest charged along with details of the minimum, maximum and average interest rate charged, if any. • The processing charges. • The insurance premium • A grievances redressal matrix with contact numbers.
Training	<p><u>Training to Bank Officials.</u></p> <p>The conduct of the Bank staff handling microfinance loans will be governed by the Staff Rules and Regulations of HR Department, like all other employees. The staff is bound by the Fair Practice Code as specified above and Bank's conduct principles.</p> <p>In accordance with HR Policies and Procedure the recruitment process of the staff will be carried out and placed with MRBD for handling microfinance business.</p> <p>MRBD jointly with HR (TD&T) will design appropriate training program for the staff handling microfinance, interalia covering handling of customers, appropriate behaviour towards customers etc. The training progress and staff performance will be recorded and monitored by HR.</p> <p>The minimum educational qualification for staff handling microfinance is graduation or matriculation with minimum ten years of experience in branch operations.</p> <p>Conduct of the staff towards customers will be in the performance management matrix and compensation of the staff by HR.</p> <p><u>Training to BC/ Partner's officials:</u></p> <p>Micro and Rural Banking Department will initiate required training to field staff on required attributes with regard to sourcing, exploring and computing the existing income and debt of the customers. Detailed training will be offered to the customers by the field staff or Bank employees. The training will help the customers familiarize</p>

	<p>themselves with the procedures and systems related to the loan and such trainings should be free of cost.</p> <p>Periodical training sessions to be given to all Bank staff as per Bank's training policies and the content should include various tools to deal with the customers and to inculcate appropriate behaviour towards customers. Such training shall be on Such behavioural pattern shall be a part of their performance matrix.</p> <p>While onboarding BCs/ BC Officials, eligibility criteria as stipulated in Bank's BC Policy shall be followed. BC officials handling field activities and interacting with customers shall get trained by Bank/ authorised agencies and such trainings shall include skills and abilities to deal with the customers and shall include subjects relates to appropriate behaviours towards customers.</p>
Grievance redressal Structure	<p><u>For Bank Branches</u>: Will continue with the current structure of grievances redressal mechanism, which is already in practice and applicable while delivering all products and services.</p> <p><u>For Business Correspondents</u>: Detailed grievances redressal matrix enclosed as a part of Loan Card in Annexure III.</p>