

# **BWDA Finance Limited**

## **CODE OF CONDUCT**

---

Adapted from RBI FPC and Sa-dhan SRO COC and RBI's guidelines on Microfinance Loans 2022

### **ABSTRACT**

This document outlines the code of conduct of BFL in line with RBI FPC and SRO's COC and has to be adhered to with diligence and care. All stakeholders are required to follow all regulatory norms as well as consumer protection practices (specifically, RBI's Guidelines on Fair Practices issued for NBFC - BFL) laid down by the government and the regulators in both letter and spirit.

## Application Of The Code

**This Code applies to the following activities undertaken by BWDA FINANCE LIMITED:**

1. Providing financial services to clients, individually or in groups either on its own or as an agent.
2. Recovery of credit provided to clients.
3. Collection of thrift from clients, wherever permitted by law.
4. Providing insurance, pension services and 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. Livelihood promotion services and 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 clients.
7. Finance Plus services provided by BFL such as health, financial literacy, vocational training etc.

## Core Values of Microfinance

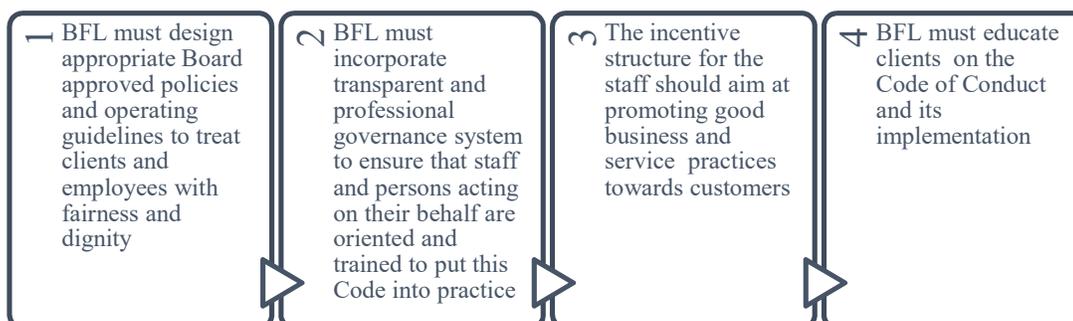
<p><b>A. INTEGRITY</b></p> <ul style="list-style-type: none"> <li>▪ To provide low-income clients - women and men - and their families, with access to financial services that are client focused, designed to enhance their well-being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.</li> </ul>	<p><b>B. QUALITY OF SERVICE</b></p> <ul style="list-style-type: none"> <li>▪ To ensure quality services to clients, appropriate to their needs, and delivered efficiently in a convenient and timely manner.</li> <li>▪ To maintain high standards of professionalism based on honesty, non-discrimination and customer centricity.</li> </ul>	<p><b>C. TRANSPARENCY</b></p> <ul style="list-style-type: none"> <li>▪ To provide complete and accurate information to clients regarding all products and services offered.</li> <li>▪ To create awareness and enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.</li> </ul>	<p><b>D. FAIR PRACTICES</b></p> <ul style="list-style-type: none"> <li>▪ To ensure that clients are protected against fraud and misrepresentation, deception or unethical practices.</li> <li>▪ To ensure that all practices related to lending and recovery of loans are fair and maintain respect for client's dignity and with an understanding of client's vulnerable situation.</li> </ul>	<p><b>E. PRIVACY OF CLIENT INFORMATION</b></p> <ul style="list-style-type: none"> <li>▪ To safeguard personal information of clients, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and informed consent of clients.</li> </ul>	<p><b>F. INTEGRATING SOCIAL VALUES INTO OPERATIONS</b></p> <ul style="list-style-type: none"> <li>▪ To ensure high standards of governance and management focused on not only financial performance but also social impact of business.</li> <li>▪ To monitor and report social as well as financial data.</li> <li>▪ To assess the social performance and social relevance of the institution from time to time</li> </ul>	<p><b>G. FEEDBACK &amp; GRIEVANCE REDRESSAL MECHANISM</b></p> <ul style="list-style-type: none"> <li>▪ To provide clients formal and informal channels for feedback and suggestions.</li> <li>▪ To consistently assess the impact of services in order to enhance competencies and serve clients better.</li> <li>▪ To provide a formal and easy to access grievance redress mechanism for clients.</li> </ul>
--	--	--	---	--	---	--

