



PRAYAS FINANCIAL SERVICES PVT. LTD.

Fair Practices Code

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Policy Owner	Product Department
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Prayas Financial Services Private Limited
108,1st Floor,Orchid Business Park Sector-48, Gurugram -
122018, Haryana, India
Ph: (079)27540943
Mail: admin@prayasfinance.com

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The policy has been vetted by the following:

Reviewer Name	Designation	Online/Offline
Mr. Abhisek Khanna	Managing Director & Chief Executive Officer	
Ms. Jhummi Mantri	Financial Controller	
Mr. Amit Garg	Executive Vice President Credit	
Mr. Praveen Kumar	Business Head	
Mr. Kamlesh Prasad	Vice President Human Resources	
Mr. Navneet Gupta	Vice President Audit	
Ms. Divya Rathi	Vice President Secretarial and Legal	
Mr. Amit Tikku	Associate Vice President Customer Service	
Mr. Pratap Singh	Associate Vice President Operations	
Mr. Satya Pal	Associate Vice President Information Technology	
Mr. Sanjay Mehta	Associate Vice President Product	

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List of Abbreviations

Abbreviation	Meaning
CCO	Chief Compliance Officer
FPC	Fair Practices Code
GRO	Grievance Redressal Officer
KFS	Key Fact Statement
KYC	Know Your Customer
MFI	Microfinance Institution
NBFC	Non-Banking Financial Company
NRC	Nomination and Remuneration Committee
PF SPL	Prayas Financial Services Pvt. Ltd.
RBI	Reserve Bank of India

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Glossary

Term	Definition
Board	The Board of directors of Prayas Financial Services Pvt. Ltd. (PFSPL)
Customer	All individuals, groups, or entities availing loan products or financial services from PFSPL.
Employee	Employees include an individual who is appointed by the Company vide employment agreement (full time, part time, ad hoc, temporary, contract) executed between the Company and such individual.
Grievance Redressal Committee	GRC approved by the Board from time to time.
Key Fact Statement	A statement of key terms of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardized format.
Managing Director	A senior-level executive in a company who oversees day-to-day operations, develops corporate strategies, manages personnel, and ensures adherence to HR policies. He/She also act as a bridge between the board of directors, shareholders, and the executive team.
Policy	Refers to Fair Practices Code Policy
Representatives	Intermediaries involved in loan origination, disbursement, collection, and customer interaction
Risk	The chance or possibility of danger, loss, injury, or other adverse consequences.
Senior Management	Senior Management refers to: <ul style="list-style-type: none"> members of the core management team (EVP and above) of the company, excluding the Board of Directors. any other employee (AVP and above) that the NRC may include from time to time.

1. Introduction

Prayas Financial Services Private Limited (PFSPL), a registered Non-Banking Finance Company - Microfinance Institution (NBFC-MFI) under the Reserve Bank of India, is dedicated to empowering financially underserved households and informal micro-enterprises by providing accessible financial products and services. As a subsidiary of Ananya Finance for Inclusive Growth Private Limited, PFSPL leverages its parent company's decade-long expertise in promoting financial inclusion to create a meaningful impact in low-income communities.

PFSPL operates on the Joint Liability Group (JLG) model, specifically designed to empower women in rural and semi-urban areas. This model supports individual aspirations while driving the economic development of local communities.

Our vision is to foster a society where individuals, particularly women, have equitable economic opportunities to enhance their standard of living and contribute meaningfully to community development. With a digitized, paperless loan processing system and a strong branch network across India, PFSPL has established itself as a trusted partner in driving financial stability and inclusion.

We remain committed to responsible lending practices, ensuring funds are effectively utilized to promote long-term socio-economic progress in underserved communities.

2. Objective

The objective of this document is to establish and communicate the Fair Practices Code (FPC) in accordance with the guidelines issued by the Reserve Bank of India (RBI). The FPC aims to:

- i. Ensure transparency, fairness, and accountability regarding loan terms, conditions, interest rates, fees, and repayment obligations with customers.
- ii. Promote ethical practices and compliance with regulatory requirements in lending and financial operations.
- iii. Safeguard the rights of customers.
- iv. Provide a framework for resolving customer grievances effectively and promptly.
- v. Foster trust and confidence among customers, stakeholders, and the public by adhering to fair and responsible lending practices.

