

**Fair Practices Code for
UNNATI MICROFIN PVT. LTD. (UNNATI)
(FORMERLY KNOW AS SHREE OM CREDIT COMPANY PVT. LTD. [SOCC])**

Objectives:

Objectives of the Fair Practice Code are in tune with the system and processes set up in the UNNATI for delivering the services to clients.

Vision, Values, Mission and Purpose that are set for UNNATI also are in consonance with this code

Vision:

“To enhance the socio-economic status of clients of UNNATI by providing a range of required of financial services.”

Values:

Excellent service including speedy delivery of loan:

UNNATI is committed for excellent services at all level including providing credit to customer within time frame.

Ownership:

UNNATI strongly believes in Owner-Manager Culture which too is incorporated in the fabric of the organization.

Team work and overcoming challenges with unity:

UNNATI believes that together everyone achieves more, thus it encourages a sense of unity, collaborations within team members and a culture where everyone can voice their opinions. Also challenges in the field as well as at offices are resolved with unity

Transparency and integrity:

UNNATI have clear and complete communication in transactions to clients and other stakeholders, including staff, funders, board members, etc.

System first:

System designing and updating with time is commitment from UNNATI. People are committed to follow system and provide feedback for improvement on continuous basis.

Mission:

“To reach 46,000 household with approximately 62 Cr outstanding by 2020 for improving business profitability and household financial security of urban, semi-urban and rural communities.”

Purpose:

“We commit to uplift the economic status of Indian women by providing financial services with excellence”.

Some of the objectives of setting up Fair Practice Code are:

1. To set up code that guides the UNNATI for setting up other systems and processes in the organization so that all the processes work in symbiotic manner.
2. To set up the benchmarks in every process that deals with customers so that UNNATI staff promotes good and fair practices with customer.
3. To serve the clients in transparent manner such that customer understands the products and services offered. For example interest rates, services charges etc. charged by the UNNATI, Processes are displayed and explained well in documents and trainings.
4. To promote a fair & cordial relationship between customer and UNNATI so that relationship becomes long term for the betterment of clients.
5. To foster confidence in the Microfinance - NBFC system so that client even uses the microfinance services available in the market for the betterment of family.

Following is the detail with respect important items relating to the delivery of services

A. Relaying Loan Delivery

(i) Promotion, JLG formation and Applications for loans

(a) UNNATI has all communications to the borrower in the vernacular language (Marathi) or a language as understood by the borrower. Apart from the printed material UNNATI conducts three days training of the JLG to explain the detail about UNNATI and Microfinance

(b) Loan application forms has necessary information that affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form clearly indicates the documents required to be submitted with the application form.

(c) The UNNATI already has process defied for delivery of the loan and tentative time to deliver the loan is within 7 days. UNNATI has acknowledgement for receipt of all loan applications in the form of training records where customer put the signature.

(ii) Loan appraisal in the form of Group Recognition Test and terms/conditions

UNNATI appraise the customer in the meeting at household level so that group guarantee as well as peer pressure is built up for the loan.

UNNATI has loan agreement in the vernacular language as understood by the borrower 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.

(iii) Disbursement of loans including changes in terms and conditions

(a) The UNNATI give notice to the borrower in the vernacular language as understood by the borrower for any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. UNNATI has ensured that changes in interest rates and charges are affected only prospectively.

(b) Decision to recall/accelerate payment or performance under the agreement should be in consonance with the loan agreement.

(c) UNNATI does not take any kind of security from the customers.

(iv) General

(a) UNNATI does not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender).

(b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise, if any, is conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

(c) In the matter of recovery of loans, the UNNATI do not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. in This regards UNNATI already has code of conduct and comprehensive guideline in Operations and HR manuals and staff is trained in this regards.

(v) The Board of Directors of UNNATI has laid down the appropriate grievance Redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and dispose do fat least at the next higher level. The Board of Directors also provides for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances Redressal mechanism at various levels of management. A consolidated report of such reviews is submitted to the Board at regular intervals, as may be prescribed by it.

(vi) UNNATI has displayed the following information prominently, for the benefit of their customers, at their branches/places where business is transacted:

- (a) The name and contact details (Telephone/Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- (b) If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

In short, the public notice should serve the purpose of highlighting to the customers, the grievance Redressal mechanism followed by the company, together with details of the grievance Redressal officer and of the Regional Office of the RBI.