## BFL's Commitment to the Microfinance Sector

1. Promote and strengthen the Microfinance movement in the country by bringing low- income clients to the mainstream financial sector.
2. Build progressive, sustainable, and client- centric systems and practices to provide a range of financial services (consistent with regulation) to clients.
3. Promote cooperation and coordination among themselves and other agencies in order to achieve higher operating standards and avoid unethical practices – including competitive business practices - in order to serve clients better.
4. BFL will adhere to the core values of Microfinance and abide by the Code of Conduct, as mentioned in the following paragraphs

## BFL Code of Conduct

### I. Integrity and Ethical Behaviour



### II. Transparency

1. BFL shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet as mandated by RBI
2. Any fees to be charged to the microfinance borrower by BFL shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
3. BFL shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. This information will also be included in the supervisory returns.
4. Any change in interest rate or any other charge charged by BFL shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
5. BFL will have a standard form of loan agreement for microfinance loans in a language understood by the borrower
6. BFL's loan card to customer will have the following information:
  - a. Borrower Information
  - b. Simplified factsheet on pricing
  - c. All terms and conditions attached to the loan.
  - d. Acknowledgements by BFL of all repayments including instalments received and the final discharge; and
  - e. Details of BFL's grievance redressal system, including the name and contact number of the nodal officer of BFL
7. All entries in the BFL loan card will be in a language understood by the borrower.
8. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.
9. 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.
10. Place in public domain the assessment reports on code of conduct compliance.

11. All BFL should put their annual reports and annual financial statements in public domain (preferably on their websites) immediately after approval of their Board/AGM

### **III. Client Protection**

#### **A. Fair Practices**

1. BFL must ensure that the provision of micro finance services to eligible clients is as per RBI guidelines.
2. BFL should offer only financial products and services that have been approved by the concerned regulatory authority to their customers (even when acting as agents of other financial institutions).
3. BFL 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.
4. The decision on loans must be taken within a reasonable of time. BFL should indicate the time limit within which customers can expect a decision on their application and if sanctioned, the time taken for disbursement of loan.
5. Products should not be bundled. (Bundling in this context means making purchase of a product or service conditional for provision of another product or service). The only exceptions to bundling may be made with respect to credit life, life insurance & livestock insurance products, which are typically offered bundled with loans. The terms of insurance should be transparently conveyed to the client and must comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms. Consent of the client must be taken in all cases.

#### **B. Avoiding Over-indebtedness**

1. BFL must conduct proper due diligence to assess the income of the household based on the directions given by RBI
2. BFL will ensure that the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income shall be subject to a limit of maximum 50 per cent of the monthly household income.
3. BFL will get the required CB checks to validate the household income and limit on monthly income
4. BFL must not, under any circumstance, breach the total outflow limit for any client, as prescribed by RBI. The Credit Bureau Report prior to disbursement of the loan should validate this.

#### **C. Appropriate interaction and collection practices**

1. BFL must have clearly defined guidelines and train employees on interactions with clients.
2. BFL must ensure that all staff and persons acting on behalf of the BFL
  - a. Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
  - b. DO NOT indulge in any behaviour that in any manner would suggest any kind of threat or violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
  - c. Do NOT Use threatening or abusive language

- d. DO NOT contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
  - e. DO NOT call Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
  - f. DO NOT harass relatives, friends, or co-workers of the borrower
  - g. DO NOT publish the name of borrowers
  - h. DO NOT visit clients at inappropriate occasions such as bereavement, etc., to collect dues even if two or more successive repayments are not received
  - i. DO NOT mislead the borrower about the extent of the debt or the consequences of non-repayment
3. BFL must provide a valid receipt (in whatever form decided by the BFL) for each and every payment received from the borrower and record the payment in the loan passbook/loan card with the client.
  4. Recovery shall be made at a designated/ central designated place decided mutually by the borrower and BFL. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.
  5. BFL will put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available
  6. BFL will have a dedicated mechanism for redressal of recovery related grievances.