This document serves as a reference for implementing and monitoring the Fair Practices Code across the organizational levels and aims to uphold responsible lending, ethical business practices, and customer-centric operations at PFSPL in compliance with RBI's Master Circular - Fair Practices Code dated July 01, 2015 (*DNBR (PD) CC.No.054/03.10.119/2015-16*) for NBFCs.

3. Scope

The Fair Practices Code (FPC) applies to all financial products and services offered by Prayas Financial Services Pvt. Ltd. (PFSPL). This includes, but is not limited to group loans, any other loan products introduced by the organization. The key areas of applicability include customers, employees, representatives, loan products & services, grievance redressal mechanism, all operational branches of PFSPL offering loans and the Board. All loans offered by PFSPL shall necessarily comply with the guidelines in terms of ethical recovery practices for all borrowers and communication to clients about terms and conditions of the loan, its pricing, loan card, identity of the borrower, etc.

4. Board Approval and Dissemination

The Fair Practices Code (FPC) is written in adherence to the guidelines issued by the Reserve Bank of India (RBI) and has been reviewed and approved by the Board of Directors of Prayas Financial Services Pvt. Ltd. (PF SPL).

To ensure accessibility and transparency, the FPC will:

- i. Be prominently displayed on the official websites of PF SPL.
- ii. Be available at all branch locations for reference by customers and stakeholders.
- iii. Be prominently displayed and communicated to all employees, agents, and intermediaries through agreements, posters, emails or websites to ensure consistent implementation and adherence.

5. Loan Applications and their processing

- i. PF SPL must ensure that all communication (letters / agreements / SMS / E-mail etc.) to the borrower shall be in the vernacular language or a language as understood by the Borrower.
- ii. The loan application form would include all necessary information which affects the interest of the customer 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.
- iii. The loan application form shall indicate the documents required to be submitted with the application form.
- iv. PF SPL will give acknowledgment for receipt of all loan application through digital mode like SMS, E-mail, etc.
- v. All loan applications shall be processed and decided upon within 18 days from the date of receipt of the duly completed Loan Application Form along with all required documents, subject to compliance with the prevailing rules and regulations by the borrower.

6. Loan Appraisal and terms & conditions

The terms and conditions for loans provided by PF SPL are designed to ensure transparency, fairness, and clarity for customers. The following aspects should be covered under the loan terms and conditions in the loan application, loan agreement, loan card or sanction letter of the organization:

- i. **Loan Amount and Purpose:** The loan amount is determined based on the customer's eligibility and the purpose of the loan, as per the guidelines set by the organization. Clear communication of the loan amount and its intended use is provided to the customer during the loan application process.
- ii. **Interest Rates and Charges:** The applicable interest rate for each loan type is disclosed upfront and is in compliance with the regulatory guidelines. Any additional fees, such as processing fees, Insurance Premium, is communicated in writing with transparency.
- iii. **Repayment Schedule:** The repayment schedule, including the loan tenure, frequency of payments, and the due dates, is clearly communicated to the customer before the loan is disbursed through the Loan Card and KFS provided to the Customer.

- iv. **Prepayment and Foreclosure:** Customers are informed of any terms related to prepayment or foreclosure of the loan, including any penalties or charges (which are not applicable in the case) associated with early repayment. Prepayment options are made transparent, allowing customers to manage their loans efficiently.
- v. **Non-credit Products:** All non-credit products (financial products, insurance products and non-financial products) should be provided only with the explicit consent of the borrower and Employees should ensure that there is no direct or indirect linkage between the loan provided to the borrower and other non-credit products. Further, no non-credit product shall be sold as a pre-condition for the loan product. Branches should prominently display that purchase of any non-credit product by the microfinance borrowers is purely on a voluntary basis.
- vi. **Disclosure of Penal Interest in Loan Agreement**
 - a) To ensure transparency and avoid disputes, the penal interest, if any, for late repayment shall be clearly mentioned in bold in the loan agreement.
 - b) The borrower shall be made aware of these charges before loan sanction to prevent any misunderstandings.
- vii. **Furnishing Loan Agreement & Enclosures**
 - a) A complete copy of the loan agreement, in a format easily understood by the borrower, shall be provided at the time of sanction/disbursement through the SMS link.
 - b) Along with the agreement, copies of all enclosures referenced in the agreement shall also be provided. These documents shall also be made digitally accessible to the borrower via the PrayasPe app, ensuring transparency and reducing the risk of disputes
- viii. **Ensuring Borrower Awareness**
 - a) Borrowers shall be given sufficient time to review the loan agreement and seek clarifications before accepting the loan.
 - b) PFSPL shall take measures to ensure that borrowers clearly understand the interest rate, repayment obligations, and any additional charges before loan disbursement.

