

Mitrata Inclusive Financial Services Ltd.

INTRODUCTION:

Mitrata Inclusive Financial Services Limited (Mitrata), an NBFC - MFI registered with Reserve Bank of India. The operations of MIFSPL are currently spread across 5 states – Bihar, UP, Haryana, MP and Rajasthan. Mitrata has a social vision and business orientation aiming to provide underprivileged women with economic opportunities to transform the quality of their lives. Mitrata has been following MFIN's Code of Conduct to improve quality of lending, Fair Interaction, Suitability, Education and Transparency, Information and Privacy, Grievance Redressal, Employee Engagement and transparency, ethical behaviour and client protection.

Objective:

- Promote good and fair practices by setting standards in dealing with the customer.
- Lay down a comprehensive guideline on the code of conduct in order to achieve organization's core objectives.
- Ensuring effective dissemination of code of conduct throughout the organization and stakeholders.
- Benefiting the clients by inculcating/ingraining the values of code of conduct into the fabric of the organization.

Code of Conduct

Mitrata Inclusive Financial Services Ltd. (hereinafter referred as "Mitrata Inclusive Financial Services") seeks to enable the economically active poor to build a better life and promote financial inclusion by providing full range of financial services. In pursuing its mission, Mitrata Inclusive Financial Services has been ensuring that principles of "responsible lending, transparency and ethical values" are followed in all its dealings with customers. Mitrata follows the guidelines issued by **Reserve Bank of India** (RBI) on Fair Practices Code for NBFC-MFI and has also adopted **Industry Code of Conduct** developed by **MFIN** (Microfinance Institutions Network) and **Sa-Dhan** (The Association of Community Development Finance Institutions).

CODE OF CONDUCT FOR MITRATA INCLUSIVE FINANCIAL SERVICES PVT. LTD

The code has seven elements:

1. Fair Interaction:

- Mitrata shall ensure that borrower is not unfairly discriminated against on grounds such as religion, caste, gender, marital status, sexual orientation, etc.
- Mitrata must ensure that all employees and persons acting on its behalf: a) Undergo training on how to exhibit appropriate behaviour towards the borrowers. b) Use respectful language, maintain decorum, and show respect to social and cultural sensitivities. c) Do not use coercion of any sort to make recovery of loans and take recovery only at a central designated place. An employee can take recovery at the place of residence or work of the borrower only if the borrower fails to appear at the central designated place on two or more successive occasions. d) Do not intimidate or humiliate verbally or physically. e) Do not

contact borrowers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriages and births. f) Do not harass relatives, friends, neighbours, or co-workers of the borrower.

- Mitrata will ensure that the engagement of the recovery agents and their interaction with the borrowers is as per the guidelines mentioned in the Harmonized Regulations.

2. Suitability:

- Mitrata will disburse the loan commensurate with the borrower's ability to repay. Mitrata will ensure a limit of maximum 50 percent on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. The computation of loan repayment obligations shall take into account all outstanding loans of the household.
- Mitrata should ensure that the Interest rates and other charges/fees on microfinance loans are not usurious and there should not be any pre-payment penalty charges.
- Mitrata should ensure that the household income is properly computed by considering the income of the borrower, spouse, and their unmarried adult children.
- Mitrata must use a valid CCIR (Comprehensive Credit Information Report) for the borrower and all the household members of the borrower before sanctioning any loan. It is clarified that valid CCIR must be used for all loans including small value top-up loans, and second and subsequent cycle loans.
- Mitrata shall mandatorily submit timely (preferably daily) and accurate information including household income and other parameters to the Credit Information Companies (CICs).
- Mitrata should not sanction/ disburse a loan to a borrower who has non-performing (delinquency > dpd 90 days) accounts with loan amount outstanding > ₹3,000 with another RE or any other microfinance provider.

3. Education & Transparency

- Mitrata must provide key information to the borrower and include them in the loan documents such as the loan application, loan sanction letter, loan agreement, and loan card. This must include: i) Identity and address of the Mitrata. ii) Identity and address of the borrower.
iii) Product details (simplified factsheet on pricing in the format specified in the RBI regulations, including instalments received and the final discharge and other key terms and conditions). iv) Details of customer grievance redressal system.
- Mitrata must ensure that the issuance of third-party products is done with full consent of the borrowers, kept voluntary and the fee structure for such products is explicitly communicated to the borrower.
- Mitrata must communicate with the borrower in vernacular language understood by the borrower. The communication could pertain to the terms and conditions of the loan, entries in the loan card, fair practices code, standard form of loan agreement, factsheet on pricing of the microfinance loan, and other such communication pertaining to the loan and non-credit products and their servicing.
- Mitrata must take measures (such as training, assessment, and periodic interactions with borrowers) to ensure that borrowers fully understand the products, process, and terms of the contract.
- Mitrata must provide a receipt/ acknowledgement for every payment, including the digital payments, received from the borrower.
- Mitrata must give emphasis to educating customers on the importance of timely repayment for good credit history with the CICs, benefits, risks and necessary safeguards of digital

financial transactions and grievance redressal mechanism including internal and external escalation mechanism.

