



VEDIKA CREDIT CAPITAL LTD
PARTNER IN THE GROWTH OF MICRO ENTREPRENEURS

2022

FAIR PRACTISE CODE

“Steps towards responsible lending”

.....In English

1. **Font Name & Size:** Source Sans Pro, 11
2. **Version:** 1.0
3. **Prepared and/or revised by:** Credit Department
4. **Reviewed by:** Board of Directors
5. **Review Date:** 14/05/2022
6. **Approved by:** Board of Directors
7. **Approval Date:** 14/05/2022

This document contains confidential information and remains the property of Vedika Credit Capital Ltd (hereinafter referred to as Company or Vedika). It is not to be used for any other purposes, copied, distributed or transmitted in any form or means or carried outside the Company premises without the prior written consent of the Company



Contents

INTRODUCTION 2

MICROFINANCE LOAN..... 2

OBJECTIVES 2

COMMUNICATION WITH CUSTOMER 3

GRIEVANCE REDRESSAL MECHANISM..... 4

PRICING 4

ASSESSMENT OF HOUSEHOLD INCOME 5

LIMIT ON LOAN REPAYMENT OBLIGATIONS OF A HOUSEHOLD 5

DISPLAY REQUIREMENT..... 6

TRAINING 6

SPECIFIC GUIDELINES 7

RECOVERY OF LOANS 7

ENGAGEMENT OF RECOVERY AGENTS..... 7

NON-COERCIVE METHODS OF RECOVERY 8

INTERNAL CONTROL SYSTEM..... 9

PERIODICAL REVIEW OF THE POLICY..... 9

AMENDEMENT OF THE POLICY 9

INTRODUCTION

1. Vedika Credit Capital Ltd (Vedika) is a non-Deposit taking, Non-Banking Finance Company. The Company was originally registered as a Private Limited Company but was later converted into a Public Limited Company in November, 1995. It was recognized and re-registered to carry out the business of Non-Banking Finance Company with approval from Reserve Bank of India in March, 1998. Until February, 2004 the company was involved in stock broking activities with its earlier owners. In February, 2004, its present owners who stopped stock broking activities and started finance activities purchased the company. The purchasers of the Company were carrying out financing activity through Sole Proprietorship form of business organization. All the business thereafter was diverted to Vedika. Since 2007 the company is into Micro Finance product like Joint Liability Groups loans and Individual Loans.
2. Vedika committed towards responsible & ethical lending with the mission of partner in the growth of Micro entrepreneur. In the line of the same Vedika while keeping in view Fair Practices Code for NBFC-MFIs issued by RBI and modified time to time, Industry Code of Conduct developed by MFIN (Microfinance Institutions Network) and Sa- Dhan and other principals & conduct of transparency developed its Fair Practice Code (FPC).

MICROFINANCE LOAN

1. A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.

Note: All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursement (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.

2. To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

OBJECTIVES

The Main object behind the development of Fair Practices Code is to:

1. Formulate operating guidelines for implementation of comprehensive FPC in an effective manner in accordance with the guidelines issued by the regulator, SRO.
2. Ensure high level of adherence of FPC in the light of good governance, transparency, privacy & ethics in true spirit.
3. Disseminate the policy guidelines in an effective manner to all stakeholders like customers, employees etc.
4. Ensure timely and necessary revision in the FPC to adopt regulatory and changes industrial practice.



COMMUNICATION WITH CUSTOMER

1. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower i.e., borrower must confirm that he/she understood the terms & conditions of the loan
2. The receipt of all loan applications is acknowledgment and the time frame within which loan applications will be disposed of is to be provided
3. Amount sanctioned, terms and conditions and the rate of interest (annualized), and method of charging are mentioned in the vernacular language or a language as understood by the borrower.
4. Record of borrower's acceptance to these conditions must be kept in record.
5. Vedika will consent or otherwise object, if any within reasonable time with regard to the receipt of request from the borrower for transfer of borrowal account. Same transfer shall be as per transparent contractual terms in accordance with law.