7. Disbursement of loans including changes in terms and conditions

PFSPL ensures that in case of any changes to the terms and conditions, including the disbursement schedule, interest rates, service charges, or pre-payment charges, the customer shall be informed in advance through a notice sent via SMS or email, in a vernacular language understood by the customer. All changes in interest rates and charges shall be applied prospectively. This requirement shall also be clearly incorporated into the loan agreement.

8. Release of movable/immovable property documents on repayment/settlement

PFSPL must ensure the following general guideline:

- i. PFSPL shall release all original movable/immovable property documents and remove registered charges within 30 days of full repayment or settlement of the loan account.

- ii. Borrowers shall have to collect the documents from the servicing branch.
- iii. The timeline and place of return of documents shall be clearly mentioned in the loan sanction letter.
- iv. In case of loss or damage to original documents, PF SPL shall assist in obtaining certified copies and bear the associated costs. In such cases, an additional 30 days shall be allowed.

9. General Guidelines

PF SPL must ensure the following general guidelines:

- i. PF SPL shall refrain from interference in the affairs of the borrower/member except for the purposes provided in the terms and conditions of the loan agreement (unless any information, not earlier disclosed by the borrower, has come to notice).
- ii. In loan recovery matters, PF SPL is committed to ethical and respectful practices. The organization strictly prohibits undue harassment, such as persistently contacting borrowers at inappropriate hours or using coercive methods, including physical force, for loan recovery. Staff members are adequately trained to interact with customers professionally and courteously.
- iii. PF SPL has established a Board-approved Grievance Redressal Mechanism to address customer concerns effectively. The details of the grievance redressal process are prominently displayed at all offices and branches and published on the official website of PF SPL, ensuring easy access for customers.
- iv. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of PF SPL, if any, shall 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.
- v. PF SPL ensures full compliance with RBI's guidelines on the Key Facts Statement (KFS) for all retail and MSME term loans, effective October 1, 2024. PF SPL provides the KFS in a standardized format and in a language understood by the borrower, clearly detailing key loan terms, Annual Percentage Rate (APR), amortization schedule, and all applicable charges.

10. Responsibility of Board of Directors

The Board of Directors of PF SPL shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.

The Board of Directors of PF SPL shall periodically review the compliance of the Fair Practices Code and the functioning of the Grievance Redressal Committee. A consolidated report of such reviews shall be submitted to the Board annually, as may be prescribed by it.

11. Grievance Redressal Mechanism

The Company has laid down an appropriate Grievance Redressal Mechanism (GRM) within the organization to resolve disputes arising in this regard. The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted:

- i. The name and contact details (Telephone / Mobile no. and email address) of the Grievance Redressal Officer/ Principal Nodal Officer who can be approached by the public for resolution of complaints against the Company.
- ii. If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Reserve Bank of India through the complaint lodging portal: <https://cms.rbi.org.in>.

The Company has put in place a Customer Grievance Redressal Mechanism which is in line with the Reserve Bank- Integrated Ombudsman Scheme, 2021.

11.1. GRO Details:

Designation	Detail
Grievance Redressal Officer	<p>Name: Mr. Amit Tikku</p> <p>Contact Number: 1800-572-4548</p> <p>Email: complaints@prayasfinance.com</p> <p>Office Address: 108, 1st floor, Orchid Business Park, Sohna Road, Sector-48, Gurgaon, Haryana - 122004</p>

12. Language and mode of communication of Fair Practice Code

Fair Practices Code (which shall preferably be in the vernacular language, or a language as understood by the borrower) based on the guidelines outlined here in above shall be put in place by PFSP with the approval of its Board of Directors. The same should be put up on its website, for the information of various stakeholders.

13. Interest charged by PFSP

The Board of PFSP shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the annualized 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 shall be disclosed to the borrower or customer in the application form and through company website and communicated explicitly in the sanction letter.

