

Code of Conduct of Microfinance Institutions Network (MFIN)

I. INTRODUCTION

Microfinance Institutions Network (MFIN), a self regulatory organization of NBFC-MFIs is formed during 2009. MFIN aims to work with regulators to promote microfinance to achieve larger financial inclusion goals. Our organization is a member of MFIN. The MFIN board has adopted the code of conduct (COC) for its members. The COC of MFIN is designed to ensure that its members follow the RBI guideline as also few self imposed guidelines to improve the quality of lending, transparency, self discipline, coordination among MFIs & healthy competition, grievances redressal mechanism, anti-poaching activities etc. It is therefore mandatory for us to implement the COC of MFIN at all levels.

II. MFIN CODE OF CONDUCT

The list of the code of conduct as relevant to the branches is mentioned here below:

A. Fair Practices with Borrowers:

MFIs should clearly convey to the borrowers by way of loan card, passbook or through Kendra meeting the following terms of the loan:

- a) All the important terms and conditions of the loan agreement
- b) Rate of interest on declining balance method
- c) Processing fee
- d) Any other charges
- e) Security or any other deposit.
- f) Systematic advance collections
- g) Total charges recovered for insurance coverage and risks covered
- h) Any other services rendered and charges for the same

Recovery mechanism:

- a. Though each MFI should ensure timely recovery of dues, it is imperative that the MFIs shall not use any abusive, violent, or unethical methods of collection and the recovery efforts should be in line with RBI guidelines issued from time to time.
- b. A valid receipt should be provided by MFI for each collection from the borrower.

B. Multiple Lending & Lending Limits:

- a) The maximum number of MFIs who can lend to one client is three, and the maximum loan outstanding from all the three MFIs together to a single client is restricted to Rs. 50,000/- at any point of time.

- b) This cap will cover only unsecured loans given within the joint liability group mechanism
- c) Any secured loans or individual business loans will not be covered under this cap.
- d) The code will not cover the credit norms to be fixed by individual member MFIs.

C. Data Sharing /Incident Sharing:

In addition to the formatted data supplied to the Credit Bureaus like CIBIL and High Mark, the MFIs should agree to participate in a forum to share qualitative credit information.

- a) Whenever any member comes across Incidents of High Default (IHD), the member should inform the Association of the same so that the other members are made aware of it. However whether any other member would further lend to clients in such an area would be the choice of each individual MFI based on their credit policies
- b) In case of any Incidents of High Default is faced by one MFI, all members shall cooperate in a recovery drive and restrain lending in that area till things are streamlined.

D. Recruitment:

- a. The code covers all MFI staff, in particular field staff up to the branch manager cadre.
- b. Any member MFI should have at least 50 percent of its net new recruitment in any particular year as people whose immediate previous job has not been with another member MFI.
- c. 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 on site, walk-in interviews, etc.
- d. Whenever a member MFI recruits from any other member MFI, it will be mandatory to seek a reference check from the previous employer.
- e. All member MFIs also agree not to recruit anybody from the other members without the relieving letter / no due certificate from the previous MFI employer.
- f. All member MFIs agree to provide such relieving letter / no due certificate to the outgoing employee in case he has given proper notice, handed over the charge and settled all the dues towards the MFI.
- g. Any staff member who is discovered to have lied about his background of working with any other MFI, will be asked to leave immediately by the recruiting MFI.

E. Whistle Blowing:

- a. Any person or MFIN member is entitled to report an incident of improper conduct by another MFIN member, to the Code of Conduct Enforcement Committee (CCEC) of MFIN.
- b. The CCEC shall investigate such instances within 30 calendar days of receiving such report. For this purpose the CCEC may depute its own staff or use the services of outsourced agencies as the CCEC thinks fit.

F. Enforcement Mechanism:

- a) The CCEC has developed a mechanism to conduct the inquiry in a fair manner on receipt of any incident reported by any person or MFIN member. It takes appropriate action against the erring MFI.
- b) This mechanism is developed to ensure that all member MFIs should strictly follow the COC.

G. Ombudsperson Mechanism:

- a) MFIN Board will appoint one or two individuals of high professional reputation and integrity, as Ombudsperson in each of the six RBI regions – East, West, Central, South, North and Northeast, to provide an independent mechanism to individual consumers or staff members to complain against an MFI and seek redressal.
- b) Any person desiring to complain against an MFIN Member shall write a letter to the Ombudsperson
- c) The Ombudsperson, on receipt of the complaint will send copies to the Chairman of the CCEC and the Chairman of MFIN Board. The Ombudsperson can cause an initial inquiry to be conducted to determine prima facie if there exists a case for investigation
- d) The Ombudsmen will have the power to ask the errant MFI to make good any damages incurred by the consumer, and in addition impose a fine on the MFI, commensurate with the seriousness of the complaint.

