



# FAIR PRACTICES CODE

A Guideline on efficient & ethical business  
practices

(This policy remains in force till any further amendments or notifications are published by RBI)

**ARTH MICRO FINANCE PRIVATE LIMITED**

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## INTRODUCTION

In view of the dynamic business environment, amidst the challenges faced by the micro finance industry, the Micro Finance Regulations, prescribed by Reserve Bank of India in its circular dated March 14<sup>th</sup>, 2022, adherence of responsible lending practices has gained much more significance. This not only measures the growth in terms of volume but accords equivalent consideration to the transparency and responsible with customers and also goodwill among the stakeholders, regulator, and the masses. Any business which ensures its practices ethically marks its presence as a leading Brand.

Arth being a Non Banking Financial Company, is regulated by Reserve Bank of India and is governed by its guidelines in its operations. Arth in its pursuit of compliance with the guidelines of RBI and setting a mark of its presence and trust by following ethical business practices, do hereby lay its Fair Practices Code.

## **GUIDELINES ON FAIR PRACTICES CODE**

Arth Micro finance Private Limited has adopted the Fair practices guidelines as detailed by RBI to conduct its business and implement its policies and procedures in conformity with the RBI guidelines. These guidelines read as follows:

### **A.1 : Applications for Loan and their processing**

- Arth will communicate with its borrowers in Hindi or the language commonly understood by the borrower.
- Arth's loan application format will fetch adequate information pertaining to income and expenditure of the client.
- Arth's Loan application form will detail all the necessary information about theand conditions of the loan in Hindi to enable the borrower to compare and take an informed decision. Apart from this the loan application also details the document required to be enclosed with the Loan Application, which are strictly in accordance with the Revised PML Guidelines of the RBI.
- Arth, in acknowledgement of the Loan application issues a Loan acknowledgement receipt to all its borrower mentioning the date of receipt of application and the time frame within which the loan application will be processed.

### **A.2 : Loan Appraisal**

- Arth will issue Sanction letter to its borrowers pursuant t loan sanction by the Company, The contents of the Loan sanction letter include- Amount of Loan sanctioned, Rate of Interest, processing charges, Duration of loan and Grace period (if any)

### **A.3 : Loan Disbursement**

- Arth will have a formal communication with the borrower either in Hindi or vernacular language of the Borrower regarding the change in the date of disbursement or any change in terms and conditions as detailed in the sanction letter issued to the borrower.
- Decision to recall/ accelerate payment or performance shall be purely in consonance with the conditions of the loan agreement.
- Being working as a Micro finance Institution, Arth will not keep any security /collateral from the Borrower, against the loan amount disbursed.

### **A.4 : General**

- Arth, apart from the purpose specified and agreed to in the loan agreement will not interfere in the affairs of the Borrower, in any manner.



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- Arth will not resort to any coercive method of loan recovery, and no undue harassment will be done to the borrower, for the purpose of loan recovery.
- Grievance Redressal Mechanism  
Arth has a codified Grievance redressal Mechanism, which has been displayed at all the offices of the Company. The contents of the grievance redressal mechanism are:

<b>Contents</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Name	Customer Helpline		Ms. RuchiMitra
Designation		Grievance Redressal Officer	Nodal officer
Contact Number	8290494949	0141-2988234	9001071888
Email Address		crmd@arthfinance.com	ruchi.mitra@arthfinance.com

- If the complaint is not resolved within 7 days, borrower may file their complaint with M-Fin at the toll free number

**1800 102 1080**

- If the complaint is not resolved within one month, the borrower may appeal to the CMS portal of  
Banking Ombudsman, Department of Supervision,  
Reserve Bank of India  
At  
[www.cms.rbi.org.in](http://www.cms.rbi.org.in)

- A copy of the Fair practices code will be available in the Branches in Hindi or in vernacular Language.

#### **A.5: Regulation of interest charged by NBFC's**

**Pricing of Loans in Arth will be in accordance with a Board approved policy regarding pricing of loans prescribed in a well documented interest rate model**

- Interest rate charged by Arth is based on the pricing guidelines as prescribed under the Microfinance Regulations, 2022 which include cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
- The range of spread of each component for a given category of borrowers; and
- A ceiling on the interest rate and all other charges applicable to the microfinance loans.
- Arth will levy any penalty on pre-payment/ foreclosure of loan.
- Overdues of loan will attract penalty of 2 % per annum on the overdue amount

## **B. NBFC –MFI**

In addition to the above guidelines , the fair practices guidelines specifically applicable to NBFC-MFI's are strictly adhered by ARTH and they include the following:

- The FPC in vernacular language shall be displayed in all office and branch premises.
- A statement shall be made in vernacular language and to be displayed by Arth in their premises and in loan cards articulating their commitment to transparency and fair lending practices,
- Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers,
- Training if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products,
- The effective rate of interest charged and the grievance redressal system should be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website.
- A declaration that the MFI will be accountable for preventing inappropriate staff behavior and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises.
- The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function.
- Adequate steps may be taken to ensure that the procedure for application of loans is not cumbersome and loan disbursements are done as per pre-determined time structure.

### **B.2: Disclosures in loan agreement / loan card**

- All NBFC-MFIs shall have a Board approved, standard form of loan agreement.
- The loan agreement shall preferably be in vernacular language.
- In the loan agreement the following shall be disclosed.
  - All the terms and conditions of the loan,
  - that the components of the details of which will be included in fact sheet annexed with loan card
  - that there will be no penalty charged on delayed payment,
  - that no Security Deposit / Margin is being collected from the borrower,

- an assurance that the privacy of borrower data will be respected.

### **B.3: Loan card**

The loan card should reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.

- the effective annualized rate of interest charged
- all other terms and conditions attached to the loan
- information which adequately identifies the borrower and
- acknowledgements by the NBFC-MFI of all repayments including installments received and the final discharge.
- 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
- Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
- All entries in the Loan Card should be in the vernacular language.

### **B.4 : Non-Coercive Methods of Recovery**

- As specified in the Micro finance Regulations, 2022, Arth will ensure recovery to be made only at a central designated place. Field staff shall be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.
- Arth will not avail services of third party recovery agents. If any, however availed, will be with full intimation to borrowers.
- Arth has a Board approved policy with regard to Code of Conduct of field staff and systems for their recruitment, training and supervision. The Code lay down the minimum qualifications necessary for the field staff and necessary training tools identified for them to deal with the customers. Training to field staff include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
- In addition to the number of loans mobilized and the rate of recovery, adequate consideration is accorded on areas of service and borrower satisfaction, in the compensation policy.
- Penalties are imposed on cases of non-compliance of field staff with the Code of conduct.
- Arth being a member of Self Regulatory Organization will strictly adhere to the Code of Conduct and Code for Responsible Lending prescribed by SRO's.

