



Inclusion-Growth-Prosperity

Save Microfinance Private Limited
FAIR PRACTICE CODE

Ownership – Internal Audit Department

SAVE MICROFINANCE PRIVATE LIMITED

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SAVE MICROFINANCE PRIVATE LIMITED

The Reserve Bank of India (“RBI”) had issued Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 (Ref. No.: RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22) dated March 14, 2022, regarding Fair Practices Code (FPC) to be adopted by all NBFCs while doing lending business. Save Microfinance Private Limited (“SMPL” or “the Company”) is registered as non-deposit taking-non banking financial company [NBFC ND - MFI] with Reserve Bank of India and commits itself to implement and adopting fair practices in all its activities and transactions with the stakeholders. The Company has adopted a code of conduct to promote good and fair practices by setting minimum standards in dealing with the clients and increasing transparency so that the clients have a better understanding of the services provided. The Company commits itself to implement and adopting these fair practices in all its activities and transactions with its members while functioning as an NBFC – MFI.

The Fair Practice Code (FPC) has been formulated by SAVE Microfinance Pvt. Ltd. (“SMPL”) in response to guidelines issued by the Reserve Bank of India titled “Master Circular – Fair Practices Code”.

The FPC will be applicable to all the offices of the Company including the Head Office and the Branches located across India. The FPC will be binding on all the employees and officers of the Company.

Objectives of the Policy

- Develop a comprehensive Fair Practices Code to adopt guidelines provided by regulator, self-regulatory organizations, and global standards of client protection principles.
- Formulate operating guidelines for implementation of the Fair Practices Code in an effective manner.
- Disseminate the policy guidelines in an effective manner to all stakeholders in general and to customers & employees of SMPL in particular.
- Review & reinforcement mechanism to ensure a high level of adherence to the Fair Practices Code.
- Mechanism for constantly receiving feedback/grievances from customers in order to improve the implementation of the Fair Practices Code.

Applicability & Validity of the Policy:

The policy will become applicable from such date as approved by the Board of Directors. The Board will review, validate, update, and approve the Policy time to time. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and become part of this policy from the date it become effective. Any change in interest rate or any other change will be informed to the borrower well in advance.

Followings are the Fair Practice Code adopted by the Company:

A. FAIR PRACTICES CODE FOR ALL LENDING ACTIVITIES

I. LOAN APPLICATIONS AND PROCESSING

1. All communications by the Company to the borrower will be in the vernacular language or a language as understood by the borrower.
2. Primary data would be taken from the borrower along with Know Your Customer (KYC) as per the Company guidelines in the prescribed format. The same is checked with the Credit Bureau before further processing.
3. Income assessment of all the earning members will be done in order to assess the household income and the same shall be provided to CIC. Reasons for any divergence between the already reported household income and assessed household income would be specifically ascertained from the borrower/s before updating the assessed household income with CICs
4. Loan application forms provided by the Company would include necessary information which affects the interest of the borrower so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and an informed decision can be taken by the borrower. The borrower has to submit the following documents along with the application to obtain the loan from the Company.
 - KYC document(s) as per the KYC & AML Policy of the Company (for both ID Proof & Address Proof)
 - Joint/Passport size photograph of the client & the spouse / Guardian.
 - Bank account statement/Passbook
 - Additional documents sought will be reasonable and necessary for completing the transaction.
5. The Company will give acknowledgment for receipt of all loan applications. The time frame within which loan applications will be disposed of will also be indicated in the acknowledgment.

II. Assessment of Household Income indicative methodology

The company provides microfinance collateral-free loans to households as per the RBI prescribed norms. Here 'household' shall mean an individual family unit, i.e., husband, wife, and their unmarried children.

According to the guidelines of the RBI, a microfinance loan is a collateral-free loan given to a household having an annual household income up to ₹3, 00,000. while collecting KYC documents of members, CRO should do an income assessment of the member and her family members.

The following parameters should be checked by CRO while income assessment:

- Household Profile
- Household Income
- Household Expense
- Household assessment

III. Monthly loan obligations a limit of maximum 50 per cent of the monthly household

While considering loan sanctions, the company ensures that a household's monthly loan repayment outflows do not exceed 50% of its total monthly household income.

