

**Fair Practices Code & Customer Grievance Redressal Mechanism adopted by
Hindusthan Microfinance Pvt. Ltd.**

Hindusthan Microfinance Private Limited (hereon referred as HMPL) a registered NBFC with RBI (Reg. no: B-13.01761), is a private limited company that has been established since the year 2008. It operates exclusively to provide enterprise based income generation loans to people from low income stratum of society in the states of Maharashtra, Madhya Pradesh and Chattisgarh.

The Reserve Bank of India has vide its circular dated September 28 , 2006, May 24 , 2007, October 10 , 2007, January 02, 2009, April 24 2009, March 26, 2012, February 18 , 2013, July 01 , 2014 , and May 25 , 2015 issued guidelines on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method.

As per this directive, HMPL has adopted the following Fair Practices Code so as to reinforce the commitment to fair practices in lending, transparency to customers and ethical standards in business practices and relationship with customers.

The Fair Practices Code is displayed in all our branch offices, the Head Office as well as the Company website www.hindusthanmfi.com The effective rate of interest charged and the grievance redressal system set up by the HMPL is also prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website.

1. Target clientele

Income generation is the predominant purpose for which loans are given by HMPL. The client segment that HMPL serves includes economically active women in the age group of 20 to 54 years. The potential clients typically belong to low income stratum of society some of whom may even be living below poverty line.

In addition to the above, all customers are screened through the following checks and balances:

- Before admitting a woman to the JLG loan product, it has to be ascertained as to whether that woman is residing in rural area or in urban/semi-urban area. In case, a woman who wants to join the JLG loan product is residing in rural area, then her family annual income should not exceed Rs.100000/- or if she is residing in urban/semi-urban area, then her family annual income should not exceed Rs. /- 1,60,000/-
- Total outstanding of all existing loans (for eg: MFI/Banks/Financial Institutions or any other financial sources) of a woman who joins the JLG loan product, including the new loan amount applied for from the organization should not exceed Rs.60,000/- at any time.
- A woman, who wants to join the JLG loan product, should not be a defaulter in any MFI/Banks / Financial Institutions. In case she is a defaulter, she cannot be admitted to the JLG loan product.
- In order to get loan facility from the organization, borrower cannot be a member of more than one Self Help Group (SHG) or Joint Liability Group (JLG)
- If a member has availed loan facility from 2 separate lenders, then irrespective of the source of loans, she cannot be admitted to the JLG loan product.

It is essential that above criteria are adhered to during client selection in order to meet the twin objective of realising mission and vision of HMPL and realising it in a manner which minimises the risks associated with delivery of credit. All these checks are carried out by Customer Service Provider (CSP) and Centralised Processing Unit (CPU) on Credit Bureau system.

2. Enrolment of clients

After the clients have been identified, the process of their enrolment starts. Under JLG methodology, this process consists of following steps:

- 2.1. Compulsory group training (CGT)
- 2.2. Know Your Customer(KYC) document collection
- 2.3. Group recognition test (GRT)

2.1. Compulsory group training (CGT)

CSP explains the concept of JLG, roles and responsibilities of members and group leader. While explaining above, it is made absolutely sure that members understand the implications of group guarantee

During the discussion with group members, CSP should cover following points:

- Introduction of self.
- Introduction of HMPL.
- Why HMPL is working for poor
- Group concept and minimum size of group.
- JLG loan product and associated procedures.
- Terms and conditions of the Loan facility.
- Rate of Interest, tenure, repayment frequency, repayment amount and other charges to be paid with regard to loan.

All the above details are communicated to customer in vernacular language. All information given/to be given in the loan application is in vernacular language. Such training are given free of cost. Appropriate training will be given by the organization to its staff initially, so as to facilitate providing Compulsory Group Training for members joining the JLG Loan Product.

2.2. Know Your Customer Policy - KYC

- If all members agree to terms and conditions of Loan facility and clear the above eligibility criteria, then CSP collects the identity proof, photo and the residence proof from the members.
- The following documents are recognised as proof of identification: (i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the bank's satisfaction), (vii) Bank Pass Book (viii) AADHAR Card (UID)
- The following documents are recognised as proof of address: (i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card. (vi) AADHAR Card (UID) (vii) Water bill
- While collecting KYC related copies of documents of the women and of her spouse/guardian, her signature or thumb impression will be taken on them compulsorily for confirmation and attestation.
- If a woman does not have proper KYC documents, or does not provide to the organisation, then she will not be admitted to JLG loan product.
- Information in the photocopies of KYC document given by the member should be clearly legible for

any individual to read.

