FAIR PRACTICE CODE

(Revised version of the Fair Practices Code approved
By the Board of Directors on 10th March 2025)

Regulatory Reference: Based on **RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025** and other applicable regulatory guidelines for NBFC-MFIs.

Document Name	FAIR PRACTICE CODE
Version	1.1
Prepared By	Compliance Department
Reviewed By	Board of Directors
Approved By	Board of Directors
Document owner	Compliance Department
Effective Date	10.03.2025

Introduction

Radhya Micro Finance is a private limited Company registered under the Companies Act, 2013 and with the Reserve Bank of India (RBI) as an NBFC-Base Layer (BL) under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October 2023, as amended from time to time (SBR Directions), and it was classified as an NBFC-MFI under the SBR Directions and was granted its licence by the Reserve Bank of India with effect from 2nd July 2024.

The Company provides microfinance services to low-income households and individuals to improve their quality of life. The Company constantly endeavors to deliver quality services to its Borrowers by maintaining the highest levels of transparency and integrity.

The Company ensures that the principles of responsible lending, transparency, and core values are followed in letter and spirit. In this regard, the Company adheres to the RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, and continues to follow relevant provisions of the SBR Directions, 2023. In addition, the Company has adopted the unified Industry Code of Conduct developed by the Microfinance Institutions Network (MFIN).

Objectives of the Fair Practices Code

- To formulate a Fair Practices Code (FPC) and lay down the process and guidelines for effective implementation of FPC which is in compliance with the guidelines prescribed by the regulator and Self-Regulatory Organizations (SROs) and enhancing the scope of FPC by drawing from the experiences gained by the Company.
- To protect Borrowers from fraud, misrepresentation, deception, and unethical practices.
- To ensure that all practices related to lending and recovery of loans are fair and maintain respect for the Borrower's dignity.
- To train all the employees and borrowers on the FPC in an effective manner and to ensure that they follow the FPC at all times.
- To monitor the effective implementation of the FPC and maintain zero tolerance to deviations.
- To constantly review and revise the FPC based on the RBI and SRO guidelines in addition to the experiences gained by The Company.

Core Values

- **Responsiveness –** The Company endeavors to be a responsive organization to its Borrowers' needs and requirements We constantly strive to understand the changing needs of Borrowers and develop suitable products and services to address their requirements.
- **Integrity –** The Company endeavors to maintain the highest levels of fairness and

integrity in all its dealings with its Borrowers and keep up the commitments made.

- **Commitment** - Performing all activities and tasks with professionalism and enthusiasm to give the highest level of Borrower satisfaction and optimal efficiency.
- **Team Spirit-** Working together to create the synergy that results in exponential growth

Guidelines on Fair Practices Code

Loan Application

- All communication to the borrower should be in the vernacular language or the language understood by the borrower.
- Loan application shall be in the vernacular language or a language as understood by the borrower.
- Borrower shall be provided with acknowledgment for receipt of the loan application. The acknowledgment shall be in vernacular language clearly communicating the timeframe within which the loan application will be disposed of.
- Loan application shall contain the effective interest rate, processing fee, and insurance premium and the borrower shall be informed of the same while taking the loan application so that a meaningful comparison with the terms and conditions offered by other lenders can be made and informed decision can be taken by the borrower.
- The loan application form should indicate the documents required to be submitted with the application form.

Loan appraisal and Terms and Conditions

- Every loan has to be appraised to understand the Borrower's business, household income, her current indebtedness and thereby assess her loan requirement and repayment capacity..
- Loan appraisal has to be done mandatorily by the Branch Manager and the appraisal should be filled.
- Radhya shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record
- As complaints received against NBFCs generally pertain to charging of high interest/penal charges, an NBFC shall mention the penalties charged for late repayment in bold in the loan agreement or loan document.
- Radhya Micro Finance shall provide every Borrower with a copy of the loan agreement and all related enclosures at the time of loan sanction or disbursement. This ensures that Borrowers are fully informed of the terms and conditions, including the rate of interest, and helps prevent any future disputes.

Conduct aspects in Pricing of Loans

- **There shall be no pre-payment charge levied on microfinance loans. Charges, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.**
- **Radhya shall prominently display 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 details on its website. This information shall also be included in the supervisory returns and subjected to supervisory scrutiny.**
- **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**
- **As part of their awareness campaigns, Self-Regulatory Organisations (SROs) / other industry associations may publish the range of interest rates on microfinance loans charged by their members operating in a district. SROs / other industry associations may also sensitize their members against charging of usurious interest rates.**

Disbursement of loans including changes in terms and conditions

- The sanction letter contains the amount of loan sanctioned, rate of interest, processing fee, insurance premium, loan tenor and repayment frequency along with the documents required to be executed.
- We shall mandatorily take the signature/thumb impression of the borrower accepting the loan sanction.
- Radhya shall be provided Key Fact Statement along with loan repayment schedule. The loan repayment schedule contains all the important terms and conditions of the loan including the annual effective rate of interest, processing fee, insurance premium, and the terms and conditions.
- Borrower shall also be provided a copy of the loan document along with a copy of each of all enclosures quoted in the loan document.
- Radhya shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Radhya shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.
- Any change in interest rates and charges are effected only prospectively. The loan agreement shall contain a suitable condition on this.
- Radhya shall not charge foreclosure charges / pre-payment penalties on the loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
- The procedure for loan application shall be simple and the loan shall be disbursed as per pre-determined time.
- The effective rate of the minimum, maximum and average interest rates charged on microfinance loans on each loan product, processing fees and insurance premium shall

be prominently displayed in all branches & head office, in the literature issued (in vernacular language) and on the website of the company.

