

FAIR PRACTICES CODE

Policy: Fair Practices Code	Policy version: FPC 1.0/2019
Date of issue: 19-Feb-2019	Authorized by: Board of Directors
Effective from: 19-Feb-2019	Adopted by: Board Resolution dated 19-Feb-2019

Pursuant to the Reserve Bank of India (“**RBI**”) notifications on Fair Practices Code to be adopted by Non-Banking Financial Companies, Madura Micro Finance Limited (“**Company**”) is adopting the following guidelines to demonstrate its commitment to transparency and fair lending practices.

This Fair Practice Code (“**Code**”) supersedes all previous versions.

1. BACKGROUND

1.1. The core values of Madura Micro Finance Limited (“**Company**”) are to:

- provide low income women and their families, an access to financial services that are designed to enhance their well-being, and are delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.
- ensure quality services to our members which are appropriate to their needs, and delivered efficiently in a convenient and timely manner.
- provide complete and accurate information regarding all products and services offered.
- create awareness and enable the members and all other stakeholders to understand the information provided with respect to financial services offered and availed.
- ensure that the members are protected against fraud and misrepresentation, deception or unethical practices.
- ensure that all practices related to lending and recovery of loans are fair and maintain respect for the member’s dignity.
- safeguard personal information of the members, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and consent of the members.

1.2. The Company aims to promote and strengthen the Microfinance movement in the country by bringing low income members to the mainstream financial sector.

1.3. The Company undertakes to build progressive, sustainable, and member centric system to provide a range of financial services (consistent with regulation) to the members.

1.4. The Company shall cooperate and coordinate among themselves and other agencies in order to achieve higher operating standards and avoid unethical competition.

2. OBJECTIVE

2.1. The Company shall adopt all the best practices as laid down by the RBI from time to time and shall make appropriate modifications, if any necessary, to this Code to conform to the standards so prescribed. It is, and shall be, the policy of the Company to make available to all eligible qualified applicants, without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap all financial products, either directly or through subsidiaries and / or associates. The Company’s policy is to treat all the customers consistently and fairly.

- 2.2. The Company shall undertake all actions as may be required from time to time to ensure effective implementation of the Code. The Company's fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, servicing and collection activities. The provision of services in this regard will include:
- credit services to the members.
 - recovery of credit provided to the members.
 - insurance services, remittance services, or any other related products and services.
 - assistance in formation of community collectives including self-help groups, joint liability groups and their federations.
 - business development services including marketing of products or services made or extended by the eligible members or for any other purpose for the welfare and benefit of the members.

3. APPLICATION OF THE CODE

- 3.1. This Code shall apply to all employees of the Company and other persons authorized to represent it in the course of its business with respect to all products and services.
- 3.2. A copy of the Code will be posted on the Company's website and available in vernacular language also in a visible location at each branch office.
- 3.3. A copy of the Code will be provided on request to any prospective or existing customer.

4. TRANSPARENCY & FAIR PRACTICES

- 4.1. Company shall adhere to this Code to act fairly and reasonably in all dealings, on the ethical principle of integrity and transparency, to meet the standard practices prevalent in the non-banking finance industry.
- 4.2. The Company shall provide following details in transparent and understandable manner and the same shall be captured in the loan card:
- a) Interest Rate (annualised)
 - b) Processing fee
 - c) Insurance Premium
 - d) Any other charges or fees howsoever described
 - e) All other terms and conditions of loan
- 4.3. The Company shall provide the abovementioned information to customers in the language of their preference so as to enable them to understand terms and conditions of the products and services offered including the interest rate and service charges and undertake an informed decision with respect to the loan.
- 4.4. The Company shall undertake due diligence shall be carried out to ensure the repayment capacity of the borrowers and ensure compliance of KYC Guidelines of the RBI
- 4.5. Application and processing of loans
- a) All communication to the borrower shall be explained to the borrower in the language understood by the borrower.
 - b) Loan application forms shall include necessary information that affects the interest of the borrower and an informed decision can be taken.
 - c) All particulars required for processing the loan application will be collected by the Company at the time of application. In case it needs any additional information, the borrower/customer will be informed to provide the same.

