

---

FAIR PRACTICES CODE

---



## Contents

Introduction .....	2
Objective .....	2
Coverage .....	2
Loan Agreement.....	3
Loan Card .....	3
Conduct of Staff .....	3
Pricing Fact Sheet.....	4

## Introduction

Microfinance Loans have become an important element of economic growth, job creation and social cohesion. Prayas Financial Services Private Limited (PFSP) has prioritized providing access to microfinance loans to low income households and micro business in order to support them and help them prosper. As per the Reserve Bank of India (RBI) Master Direction on Regulatory Framework for Microfinance Loans issued on March 14, 2022, the responsibility of formulating the Fair Practices Code has been delegated to the Board of Directors.

## Objective

The objective of this document is to provide a standard & client centric fair practice code to be followed by all employees throughout their interaction with our borrowers. This document shall also provide guidelines for communicating information in a fair and transparent manner to our borrowers in line with the directions of RBI.

## Coverage

The policy is applicable to all Branches of PFSP offering microfinance loans. All microfinance loans offered by PFSP shall necessarily comply with this policy in terms of communication to clients about terms and conditions of the loan, its pricing, loan card, identity of the borrower, etc.

## Loan Agreement

The loan agreement must contain all the terms and conditions of the loan and shall necessarily be explained to the borrower before execution. The loan agreement will be executed in a language understood by the borrower.

## Loan Card

All borrowers availing loan from PFSPL shall necessarily be provided with a loan card. The loan card will contain the below mentioned information:

- Information to adequately identify the borrower.
- All the terms and conditions of the loan.
- Acknowledgements by PFSPL of all repayments including instalments received and the final discharge.
- Details of the grievance redressal system, including the name and contact number of the nodal officer of PFSPL.
- All entries in the loan card would be in a language understood by the borrower.
- All non-credit products offered to the borrower shall be with full consent of the borrower.
- Fees and charges for all non-credit products shall also be explicitly communicated to the borrower in the loan card itself.

## Conduct of Staff

PFSPL prescribes standard set of practice to be followed by each employee while interacting with borrowers. All employees are educated and trained on such practices on regular intervals. The set of behaviour are listed below:

- The borrowers shall not be unfairly discriminated on grounds such as caste, religion, gender, marital status, etc.
- All employees will use respectful language, maintain decorum and are respectful of social and cultural sensitivities.
- No employees shall use any kind of coercive, intimidating or humiliating language while interacting with the borrowers.
- No employees shall contact borrowers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriage, births, etc.
- The borrower shall be clearly communicated the process of loan application, terms and conditions associated with the loan application, pricing, and status of application.
- The borrower must be communicated about the process of grievance redressal mechanism and all contact points of Grievance Redressal Officer (GRO) must be printed on loan passbook.
- All queries and requests of the borrower shall be addressed politely and within stipulated time.

## Non Coercive Method of Recovery

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

- All collection of instalments are made at centrally designated place. This designated place is fixed as per the convenience of all borrowers.

- 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 along with the group leader and other borrower in the group.
- No employees shall use any kind of coercive, intimidating or humiliating language while recovering instalments from the borrowers even if they are unable to pay due instalments on time. Instead, the employees involved in recovering instalments 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.
- No employees 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 instalments.
- No employees shall persistently call the borrower or make a call before 9:00 a.m. and after 6:00 p.m.
- No employees shall harass relatives, friends, or co-workers of the borrower.
- PFSP shall not publish the name of borrowers as default in any media .
- No employees shall use or threat of use of violence or other similar means to harm to borrower or borrower's family/assets/reputation.
- No employees shall mislead the borrower about the extent of the debt or the consequences of non-repayment.
- No employees shall collect any extra amount other than actual due amount.

#### Involvement of Recovery Agents

PFSP does not engage any outside party for recovery of instalments at present.

#### Pricing Fact Sheet

PFSP will provide an illustrative factsheet on pricing of microfinance loans to all clients availing loan as per the format in Annexure 1. The fact sheet would be provided in a language understood by the borrower.

### Illustrative Factsheet on Pricing of Microfinance Loans

Date: \_\_\_\_\_ Lender's Name: \_\_\_\_\_ Applicant Name: \_\_\_\_\_

Sr. No.	Parameter	Details
(i)	Loan amount (amount disbursed to the borrower) (in Rupees)	
(ii)	Total interest charge during the entire tenure of the loan (in Rupees)	
(iii)	Other up-front charges (break-up of each component to be given below) (in Rupees)	
(a)	Processing fees (in Rupees)	
(b)	Insurance charges (in Rupees)	
(c)	Others (if any) (in Rupees)	
(iv)	Net disbursed amount ((i)-(iii)) (in Rupees)	
(v)	Total amount to be paid by the borrower (sum of (i), (ii) and (iii)) (in Rupees)	
(vi)	Effective annualized interest rate (in percentage) (computed on net disbursed amount using IRR approach and reducing balance method)	
(vii)	Loan term (in months)	
(viii)	Repayment frequency by the borrower	
(ix)	Number of instalments of repayment	
(x)	Amount of each instalment of repayment (in Rupees)	
<b>Details about Contingent Charges</b>		
(xi)	Borrower shall not be charged any penalty on prepayment of loan at any time.	
(xii)	Penal charges in case of delayed payments (if any)	
(xiii)	Other charges (if any)	