#### **D. Privacy of client information**

1. BFL must keep personal client information strictly confidential. Client information may be disclosed to a third party subject to the following conditions:
  - a. Client has been informed about such disclosure and prior permission has been obtained in writing.
  - b. The party in question has been authorized by the client with intimation to the BFL to obtain client information from the BFL.
  - c. It is legally required to do so.
  - d. This practice is customary amongst financial institutions and available for a close group on reciprocal basis (such as a credit bureau) provided that the i) clients' prior consent has been obtained and ii) the receiver of such information is also bound by these condition

#### **IV. Governance**

BFL must incorporate a formal governance system that is transparent and professional, and adopts the following best practices of corporate governance:

1. BFL must observe high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body and seek to comply with the best standards stipulated in Companies Act, RBI regulations and the Stock Exchange regulations for listed companies (even though the BFL may not be companies or listed in a stock exchange).
2. BFL will endeavour to have independent directors to the extent of 1/3rd of the Governing Board.
3. BFL must have a Board approved debt restructuring product/program for providing relief to borrowers facing repayment stress.

4. BFL will appoint an audit committee of the Board with an independent director as chairperson
5. BFL must ensure transparency in the maintenance of books of accounts and reporting/presentation and disclosure of financial statements by qualified auditor/s.
6. BFL must put in best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).
7. BFL must place before the Board of Directors, a compliance report indicating the extent of compliance with this Code of Conduct and the functioning of the grievance redressal mechanism at various level of management, specifically indicating any deviations and reasons therefore, at regular intervals, as may be prescribed by Board.

## **V. Recruitment**

The code covers all BFL staff.

1. As a matter of free and fair recruitment practice, there will be no restriction on hiring of staff from other BFL by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
2. Whenever BFL seeks to recruit an employee in another MFI, it will be mandatory to seek a reference check from the current 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.
3. BFL should respond to the reference check request from another MFI within two weeks.
4. BFL must honour notice period as contractually agreed between employer and employee subject to a minimum of one month for an outgoing employee
5. BFL shall not recruit an employee of another MFI, irrespective of the grade/level of the employee, without the relieving letter from the previous MFI employer. An exception can however be made in instances where the previous employer (MFI) fails to respond to the reference check request within 20 days. BFL must provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards the BFL, except in proven cases of fraud or gross misconduct by the employee.
6. Whenever BFL recruits from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same block where he/she was serving at the previous employer, for a period of 1 year.

## **VI. Client Education**

1. BFL must have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available.
2. New clients must be informed about the organization's policies and procedures to help them understand their rights as borrowers.
3. BFL must ensure regular checks on client awareness and understanding of the key terms and conditions of the products/ services offered / availed. Customer feedback should be gathered, as part of internal audit systems or through some other regular monitoring such as a system of calls to random sample of customers. The feedback from such monitoring should be reported to the board periodically.

## **VII. Data Sharing**

1. BFL must share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the SRO.

2. All BFL should provide the data and information called for by all supervisory and regulatory bodies including the SRO

### **VIII. Feedback/ Grievance Redressal Mechanism**

1. BFL must establish dedicated feedback and grievance redressal mechanisms to correct any error and handle/receive complaints speedily and efficiently. The minimum standards required of the GRM are i) an easy procedure for recording a complaint over phone - with details of phone numbers printed on loan cards, ii) a staff assisted procedure at the branch for recording complaints/ grievances, iii) acknowledgement for receipt of the complaint iv) a time limit for resolution of the complaint, v) a clear appeal procedure in case where customer is not satisfied with the solutions offered by the MFI, vi) nodal staff in the branch to guide customers to lodge grievance with RBI or SRO, vii) assurance to customers that they will be treated fairly despite the complaint/grievance being lodged.
2. BFL must inform clients about the existence and purpose of these mechanisms and how to access them.
3. BFL must designate at least one grievance redressal official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.
4. BFL must display contact number and address of SRO (as applicable) nodal official and details of the grievance redressal system of the SRO.
5. Each MFI will have an appropriate mechanism for ensuring compliance with the Code of Conduct.
6. Where complainants are not satisfied with the outcome of the investigation conducted by the concerned MFI into their complaint, they shall be notified of their right to refer the matter to the grievance redressal mechanism established by the SRO, as applicable.
7. BFL should prepare a monthly report on grievances received, resolved and pending for a senior management review and periodic reports to the board.