



BELSTAR MICROFINANCE LIMITED

## Policy on Code of Conduct

<b>Policy Certification</b>	
<b>Title</b>	<b>Code of Conduct</b>
<b>Version</b>	<b>1</b>
<b>Owned by</b>	<b>Compliance Department</b>
<b>Prepared by</b>	<b>Mr. Banabihari Panda, CCO</b>
<b>Reviewed by</b>	<b>Mr. B Balakumaran, ED</b>
<b>Approved by Board</b>	<b>May 09,2023</b>

<b>Index</b>		
<b>Sl. No.</b>	<b>Content</b>	<b>Page no</b>
1	Introduction	2
2	Objectives	2
3	Applicability	2
4	Code	3
4.1	Fair Interaction	3
4.2	Suitability	3
4.3	Education & Transparency	4
4.4	Information & Privacy	5
4.5	Grievance Redressal	6
4.6	Employee Engagement	6
4.7	Others	7
5	Governance & Enforcement	8
6	Review	8

## 1. Introduction:

Belstar Microfinance Limited (hereinafter referred as “the Company”/”BML”) aims to promote financial inclusion and women empowerment by extending unsecured micro enterprise loans and credit plus assistance to the clients. The Company is a NBFC- MFI registered with Reserve Bank of India (RBI) and is compliant with Master Direction-RBI (Regulatory Framework for Microfinance Loans) Directions, 2022 vide RBI/DOR/2021-22/89 dt14.03.2022 (Harmonized Regulations). It has also adopted the 4<sup>th</sup> edition of Code of Conduct for Microfinance Industry brought out in October 2022 by **MFIN** (Microfinance Institutions Network), the Sector SRO (Self-Regulatory Organization). The company strives to:

- a. Promote and strengthen the Microfinance movement in the country by bringing low-income clients to the mainstream financial sector.
- b. Build progressive, sustainable, and client-centric systems and practices to provide a range of financial services (consistent with regulation) to clients.
- c. 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.

## 2. Objectives:

This document defines the elements of the Code of Conduct (CoC) to promote and advance ‘responsible lending’ practices by BML. Building on key regulatory customer-protection measures as described in RBI Master Directions for NBFC-MFIs, RBI Fair Practice Code for Regulated Entities, Industry Code of Conduct by MFIN and RBI Charter of Customer’s Rights in the context of micro-credit sector, CoC includes most critical elements which have been adapted by the Board of the company to implement while delivering micro-credit loans.

## 3. Applicability:

This code is applicable to unsecured micro-credit loans extended by the company and more specifically in the following activities.

- d. Providing credit services to clients, individually or in groups.
- e. Recovery of credit provided to clients.
- f. Providing insurance and pension services, remittance services, or any other related products and services.
- g. Formation of any type of community collectives including self-help groups, joint liability groups and their federations.
- h. Business development services include marketing of products or services made or extended by the eligible clients or for any other purpose for the welfare and benefit of clients.

## 4. The Code:

The Code has seven elements:

- i. Fair Interaction
- ii. Suitability
- iii. Education & Transparency
- iv. Information & Privacy
- v. Grievance Redressal
- vi. Employee Engagement
- vii. Others

### 4.1 Fair Interaction:

4.1.1 BML will ensure that borrower is not unfairly discriminated against on grounds such as religion, caste, gender, marital status, sexual orientation, etc.

4.1.2 BML will 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.

4.1.3 A Fair Practices Code approved by the board of BML shall be displayed in vernacular language understood by the borrower in all BML offices and its website.

4.1. 4 BML will ensure that the engagement of the recovery agents, if any, and their interaction with the borrowers is as per the guidelines mentioned in RBI's Harmonized Regulations

### 4.2. Suitability (avoiding multiple/over lending) :

4.2.1 BML will ensure to disburse the loan commensurate with the borrower's ability to repay. It 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.

- 4.2.2 BML will ensure that the interest rates and other charges/fees on microfinance loans are not usurious and there will not be any pre-payment penalty charges.
- 4.2.3 BML will ensure that the household income is properly computed by considering the income of the borrower, spouse, and their unmarried adult children.
- 4.2.4 BML will use a valid CCIR (Comprehensive Credit Information Report) for the borrower and all the household members of the borrower before sanctioning any loan. Further such a valid CCIR must be used for all loans including small value top-up loans, and second and subsequent cycle loans.
- 4.2.5 BML will ensure that the CCIR remains current and valid. BML shall mandatorily submit timely (preferably daily) and accurate information including household income and other parameters to the Credit Information Companies (CICs).
- 4.2.6 BML will 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.

### **4.3 Education & Transparency:**

4.3.1 BML will 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 RE.
- 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.

4.3.2 BML will 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

4.3.3 BML will communicate with the borrower in vernacular/a 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.

4.3.4 BML will 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.

4.3.5 BML will provide a receipt/ acknowledgement for every payment, including the digital payments, received from the borrower.

4.3.6 BML will 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.

4.3.7 BML will educate customers against blind trust on group and centre leader and how any default in the fictitious loan (also referred to as ghost lending/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 Group Training (AGT) and Group Verification Process (GVP). BML staff shall strive to ensure customer attendance in the group meetings. Any training offered to customers should be free of cost.

