

HR STANDARDS CODE FOR THE MICROFINANCE SECTOR



A COMPREHENSIVE GUIDE by Sa-Dhan

The HR Standards Code aims to bring harmony to the MFI ecosystem by improving HR policies, enhancing compliance standards, and providing better work-life balance for MFI employees. It will thereby deliver higher employee and customer satisfaction, improved performance, and sectoral excellence through satisfied human capital.

The following codes are derived from a series of consultations, deliberations, examination of existing practices, and feedback from various sources. This process started with a consultation with MFIs' HR heads at a thematic conclave in Chennai. Later, a study by a professional body, and the engagement of a professional HR person to draft the code through a series of focused discussions with select HR heads.

The New Labour Codes issued by the Government of India were examined while drafting; the individual MFIs should also ensure there are no deviations from them in any manner. Other employment laws prevailing in every state must also be followed.

All member institutions of Sa-Dhan are advised to adopt these codes for their HR practices and also include them in their Induction Programme curriculum.

HR Standards Code

1 Embracing Compliance Culture

Well-defined policies derived from all applicable laws of the Central and State Governments and approved by the Board need to be put in place and reviewed periodically. Its compliance may be adhered to and reviewed. Adhering to the consolidated Labour Codes issued by the Government of India in 2025 is also mandatory.

- There should be Board-approved policies and operational guidelines/manuals of HR Management.
- The auditors, both internal and external, need to review and report on HR compliance as part of their reports, and the Board may review the same.
- It is desirable to have a quarterly review of HR compliance by the Board. If not quarterly, an annual review is a must.
- There should be a Board-approved Prevention of Sexual Harassment (POSH) policy, and the Board/ Top Management may review the compliance of the same at regular intervals.
- An employee Grievance Redressal Mechanism (GRM) needs to be put in place, and the Board may review the same at a half-yearly interval.

2 Respecting the MFI Ecosystem

Delivering customer satisfaction through a satisfied employee should be the motto of every institution. There has to be a fundamental shift in employee management and engagement, while understanding the generation gaps and needs in a dynamic working environment.

- Every institution should adopt a customer-first approach across the organisation.
- On a similar line, there should also be a concept of an employee-first approach in institutional functioning.
- There should be a “Caring” culture with all employees, especially those working in the field.
- The training modules to include customer and employee satisfaction-related topics.
- Involving Regional or Head Office staff in industry events and meetings is a desired feature.
- Employee satisfaction surveys/ study may be conducted directly or through third-party agencies and reviewed by the Board and Top Management.

3 Employee Hiring, Promotion, Relocation and Performance Appraisal

There has to be a Standardised Recruitment Process for hiring that avoids the swarm-in/swarm-out phenomenon in an organisation. Well-defined recruitment, placement, promotion, and movement policies that balance performance and experience, including a standard performance management mechanism, are needed. A clear career path may be drawn for every employee in the system.

- There has to be robust background verification/pre-employment checks for every recruitment.
- The Employee Bureaus may be used for the purpose of reporting fresh recruitments or employee separations with factual reasons. The employee background verification at the time of fresh recruitment is compulsory.
- The minimum qualification for the field staff can be kept as a class XII pass.
- The original certificates of the employee should not be taken and kept in custody.
- A well-defined recruitment, placement and promotion policy may be adopted by the board and made known to all employees.
- A transparent appraisal and increment policy is desirable.

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4 Equal Opportunity Employment

An equal opportunity policy and greater representation of women in the workforce and leadership are needed.

- There should be a mechanism for tracking the share of women employees in the organisation and taking steps to enhance it.
- Bringing women employees into key positions to make policy-level decisions is needed.
- There can be innovative approaches to increase women's participation in the workforce, like having 'all branches' or conducive placement policies, etc.
- There should not be any discrimination in engaging employees from different groups, religions or castes. Supporting LGBT persons through employment is also a good practice.

5 Compensation and Benefits

- The industry associations may help in industry benchmarking of salaries.
- Timely payment of salary is needed.
- The fixed pay for an employee shall not be less than 50% of his/her monthly emolument.
- Limiting variable pay to 25% of the monthly take-home is a desirable feature.
- TA/DA to be reasonable and as per market standards, and should not be clubbed with salaries.
- There have to be schemes to protect the health needs of the employees, or compensation for accidents or deaths, by having arrangements with insurance companies or similar bodies.
- The provident fund and gratuity to be part of the salary packages.
- The Minimum Wages Act should be followed.
- Timely appraisals and salary hikes are also desirable.

6 Office Timing and Leave Management

- The office timings, working hours, leave, and holiday management must comply with local laws. Transparent policies in these areas, and their implementation in good earnest, are needed.
- Providing proper work-life balance to every employee is a must.
- The office timing should be as per the State Shops and Establishment Act. The display of office timings in all offices, including branches, is a good practice.
- The leave management and its approval should be fair and transparent.
- Over time, duty/ extra work needs to be suitably compensated.
- Professional treatment of field staff is needed, and the office timing may be applicable to them.
- Confirm and review the policies and practices with the Occupational Safety and Health Work Conditions Code of 2025.



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7 Work-Living Infrastructure

Providing a hygienic work environment and living conditions to all employees, especially those in the field, is a key to employee satisfaction. All basic needs may be provided in a hygienic, healthy and safe manner.