While calculating monthly loan repayment obligations, the Company considers all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household.

Repayments (including both principal and interest components) on all current loans, as well as the loan under consideration, are included in the outflows capped at 50% of monthly household income.

Existing loans with outflows of more than 50% of a household's monthly income due to debt payments are allowed to mature. Additional loans to these households are granted only when the required maximum of 50% has been met.

The information regarding the household income of the clients is to be duly submitted to the Credit information companies (CICs).

IV. LOAN APPRAISAL AND TERMS & CONDITIONS

1. The Company will train and equip all Credit/Field Officers to conduct proper due diligence to understand the repayment capacity of the borrower and the details of existing debt if any so that the loan sanctioned is adequate for the purpose and repayable without much strain on the part of the borrower.
2. The Loan sanctioned along with the detailed terms and conditions will be communicated by means of a Sanction Letter or otherwise in vernacular language as understood by the borrower. Consent of the borrower will be obtained by getting the signature of the applicant affixed on the copy of the Sanction Letter or otherwise and will be maintained with the branch as a record.
3. The sanction letter or otherwise will have the following details:
 - The amount of loan sanctioned
 - The terms and conditions of the loan
 - Annualized rate of interest



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- Method of application of the annualized rate of interest
 - Processing Fees
 - Insurance Fees
4. The Company does not charge any penal interest on delayed payments from its borrowers.

V. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

1. The Company would complete the following documentation at the time of disbursement of the loan wherever applicable:
 - Demand Promissory Note (DPN)
 - Joint Liability Acceptance and loan Agreement
 - The acceptance of the terms and conditions by the borrower(s), rate of interest, processing charges, repayment terms, any other fees/charges, and all other terms and conditions if any.
2. The Company will keep the acceptance of these terms and conditions by the borrower and all the other concerned documents on its record/safe custody by the authorized persons.
3. The Company will give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard will be incorporated into the loan agreement.
4. All documentation part of clients will be done at predesignated 'Center meeting' location and loan disbursement will happen through bank transfer to the account of clients directly.
5. Loan passbook will be given to every borrower for each loan. The loan passbook would contain the repayment schedule, effective interest rate, processing charges, Insurance premium, claim procedure details, etc.
 - a) Information that adequately identifies the borrower;
 - b) Simplified factsheet on pricing;
 - c) All other terms and conditions attached to the loan;
 - d) Acknowledgements by the company of all repayments including installments received and the final discharge; and
 - e) Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company

6. Issuance of non-credit products would be with the full consent of the borrowers and the fee structure for such products would be explicitly communicated to the borrower in the loan card itself.
7. The Company may take the decision to recall/accelerate payment or performance under the loan agreement as agreed with the borrower under intimation.

VI. Repayment periodicity on microfinance loans:

The Center Meeting serves as an official gathering of all loan members at a predetermined time and location. Following an amendment in company policy, the repayment frequency for all new loans is set at one month. For loans disbursed before November 13, 2020, the repayment frequency remains four weekly.

Collection days are designated between Monday to Friday, ensuring consistency and facilitating smooth repayment processes. During field disbursement, the CRO communicates these details to all members, ensuring clarity and adherence to repayment schedules.

VII. GENERAL

1. The Company will not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement, unless new information, not earlier disclosed by the borrower, has come to the notice of the Company.
2. The Staff or members or any ring leaders/commission agent will not indulge in any commission or bribe on behalf of the company or benefit from clients in any whatsoever manner.
3. Products would not be bundled. The only exceptions to bundling may be made with respect to credit life, life insurance & live-stock insurance products (if applicable), which are typically offered and bundled with loans. The terms of insurance would 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.
4. In the matter of recovery of loans, the Company will not resort to undue harassment i.e. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The Company will ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
5. The company shall be accountable for inappropriate behaviour by its employees and shall provide timely grievance Redressal.
6. The Company will not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

VIII. GRIEVANCE REDRESSAL MECHANISM

Save has laid the appropriate grievance redressal mechanism within the organization to resolve the disputes arising in this regard. All grievances will be addressed to designated officials on basis of the grievance raised. The Board of Directors will periodically review the compliance for the grievance redressal mechanism at various levels of management are heard and disposed of at least at the next higher level.

There are multiple channels available for the clients to lodge complaints/feedback.