Loan application form:

1. Loan application forms should contain all the necessary information to enable customer compare with other NBFCs and take an informed decision along with documents required to be submitted with the application form.

Loan agreement:

1. Vedika will have a Board approved, standard form of loan agreement in preferably in vernacular language or a language as understood by the borrower. The loan agreement shall preferably be in vernacular language.

Loan agreement will include:

1. All the terms and conditions of the loan,
2. Pricing related information to a prospective borrower in a standardized simplified factsheet
3. That there will be no penalty charged on delayed payment,
4. That no Security Deposit / Margin is being collected from the borrower,
5. The moratorium period between the grant of the loan and the due date of the repayment of the first installment
6. an assurance that the privacy of borrower data will be respected.
7. Loan agreement must mention that any change in T&Cs will communicated in written to the borrower, and that the change is applied only prospectively, applicable if any

8. Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.

Loan card:

1. Vedika will have standard form of loan card in preferably in vernacular language or a language as understood by the borrower.
2. A loan card at the time of sanction/disbursement is to given to the customer and that stays with the customer

The Loan card will include:

1. the effective rate of interest charged,
2. all other terms and conditions attached to the loan,
3. information which adequately identifies the borrower and acknowledgements by the NBFC-MFI of all repayments including installments received and the final discharge,
4. The loan card should prominently mention the grievance redressal system set up by the MFI and also the name and contact number of the nodal officer,
5. Note: Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself,

GRIEVANCE REDRESSAL MECHANISM

1. Vedika will lay down board approved grievance redressal mechanism within the organization to ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level.
2. Vedika will ensure display of the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:
 - a) The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
 - b) If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

PRICING

Vedika Shall adopt a well-defined pricing model to include



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 the microfinance loans.

Note: Interest rates and other charges/ fees on microfinance loans should not be usurious.

5. Vedika will disclose pricing related information to a prospective borrower in a standardized simplified factsheet
 - a) Any fees to be charged to the microfinance borrower will be explicitly disclosed in the factsheet.
 - b) Vedika will not charge any amount which is not explicitly mentioned in the factsheet.
6. There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
7. Vedika will prominently display the minimum, maximum and average interest rates charged on microfinance loans in all offices, communications issued and its website.
8. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
9. The rate of interest should be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

ASSESSMENT OF HOUSEHOLD INCOME

1. Vedika will put in place a board-approved policy for assessment of household income.
2. Vedika will mandatorily submit information regarding household income to the Credit Information Companies (CICs).

Note: Reasons for any divergence between the already reported household income and assessed household income shall be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

LIMIT ON LOAN REPAYMENT OBLIGATIONS OF A HOUSEHOLD

1. Vedika will devise board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly



household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.

2. The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.
3. Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50 per cent, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50 per cent is complied with.
4. Vedika will provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness.
5. Vedika will try to fetch above mentioned information from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

DISPLAY REQUIREMENT

Vedika will ensure display of:

1. Fair practice code in vernacular language or a language as understood shall be in its office and branch premises,
2. Statement articulating vedika's commitment to transparency and fair lending practices in the premises and in loan cards
3. The effective rate of interest charged and the grievance redressal system set up by the Vedika in all the offices and in the loan, card issued in vernacular language or a language as understood and, on its website,
4. Declaration that the Vedika will be accountable for preventing inappropriate behavior of our employees or employees of the outsourced agency and provide timely grievance redressal in the offices & branch premises, loan agreement, website & in the fair practice code
5. Vedika will prominently display the minimum, maximum and average interest rates charged on microfinance loans in all offices, communications issued and its website.

TRAINING

1. Vedika's field staff will be trained
2. To make necessary enquiries with regard to existing debt of the borrowers,

3. To offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products
4. To inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices

Note: Training, if any, offered to the borrowers shall be free of cost.

