

S.M.I.L.E. MICROFINANCE LIMITED

Fair Practice Code

PREAMBLE

The Fair Practices Code is aimed to provide to the loan applicants effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company. We are committed to ensure that our services to our clients are ethical and dependable. In providing microfinance services including lending and collection of dues, we are committed to fair practices, which balance respect for client's dignity and an understanding of a client's vulnerable situation, with reasonable pursuit of recovery of loans.

Objective of the Code

This Code has been developed to:

- Promote trustworthy practices by setting minimum standards in dealing with the loan applicants;
- Enhance transparency so as to enable the loan applicants to have a better understanding of what they can reasonably expect of the services.
- Encourage market forces, through competition so as to achieve qualitative operating standards;
- Ensure and sustain a fair and cordial relationship between the loan applicants and the Company.

Commitments and Declarations

We shall act efficiently, fairly and diligently in our dealings with all our loan applicants by:

- Meeting the commitments and standards in this Fair Practices Code for the financial products and services, we offer, and the procedures and practices our employees follow;
- Ensuring that all the financial services meet relevant Laws and Regulations;
- Providing professional, courteous and speedy services;
- Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.

We shall help the loan applicant understand how our financial products and services work by:

- Providing verbal information about our financial schemes in Tamil;
- Ensuring that our advertising & promotional literature is clear and self-explanatory;
- Explaining financial implications of the transactions;
- Helping the loan applicant to choose the preferred financial scheme.

We shall deal quickly and proactively with things that go wrong by:

- Correcting mistakes quickly;
- Attending customer complaints quickly;
- Telling our loan applicants as to how to take their complaint forward if they are still not satisfied with our assistance;
- Reversing any charges imposed unintentionally or by oversight.

Non-Discrimination Policy

We will not discriminate between our loan applicants on the basis of gender, race or religion

Applications for loans and their processing:

- a. Loan application forms issued by the Company shall include necessary information which affects the interest of the Borrower so that a meaningful comparison with the terms and conditions offered by other companies engaged in this area of finance, can be made and an informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted along with the application form.
- b. The Company shall issue an acknowledgement slip for all loan applications. Loan applications shall be disposed of within 4 weeks or such extended time as may be mutually agreed between the Borrower/Centre Leader and the Company from the date of receipt of the application form complete in all respects.
- c. If any additional details/ documents are required, the same shall be intimated to the borrowers immediately.

Loan appraisal and terms/conditions:

- a. The Company shall provide micro finance services to low income clients recognizing its responsibility to provide financial services based on client's needs and repayment capacity. The assessment would be in line with the Company's credit policies, norms and procedures in respect thereof.

Loan appraisal is done based on the following aspects of the Borrower:

- Past repayment track record
- Attendance to centre meeting
- Current income, stated purpose for loan and its feasibility
- Repayment capacity on sustained basis.

The group members should appraise and propose by consensus an amount for the Applicant-Member. Accordingly this loan amount to be given shall be sanctioned by the authorized person of the company.

- b. The authorized person shall give Compulsory Group Training to every potential member who has expressed her willingness to be a part of the program. In this training the member shall be made aware of the history of the institution, products, services, delivery mechanism and all other details of the program.

The member shall be admitted into the program after verifying her credentials through a Group Recognition Test.

The 'Know Your Customer' (KYC) documents like Family card copy or Voter's ID copy or any other proof suggested by Reserve Bank of India under KYC norms, along with other documents like housing location, name, age, education, asset details, expense details and other baseline information of the family shall be collected.

- c. The Borrower/Centre Leader would be informed by means of a written sanction letter of the amount of loan sanctioned or otherwise. The said letter shall contain the terms and conditions including the rate of interest and the method of application thereof.

Disbursement of loans including changes in terms and conditions:

- a. The Company shall frame appropriate internal principles and procedures for determining and ensuring that the interest rates and processing and other charges are not excessive. The Company shall, at the time of disbursement, ensure that the interest rate and processing and other charges on loan and advances are in strict adherence to above referred internal principles and procedures.
- b. The Company shall invariably be bound to furnish a copy of the loan agreement along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans. The Company shall ensure that the terms and conditions and the rate of interest are intimated to the borrower in the form of a Pass Book Sheet.
- c. The disbursement will be done immediately upon compliance of all the terms and conditions of the sanction by the Borrower.
- d. The Company shall give a notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, pre-payment charges etc. The Company shall also ensure that changes in interest rates and charges are effected only prospectively.

Post Disbursement Supervision:

- a. Any decision to recall/accelerate payment or performance under the loan agreement shall be in consonance with the Loan Agreement.
- b. All securities offered by the Borrower, if any, shall be released on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against the Borrower. If such right of set off is to be exercised, the Borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

General

- a. The Company shall not interfere in the affairs of the borrower except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- b. In the matter of recovery of loans, the Company assures that –
 - i) It shall not resort to undue harassment like bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. and scrupulously avoid any demeanour that would suggest any kind of threat or violence.
 - ii) Maintain decency and decorum during the visit to the borrower's place, when need arises, for collection of dues.
 - iii) It shall avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.

- c. The Company will call delinquent loan applicants between 0700 hrs to 2100 hrs unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.
- d. The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues and will not be aimed at whimsical deprivation of the property.
- e. The Company shall ensure that the entire process of enforcing its security, valuation and realisation thereof be fair and transparent.
- f. In case of receipt of a request from the borrower for transfer of the borrowal account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 30 days from the date of receipt of such request. Such transfer shall be as per transparent contractual terms in consonance with law.

Complaint Redressal Mechanism

- a. The name, designation, address and telephone numbers of officials' senior in hierarchy to the Branch Manager will be prominently displayed at the offices for recording the grievances of the loan applicants. In addition, frequent visits to Centres by corporate heads of operations, divisional and area managers of the company will include interaction with centre leaders, group leaders and loan beneficiaries as part of their regular agenda.
- b. After examining the matter, the Company will endeavour to send the customer its response within four weeks and intimate the customer as to how to escalate the complaint to higher level, if he is not satisfied with the response.
- c. The Company shall request the customer to provide feedback on the services rendered. This can be done through direct contact by employees or through specific Customer Satisfaction Surveys that may be conducted from time to time.
- d. A periodical review of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management would be undertaken by the Company and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company Quarterly.

The Company shall abide by this **Fair Practices Code** following the spirit of the Code and in the manner it may be applicable to its business.