Disclosures in Loan Document / Loan Card

All loan terms and conditions shall be communicated to the Borrower in the vernacular language that is easily understood. The Borrower shall be clearly informed of the following details:,

- The annual rate of interest charged on declining balance
- The pricing of the loan involves various components viz; the interest rate model (comprising of cost of funds, risk premium and margin) and quantum of each component, the range of spread of each component for given objective parameters and category of the borrowers. The model indicates the ceiling on the interest rate and charges applicable to microfinance loans.,
- There will be penalty charged on delayed payment
- No Security Deposit / Margin is being collected from the borrower,
- The moratorium between the grant of the loan and the due date of the repayment of the first installment is equal to or more than the the frequency of repayment,
- An assurance that the privacy of borrower data will be respected.
- Information that adequately identifies the borrower
- Simplified fact sheet on pricing,
- Acknowledgements by the field staff of all repayments including installments received and the final discharge, and
- the grievance redressal system and the toll-free customer care helpline number printed on the loan card and displayed at branches
- Non-credit products issued, if any, shall be with the full consent of the borrowers, and fee structure shall be communicated in the loan card itself.

Fair Practices and Ethical Behavior

- All dealings of the Company with the Borrower shall be open, fair and ethical.
- All Employees of The Company shall treat Borrowers with respect and dignity.
- We provide microfinance services to all eligible Borrowers as per RBI guidelines.
- Our rate of interest & charges is in accordance with RBI guidelines.
- We will obtain copies of relevant documents from Borrowers, as per standard KYC norms. Additional documents sought must be reasonable and necessary for completing the transaction.
- We will not bundle products. The only exception to bundling may be made with respect to credit life insurance products (if applicable), which are typically offered bundled with loans. The terms of insurance should be transparently conveyed to the Borrower and must comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms.
- Training 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 loans/other products.

Borrower Awareness and Training

- Borrowers are given training for 2 days to explain to them the terms and conditions of the loan.
- The training also emphasizes the proper utilization of the loan amount, the perils of over- borrowing, misuse of the loan amount, etc.
- Borrowers are also told that in case of delayed payment, penal charges are charged.
- Borrowers are also told that they need not pay anything other than the principal, interest, processing fee, and insurance premium.

Regulation of excessive interest:

- **The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs. Though interest rates are not regulated by the Reserve Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice**
- **The Board of an Radhya shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances..**
- **The rates of interest shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.**
- **The rate of interest must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.**

Avoiding Over-indebtedness

- Branch Managers shall make proper inquiries with regard to the current indebtedness of the borrowers before sanctioning the loan.
- We will ensure that the loan is provided based on the assessment of the annual household income of the Borrower considering the broad parameters viz., Household profile, Household income, and Household expenses.
- We provide accurate data to credit information companies (CICs) on the level of indebtedness and ascertain by way of obtaining declarations from the borrowers, verification of bank account statements wherever available, and local inquiries etc.
- We assess the repayment of monthly obligations of households with monthly household income to ascertain the outflow

- We shall not exceed the indebtedness cap as decided by the Industry Associations and the overall prescribed limit set by RBI.
- We Shall educate Borrowers on the bad effects of over-borrowing.

Guidelines related to Recovery of Loans

- An NBFC shall 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.
- Recovery shall be made at a designated/ central designated place decided mutually by the borrower and the NBFC. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place.
- Radhya will train all employees on the collection policy and appropriately deal with Borrowers.
- Radhya will ensure that the employees use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interactions with Borrowers.
- Radhya 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.
    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.

- Radhya will have strict vigilance to ensure that staff do not misbehave, or disrespect the borrowers. We will incorporate this in the loan agreement/document.
- An NBFC shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.
- Disciplinary action shall be taken against the employees for any misbehavior, or deviation against the Fair Practice Code.
- We will display FPC in all the branch premises, Head Office/ Registered Office, and upload it on our website.

Privacy of Borrower Information

- We shall respect Borrowers' privacy and shall treat Borrower information as private and confidential.
- We shall incorporate an adequate disclosure in the loan document on sharing Borrower data with credit bureaus, statutory organizations, and third parties.
- We will train our staff on fidelity and secrecy of Borrower data. We will incorporate this clause in the appointment letter.