14. Internal Control System

PFSP shall have Senior Management to ensure adherence to all applicable regulatory directions and internal policies. Additionally, the organization shall have a dedicated Audit team in place to implement robust internal control systems and conduct periodic inspections. These measures must be established to ensure ongoing compliance with regulatory guidelines and internal standards.

15. Guidelines for Microfinance Loans

15.1. General Guidelines:

PFSP must ensure the following guidelines for its microfinance business:

- i. The FPC in vernacular language shall be displayed by PFSP in all of its offices and branches.

- ii. A statement shall be made in vernacular language and displayed by PFSPL in their premises and in loan cards articulating their commitment to transparency and fair lending practices.
- iii. Field staff shall be trained to make necessary enquiries with regard to the existing debt of the borrowers.
- iv. Training offered to the borrowers shall be free of cost. Field staff should be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan/other products.
- v. The effective rate of interest charged, and the grievance redressal system set up by PFSPL should be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website.
- vi. A declaration that PFSPL will be accountable for preventing inappropriate staff behavior and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises.
- vii. The KYC guidelines of RBI shall be complied with, and due diligence shall be carried out to assess the repayment capacity of the customers.
- viii. Vide the RBI Directions, 2011 on NBFC-MFIs, it is specified that all sanctioning and disbursement of loans shall be done only at a central location, with the involvement of more than one individual, and that the disbursement function shall be closely supervised.
- ix. Adequate steps may be taken to ensure that the procedure for application of loan is not cumbersome, and loan disbursements are done as per pre-determined time structure.

15.2. Disclosures in Loan agreement and Loan card

PFSPL shall have a Board approved standard form of loan agreement. The loan agreement shall preferably be in vernacular language.

In loan agreement the following shall be disclosed:

- i. All the terms and conditions related to the loan.
- ii. That the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium.
- iii. There will be 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 SHG / JLG of PFSPL.
- vi. The moratorium period between the grant of the loan and the due date of the repayment of the first instalment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011 and amendments thereafter).
- vii. An assurance that the privacy of borrower data will be respected.

In Loan Card, the following shall be disclosed:

- 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 PFSPL of all repayments including installments received and the final discharge.
- iv. The grievance redressal process followed by PFSPL, along with the name and contact number of the designated nodal officer.
- v. Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card.
- vi. All entries in the Loan Card should be in the vernacular language.

15.3. Non-Coercive Method of Recovery

PFSPL has standards of practice for recovery of installments. All employees involved in recovery of installments are educated on such practices at regular intervals.

- i. All collection of installments is made at centrally designated places. This designated place is fixed as per the convenience of all borrowers.
- ii. Field staff shall be allowed to make recovery at the place of residence or work of the borrower during working hours only if borrower fails to appear at central designated place.
- iii. In case of non-repayment of instalment by any borrower, the employee enquires from other borrowers in the group and if required visits defaulting borrower's house.
- iv. PFSPL shall ensure that a Board approved policy is in place with regard to the Code of Conduct by field staff and systems for their recruitment, training and supervision.
- v. The Code should lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers.
- vi. Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
- vii. Staff compensation methods should be more focused towards the areas of service and borrower satisfaction rather than only on the number of loans disbursed or recovery rate. In cases where field staff do not comply with the Code of Conduct, penalties shall be imposed.
- viii. Only employees and not outsourced recovery agents are used for recovery in sensitive areas.
- ix. No employee shall use any kind of coercive, intimidating or humiliating language while recovering installments from the borrowers even if they are unable to pay due installments on time. Instead, the employees involved in recovering installments shall try to enquire about the actual reason behind the borrower's inability to repay us back on time and try to address the same.
- x. No employee shall contact borrowers at odd hours or at inappropriate times such as bereavements, illness, and social occasions such as marriage, births, etc for recovery of installments.
- xi. No employees shall persistently approach/call the borrower or make a call before 9:00 a.m. and after 6:00 p.m.
- xii. No employee shall harass relatives, friends, or co-workers of the borrower.

- xiii. No employee shall use or threat of use of violence or other similar means to harm to borrower or borrower's family/assets/reputation.
- xiv. No employee shall mislead the borrower about the extent of the debt or the consequences of non-repayment.
- xv. No employee shall collect any extra amount other than actual due amount.

16. Review

PF SPL shall annually review the compliance of the Fair Practices Code and the functioning of the Grievance Redressal Committee.

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