



Centrum Microcredit Limited

Code of Conduct

Version 4.0

December, 2020

Centrum Microcredit Limited – Code of Conduct

Table of Contents

1.	Document Version	3
2.	Approvals	3
3.	Background	4
4.	Objective	4
5.	Scope	4
6.	Code of Conduct.....	4
7.	Components of CoC	5
	7.1 Integrity and Ethical Behaviour.....	5
	7.2 Transparency.....	5
	7.3 Borrower Protection Principle	5
	7.3.1 Fair Practices	5
	7.3.2 Avoiding Over-Indebtedness.....	6
	7.3.3 Appropriate Interaction and Collection Practices.....	6
	7.3.4 Privacy of Borrower Information	7
8.	Client Education	7
9.	Governance	7
10.	Recruitment	8
11.	Training	8
12.	Client Education	8
13.	Data Sharing.....	9
14.	Mechanism for Complaint Resolution	9
15.	Non Compliance to the code	10

Centrum Microcredit Limited – Code of Conduct

1. Document Version

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Author	Nikhil Khandke
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2. Approvals

Version 4.0

Name	Designation	Signature	Date
Nikhil Khandke	Operations		
Praveen Saha	Business Head - Microfinance		
Payal Somani	Compliance		

Centrum Microcredit Limited – Code of Conduct

3. Background

Centrum Microcredit Limited (“Centrum” or “CML” or “the Company”) has obtained Certificate of Registration from the Reserve Bank of India (“RBI”) to operate as a Non-Banking Financial Company – Microfinance Institution (“NBFC-MFI”).

Microfinance is a field operations intensive business model whereby field/branch staff as well as Credit / Operations teams have to interact with borrowers from the low income segments. Centrum, as part of its corporate governance practice, believes in having high standards of conduct and behavior from its staff. Centrum believes in instilling values of professionalism, customer orientation, and empathy among its staff especially among those who directly interact with customers. Centrum believes that having and adhering to a Code of Conduct would improve quality of lending, transparency, grievance redressal, ethical behaviour and borrower protection.

CML’s Code of Conduct (“the Code” or “CoC”) is in line with the Code of Conduct as per the Reserve Bank of India and Self-Regulatory Bodies¹: MFIN² and Sadhan³.

4. Objective

- Lay down a set of comprehensive guidelines with respect to Code of Conduct
- Ensuring effective dissemination of Code of Conduct throughout the organization and stake holders
- Benefiting the borrowers by inculcating/ingraining the values of Code of Conduct into the fabric of the organization

5. Scope

This Code will apply to all employees, agents, and third parties employed/engaged by CML to conduct its day-to-day business activities. This Code applies to the following activities undertaken by CML:

- Providing financial services to clients, individually or in groups either on its own or as an agent
- Recovery of credit provided to clients
- Collection of thrift from clients, wherever permitted by law
- Providing insurance, pension services and remittance services, or any other related products and services
- Formation of any type of community collectives including self-help groups, joint liability groups and their federations
- 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
- Finance Plus services such as health, financial literacy, vocational training etc.

6. Code of Conduct

The core Principles of the CoC to be followed by CML are:

¹ Self Regulatory Body ie; SRO is a body of members which can formulate a code of conduct for members; and ensure compliance, besides ensuring that the members have an effective grievance redressal system for their borrowers and a dispute resolution structure for members

² MFIN – Microfinance Institutions Network is an association of NBFC-MFIs

³ Sadhan – is an association of MFIs; both for-profit as well as not-for-profit

Centrum Microcredit Limited – Code of Conduct

- CML shall adopt and practice the code of conduct in ‘letter’ and ‘spirit’ at all levels
- CML shall strive to promote and strengthen the Microfinance movement in the country by bringing low income borrowers to the mainstream financial sector
- CML shall build progressive, sustainable, and borrower centric systems and practices to provide a range of financial services (compliant with regulation) to borrowers
- CML is accountable for preventing inappropriate staff behavior and timely grievance redressal
- CML shall promote cooperation and coordination between themselves and other agencies in order to achieve higher operating standards and avoid unethical practices – including competitive business practices - in order to serve borrowers better
- The adherence to the CoC in CML shall be subjected to continuous monitoring at various levels through in-house and/or third party experts/agencies
- Disclose the Code of Conduct assessment reports/summary of the report in public domain

7. Components of CoC

7.1 Integrity and Ethical Behaviour

- The Company shall put strong systems and promote good governance practices within the organization
- The Company shall adhere to the Fair Practices Code, Borrower Protection Principle and Code of Conduct
- All the compliances should be regularly audited and presented in the ‘Board’ meeting

7.2 Transparency

- The Company shall disclose complete information to the borrowers individually or as a group regarding the loan products such as interest amount, number of installments, installment amount, loan processing fee, insurance premium etc. prior to the disbursement and also get acknowledgement of the borrowers either individually or at a group level
- The Company shall disclose all the charges that a borrower incurs in the loan card and sanction letter including reducing rate of interest, processing fees, insurance charges etc. and obtain acceptance of the borrowers either individually or at a group level
- The Company shall display Fair Practices Code, Borrower Protection Principle and Code of Conduct in all the branches
- All the documents related to the borrowers shall be in English/ vernacular language.

