



# Mitrata Inclusive Financial Services Pvt. Ltd.

## Code of Conduct

Mitrata Inclusive Financial Services Pvt. Ltd. (hereinafter referred as "Mitrata Inclusive Financial Services") seeks to enable 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-Mitrata Inclusive Financial Services 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

### PREAMBLE

Mitrata Inclusive Financial Services Pvt. Ltd seek to create social benefits and promote financial inclusion by providing financial services to clients of financially un-served and underserved households.

Hence, it is important to define core values and fair practices for the microfinance program so as to ensure that microfinance services of Mitrata Inclusive Financial Services are provided in a manner that benefits clients, and is ethical and dignified.

This document includes:

- Part I: The Core Values of Microfinance
- Part II: Code of Conduct for Mitrata Inclusive Financial Services (The Code)
- Part III: Client Protection Guidelines for Mitrata Inclusive Financial Services
- Part IV: Institutional Conduct Guidelines

### PART I

#### CORE VALUES OF MICROFINANCE

The Core Values of Microfinance can be stated as follows:

##### A. INTEGRITY:

- To provide low-income clients - women and men - and their families, with access to financial services that are client focused and designed to enhance their well-being, and are delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.

##### B. QUALITY OF SERVICE:

- To ensure quality services to clients, appropriate to their needs, and delivered efficiently in a convenient and timely manner.

- To maintain high standards of professionalism based on honesty, non-discrimination and customer centricity.

#### C. TRANSPARENCY:

- To provide complete and accurate information to clients regarding all products and services offered.
- To create awareness and enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.

#### D. FAIR PRACTICES:

- To ensure that clients are protected against fraud and misrepresentation, deception or unethical practices.
- To ensure that all practices related to lending and recovery of loans are fair and maintain respect for client's dignity and with an understanding of client's vulnerable situation.

#### E. PRIVACY OF CLIENT INFORMATION:

- To safeguard perMitratal information of clients, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and consent of clients.

#### F. INTEGRATING SOCIAL VALUES INTO OPERATIONS:

- To ensure high standards of governance and management.
- To monitor and report social as well as financial data.

#### G. FEEDBACK and Grievance Redressal MECHANISM:

- To provide clients formal and informal channels for feedback and suggestions.
- To consistently assess the impact of services in order to enhance competencies and serve clients better.
- To provide a formal grievance redressal mechanism for clients.

## **PART II**

### **CODE OF CONDUCT FOR MICROFINANCE INSTITUTIONS**

All Microfinance Institutions are required to follow all regulatory norms as well as consumer protection practices (specifically, RBI's Guidelines on Fair Practices issued for NBFCs) laid down by the government and the regulators in both letter and spirit. The Code of Conduct lays down additional requirements to enhance and improve Mitrata practices.

#### **APPLICATION OF THE CODE:**

This Code applies to the following activities undertaken by Mitrata Inclusive Financial Services:

1. Providing credit services to clients, individually or in groups.
2. Recovery of credit provided to clients.
3. Collection of thrift from clients, where ever applicable.
4. Providing insurance and pension services, remittance services, or any other related products and services.
5. Formation of any type of community collectives including self-help groups, joint liability groups and their federations.
6. Business development services including marketing of products or services made or extended by the eligible clients or for any other purpose for the welfare and benefit of clients.

Mitrata Inclusive Financial Services agrees to:

1. Promote and strengthen the Microfinance movement in the country by bringing low-income clients to the mainstream financial sector.
2. Build progressive, sustainable, and client-centric systems and practices to provide a range of financial services (consistent with regulation) to clients.
3. Promote cooperation and coordination among themselves and other agencies in order to achieve higher operating standards and avoid unethical competition in order to serve clients better.

In order to adhere to the core values of Microfinance, the Code of Conduct, as mentioned below, must be abided by Mitrata Inclusive Financial Services while providing microfinance services.