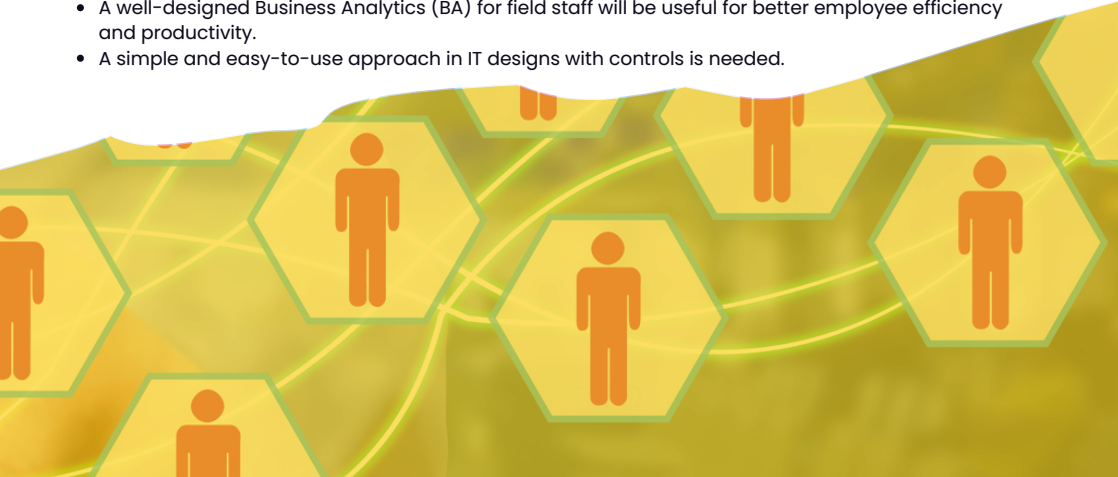
- The accommodation provided to employees, if any, should be Well-ventilated and well-lit.
- Enough rooms and space.
- Washrooms with hygiene.
- Separate washrooms and a dedicated space for women employees, both at the office and residence.
- Food cooking facility.
- Annual health check-ups of the employees, especially for those above 40 years, are a desirable practice, as per the Occupational Safety and Health and Working Code (OSHW) Act.

8 Professional Treatment of Staff

- While handling business pressures, the professional treatment of employees at all levels is mandatory. Abuse and the use of unparliamentary language in the workplace need to be prohibited and dealt seriously.
- Respectful treatment of all levels of employees is a must for a healthy working environment.
- Avoiding the use of unparliamentary words and workplace abuses needs to be prohibited.
- ~~Setting a realistic target is necessary to maintain better working conditions and avoid any customer ill-treatment.~~

9 IT as an HR Efficiency Enabler

- The IT-enabled operations and systems to ensure less paperwork, more efficiency, robust controls and thus bring better employee productivity, satisfaction and improved business and customer service.
- Well-designed Learning Objectives (LOs) for the field staff and usage for simplicity and robustness are needed to improve employee efficiency.
- A well-designed Business Analytics (BA) for field staff will be useful for better employee efficiency and productivity.
- A simple and easy-to-use approach in IT designs with controls is needed.



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10 Attrition Management

A well-defined attrition management policy, a time-bound settlement policy, and the timely resolution of all complaints are essential for better attrition management.

- Geography-wise/department-wise attrition assessment to be carried out, and the fundamental issues leading to the same may be assessed and addressed.
- A proper exit interview and feedback mechanism from outgoing staff is needed for addressing the attrition issues.
- Settling Full and Final Settlement in a time-bound manner as defined in the Labour Code, without ill treatment on any grounds. Exceptions may apply only in cases involving staff implicated in fraud or criminal acts.
- A defined notice period of 15- 30 days has to be mentioned.

11 Risk and Fraud Management

Policies and guidelines regarding risk and fraud matters may be adopted with a balanced approach, while keeping the principles of natural justice.

- A well-defined policy on handling fraudulent employees is needed.
- Zero tolerance for fraud and misappropriation of staff should be the hallmark of the institution.
- Avoiding any form of physical abuse or harassment may be ensured at all times, including in cases involving employees accused of fraud.
- They need to be dealt with as per the policies of the organisation and the law of the land.
- A whistleblower policy may be encouraged across the organisation with incentives for fraud busters.
- Weekly updating of the Employee Bureau and reporting with utmost accuracy regularly is a must.

12 Employee Grievance Redressal

- A well-designed employee Grievance Redressal Mechanism with an escalation matrix is required to maintain a proper work environment.
- A simple and proper employee grievance mechanism with a dedicated grievance officer and its regular review by top management is needed.
- There need to be an escalation process of grievances to higher levels, which may be provided.
- Good practices like 'Dial your CEO' or 'Talk to the CEO', Town hall meetings, regular feedback etc., may be adopted for a better employee Grievance Mechanism.
- The Industry Resolution Code of 2025 may be adopted for dispute resolution, etc.

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13 Learning and Development

There is a need for regular capacity-building and learning enhancement for employees.

- Contemporary learning and development programmes utilising digital modes such as e-learning should be adopted to improve learning and enhance employee knowledge/skill upgradation.
- Learning modules with behavioural skills like team building, communication, leadership, and technical aspects of job roles to be included in the training programmes.
- An IT-enabled learning platform with vernacular language may be put in place.

14 Industry Associations

There may be continuous engagement with the industry players and associations to address emerging industry-related HR challenges and strengthen human resource practices across the sector.

- The district-level/state-level industry meets to include discussions on HR related aspects.
- Participating in National/Regional HR conclaves and sharing HR practices to be practised.
- HR Standards code may be reviewed regularly, at least once every two years, and updated.
- The Best Practices in HR management are to be documented and circulated.



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This HR Code of Conduct is not just a guiding document—it is a firm commitment to raising the bar for people practices across the microfinance sector. As institutions at the forefront of financial inclusion, MFIs must lead with integrity, accountability, and respect for their workforce. We believe that embedding a strong, value-driven HR framework is non-negotiable to ensure ethical conduct, protect employee well-being, and build institutions that are resilient, responsible, and future-ready.

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Mr. Jiji Mammen
ED & CEO, Sa-Dhan