- CSP checks with all members and takes confirmation on whether they agree to the organisation's terms and conditions.
- CSP also informs the Spouse/Guardian of the member about the loan and the terms and conditions of HMPL. If the Spouse/Guardian does not agree to the terms and conditions then the client is dropped out and CSP leaves to do the verification of other members of the group.
- If member's Spouse/Guardian agrees to the loan then CSP checks the documents provided by the members and matches with the actual. If the documents are not correct then the CSP asks the member to provide proper documents.
- CSP fills the Loan Application Form and takes signature of the member and the Spouse/Guardian on the Loan Application Form.
- Loan application forms include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by HMPL can be made and informed decision can be taken by the borrower. The loan application form also indicates the documents required to be submitted with the application form.
- At the time of accepting the Loan application, HMPL field staff will provide an acknowledgement of the application to the Borrower. The acknowledgement clearly states the approximate time frame within which loan applications will be disposed of by the company.

2.3. Group recognition test (GRT)

- GRT is a tool to assess the quality of groups and make sure that the proposed groups meet eligibility criteria of HMPL. The questions asked during GRT are aimed at accomplishing these two objectives. Responsibility of scheduling GRT lies with CSP who does it in consultation with the concerned ABM and the group members.
- After completing CGT day 3, at the end of the day CSP informs the members about time and date of GRT in consultation with ABM/BM. Group members are intimated on phone or in person depending on convenience of CSP. 100% attendance is a must for GRT to be conducted.
- GRT involves assessment at two levels: group and individual. Group level assessment is done by asking questions on the content of CGT in random fashion. The questions try to test understanding of members of the concepts and information imparted during CGT.
- Second level of assessment involves checking familiarity of each member with remaining members of group and agreement on some fundamental terms and conditions by each individual member.
- In every case BM/ABM visits the respective members' household and verifies the correctness of details on loan application form. BM/ABM also verifies the documents submitted by the member with originals. Any discrepancy may result in cancellation of membership of the concerned member and permanent blacklisting for all future purposes of HMPL.
- Members repayment capacity will be assessed by asking and discussing with member by collecting details such as member's current occupation, their spouse/guardian's occupation, member's family monthly and annual income, total no. of members in the family, family expenditure, other source of income, etc.
- Based on quality of the members' answers to the GRT questions, capabilities to pay loan installments and attendance record, BM/ABM decides to approve or reject the group. After the GRT, the file reviewed by BM & ABM and if satisfied the Group Loan file is sent to CPU for further

processing.

3. Appraisal and Sanction

- Appraisal of loans for the Joint Liability Group (JLG) is done by a loan committee. In case of JLG loan, the committee consists of Branch Manager and ABM. CSP can sit in the meeting if he is available at that time. During meeting, ABM presents the case to the committee.
- On receiving the Group Loan file, the CPU will initiate the loan processing. The Assistant Operation Manager and his team will do proper audit of loan file including the documentation, and make data entry of loan file information. The CPU will not do any changes or write any missing / new information in the loan documents. In case of any errors, the CPU will inform BM about the pending formalities of loan file & documentation error.
- After ensuring complete documentation and data entry, CPU officer will confirm the completeness of the documentation and adherence to internal rules and regulations and approve the loan file in the system.
he loan is approved, CPU will send the list of selected customers and disbursement kit, to the BM of the branch. The disbursement kit will consist of Sanction Letter, Promissory Note, Loan Card, Copy of Loan Agreement cum Guarantee Bond and Disbursement Cheques. The Group Loan file will be kept at the CPU.

4. Loan disbursement and repayment

- On receiving the disbursement kit, the branch will do disbursement, after fixing the disbursement date.
- After fixing the disbursement date and time, the CSP will communicate the disbursement schedule to the members and also reminds them to bring the amount of cash that would be required for loan processing, and insurance. This amount will not adjusted/deducted from the loan amount to be disbursed to member
- All disbursements will take place at the Branch and will happen only be cheque. The Branch will not disburse to more than five groups on any single day.
- Prior to disbursement of the loan to the member, staff should compulsorily read and convey the terms and conditions of loans to the members and their husband/guardian.
- If any change takes place in rules with regards to loans and loan disbursement, such changed rules will be conveyed to members in the centre meeting before making loan applications.