III. IMPLEMENTATION OF COC AT BRANCH LEVEL

All the field staff including the Branch Managers are advised to ensure the following:

- a. All our borrowers should be provided with loan pass books specifying the loan amount, rate of interest on declining balance, insurance premium amount and other charges; and Equated weekly/fortnightly installment amount with clear break up of principal and interest etc. The full details of these are to be explained to our members individually and also in Kendra meetings in the language understood by them.
- b. Our field staff should not use coercive method and should not resort to undue harassment & unfair practices for recovery. We should contact our clients at their residence or place of work, for loan recovery etc, only between 6 AM and 9 PM and avoid inappropriate occasions like bereavement in the family, or any calamitous occasions.
- c. As already communicated vide our circular 88/2009 we should ensure that the total loan outstanding of our borrowers from all sources including GK should not exceed Rs.50000 per borrower & we shall not be the fourth MFI under group lending.
- d. The branches should not lend in the areas where other MFIs have the high default. However if the branch feels that there is a necessity to lend in such areas they can do so after getting prior permission from Area Manager. In turn AM shall appraise the same to RM.

- e. Wherever our field staff comes to know of the violation of the COC by any member MFI they should bring it to the notice of Operations dept HO through their Regional Manager. The reporting format is attached as Annexure-1.
- f. All the field staff is advised to strictly follow the MFIN COC.
- g. Our Internal Audit team shall cover this area also for audit.

IV. IMPLEMENTATION AT RO/HO LEVEL

- 1. We have introduced one session on MFIN Code of Conduct in all our Staff Training programmes.
- 2. The RMs are advised to monitor the implementation of the COC in their regions. Any incident reported to them by the field staff or AMs as per Annexure-1 need to be verified and the same be sent to HO with their views. The Operations Dept HO will examine the same, and if required escalate to CCEC or Ombudsperson for further action.
- 3. Our HR department shall attend to the areas concerning Recruitment aspect of COC.
- 4. HO will arrange for supply of Posters on COC for display in branches.
- 5. The list of the present members of MFIN is attached as Annexure-2.

V. FEEDBACK/SUGGESTIONS

- 1. The staff may mail their views and feedback about the content/applicability of this circular for any improvements to policy@gfspl.in
- 2. We also welcome suggestions and creative thoughts from our staff members for formulation/refinement of the policies of our organization and mail the same to yourvoice@gfspl.in the contributions from the staff will help us in removing any bottlenecks in our policies to enable us to drive our business on sound footings.

Annexure-1

Reporting of Violation of MFIN Code of Conduct by other MFIs

From,

To:

Regional Manager. -----Region

_____Branch/AM

Sub: Incidence reporting under MFIN-COC.

Dear Sir,

We have come across the violation of MFIN Code of Conduct by the following member MFI in our area of operation. The Details are as under.

Name of MFI:

Branch: _____ **Area:** _____ **District:** _____

Nature of violation: _____

Details of violation

We request you to kindly take note of it for necessary action.

Date:

Signature of BM/AM

Forwarded to Operations dept-HO

Views of RM

Date:

Signature of RM

Annexure-2

List of MFIN Members

1. Anjali Micro Finance
2. Arohan Financial Services Ltd
3. Asirvad Microfinance Ltd.
4. Asmitha Microfin Ltd.
5. Bandhan Financial Services Pvt Ltd
6. Bhartiya Samruddhi Finance Ltd
7. BWDA Finance Ltd
8. CDC Microfinance Pvt. Ltd
9. Credible Micro Finance P Ltd
10. Equitas Micro Finance India Private Ltd
11. ESAF Microfinance and Investments P Ltd
12. Fullerton India
13. Grama Vidiyal
14. Grameen Financial Services P Ltd
15. Growing Opportunity
16. Hand in Hand
17. Janalakshmi Financial Services Pvt Ltd
18. L&T Finance
19. Madura Micro Finance Ltd.,
20. Mimoza Enterprise Finance Pvt Ltd
21. S.M.I.L.E. Microfinance Ltd / Mahasemam
22. Sahayata Microfinance P Ltd
23. Samasta
24. Satin Creditcare Network Ltd
25. Share Microfin Ltd
26. SKS Microfinance Ltd
27. Sonata Finance Pvt Ltd
28. Spandana Sphoorty Financial Ltd
29. Suryoday
30. SWAWS Credit Coporation India (P) Ltd
31. Trident MicroFin P Ltd
32. Ujjivan Financial Services Pvt Ltd
33. Utkarsh Microfin
34. Village Financial Services Pvt Ltd