7.3 Borrower Protection Principle

7.3.1 Fair Practices

- The Company shall treat all its borrowers with respect and dignity
- The Company shall ensure that the services are provided to the eligible borrowers as per RBI guidelines
- The Company shall complete documentation requirements as per the standard KYC norms
- The disbursement shall take place at the branch in the presence of all the centre members and branch staff
- The staff must not indulge in any kind of misbehavior while interacting with the borrowers
- The staff must keep in mind the appropriate timing to visit borrowers’ house for loan related work
- The staff must not visit borrowers on inappropriate occasions such as sickness, death etc.

Centrum Microcredit Limited – Code of Conduct

- The Company shall provide induction trainings as well as classroom trainings to all the staff at the branch on Fair Practices code, Code of Conduct and Staff Code of Conduct to ensure respectful treatment of borrowers and fair collection practices
- The Company shall provide training to all staff who directly interact with borrowers on 'Staff Code of Conduct'
- The Company shall comply with the pricing guidelines of RBI
- The Company shall not charge foreclosure charges/ pre-payment penalties on the floating rate term loans sanction to Individual Borrower
- The Company shall provide flexibility to the borrowers to close their loans whenever they wish to
- Products shall 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 bundled with loans only if relevant to the loan.
- 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 shall be taken in all cases

7.3.2 Avoiding Over-Indebtedness

- The Company shall adhere to the total debt limit, processing fee, interest and insurance premium as prescribed by the RBI
- The Company shall take into consideration that the area is not overly penetrated while opening new branch
- The Company shall use pin code analysis report from the credit bureau to understand the indebtedness of the borrowers
- The Company shall share borrowers' data with credit bureaus to check their level of indebtedness. While making any credit decision, if a borrower has loans from two separate MFIs then the Company shall follow the norms as mentioned in the credit policy.
- The Company shall train field/branch staff to make necessary enquiries about the existing debt of the borrowers; and shall ensure the repayment capacity of the borrowers
- The Company shall also enquire about borrowers' credit health from informal sources
- Field officers shall do cash flow analysis while filling up loan application forms of the borrowers
- Branch Manager ("BM") shall verify the details filled by Field Officer during Group Recognition Test (GRT)
- The Company shall enhance borrowers' awareness on the adverse effects of over-indebtedness, through financial literacy program during the Compulsory Group Training (CGT)

7.3.3 Appropriate Interaction and Collection Practices

- The Field Officers shall practice and adhere to the 'Code of Conduct' of the Company which clearly lay down guidelines for interaction with the borrowers
- The features of staff code of conduct are mentioned which shall be observed at all time
- Staffs must talk politely, address the borrowers respectfully
- Under no circumstance staff should talk harshly, loudly or use any threat, abusive or disrespectful language

Centrum Microcredit Limited – Code of Conduct

- Staff should not show any aggression and should not indulge in confrontation, altercation with borrower or family members
- On sensitive occasions such as death, accident, illness or any other tragedy, staff should inform the BM and should not insist on repayment either from the borrower or from the group members
- Staffs will not use any physical force or enter dwellings of people
- Staffs will not visit borrowers during odd hours at any location for any business related work
- Staff will not enter into personal relationships with borrowers or will inform the company of such developments to make sure there are no conflicts in their interactions with customers and expected role to be performed for the company.

7.3.4 Privacy of Borrower Information

- The Company shall treat borrower's information and data as private and confidential
- During CGT, the company shall make borrowers aware of sharing of their data with the third party
- Borrower data shall be stored in the Company's Management Information System (MIS) which should be protected by required security system
- The Company shall seek borrower's consent on written disclosure in the loan application form on sharing borrower's data with Credit Bureaus or any third party
- The Company shall have rights enabled MIS via a unique employee password which can be accessed by the particular employee only
- The Company shall store hard copies of borrower's files in the central location
- No borrower data shall be kept at the branches