S.no	Channel	Description	Availability
1	Branch	Written grievances can be dropped in the complaint register/box kept at the branch.	During branch opening hours on all working days
2	Toll-Free Number	Customer/Family members may directly contact the toll-free number “1800-120-699999” and register their grievance.	All working days between 10:00 A.M. AM to 5:30 P.M.
3	E-mail/Letter	Customer/Family member may directly write a letter/e-mail with details of grievance to the following address: customercare@savemfi.in	NA

Details pertaining to grievance channels and escalation channels shall be available on the Notice board and loan passbook.

Level 1: Branch Level

- Client can contact Branch Manager at the branch or can call him on his official phone number.
- All the branches will have a suggestion and complaint register/box where the clients can make their grievances.

Level 2: Customer Service Helpdesk

- For all the client-related grievances, clients can make phone calls to Grievance Redressal Officer, between 10.00 A.M. to 5:30 P.M. on all working days on the no. 1800-120-699999 or send an **email at customercare@savemfi.in**. At the time of making calls, the clients must provide the information of their client ID and branch name.
 - In case the client has not been provided a loan but has submitted the loan application, they can quote the loan application no. mentioned on the acknowledgment slip of the loan application form.
1. All the grievances related to staff will be taken through toll-free no 1800-120-699999 on all working days Between 10:00 AM (IST.) to 5:30 PM (IST.).



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2. For all the client-related grievances, clients can make phone calls to Grievance Redressal Officer, between 10:00 A.M. to 5:30 P.M. on all working days on the no. 1800-120-699999 or send an **email at customercare@savemfi.in** at the time of making calls, the clients must provide the information of their client ID and branch name. In case the client has not been provided a loan but has submitted the loan application, they can quote the loan application no. mentioned on the acknowledgment slip of the loan application form.
3. All the clients have access to the higher-level staff (i.e. Branch Manager, Area Manager & Regional Manager) to highlight and discuss their issues/grievances if any. The senior staff at the field level has been empowered to take certain actions/decisions to address the needs/issues of the clients immediately.
4. All the branches will have a suggestion and complaint register/box where the clients can make their grievances.
5. If the complaint/dispute is not redressed within a period of one month from the date of making the complaint, the client(s) may appeal to the Officer-in-Charge of the Regional Office of DNBS of **Reserve Bank of India (RBI)**, 6, Sansad Marg, Sansad Marg Area, New Delhi, Delhi 110001 under whose jurisdiction the registered office of the Company falls.

IX. REVIEW OF THE COMPLIANCE OF THE FAIR PRACTICES CODE

1. Mr. Ajeet Kumar Singh, Director of the Company will review the compliance of the Fair Practices Code and the functioning of the grievance Redressal mechanism half-yearly.
2. The Board of Directors of the Company will review the compliance of the Fair Practices Code and the functioning of the grievance Redressal mechanism at various levels of management half-yearly. A report on the compliance of the Fair Practices Code and the functioning of the grievance Redressal mechanism will be placed before the Board of Directors of the Company half-yearly.

X. MEASURES/ REGULATIONS AGAINST CHARGING OF EXCESSIVE INTEREST

1. Board of Directors of the Company will lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.
2. The Company will obey the guidelines regarding transparency of terms & conditions of the loan as mentioned in the Fair Practices Code of the Company.
3. The Company will adopt an interest rate model with the Board's approval by considering the relevant factors such as Cost of Funds, Margins, Risk Premiums, etc.
4. Charging different rates of interest for the different products will be disclosed in the loan application form and loan sanction letter to the Borrower.

XI. PRIVACY OF CLIENT INFORMATION

1. The Company will keep personal client information strictly confidential.
2. The Company will disclose client information to a third party only under the following conditions:

- Client has been informed about such disclosure and permission has been obtained in writing.
- The party in question has been authorized by the client to obtain client information from the Company.
- It is legally required to do so.
- This practice is customary amongst financial institutions and available for a close group on a reciprocal basis (such as a credit bureau).

