

Code of Conduct



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PREAMBLE

Micro-Credit Institutions, irrespective of legal forms, seek to create individual and social benefits and promote financial inclusion by providing financial services to clients of financially un-served and underserved households. Over time, the Micro-Credit entities has become an integral part of the financial infrastructure for the vulnerable sections of society in India.

It is important to define core values and fair practices for the Micro-Credit entities so as to ensure that Micro-Credit services are provided in a manner that benefits clients, and is ethical and dignified.

This document states core values for Ajivika Finance Limited (Part I), and a Code of Conduct for Ajivika Finance Limited to abide by these values (Part II). We unanimously and wholeheartedly agree to abide by the core values and the Code of Conduct as set out hereunder:

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PART I

OUR CORE VALUES

INTEGRITY

To provide low income households with access to financial services that are client focused, designed to enhance their wellbeing, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.

QUALITY OF SERVICE

To ensure quality services to clients, appropriate to their needs, and delivered efficiently in a convenient and timely manner. To maintain high standards of professionalism based on honesty, non-discrimination and customer centricity.

TRANSPARENCY

To provide complete and accurate information to clients regarding all products and services offered. To create awareness and enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.

FAIR PRACTICES

To ensure that clients are protected against fraud and misrepresentation, deception or unethical practices. To ensure that all practices related to lending and recovery of loans are fair and maintain respect for the client's dignity and with an understanding of client's vulnerable situation.

PRIVACY OF CLIENT INFORMATION

To safeguard personal information of clients, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and informed consent of clients.

INTEGRATING SOCIAL VALUES INTO OPERATIONS

To ensure high standards of governance and management focused on not only financial performance but also the social impact of business. To monitor and report social as well as financial data. To assess the social performance and social relevance of the institution from time to time

FEEDBACK & GRIEVANCE REDRESSAL MECHANISM

To provide clients formal and informal channels for feedback and suggestions. To consistently assess the impact of services in order to enhance competencies and serve clients better. To provide a formal and easy to access grievance redress mechanism for clients. Our mission is to service low income women clients to facilitate their families, providing them access to financial services that are client focused, designed to enhance their wellbeing, and delivered in a manner that is ethical, dignified, transparent, equitable and cost-effective.

OUR CODE OF CONDUCT

To ensure that all our activities and dealings with clients are in compliance with the above core values. We, Ajivika Finance Limited, agree to adopt and practice the Code of Conduct as elaborated in the following section.

APPLICATION OF THE CODE

This Code applies to following activities undertaken by us:

- a) Providing credit services to clients individually or in groups.
- b) Recovery of credit provided to clients.
- c) Collection of thrift from clients, wherever applicable.
- d) Providing insurance services, remittance services or any other products and services that will reduce vulnerability of our clients.
- e) Formation of joint liability groups.
- f) 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.

We agree to:

- a) Promote and strengthen the Micro-Credit movement in the country by bringing the low income clients to the mainstream financial sector.
- b) Build progressive, sustainable and client centric Micro-Credit institutions in the country to provide integrated financial services to our clients.

c) Promote cooperation and coordination among Micro-Credit institutions and other agencies to achieve higher operating standards and avoid unethical competition in order to serve our clients better.

d) Integrate this code into the operating guidelines & processes of our institution.

PART II

CODE OF CONDUCT

In order to achieve the aforesaid, we agree to follow the practices mentioned below:

1. INTEGRITY AND ETHICAL BEHAVIOUR

i. Design appropriate policies and operating guidelines to treat our clients and employees with dignity.

ii. Incorporate transparent and professional governance system to ensure that our staff and persons acting for us or on our behalf are oriented and trained to put this Code into practice.

iii. Educate our clients of this Code of Conduct and its implementation.

2. TRANSPARENCY

i. Disclose to clients all the terms and conditions (including changes if any) of our financial services offered in the language understood by the client.

ii. Provide loan sanction letter or any other document clearly indicating the rate of interest, mode of charging interest, levy of any other charges, terms of repayment to the client against his/her acknowledgement.

iii. Provide information to clients on the rate of interest offered on the thrift services, wherever applicable.

iv. Provide information to clients related to the premium and other fees being charged on insurance.

v. Provide periodic statements of their accounts by means of a passbook or any other mechanism to the clients.

3. CLIENT PROTECTION

a) Fair practices

- i. Committed to follow fair practices built on dignity, respect, fair treatment, persuasion and courtesy to clients.
- ii. Provide Micro-Credit services to low income clients irrespective of caste or religion.
- iii. Provide services using efficient and cost effective methods.
- iv. Obtain no documents other than what are required as per KYC norms from clients.
- v. Obtain no tangible collateral security while granting loans under Micro-Credit except for housing loans.
- vi. Release all securities on repayment of all dues by the client.

b) Avoiding Over Indebtedness

- i. Take reasonable steps to ensure that credit services are based on the need and repayment capacity of the client and that this service will not put borrowers at significant risk of over indebtedness.
- ii. Ensure that non-credit, financial products extended to low income clients are appropriate and the terms are made known to the client.

c) Appropriate interaction and collection practices

- i. Interact with the clients in an acceptable language and dignified manner and spare no efforts in fostering clients' confidence and long term relationship.
- ii. Have a clearly defined and phased procedure in case of client default.
- iii. Maintain decency and decorum during the visit to the clients' place for collection of dues.
- iv. Avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.
- v. Avoid any demeanor that would suggest any kind of threat or violence.

vi. Emphasize using social collateral which includes various forms of peer assurance such as lending through groups and group guarantees at the village, hamlet or neighborhood level, or guarantees by relatives, friends, neighbors or business associates; and explain clearly to clients what the obligations of social collateral are.

d) Privacy of client information

i. Keep personal client information strictly confidential except in the following circumstances:

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

4. GOVERNANCE

i. Observe high standards of governance, ensuring fairness, integrity and transparency by inducting persons with good and sound reputation and understanding of Micro-Credit as members of Management Committee comprising of the MD, CEO, COO, Operations Head, Audit Head, HR Head and Finance Head. Ensure that the management is actively involved in all policy formulations and other important decisions.

ii. Ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.

iii. Put in best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).

iv. Place before the Board of Directors, a compliance report indicating the extent of compliance with this Code of Conduct, specifically indicating any deviations and reasons therefore, at the end of every financial year.

5. CLIENT EDUCATION AND FINANCIAL LITERACY

Raise the client's awareness of the options, choices and responsibilities in the financial relations with us.

i. Adequately inform clients about our policies and procedures in order to enable them to make informed choices and decisions.

ii. Ensure regular checks on client awareness and understanding (as part of internal audit systems or through some other regular monitoring).

6. COMPETITION

- i. Develop regular interaction with other Micro-Credit Institutions operating within the same area or in new areas where expansion is planned.
- ii. Follow fair and ethical practices while lending to clients of other Micro-Credit Institutions and recruiting employees of other Micro-Credit Institutions.
- iii. Explore other unserved and underserved areas for expansion, avoiding areas that are already adequately served.

7. FEEDBACK/ GRIEVANCE MECHANISM

- i. Establish effective and efficient feedback mechanisms.
- ii. Inform clients about the existence and purpose of these mechanisms and how to access them.
- iii. Designate an official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.
- iv. Set up a complaint handling systems which will take steps to correct any error and handle/receive complaints speedily and efficiently.
- v. Conduct an annual client survey in order to gauge the effectiveness of our practices and client satisfaction levels.
- vi. Monitor client exit rate and conduct regular exit surveys to understand reasons for leaving our program.