

Sa-Dhan Self Regulatory Organization (SRO)

Protection of clients through fair practices

Sa-Dhan, as one of the largest and oldest association of Microfinance Institutions, enforces the values and rules of the sector to ensure that microfinance services are provided in a responsible manner for the benefit of clients.

All Microfinance Institutions are required to follow regulatory norms as well as Consumer Protection Practices (specifically, RBI's Guidelines on Fair Practices issued for NBFCs) in both letter and spirit.

In addition, the new 2015 Code of Conduct lays down the requirements to enhance and improve sector practices. All institutions providing microfinance services should adhere to the core values of microfinance and abide by the Code of Conduct. The eight components of Code of Conduct are as follows:

(I) Integrity And Ethical Behaviour (II) Transparency (III) Client Protection – (i) Fair Practices, (ii) Avoid Over-indebtedness, (iii) Appropriate Interaction and Collection Practices, (iv) Privacy of Client Information. (IV) Governance (V) Recruitment (VI) Client Education (VII) Data Sharing (VIII) Feedback and Grievance Redressal Mechanism.

Sa-Dhan SRO Recommends

- All MFIs to share and use information from the Credit Bureaus.
- Operational practices followed by field staff should be mindful of clients' needs and not cause distress to the clients.
- Detailed training in delinquency management and loan appraisal and also training of loan officers in Client Protection Principles (CPP) issues.
- MFIs to provide business targets to their branches based on an assessment of the market potential
- Third party audits and closer monitoring by internal audit teams especially in the areas of refinancing/ever-greening of loans, setting of targets, and overall quality monitoring of loan portfolios.
- The risks faced by MFIs and Client distress as reflected in migration, absenteeism in collection meetings, delayed collections, enforcement of joint liability etc. should be reviewed periodically by Senior Management / Board.
- MFIs to exercise caution and moderate their growth in areas with high levels of MFI concentration.

MFIs' Commitment to Customers

DO's

- Provide micro finance services to all eligible clients in complete compliance with RBI guidelines.
- Disclose all terms and conditions to the clients for all products/services offered, prior to disbursement in local language or a language understood by clients.
- Use courteous language, maintain decorum, and are respectful in interaction with customers.
- Provide a valid receipt for each and every payment received from the borrowers.
- Keep the client information strictly confidential.
- Inform clients about the existence and purpose of feedback mechanisms and how to access them.
- Follow RBI's guidelines with respect to interest charges and security deposit.
- Obtain copies of relevant documents from clients, as per standard KYC norms.
- Disclose reasons for rejection of loans to applicants.
- Indicate the time limit within which applicants/customers can expect a decision on loan application and if sanctioned, the time taken for disbursement of loan.
- Inform all new clients about the organization's policies and procedures.

DO NOTs

- Indulge in any behaviour that would suggest any kind of threat or violence to clients.
- Contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
- Visit clients at inappropriate occasions such as bereavement, sickness, etc. to collect dues.
- Collect fee on non-credit products / services without obtaining prior consent from the clients.
- Bundle any product with loans. In case of Insurance, the terms should be transparently conveyed and prior consent of the client must be taken.
- Become the third lender to a client if he/she already has 2 loans, irrespective of the source of loans.
- Breach the total debt limit of ₹60,000/- per client under JLG model.

As an SRO, Sa-Dhan does:

- Nominates a Compliance Officer directly reporting to the RBI.
- Provides information and data to the RBI periodically.
- Provides RBI a Quarterly profile of the Sector with information on (1) Status of membership (2) Violations observed, if any (3) Activities of its Grievance Redressal and Enforcement Committees (4) Other activities (5) Important Developments in the Sector.
- Conducts Due Diligence of its Board of Directors to ensure Fit and Proper criteria.
- Develops and administers a Code of Conduct recognized by the RBI.
- Ensures borrower protection and education.
- Implements training and awareness programmes for SRO members.
- Undertakes monitoring and surveillance of the sector in line with regulatory framework
- Conduct investigations into areas of concern as pointed out by the RBI.



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