

Fair Practice Code

We at Annapurna Finance Pvt. Ltd. treat all our clients in a fair, ethical and unbiased manner. The Fair Practice Code (FPC) as per RBI guidelines has been placed before the Board at their meeting and thereby approved, the same has been displayed at all offices in vernacular language. The Fair Practice Code delineates that

- All communications to the borrower are to be made in the vernacular language or in a language understood by the borrower.
- Application shall include all information affecting the borrower interest such as scheme details, eligibility criteria, repayment period range, charges and interest rate structure, key conditions of compliance, contingencies etc.
- Application shall mention documents required for appraisal.
- Acknowledgement of application with time to dispose of is to be issued.
- In accordance with the recent RBI guidelines on IRACP norms, exact due dates for repayment of a loan, frequency of repayment, the breakup between principal and interest, examples of SMA/NPA classification dates, shall be clearly specified in the language understood by the borrower in the loan agreement and in the sanction letter in order to compute the overdue status.
- 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.
- The information regarding the household income of the clients is to be duly submitted to the Credit information companies (CICs).
- 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 company follows a microfinance loan pricing policy agreed by the board of directors, which includes, among other things, the following:

1. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate.
2. Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters.
3. The range of spread of each component for a given category of borrowers; and
4. A ceiling on the interest rate and all other charges applicable to microfinance loans.

- The company ensures issuance of factsheet detailing pricing of loans for all types of loans to low-income Households.
- The company displays the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and detail on its website.
- The company shall provide a loan card to the borrower which incorporates the following:

1. Information that adequately identifies the borrower.
2. Simplified factsheet on pricing.
3. All other terms and conditions are attached to the loan.
4. Acknowledgements by the branch of all repayments received and the final discharge.
5. Details of the grievance redressal system, including the name and contact number of the nodal officer.
6. Issuance of non-credit products, which are only with full written consent of the borrower, if any, and the fee structure for such product.
7. All entries in the loan card shall be in the language understood by the borrower.

- The company ensures compliance of KYC guidelines of RBI.
- The company provides the flexibility of repayment periodicity on microfinance loans as per the borrower's requirement.
- The Company takes reasonable steps to ensure that credit will be extended only if borrowers have demonstrated an adequate ability to repay and loans will not put borrowers at significant risk of over-indebtedness.
- The company explicitly discloses all the fees charged to the microfinance borrower in the factsheet. No additional fees are charged to the microfinance borrowers which are not specifically mentioned in the factsheet.
- The company shall inform the borrower well in advance regarding any change in the interest rate or any other change and these changes are effective only prospectively.
- The company ensures to provide valid acknowledgment receipts for all the payments received.
- There is no penalty charged on prepayment or on delayed payment and no Security Deposit/ Margin is collected from the borrower for a microfinance loan.
- AFPL through its concerned branch is accountable for inappropriate behavior by its employee and shall provide timely grievance redressal. It is also mentioned in the loan agreement.
- Recovery is done at a designated / central designated place decided mutually with the borrower. The Field staff are only allowed to make recovery at the place of residence or work of the borrower only if the borrower fails to appear at a central designated place on two or more successive occasions.
- The recovery official shall not adopt any harsh method towards recovery, which is outlined as under without limiting the general application and understanding:

1. Use of threatening or abusive language
2. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
3. Harassing relatives, friends, or co-workers of the borrower
4. Publishing the name of borrowers
5. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
6. Misleading the borrower about the extent of the debt or the consequences of non-repayment

- In the event of any grievance of the borrower regarding recovery and staff behavioural issues, he / she may approach the Branch Manager or Zonal Manager for redressal. The contact number of the authorities will be provided to the borrower at the time of sanction of loan.
- There is also a provision of penalties to be imposed on the field staff in cases of non-compliance of Code of conduct. Only employees of the company and no outsourced recovery agents are used for recovery in sensitive areas.
- The Company has Board approved policy with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision.
- The Company's Board shall annually review on adherence to Fair practice code (Annexure-1) as per RBI guidelines.
- The Company complies with high ethical standards while interacting with clients and ensures that adequate safeguards are in place to detect and correct corruption or mistreatment of clients.
- The Company has put in place an appropriate Grievance Redressal Mechanism (GRM) within the company, as approved by the Board of Directors to resolve the disputes and ensure such grievances are addressed and disposed off at one higher level.
- Each Zone will engage one senior official as nodal officer for handling the complaints microfinance borrowers relating to availed loans.
- The GRM process, as per RBI guidelines, is being prominently displayed in each of our offices in local vernacular language, which contains the contact details of the Grievance Redressal Officer (GRO) of the company and the Officer-in-Charge of RBI's Regional Office.
- Grievance Redressal Mechanism also identifies the borrowers facing repayment-related difficulties, engages with such borrowers and provides them with necessary guidance about the recourse available.
- Training of staff specially focuses on-

1. Appropriate behaviour towards customers,
2. Methodologies of necessary enquiries regarding the household income and existing debt of the household.
3. Documentation and Disbursement process,
4. Recovery without harsh measures and through specified processes,
5. Reporting to higher authorities the grievances of borrowers,
6. Compliance of all regulatory guidelines as per this policy document.

- Compensation methods for staff give more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.
- The company takes responsibility for compliance of RBI guidelines and necessary organizational arrangements has been made to assign responsibility for compliance to designated individuals within the company and to establish systems of internal control including audit and periodic inspection to ensure the same.

Registered Office

Plot No. 1215/1401, Khandagiri Bari, Infront of Jayadev Vatika, PS/PO-Khandagiri, Bhubaneswar, Odisha- 751030, Khordha, India