B. FAIR PRACTICES CODE SPECIFICALLY FOR MICROFINANCE ACTIVITY

In addition to the general principles above, SAVE Microfinance Private Limited adopts the following fair practices that are specific to its lending business and regulatory framework:-

1) General Practices

- a) The Fair Practices Code in vernacular language will be displayed by the Company in its office(s), regional and branch premises. The same will be put up on Company's website if any for the information of various stakeholders.
- b) A statement will be made in vernacular language and displayed by the Company on its premises and on loan cards articulating our commitment to transparency and fair lending practices.
- c) The Company's Field staff will be trained to make necessary inquiries about the existing debt of the borrowers.
- d) Training if any, offered to the borrowers will be free of cost. Field staff will be trained to offer such training and make the borrowers fully aware of the procedure and systems related to loans/ other products.
- e) The effective rate of interest charged and the Grievance Redressal system set up by the Company will be prominently displayed in all its offices in the respective vernacular language and on its website, if any.
- f) A declaration that the Company is accountable for preventing inappropriate staff behavior and timely grievance Redressal will be made in the loan agreement and also in the Fair Practice Code displayed in its office/branch premises.
- g) The Company will comply with the KYC guidelines of RBI and due diligence will be carried out to ensure the repayment capacity of the borrowers.
- h) All sanctions and disbursement of loans will be done only through bank transfer to clients' accounts and the documentation part will be done at the field level and there will be close supervision of the disbursement function.
- i) The Company will not collect any security/collateral on any loan provided under the microfinance activity.
- j) Adequate steps will be taken to ensure that the procedure for applying for the loan is not cumbersome and loan disbursements are done as per the pre-determined time structure.

2) Disclosures in loan agreement/ loan card

- a) The Company will have a Board-approved, standard form of the loan agreement which should preferably be in vernacular language.
- b) The loan agreement of the Company will disclose the following details:



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- i. All the terms and conditions of the loan,
- ii. Pricing of the loan which involves only three components i.e., the interest charge, the processing charge, and the insurance premium,
- iii. No penalty to be charged on delayed payment,
- iv. No pre-payment charges will be collected,
- v. No Security Deposit / Margin will be collected from the borrower,
- vi. Moratorium period between the grant of the loan and the due date of the repayment of the first Installment will not be less than the frequency of repayment between two installments,
- vii. An assurance that the privacy of borrower data will be respected as agreed with the borrower.

C. Avoiding Over-Indebtedness:

1. According to the guidelines of the RBI, a microfinance loan is a collateral-free loan given to a household having an annual household income up to ₹3,00,000. while collecting KYC documents of members, CRO should do an income assessment of the member and her family members.
2. The Company will conduct proper due diligence to assess the need and repayment capacity based on the income assessment of the household before making a loan and must only make loans commensurate with the client's ability to repay.
3. The Company will not breach the total debt limit for any client, as prescribed by the RBI or Central/State Governments.

D. Non-Coercive Methods of Recovery

SMPL would 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 resource available.

1. Recovery would be made at a designated/ central designated place decided mutually by the borrower and the company. However, field staff would 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.
2. Company would not engage in any harsh methods toward recovery. Without limiting the general application of the foregoing, the following practices shall be deemed as harsh:
 - i) Use of threatening or abusive language
 - ii) Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
 - iii) Harassing relatives, friends, or co-workers of the borrower
 - iv) Publishing the name of borrowers
 - v) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
 - vi) Misleading the borrower about the extent of the debt or the consequences of non-repayment

E.

The company would have a dedicated mechanism for redressal of recovery-related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

1. Staff will follow client protection guidelines adopted by the Company and would not force the clients to recoveries.
2. Staff would not use any other persons for the collection of recoveries from the clients.
3. Staff would enter the details in the passbook after collecting the repayments or the staff would issue the receipt to the client as evidence for repayment.
4. The Company will ensure that a Board-approved policy is in place with regard to the Code of Conduct by field staff and systems for their recruitment, training, and supervision. The Code would necessarily contain the following provisions:
 - Lay down minimum qualifications necessary for the field staff,
 - Will have necessary training tools identified for them to deal with the customers,
 - Training to field staff will include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection/recovery practices,
 - Compensation methods for staff will have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.

The details of training and supervision of field staff on FPC may be submitted to the Board on half-yearly basis meeting and such reporting may also include a plan for the next half-year in this regard.

F. INTERNAL CONTROL SYSTEM

The Company will make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.