## **CODE OF CONDUCT**

### **I INTEGRITY AND ETHICAL BEHAVIOUR**

1. Mitrata Inclusive Financial Services shall design appropriate policies and operating guidelines to treat clients and employees with dignity.
2. Mitrata Inclusive Financial Services shall incorporate transparent and professional governance system to ensure that staff and persons acting on their behalf are oriented and trained to put this Code into practice.
3. Mitrata Inclusive Financial Services shall educate clients on the Code of Conduct and its implementation

### **II TRANSPARENCY**

1. Mitrata Inclusive Financial Services shall disclose all terms and conditions to the client for all services offered. Disclosure shall be made prior to disbursement in accordance with the Reserve Bank of India's (RBI) fair practices code, in any of the following ways:
  - a) Individual sanction letter
  - b) Loan card
  - c) Loan schedule
  - d) Passbook
  - e) Through Group/Centre meetings (Details can be printed on a paper and all borrowers can sign on the same as acknowledgement of their acceptance)
2. Mitrata Inclusive Financial Services shall communicate all the terms and conditions for all products/services offered to clients in the official regional language or a language understood by them.
3. At the minimum, Mitrata Inclusive Financial Services shall disclose the following terms:
  - a) Rate of interest on a reducing balance method
  - b) Processing fee
  - c) Any other charges or fees howsoever described
  - d) Total charges recovered for insurance coverage and risks covered
4. Mitrata Inclusive Financial Services shall communicate in writing, charges levied for all financial services rendered. Fee on non-credit products/services will be collected only with prior declaration to the client.
5. Mitrata Inclusive Financial Services shall declare all interest and fees payable as an all-inclusive Annual Percentage Rate (APR) and equivalent monthly rate.
6. Mitrata Inclusive Financial Services shall follow RBI's guidelines with respect to interest charges and security deposit.
7. Formal records of all transactions shall be maintained in accordance with all regulatory and statutory norms, and borrowers' acknowledgment/acceptance of terms/conditions shall form a part of these records.

### **III CLIENT PROTECTION**

#### **A. Fair Practices**

1. Mitrata Inclusive Financial Services shall ensure that the provision of micro finance services to eligible clients is as per RBI guidelines.
2. Mitrata Inclusive Financial Services shall obtain copies of relevant documents from clients, as per standard KYC norms.  
Additional documents sought shall be reasonable and necessary for completing the transaction.
3. Products should not be bundled. The only exceptions to bundling may be made with respect to credit life, life insurance & live-stock insurance products, which are typically offered bundled with loans. The terms of insurance should be transparently conveyed to the client and shall comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms. Consent of the client shall be taken in all cases.

#### B. Avoiding Over-indebtedness

1. Mitrata Inclusive Financial Services shall conduct proper due diligence as per their internal credit policy to assess the need and repayment capacity of client before making a loan and shall only make loans commensurate with the client's ability to repay.
2. If a client has loans from 2 separate lenders, then irrespective of the source of the loans, Mitrata Inclusive Financial Services shall not be the third lender to that client.
3. Mitrata Inclusive Financial Services shall not, under any circumstance, breach the total debt limit for any client, as prescribed by RBI or Central/State Government(s).

#### C. Appropriate interaction and collection practices

1. Mitrata Inclusive Financial Services shall have clearly defined guidelines for employee interactions with clients.
2. Mitrata Inclusive Financial Services shall ensure that all Staff and persons acting on behalf of the MFI
  - a) Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
  - b) **DO NOT** indulge in any behaviour that in any manner would suggest any kind of threat or violence.
  - c) **DO NOT** contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
  - d) **DO NOT** visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues.
3. Mitrata Inclusive Financial Services shall provide a valid receipt (in whatever form decided by the MFI) for each and every payment received from the borrower.
4. Mitrata Inclusive Financial Services shall have a detailed Board approved process for dealing with clients, at each stage of default.
5. Mitrata Inclusive Financial Services shall not collect shortfalls in collections from employees and their HR policies shall categorically denounce this practice. An exception can however be made in proven cases of frauds by employees.

#### D. Privacy of client information

Mitrata Inclusive Financial Services shall keep perMitratal client information strictly confidential. Client information may be disclosed to a third party subject to the following conditions:

- a) Client has been informed about such disclosure and permission has been obtained in writing.
- b) The party in question has been authorized by the client to obtain client information from the MFI.
- c) It is legally required to do so.
- d) This practice is customary amongst financial institutions and available for a close group on reciprocal basis (such as a credit bureau).