8. Client Education

- Customers should be educated on the Fair Practices Code, grievance redressal mechanism and escalation matrix for their unresolved complaints, options, choices and responsibilities vis-à-vis financial products and services available
- New clients must be informed about the Company's policies and procedures to help them understand their rights as borrowers
- Client education to be made through both printed materials and also through effective verbal communication as the literacy level among clients is generally low

9. Governance

- The Company shall comply with all the RBI directives regarding the rate of interest, margin, no collateral, qualifying assets etc.
- The Company shall be transparent in maintaining books of accounts and shall get its financial statement audited by a reputed auditor
- The Company shall have an 'Audit Committee' at the board level which shall be headed by an independent director
- The Company shall have independent directors, in line with the regulatory requirement

Centrum Microcredit Limited – Code of Conduct

10. Recruitment

- The Company shall recruit employees through a fair recruitment practice from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
- The company shall recruit employees from other MFIs as well. Whenever CML 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
- CML 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 30 days. All MFIs 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 MFI, except in proven cases of fraud or gross misconduct by the employee
- The company shall make it mandatory for the employees to furnish the original documents for verification
- The company shall conduct a thorough reference check on the employees
- The company shall respond to the reference check requests from other MFIs
- Whenever CML recruits from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same area he/she was serving at the previous employer, for a period of 1 year
- Any staff member who is discovered to have lied about his/her background of working with any other MFI, will be asked to leave immediately

11. Training

All field staff shall be mandatorily trained on below mentioned concepts as part of their Basic Level Training (Induction) and refresher trainings at periodical intervals:

- The importance of Fair Practices Code (FPC)
- The importance of Grievance Redressal Mechanism
- Their role in effective implementation of above policies
- Basic communication and soft skills to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices
- The Company shall ensure that the staff are adequately trained on collection policy and to deal with the customers in an appropriate manner
- Field staff shall be trained to offer training to borrowers and also make the borrowers fully aware of the procedure and systems related to loan/other products

12. Client Education

- The Company shall conduct Compulsory Group Training (CGT) followed with Group Recognition Test (GRT) for the new borrowers to apprise them about the company, money management, joint liability, proper utilization of money earned and ill-effects of over borrowing.
- The Company shall educate borrowers on Financial literacy during GRT and collection meetings.
- The Company shall proactively work towards enhancing the awareness of the borrowers on the Company's services, products, process and procedures

Centrum Microcredit Limited – Code of Conduct

- The Company shall help borrowers understand their rights as borrower
- All efforts towards client awareness and education shall be free of cost for the borrower

13. Data Sharing

The Company shall share borrowers' data with the RBI approved credit bureaus as per their guidelines. Any other sharing will be done with the explicit permission of customers.

14. Mechanism for Complaint Resolution

CML shall have a board approved Customer Grievance and Redressal Policy which provides guidelines for receiving, handling and disposal of customer grievances, documentation, turn-around-time, and escalation matrix for unresolved complaints, and a periodical review mechanism. The key elements of the Customer Grievance Redressal policy are captured below:

- The Company shall have an efficient and accessible grievance redressal mechanism for borrowers
- The Company shall act as per the 'Grievance Redressal Policy'
- The Company shall have a dedicated number for borrowers to record their grievances
- Display dedicated number on loan card and on the website
- The Company shall have complaint registers available at the branches for borrowers to register their grievances at the branch level
- The Company shall provide borrowers with contact numbers of Relationship officers, Branch managers and Area managers in case they have any complaint
- The Company shall display an easy to read grievance redressal escalation matrix in vernacular language at branches
- The Company shall provide training to the Field Officers to educate and improve borrower's awareness on Grievance redressal mechanism
- The Company shall educate borrowers on different channels of grievance redressal system as well as escalation processes during the CGT
- The Company shall appoint 'Grievance Redressal Officer' (GRO)
- The GRO shall respond to the grievances in prompt, efficient and courteous manner
- The Company shall maintain a tracker of the grievances received on the toll-free number with utmost clarity and complete information
- The Company shall have a clearly defined escalation matrix with a maximum turnaround time (TAT) of 7 days
- The Company shall inform the concerned branch staffs about the grievances received from their area of operation
- Grievances grave in nature must be escalated further. The Head of Operations and Risk must be informed on this
- The 'grievance tracker' must be shared with the CEO on monthly basis
- All the grievances received in a month should be discussed at the Management Committee
- The summary of grievances should also be shared presented to the board members at the quarterly 'Board Meeting'

Centrum Microcredit Limited – Code of Conduct

15. Non Compliance to the code

All the employees of the Company are obliged to follow the aforesaid Code of Conduct. In case any non-compliance is brought to the notice of the Management, necessary disciplinary action shall be initiated against the employee, as per the final decision of the Management of the Company.