4.3.8 BML will disclose the reason to the customer if her loan is rejected.

#### **4.4 Information & Privacy**

4.4.1. The Company must obtain copies of KYC documents from customers as per RBI norms.

4.4.2. The Company must upload accurate and comprehensive customer data with all RBI approved Credit Information Companies' (CICs) as per Uniform Credit Data Format on daily basis.

4.4.3. BML will take the borrower's consent for checking her CCIR and her acceptance of the terms and conditions of the loan. Consent will also be obtained from the borrower's household members for checking their CCIRs as per the extant regulation and laws.

4.4.4 BML will promptly address any dispute raised by the borrower about her data with CICs.

4.4.5 BML will 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.

4.4.6 BML will 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 BML.

## **4.5 Grievance Redressal**

- 4.5.1 BML has 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.
- 4.5.2 BML will provide a robust customer grievance redressal system to address complaints in an effective and timely manner. It will 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.
- 4.5.3 BML will clearly communicate the details of customer grievance redressal system in branches, loan documents, and other communication materials.
- 4.5.4 BML will 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. The idea is to identify and promptly address recovery related grievances.
- 4.5.5 BML has a Principal Nodal Officer to oversee the customer grievance redressal function.
- 4.5.6 BML will 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.

## **4.6 Employee Engagement**

- 4.6.1 BML will recruit a candidate from another RE based on a satisfactory reference check and will not confirm the employee without a relieving letter from the previous employer.
- 4.6.2 BML will participate in the Employee Bureau to submit its employee's data and check candidate's employment records.
- 4.6.3 BML will give comprehensive induction training to the employees on policies, processes, and regulations. Emphasis will 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.
- 4.6.4 BML will regularly assess employee's understanding of the above elements and conduct refresher training to address the gaps in understanding.

4.6.5 BML will train its employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.

4.6.6 BML will necessarily orient its employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.

4.6.7 BML will engage new employees in the branch-level business operations only after completion of their induction training.

4.6.8 BML will ensure that employees directly responsible for grievance redressal system receive detailed training about the system, processes, and soft skills required for resolving complaints.

4.6.9 BML will 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.

4.6.10 BML will have a well-defined protocol to be followed by employees to handle risks arising from going to difficult areas and cash handling.

4.6.11 Compensation matrix for the staff will be designed in a manner to align their behaviour with fair interaction practices as mentioned in this COC.

4.6.12 While recruiting an employee, BML will honour the notice period as mutually agreed between prospective employee and his/her current employer.

6.6.13 BML will respond to request from other RE/microfinance provider for reference check within 15 calendar days/a reasonable time-period from the receipt of such communication.

## **4.7 Others**

4.7.1 BML will 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.

4.7.2 In the event of having underlying digital (i.e., paper-less) processes for sourcing (loan application), borrower consent, due diligence, contracts, disclosures, payment receipts, grievance redressal, etc. BML will 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

4.7.3 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 shall be instituted.

4.7.4 BML will prominently display information about the interest rates charged on microfinance loans in its offices, literature issued by it and its website.

4.7.5 BML agrees to share updated pricing information to the highest granularity possible with MFIN for publishing as required by RBI.



4.7.6 If BML withdraws its operation from an area, it will make alternate arrangement to service the existing loans of its borrowers i.e., by making arrangement with an existing RE/MFI to receive loan repayment from borrowers.

4.7.7 BML will ensure that the wellbeing (e.g., adequate remuneration, working hours, working condition et) and security of its employees is given due importance.

## 5. Governance & Enforcement

5.1 The Company has got the CoC signed by its Executive Director backed by a Board resolution of the company in the format suggested by MFIN.

5.2 The Company, having adopted the CoC, takes the responsibility:

- (i) to align own policies and process to adhere to the norms of CoC.
- (ii) to incorporate professional governance system to ensure that employees and persons acting on their behalf are oriented and trained to follow the CoC into practice.
- (iii) to voluntarily agreed to CoC's governance & enforcement framework to ensure adherence to the CoC.

5.3 Compliance with this CoC will be based on a three-pronged approach.

- (i) Quarterly Adherence report on/by BML based on independent data from a Credit Information Company (CIC) in the following standard template.
- (ii) A peer complaint system whereby BML and any other microfinance provider can bring forth the instances of non-compliances to MFIN.
- (iii) Monitoring and assessment facilitated by MFIN.

Sl. No	Name of the Company – Belstar Microfinance Ltd	Quarterly		
	Indicator	M1	M2	M3
1	Date of monthly submission to CICs			
2	If all weekly files were submitted to CICs (Yes/No)			
3	No of active accounts submitted in monthly file to CICs (on Balance sheet)			
4	Loan accounts disbursed during the period (on Balance sheet) (as per monthly file to CICs)			
4.1	Loans disbursed crossing the annualized household income of Rs 3 Lakhs			
4.2	Loans disbursed crossing 50% as the ratio of monthly loan repayment obligations to monthly income			

## 6. Review:

This Code will be placed to the Board for their review annually.

\*\*\*\*\*