- Mitrata must educate customers against blind trust on group and centre leader and how any default in the fictitious loan (also referred to as ghostlending/pipelining taken by group/ centre leader in customer's name) can ruin her credit records and access to credit in the future. This should be a part of the Compulsory Group Training (CGT)/Group Recognition Test (GRT) process.
- Mitrata also strive to ensure customer attendance in the group meetings. Any training offered to customers should be free of cost.
- Mitrata must disclose the reason to the customer if her loan is rejected. For this purpose, an easily accessible channel through which the borrower can enquire about the status of her application should be provided.

4. Information and Privacy

- Mitrata must provide copies of KYC Documents from borrowers as per the RBI norms.
- Mitrata must upload accurate and comprehensive borrower data with all RBI approved Credit Information Companies (CICs) as per Uniform Credit Rating Format.
- Mitrata must take the borrower's consent for checking the her CCIR and her acceptance of the terms and conditions of the loan. Consent should also be obtained from the borrower's household members for checking their CCIRs as per the extant regulations and laws.
- Mitrata must promptly address any dispute raised by the borrower about her data with CICs.
- Mitrata must have systems to safeguard borrower and borrower's household members' data as per the accepted principles of data protection including collection limitation, purpose specification, use limitation, incorporation of access controls etc.
- Mitrata must keep borrower and borrower's household members' personal information strictly confidential. This information may be disclosed to a third-party subject to any of the following conditions: i) Such information is required to be provided under the law or it is provided for a mandated business purpose (for example, to credit information companies) ii) Borrower/borrower's household members have been informed about such disclosure and prior permission has been obtained in writing iii) The party in question has been authorized by the borrower/borrower's household members with intimation to the company to obtain their information

5. Grievance Redressal

- Mitrata must have a board-approved customer grievance redressal policy covering the process to register, resolve and escalate the complaints, internal and external escalation mechanism, complaint categories and TAT, review/audit of redressal system, and reporting to the board and top management.
- Mitrata must provide a robust customer grievance redressal system to address complaints in an effective and timely manner. Mitrata must provide easy access to redressal system to all its borrowers through a dedicated phone number or a staff-assisted procedure at the branch to register grievances.
- Mitrata must clearly communicate the details of customer grievance redressal system in branches, loan documents, and other communication materials.

- Mitrata must have a mechanism as part of its grievance redressal framework for redressal of recovery-related grievances, the details of which must be provided to the borrower at the time of loan disbursement.
- Mitrata must at least have one grievance redressal officer to oversee the customer grievance redressal function.
- Mitrata must record and analyse individual and aggregate level data for grievance redressal system capturing the nature of complaints, action taken, and turn-around time. Report on grievances received, resolved, and pending along with the nature of complaints should be shared with the board for review.

6. Employee Engagement

- Mitrata must recruit a candidate from another RE based on a satisfactory reference check and should not confirm the employee without a relieving letter from the previous employer.
- Mitrata must follow the minimum education criteria of Senior Secondary for all the staffs.
- Mitrata is encouraged to participate in Employee Bureau to submit their employee's data and check candidate's employment records.
- Mitrata must give comprehensive induction training to the employees on policies, processes, and regulations. Emphasis should be given to CoC related aspects on borrower-interface aspects such as fair treatment, household and income assessment, the privacy of data, service quality, customer grievance redressal system, POSH, relationship management, dealing with borrower facing difficulty in repayment, etc.
- Mitrata must regularly assess employee's understanding of the above elements and conduct refresher training to address the gaps in understanding.
- Mitrata must train their employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
- Mitrata must necessarily orient their employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.
- Mitrata must engage new employees in the branch-level business operations only after completion of their induction training.
- Mitrata must ensure that employees directly responsible for grievance redressal system receive detailed training about the system, processes, and soft skills required for resolving complaints.
- Mitrata must set targets for the branch-level employees based on a reasonable-objective criterion including an understanding of microfinance requirement and repayment capacity in an area.
- Mitrata must have a well-defined protocol to be followed by employees to handle risks arising from going to difficult areas and cash handling.
- Mitrata must have compensation matrix for the staff should be designed in a manner to align their behaviour with fair interaction practices.
- Mitrata while recruiting an employee, must honour the notice period as mutually agreed between prospective employee and his/her current employer.
- Mitrata must respond to requests from other RE/microfinance provider for reference check within 15 calendar days/a reasonable time-period from the receipt of such communication.

7. Others

- Mitrata must have a board approved framework to deal with crises arising from natural disasters, mass defaults, negative media, local-level hostility, etc., which is reviewed periodically.
- Mitrata, who have underlying digital (i.e., paper-less) processes for sourcing (loan application), borrower consent, due diligence, contracts, disclosures, payment receipts, grievance redressal, etc. must ensure that these processes are aligned with the applicable regulatory norms and borrower is made fully aware, educated, and comfortable with digital modes of transaction.
- Any new initiatives encouraging digital transactions should be introduced keeping in mind the borrower's level of knowledge and comfort. During the initial adoption of digital methods, an enhanced focus on grievance redressal system and customer handholding should be instituted.
- Mitrata must prominently display information about the interest rates charged on microfinance loans in its offices, literature issued by it and its website.
- Mitrata agrees to share updated pricing information to the highest granularity possible with the SROs for publishing as required by the RBI.
- Mitrata must ensure that the well-being (for example: adequate remuneration, working hours, working conditions etc) and security of their employee is given due importance.