(vii) Fair Practices Code (which should preferably in the vernacular language as understood by the borrower) based on the guidelines outlined here in above is put in place by all UNNATI with the approval of their Boards. Also it will be updated in the web-site within one month.

(viii) Control over excessive interest charged by UNNATI

Boards of UNNATI have always laid down appropriate internal principles and procedures in determining interest rates and processing and other charges. It is based on the through Business Planning Exercise. In this regard the guidelines issue by RBI indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are kept in view.

(ix) Compliance with Regulation of excessive interest charged by NBFCs (Notification No.DNBS.204/CGM (ASR)-2009 dated January 2, 2009)

(a) The UNNATI Board has adopted an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determined the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers is disclosed to the borrower or customer in the application form and loan cards.

(b) The rates of interest and the approach for gradation of risks are made available on the web-site of the UNNATI. The information published in the website or otherwise published will be updated whenever there is a change in the rates of interest.

(c) Rate of interest charged by UNNATI is the annualized rates and hence the borrower is aware of the exact rates that would be charged to the account.

B.NBFC-MFIs:

In addition to the general principles as above, UNNATI NBFC-MFIs adopts the following fair practices that are specific to lending business and regulatory framework.

i. General

- a. The FPC in vernacular language is displayed by an NBFC-MFI in its office and branch premises,
- b. A statement is made in vernacular language and displayed by NBFC-MFIs in their premises and in loan cards articulating their commitment to transparency and fair lending practices,
- c. Field staff is trained to make necessary enquiries with regard to existing debt of the borrowers
- d. Training in the form of CGT is offered to the borrowers is free of cost .Field staff is already trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan /other products,
- e. The effective rate of interest charged and the grievance redressal system set up by the UNNATI is prominently displayed in all its offices and in the literature issued by it(in vernacular language) and on its website,
- f. UNNATI put up declaration that the UNNATI will be accountable for preventing in appropriate staff behavior and timely grievance Redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises.
- g. UNNATI comply with the KYC Guidelines of RBI and staff does the Due diligence to ensure the repayment capacity of the borrowers,
- h. As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, UNNATI does all sanctioning and disbursement of loans at a central location and more than one individual is involved in this function. In addition, there is close supervision of the disbursement at Branch.
- i. UNNATI loan application procedure is very simple and it is not cumbersome and loan disbursements are done as per pre-determined time structure.

ii. Disclosures in loan agreement / loan card

- a. UNNATI has a Board approved for standard form of loan agreement. The loan agreement is in vernacular language.
- b. In the loan agreement the following things are disclosed.
 - i. All the terms and conditions of the loan,
 - ii. That the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),
 - iii. That there is no penalty charged on delayed payment,
 - iv. That no Security Deposit /Margin is being collected from the borrower, v. that the borrower cannot be a member of more than one JLG,
 - vi. The moratorium between the grant of the loan and the due date of the repayment of the first installment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011),
 - vii. an assurance that the privacy of borrower data will be respected.
- c. The loan card reflects the following details as specified in the Non-Banking Financial Company-Micro Finance Institutions (Reserve Bank) Directions, 2011.
 - (i) The effective rate of interest charged

(ii) All other terms and conditions attached to the loan
(iii) Information which adequately identifies the borrower and Acknowledgements by the UNNATI of all repayments including installments received and the final discharge.

(v)The loan card mention the grievance Redressal system set up by the UNNATI and contact number of the nodal officer

(vi) If UNNATI provides Non-credit products then it is with full consent of the borrowers and fee structure shall be communicated in the loan card itself.

(vii) All entries in the Loan Card are in the vernacular language or the language understood by customers.

iii. Non-Coercive Methods of Recovery

As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, recovery is normally be made only at a central designated place as communicated and decided by JLG members. Field staff is allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.

UNNATI ensures that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code lays down minimum qualifications necessary for the field staff and has necessary training tools identified for them to deal with the customers. Training to field staff includes programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive ebt collection/recovery practices. Compensation methods for staff have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties are also being imposed on cases of non-compliance of field staff with the Code of conduct. UNNATI only use employees and not outsourced recovery agents for recovery in sensitive areas.

iv. Internal control system:

As the primary responsibility for compliance with the Directions rest with the UNNATI, we had made 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