SPECIFIC GUIDELINES

1. Vedika will ensure proper compliance of the KYC Guidelines of RBI including KYC-AML Guidelines
2. Vedika will ensure that a proper due diligence as per the internal credit policy to assess the need and repayment capacity of the customer including cash flow analysis along with business and family expenses, as well as liabilities from other sources.
3. All sanctions and disbursement of loans should be done only at a central location and more than one individual should be involved in this function.
4. Adequate steps may be taken to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.
5. Vedika will also ensure periodic review on the basis of the consolidated report of the compliance of the Fair Practices Code and the functioning of the grievance's redressal mechanism at various levels of management by the board.

RECOVERY OF LOANS

1. Vedika will 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 recourse available.
2. Vedika will provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.
3. Vedika will ensure that recoveries are made only at a centrally designated place (the centre). Only if the borrower fails to appear at a centrally designated place on 2 or more successive occasions, then only vedika's staff allowed to make recoveries at the place of residence or work of the defaulting borrower. Further, they have been instructed not to visit customers at inappropriate occasions such as bereavement, sickness etc. to collect dues.

ENGAGEMENT OF RECOVERY AGENTS

Recovery agents shall mean agencies engaged by the RE for recovery of dues from its borrowers and the employees of these agencies.

1. Vedika will devise a due diligence process for engagement of recovery agents, which shall,

inter alia, cover individuals involved in the recovery process.

2. Vedika will ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which shall include police verification along with periodicity at which re-verification of antecedents shall be resorted to.
3. To ensure due notice and appropriate authorization, the Vedika will provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from the Vedika along with the identity card issued to him by the Vedika or the agency. Further, where the recovery agency is changed by the Vedika during the recovery process, in addition to the Vedika notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card.
4. The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the Vedika
5. The up-to-date details of the recovery agencies engaged by the Vedika, if any will also be hosted on the website.

NON-COERCIVE METHODS OF RECOVERY

During recovery of loans, the Vedika will not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. Further vedika will ensure that their staffs are adequately trained to deal with the customers in an appropriate manner.

1. Vedika will ensure proper system of for their recruitment, training and supervision along with minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers
2. Vedika will try to adopt compensation methods for staff put more emphasis on service quality and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Managers and supervisors review ethical behavior, professional conduct and the quality of interaction with customers as part of staff performance evaluation.
3. Vedika desists from resorting to undue harassment. Practice like
 - a. Use of threatening or abusive language
 - b. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
 - c. Harassing relatives, friends, or co-workers of the borrower
 - d. Publishing the name of borrowers
 - e. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation

- f. Misleading the borrower about the extent of the debt or the consequences of non-repayment
4. like persistently bothering the borrowers at odd hours and use of muscle power for recovery of loans are not deployed by Vedika. Further, in no case does Vedika outsource the recovery process to a third party unless otherwise approved by the board but in case it would be allowed in sensitive areas.
5. Vedika & its staff will not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

RE or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

INTERNAL CONTROL SYSTEM

1. Vedika 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.

PERIODICAL REVIEW OF THE POLICY

1. The Policy is flexible and easy to understand and comply with by all levels of employees. The Board should review this Policy periodically but at least once in a year, so that it remains appropriate in the light of material changes in regulatory requirement with respect to the Company's size, complexity, geographic reach, business strategy, market and best governance practices.
2. The policy can also be reviewed as and when deemed necessary by the Top Management and amendments effected to the same, subject to approval of the Board if any, and when practical difficulties are encountered. The Top management may also review the policy on document retention to comply with any local, state, central legislation that may be broadcast from time to time

AMENDMENT OF THE POLICY

1. The Board of Directors on its own and/or on the recommendation of the top management can amend this policy as and when required deemed fit. Any or all provisions of this Policy would be subjected to revision/amendment in accordance with the regulations on the subject as may be issued from relevant statutory authorities, from time to time.