## IV GOVERNANCE

Mitrata Inclusive Financial Services shall incorporate a formal governance system that is transparent and professional, and adopts the following best practices of corporate governance:

1. Mitrata Inclusive Financial Services shall observe high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body.
2. Mitrata Inclusive Financial Services shall endeavour to induct independent persons to constitute at least 1/3<sup>rd</sup> of the Governing Board, and the Board shall be actively involved in all policy formulations and other important decisions.
3. Mitrata Inclusive Financial Services shall have a Board approved debt restructuring product/program for providing relief to borrowers facing repayment stress.
4. Mitrata Inclusive Financial Services will appoint an audit committee of the Board with an independent director as chairperson.
5. Mitrata Inclusive Financial Services shall ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.
6. Mitrata Inclusive Financial Services shall put in best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).
7. Mitrata Inclusive Financial Services shall place before the Board of Directors, a compliance report indicating the extent of compliance with this Code of Conduct, specifically indicating any deviations and reasons therefore, at the end of every financial year.

## V RECRUITMENT

The code covers all MFI staff recruitment.

1. As a matter of free and fair recruitment practice, there will be no restriction on hiring of staff from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
2. Whenever Mitrata Inclusive Financial Services recruits from another MFI, it will be mandatory to seek a reference check from the previous employer. The reference check will be sought from current employer only after an offer is made and an offer letter is issued to the prospective employee.
3. Mitrata Inclusive Financial Services should respond to the reference check request from another MFI within two weeks.
4. Mitrata Inclusive Financial Services shall honour a one month notice period from an outgoing employee.
5. Mitrata Inclusive Financial Services shall not recruit an employee of another MFI, irrespective of the grade/level of the employee, without the relieving letter from the previous MFI employer. An exception can however be made in instances where the previous employer (MFI) fails to respond to the reference check request within 30 days. Mitrata Inclusive Financial Services shall provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards Mitrata Inclusive Financial Services, except in proven cases of fraud or gross misconduct by the employee.
6. Whenever Mitrata Inclusive Financial Services recruits from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same area he/she was serving at the previous employer, for a period of 1 year.

## VI CLIENT EDUCATION

1. Mitrata Inclusive Financial Services shall have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and

services available.

2. New clients shall be informed about the organization's policies and procedures to help them understand their rights as borrowers.
3. Mitrata Inclusive Financial Services shall ensure regular checks on client awareness and understanding of the key terms and conditions of the products/ services offered / availed. (As part of internal audit systems or through some other regular monitoring)

#### VII DATA SHARING

Mitrata Inclusive Financial Services will agree to share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the Credit Bureaus.

#### VIII FEEDBACK/ GRIEVANCE REDRESSAL MECHANISM

1. Mitrata Inclusive Financial Services shall establish dedicated feedback and grievance redressal mechanisms to correct any error and handle/receive complaints speedily and efficiently.
2. Mitrata Inclusive Financial Services shall inform clients about the existence and purpose of these mechanisms and how to access them.
3. Mitrata Inclusive Financial Services shall designate at least one grievance redressal official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.
4. Mitrata Inclusive Financial Services will have an appropriate mechanism for ensuring compliance with the Code of Conduct.
5. Where complainants are not satisfied with the outcome of the investigation conducted by Mitrata Inclusive Financial Services into their complaint, they shall be notified of their right to refer the matter to the grievance redressal mechanism established by the Industry Associations.

#### **CLIENT PROTECTION GUIDELINES FOR MITRATA INCLUSIVE FINANCIAL SERVICES**

The CPG states that Mitrata Inclusive Financial Services:

1. **Shall** display the Client Protection Code in all branches and offices, in plain view.
2. **Shall** endeavour to provide micro finance services to all eligible clients, as per RBI guidelines.
3. **Shall** educate clients, staff, and any persons acting on their behalf on the Code of Conduct and its implementation.
4. **Shall** disclose all terms and conditions to the client for all products/services offered, prior to disbursement, in any of the following ways:
  - a) Individual sanction letter
  - b) Loan card
  - c) Loan schedule
  - d) Passbook
  - e) Through Group/Centre meetings (Details can be printed on a paper and all borrowers can sign on the same as acknowledgement of their acceptance)
5. **Shall** communicate all the terms and conditions for all products/services in the official regional language or a language understood by clients.
6. **Shall** disclose the following terms:
  - a) Rate of interest on a reducing balance method
  - b) Processing fee
  - c) Any other charges or fees howsoever described
  - d) Total charges recovered for insurance coverage and risks covered
7. **Shall** communicate in writing, charges levied for all financial services rendered.
8. **Shall not** collect fee on non-credit products/services without prior declaration to the client.