- d) The Company shall acknowledge receipt of the loan application and also communicate the time frame within which such loan applications will be disposed.

4.6. Loan appraisal and terms/conditions

- a) Every loan shall be communicated to the borrower by way of a sanction letter which shall include the key terms and conditions of the loan including the loan amount approved, processing fees, annualized rate of interest, tenor of the loan, penal charges, etc.
- b) The terms of the loan shall be explained to the borrower in a language understood by the borrower.
- c) A copy of the loan documentation (along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans, which may form a key component of such contracts/loan agreements) shall be given to the borrower for records.

4.7. Disbursement of loans including changes in terms and conditions

- a) The Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b) Any change interest rates and charges shall be effected prospectively.
- c) The rates of interest and the approach for gradation of risks shall be made available on the website.
- d) Any decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- e) The Company shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against borrower. If such right of set off is to be exercised, the borrower shall be given 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.

4.8. Recovery

- a) In the matter of recovery of loans, the Company shall not resort to undue harassment. The Company undertakes the following in connection with the repayment of loans:
 - Immediately after remittance, proper receipts are handed over to the members from the branch cash point.
 - Promptly remitting SHGs are eligible for interest rebate @ 0.6% p.a.
- b) The Company shall provide for a monthly repayment cycle and none of the staff visit the members for collection; instead the members on rotation shall visit the Company's branches to remit cash.
- c) As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and the Company will not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, with immediate effect.

4.9. General

- d) The Company shall not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan documentation (unless information, not earlier disclosed by the borrower, has been noticed).
- e) In case of receipt of request from the borrower for transfer of the loan 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.

- f) The Company shall maintain formal records of all transactions in accordance with all regulatory and statutory norms, and borrowers' acknowledgment/acceptance of terms/conditions form a part of these records.
- g) The company on a monthly basis circulate periodicals, free of cost to groups, to generate awareness on relevant socio economic and health related topics.

5. DECLARATIONS & COMMITMENTS

- 5.1. The Company undertakes to abide by all applicable laws, regulations and guidelines.
- 5.2. The Company commits itself to achieve customer satisfaction in an efficient and professional manner.
- 5.3. The Company shall consistently endeavor to meet and improve the internally set benchmarks and standards.
- 5.4. The Company shall not take advantage of any unintentional or clerical error made by the customer while transacting business.
- 5.5. The Company will maintain confidentiality of the information of the borrower in accordance with the Privacy Policy as set out in <https://maduramicrofinance.com/wp-content/uploads/pdfs/Privacy-Policy-Madura-Micro-Finance.pdf>.

6. RESPONSIBILITY OF BOARD OF DIRECTORS

- 6.1. The Board of Directors shall review of the compliance of the Code and the functioning of the Grievances Redressal Mechanism at various levels of management periodically. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.
- 6.2. The Board of Directors of 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.

7. GRIEVANCE REDRESSAL OFFICER

- 7.1. In line with our commitment to fair lending practices, we will be accountable for preventing in appropriate staff behavior (vide provision of continuous training) and in case of any complaint/grievance, the applicant/borrower may contact the corporate office:

Name: Mr. Ravikumar Doddala
Designation: Senior Vice President – Group Lending
Contact Number:
Email: ravikumar.doddala@mmfl.in
Website: www.maduramicrofinance.com
Address: No. 634, Anna Salai, 6th Floor, Karumuttu Centre, Nandanam, Chennai 600035.

- 7.2. If the complaint/grievance is not resolved within a period of 1 (one) month, the applicant/borrower may appeal to:

The General Manager
Department of Non-Banking Supervision (DNBS),
Reserve Bank of India
Fort Glacis, 16, Rajaji Salai, P.B. No.40, Chennai-600001
Email: dnbschennai@rbi.org.in