

AMFI-WB

CODE OF CONDUCT FOR MICROFINANCE INSTITUTIONS

We, the members of “Association of Microfinance Finance Institutions-West Bengal”, agree to abide by the following Code of Conduct:

SCOPE:: AMFI-WB members must agree to:

1. Promote and strengthen the Microfinance movement in West Bengal by bringing low-income clients to the mainstream financial sector,
2. Build progressive, sustainable, and client-centric Microfinance Institutions in West Bengal to provide a range of financial services (consistent with regulation) to the clients,
3. Promote cooperation and coordination among themselves and other agencies in order to achieve higher operating standards and avoid unethical competition in order to serve the clients better.

APPLICATION OF THE CODE:

These Codes are applicable to the following activities undertaken by Association of Microfinance Institutions-West Bengal;

1. Providing credit services to the clients, individually or in groups.
2. Recovery of credit provided to the clients.
3. Collection of thrift from the clients, where ever applicable.
4. Providing insurance and pension services, remittance services, or any other related products and services.
5. Formation of any type of community collectives including self-help groups, joint liability groups and their federations.
6. Business development services including marketing of products or services made or extended by the eligible clients or for any other purpose for the welfare and benefit of the clients.

CODE OF CONDUCT:

All members of AMFI-WB are required to follow all regulatory norms as well as consumer protection practices (specifically, RBI’s Guidelines on Fair Practices issued for NBFCs, CoC of MFIN-Sadhan for MFIs in India) laid down by the government and the regulators in both letter and spirit. In order to adhere to the core values of Microfinance in the State, the following practices mentioned below must be abided by all institutions providing microfinance services.

- I. INTEGRITY AND ETHICAL BEHAVIOUR,**
- II. TRANSPARENCY,**
- III. FAIR PRACTICES FOR CLIENT PROTECTION,**
- IV. HR PRACTICES,**

I. INTEGRITY AND ETHICAL BEHAVIOUR:

1. MFIs must design appropriate policies and operating guidelines to treat the clients and employees with dignity. MFIs must implement the operating their policies honestly, fairly in conducting the microfinance activities,
2. MFIs must incorporate transparent and professional governance system to ensure that employee, agent and persons acting on their behalf are oriented and trained to their policies and Code of Conduct.
3. MFIs must educate the clients the Code of Conduct and its implementation

II. TRANSPARENCY:

- a) MFIs must disclose to the clients about all the terms and conditions for financial services offered by the institution in the language easily understood by the clients prior to the disbursement,
- b) MFIs must provide information in writing to the clients at the rate of interest levied on the loan on annualize reducing balance method, terms of repayment, processing fee, and details about insurance charges and its benefits(if the MFI is providing any insurance/ CLI).
- c) Formal records of all transactions must be maintained in accordance with all regulatory and statutory norms, and borrowers' acknowledgment/acceptance of terms/conditions must form a part of these records.
- d) MFIs must share the complete clients data with at least one RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the Credit Bureaus.
- e) MFIs must have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available, information about the organization's policies and procedure to help them understand their rights as borrowers.

III. FAIR PRACTICES AND CLIENT PROTECTION:

- a) MFIs must ensure the provision of micro finance services to eligible clients irrespective of gender, race, caste, religion or language and as per to RBI guidelines.
- b) MFIs must obtain copies of relevant documents from clients, as per standard KYC norms. Additional documents sought must be reasonable and necessary for completing the transaction.
- c) MFIs do not have to demand any collateral against sanctioning the loans
- d) MFIs must ensure provide financial services by using efficient methods at reasonable cost based upon their needs and repayment capacity. MFIs must conduct proper due diligence before sanctioning a loan.
- e) MFIs staff shall not accept any illegal gratification pertaining to business transactions
- f) MFIs must follow the RBI guidelines for not providing microfinance loan to client who have taken loan from 2 separate lenders and over and above maximum indebtedness limit prescribed by regulatory authority.
- g) MFIs must ensure that the employees must interact with clients in an acceptable language, dignified manner maintain appropriate place and time. Employee should maintain decorum during the interaction with the clients at the time of collection or conducting training at clients' place and office of the MFIs during disbursement and other meeting.
- h) MFIs must avoid indulging any inappropriate behaviour that in any manner would suggest any kind of threat or violence.
- i) MFIs must not, under any circumstance, breach the total debt limit for any client, as prescribed by RBI or Central/State Government(s).
- j) MFIs must avoid practices any unethical method of collection or avoid contact clients or making phone call at odd hours, as per the RBI guidelines for loan
- k) MFIs must provide a valid acknowledgment receipt (in whatever form decided by the MFI) for each and every payment received from the borrower.
- l) MFIs must keep personal client information strictly confidential.
- m) MFIs shall not use recovery agents for recovery of dues in areas considered sensitive by the authorities.
- n) **MFIs must not** visit clients at inappropriate occasions such as bereavement, sickness, natural disaster, etc., to collect dues and avoid odd hours as per RBI guidelines.

IV. HR PRACTICES AND RECRUITMENT OF EMPLOYEE:

- a) As a matter of free and fair recruitment practice, there will be no restriction on hiring of staff from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
- b) Whenever an MFI recruits from another MFI, it will be mandatory to seek a reference check from the previous employer. The reference check will be sought from current employer only after an offer is made and an offer letter is issued to the prospective employee.

- c) MFIs should respond to the reference check request from another MFI within at least two weeks' time,
- d) MFIs must respect the completion of requisite notice period for the outgoing institution,
- e) MFIs must ask for the NOC/ No Dues certificate of the previous company before confirming his service.

CLIENT EDUCATION:

- MFIs must have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available.
- MFIs shall give its customers complete and accurate information and educate them about the terms of financial services offered by it in a manner that is understandable by them.
- Borrowers will be provided training free of any cost on various aspects pertaining to areas which impact their livelihood and their lives directly and/or indirectly.

DATA SHARING:

MFIs will agree to share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission guided by RBI (if any) or else as decided by AMFI-WB.

FEEDBACK/ GRIEVANCE REDRESSAL MECHANISM

- MFIs must establish dedicated feedback and grievance redressal mechanisms to correct any error and handle/receive complaints speedily and efficiently and provide opportunity to clients to build confidence of fair practices conducted by the institute.

N: B: Apart from that, all the members are required to follow the CODE OF CONDUCT FOR MICROFINANCE INSTITUTIONS IN INDIA prepared jointly by Sa-Dhan and MFIN.