9. **Shall** declare all interest and fees payable as an all-inclusive APR and equivalent monthly rate.
10. **Shall** follow RBI's guidelines with respect to interest charges and security deposit.
11. **Shall** obtain copies of relevant documents from clients, as per standard KYC norms. Additional documents sought shall be reasonable and necessary for completing the transaction.
12. **Shall not** bundle products, except for credit life, life insurance & live-stock insurance products. The terms of insurance should be transparently conveyed to the customer and shall comply with RBI & IRDA norms. Consent of the client shall be taken in all cases.
13. **Shall** conduct proper due diligence to assess the need and repayment capacity of client before making a loan and shall only make loans commensurate with the client's ability to repay.
14. **Shall not** be the 3<sup>rd</sup> lender to a client if the client has loans from 2 other lenders (irrespective of the source of loan).
15. **Shall not** breach the total debt limit for any client, as prescribed by the RBI or Central/State Governments.
16. **Shall** ensure that all employees follow company guidelines for interaction with clients.
17. **Shall** ensure that all staff and persons acting for the MFI or on behalf of the MFI:
  - 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 that would suggest any kind of threat or violence to clients.
  - c) **DO NOT** contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
  - d) **DO NOT** visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues.
18. **Shall** provide a valid receipt (in whatever form decided by the MFI) for each and every payment received from the borrower.
19. **Shall** follow approved company procedure to deal with client default sensitively.
20. **Shall** follow the debt restructuring mechanism adopted by the MFI for borrowers under liquidity stress.
21. **Shall** keep perMitratal client information strictly confidential.
22. **Shall** disclose client information to a third party only under the following conditions:
  - a) Client has been informed about such disclosure and permission has been obtained in writing.
  - b) The party in question has been authorized by the client to obtain client information from the MFI.
  - c) It is legally required to do so.
  - d) This practice is customary amongst financial institutions and available for a close group on reciprocal basis (such as a credit bureau).
23. **Shall** follow company approved process to raise clients' awareness of the options, choices, and responsibilities vis-à-vis financial products and services available.
24. **Shall** inform all new clients about the organization's policies and procedures.
25. **Shall** inform clients about the existence and purpose of feedback mechanisms and how to access them.

#### **INSTITUTIONAL CONDUCT GUIDELINES FOR MITRATA INCLUSIVE FINANCIAL SERVICES**

The ICG states that Mitrata Inclusive Financial Services:

1. **Shall** have an appropriate mechanism for ensuring compliance with the Code of Conduct.
2. **Shall** have appropriate policies and operating guidelines to treat clients and employees with dignity.
3. **Shall** maintain formal records of all transactions in accordance with all regulatory and

statutory norms, and borrowers' acknowledgement/acceptance of terms/conditions shall form a part of these records.

4. **Shall** have detailed board approved process for dealing with clients, at each stage of default.

5. **Shall not** collect shortfalls in collections from employees except in proven cases of frauds by employees.

6. **Shall** have a Board approved debt restructuring product/program for providing relief to borrowers facing repayment stress.

7. **Shall** seek a reference check from previous employer for any new hire.

8. **Shall** provide within 2 weeks the reply to the reference check correspondence for another MFI.

9. **Shall** honour a one month notice period from an outgoing employee.

10. **Shall not** recruit an employee of another MFI without the relieving letter from the previous

MFI employer except where the previous employer (MFI) fails to respond to the reference check request within 30 days.

11. **Shall not** assign a new employee recruited from another MFI, to the same area he/she was serving at the previous employer, for a period of 1 year. This restriction applies to positions up to the Branch Manager level.

12. **Shall** have a dedicated process to raise the client's awareness of options, choices, rights and responsibilities as a borrower and shall conduct regular checks on client awareness and understanding of the key terms and conditions of the products/ services offered / availed.

13. **Shall** agree to share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the Credit Bureaus.

14. **Shall** establish dedicated feedback and grievance redressal mechanisms to correct any error and handle/receive complaints speedily and efficiently.

15. **Shall** designate an official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.