5. Document of Loan Disbursement and Repayment

- The applicable rate of interest for loan obtained by member, processing fee, applicable service tax on loan Processing fee (payable to government), mode of loan repayment, loan tenure, principal and facilitation and charges payable for each installment, other terms and conditions of loan, and the recent RBI rules required to be adopted by NBFC MFIs, etc. are mentioned in a documents called Loan Agreement cum Guarantee Bond and sanction letter.
- A Copy of "Loan Agreement cum Guarantee Bond" will be given to member as Clients Copy on the loan disbursement day. Such kind of documents to be given and the details to be filled in there will be in vernacular language.
- At the time of making loan disbursement to member, no changes will be made with regard to rate of interest and other charges that already been fixed for the loan. In case, changes take place in the rate of interest of loan and other charges, that will be applicable only for the subsequent loans

to be disbursed to be member & those changes will be informed to member well in advance.

- Consent of the member has been incorporated/ shall be incorporated in the document of Loan Agreement cum Guarantee Bond, in case personal information of the member is required to be provided to Reserve Bank of India (RBI), Banks/ Financial institutions, Credit rating agencies, Credit bureaus, Governments institutions, and to other as may be appropriate. But the personal information given to the organization by member and details of loan obtained by member, the organization will maintain confidentially so that other persons, other than as above, who are not related to the organization, cannot obtain the same.
- For loan repayment related details, "Loan Card" Which will be in vernacular language will be issued to member after the loan disbursement.
- Members name members husband/guardians name, address, loan amount, rate of interest, total interest to be paid for that loan, loan tenure, repayment frequency, repayment installments, principal and facilitation charges payable for each installment, principal outstanding of loan after repayment of each installment repaid by the member, details related to member, information regarding insurance facility if any or benefit given by the organization related to members death, and steps to be followed for customer grievance redressed, etc. information's are provided in loan card that are issued to member.
- The detail of loan repayment collected from members will be recorded in Loan Card of members, on same day for member's information.
- The details provided in the Loan card are in vernaculars language. Prior to loan disbursement, staff should read them to make the members understand.
- Group member should not have any kind of personal financial business with the staff and also with any other outsider who use the name of organisation. And in case any person demand the money or it behaves in a suspicious manner, then it should be immediately brought to the notice of the organization. The same is mentioned in the "Loan Card"
- Head Office Address, Field office Address, Field manager name and telephone number are given to member in the Loan card to communicate any grievance, complaints and any other matters of the members and their centres etc.

6. *Loan Repayment and Loan Prepayment*

- Loan repayment will start from the next centre meeting date. A predetermined loan instalment amount will be collected on scheduled centre meeting day itself.
- In a centre, if any member for any reason fails to make on time repayments of her instalment, then group/ centre members will be responsible for repaying it.
- While getting next loan, member can make prepayment of her current running loan outstanding amount in full.
- When a member makes prepayment of loan, no interest will be charged for the prepaid principal amount.
- There is no charge for loan prepayment.
- There is no system of charging penalty related to loans provided by the organization.

7. *Non-Coercive Methods of Recovery:*

- Staff should not visit members house during odd hours for loan repayment, and should visit member's house only during the time which is fixed by the organization. When staff visits to members house, they should not use any kind of muscle power, and should not behave in any manner that is against law with regards to loan repayment.
- Usually, loan repayment should be done in the centre meeting .For loan repayment, HMPL 's

CSP can not visit more than two times at member's home or work place

- Repayment has to be collected as per the rules framed by organization. For any reason, HMPL staff should not behave in a manner where's self-respect gets affected.
- Other than HMPL staff no other outside have been deployed for collection of repayments.

8. Customer Grievance Redressal Mechanism

- Customer Grievance Redressal Cell has been set up in order to resolve the complaints of customer grievance at field office and Head Office levels. Field office manager will act as nodal officer at field office level to redress the customer grievances.
- Detailed procedure to be followed with regard to customer grievance redressal, along with Head Office Address Telephone Number, etc. in vernacular language has been kept in the centre file for member's information, for more information members can refer the points mentioned in the copy.
- For member's and outsider's information, a copy of customer grievance redressal policy has been already displayed in the field office, and also such details have been provided in vernacular language.
- Head Office Address, CSP / Branch manager's name and telephone numbers are given in the Loan Repayment pass book card to communicate any grievance, complaints and any other matters of the members and their centres etc.
- If customers have grievances with regard to loan facility services provided by the organization, it will be resolved at field office level as early as possible. In case, it is not resolved at field office level, then appropriate action will be taken to resolve them at higher level based on their severity, and also with regard to loan facility, organization will resolve the customer grievances within 30 days from the date of complaints lodged.
- In case, if the problems or issues occur from outside persons, or if the issues are beyond the control of organization, then by understanding of such grievances/ complaints based on the severity later on it will be decided, the amount of time that may be taken for resolving, and that will be conveyed to member customers.
- Once in a month Head Office will get current status report of customer grievances from field office. In case, any grievances remain unresolved in the given time, then Customer Grievance Redressal Cell of Head Office will give direction to the concerned people to resolve them as early as possible.
- If the customers are not satisfied with the resolution of their grievances within 30 days from the date of receipt of complaints lodged by the customer to the "Officer In-charge – Customer Grievance Redressal Cell" of Head office then written complaint can be submitted with regard to their grievances to Officer – In- Charge, Department of Non- Banking Supervision of Regional Office, RBI and MFN in which the BSS NBFC has been registered. And RBI regional office address has been provided in "Customer Grievance Redressal Procedure Copy" which is filed in centre for member's information.
- For any collection and service related complaints, customers are advised to contact their nearest HMPL branch or its Grievance Redressal Office (GRO) at the following address :

GRO Name: Mr. Harishchandra S. Patil,
Head – Centralized Processing Unit,
Customer Grievance Redressal Cell,

Hindusthan Microfinance Pvt Ltd
704/705, Sagar Tech Plaza, B-wing, Kurla Andheri Road,
Sakinaka, Andheri (East), Mumbai-400072

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Toll Free No. 1800 3002 0678

You can call us to complain without mentioning your name and personal details (Anonymous). We will investigate and take appropriate action. If the complaint/Dispute is not redressed within a period of one month, you (borrower) may appeal to the Officer-In-Charge of the Regional Office of Reserve Bank of India at the following address:

Officer-In-Charge / DNBS Nodal Officer,
Department of Non-Banking Supervision,
Reserve Bank of India, Mumbai Regional Office,
3RD Floor, Opp. Mumbai central Railway Station,
Byculla, Mumbai – 400 008.
Tel. No. -022 23048121
E-mail: bomumbai@rbi.org.in
MFIN Toll Free No.- 1800 2700 317

9. Staff Code of Conduct

- While collecting loan repayment from members, HMPL staff shall not behave indecently /improperly with group members and their family members, and should not use bad words. Should not visit members' during odd hours. Should not use any kind of muscle power for collecting loan repayment from members.
- For members loan repayments, their property and other shall not be taken into custody for any reasons.
- All points and information with regards to its fields operations conveyed/ to be conveyed by the organization to staff in the training should be understood by the staff property, and who in turn shall make the group members to understand the information in the vernacular language at time of providing training.
- If group members lodge complaints with regard to their grievances, then staff should resolve them as early as possible. (if the problem can be resolved on the spot immediately, it should be resolved on the spot immediately, if it can be resolved in one day, it should be resolved in one day, and so on). Any complaints/ grievance that the field manager finds, he cannot resolve despite making efforts should be referred be to Head office without delay.
- Any kind of bribe, gift or hospitality shall not be accepted from the group members and their families.
- HMPL staff should not have any kind of personal financial business with the group members and their families.
- Group members or the organization's money should not be misused.
- Any kind of false assurance should not be given to group members under any circumstances.
- Discrimination on basis of caste, religion, race, etc. cannot be done with any group members.
- HMPL Staff should not engage in any activities which damages the organization's name.
- Ensure those eligible groups members are getting loan facilities in a timely manner, assuming on lending funds are available.

- HMPL staff should have good relationship with the group members and family members, but should not compromise with members while following the rules & regulations and discipline of the project.
- HMPL staff should not engage in any political activities, have association with political people, or get involved with any political parties, etc.
- Staff should compulsorily follow all discipline guidelines framed by organization from time to time and if staff does not follow/ violates the discipline guidelines framed by the organization, and then appropriate action will be taken against such staff.
- Staff should not interfere in personal matters of members and their family, unless such matters are related to the loan facilities given by the organization.
- The organization will be transparent and fair in loan related aspects and all other works related to organization while protecting the confidentiality of all organization matters whose confidentiality must be protected, and appropriate training will be given to its staff in this regards.
- Staff has to follow the organization rules with regards to RBI guidelines, Fair Practice Code, Customer Grievance Redressal System, Which are implemented from time to time compulsory. In case, staff does not follow/ violates, Organization will take suitable action against such staff.

10. Loan Products

- Loan product detail have been provided to HMPL members such as, loan types, loan amount, rate of interest, loan processing fee, loan tenure, repayments frequency and instalment amount, etc. in 'Loan products detail Chart'.

11. Compliance with Fair Practices Code and Consolidated Reports of Customer Grievances Reviewed by the Managing committee

Boards of directors of the organization will make periodic review related to fair practice code and customer grievance Redressal System at various level and the consolidated report with regard to customer grievance will be placed in Board of Directors Meeting and consumer Grievance Redressal System.