Feedback and Grievance Redressal Mechanism

- The Company endeavors to be a Borrower-centric organization keeping Borrowers at the center of its policy-making and all the policies and procedures are designed to provide efficient and faster services to Borrowers. While we have taken all the steps to ensure that Borrower service is given utmost importance, in case there is any feedback or grievance, this grievance redressal mechanism provides for timely redressal of the grievances/hearing of the feedback. Besides, all the grievances and feedback received are reviewed at the highest level of the organization, policies are reviewed and decisions are taken to strengthen the delivery mechanism and provide better services.
- The company, on its Notice Board has displayed the name, designation, address, and telephone numbers of officials senior in the hierarchy to the Credit Manager as a Grievance Redressal Officer who can be approached by the borrowers to resolve their complaints against the Company.
- After examining the matter, the Company will endeavor to send the customer its response within four weeks and intimate the customer as to how to escalate the complaint to a higher level, if he is not satisfied with the response.
- The company has developed its "Internal Principles and procedures in determining interest and other charges" and are displayed in the Notice Board and accordingly, in the future, it will be put up on the website of the company.
- Each loan card has the Toll-free number of the Customer Service Officer based at the Head Office. Customers can contact that Toll Free number and the grievance will be redressed.
- The Company shall request the customer to provide feedback on the services rendered. This can be done through direct contact by employees or through specific Customer Satisfaction Surveys that may be conducted from time to time.

A periodical review of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management would be undertaken by the Company and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company Quarterly.

Review and Monitoring

- The status of resolutions shall be monitored daily by the Concerned Employee.
- Every month, compliance with the fair practices code including all the grievances received, resolutions provided, and the turn-around time shall be reviewed by the Compliance Officer who in turn presents to the Board of Directors.
- The Board reviews the functioning of the fair practice code including the effectiveness of the grievance redressal mechanism every quarter.

Dissemination of FPC and GRM

Our HR policy has criteria for the recruitment of all staff, their training, and the reporting structure. The criteria cover qualifications, skill sets, and social and behavioral aspects. Each employee is trained on FPC, GRM, Code of Conduct, Whistle Blower Mechanism, and the appropriate way of dealing with the Borrowers. Guidelines provided in the Industry Code of Conduct by MFIN & Sadhan, which was already approved and adopted by the Board, shall be implemented effectively.

Training of Staff:

- Radhya shall have a board approved policy regarding the conduct of employees and system for their recruitment, training and monitoring. This policy shall, inter alia, lay down minimum qualifications for the staff and shall provide necessary training tools to deal with the customers. Training to employees shall include programs to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.
- All employees shall be trained on the Fair Practices Code (FPC), including the grievance redressal mechanism, and on soft skills to ensure courteous and respectful behavior..
- Each employee is trained in a way that the Borrower is given due respect and is treated with dignity and self-esteem.
- The employees are trained to make necessary inquiries regarding the income and existing debt of the household of the prospective Borrowers.

General

- Radhya shall refrain interfere in the affairs of the borrower except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- If a Borrower requests the transfer of their loan account, Radhya Micro Finance shall

communicate its consent or objection within 21 days from the date of receipt of the request. Any transfer will be carried out in accordance with the contractual terms and applicable laws, ensuring a transparent and fair process.

- In the matter of recovery of loans, the Company assures that –

    1. It shall not resort to undue harassment like bothering the borrowers at odd hours, use of muscle power for recovery of loans etc., and scrupulously avoid any demeanour that would suggest any kind of threat or violence.
    2. Maintain decency and decorum during the visit to the borrower's place, when need arises, for collection of dues
    3. It shall avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.

- The Company has drafted its Fair Practice Code (FPC) both in Hindi and English based on the guidelines of RBI and will be put up on the website of the Company.
- Utmost importance shall be given to the adherence to the FPC, GRM, Code of Conduct, and Whistle Blower Mechanism while awarding the promotions to staff.
- Disciplinary action shall be taken against staff who do not adhere to the FPC, GRM, Code of Conduct, and Whistle Blower Mechanism.
- New Borrowers must be informed about the organization's policies and procedures to help them understand their rights as borrowers.

Responsibilities of the Board of Directors.

- The Board of Directors shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of the lending institution's functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors shall also provide for a periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

Loan facilities to the physically/visually challenged by NBFCs

- The Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of The Company shall render all possible assistance to such persons for availing of the various business facilities. The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, The Company shall ensure the redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by the Company.

Language and mode of communicating Fair Practice Code :

- Fair Practices Code (which shall preferably be in the vernacular language or a language as understood by the borrower) based on the guidelines outlined hereinabove shall be put in place by The Company with the approval of the Boards. The same shall be put up on The Company's website, for the information of various stakeholders.

Administration and Review:

- The Board of Directors of Radhya shall be responsible for the administration, interpretation, application and review of this policy.
- The Compliance Officer of Radhya also shall be empowered to bring about necessary changes to this Policy, if required at any stage with the due approval/ratification, as the case may be, of the Board of the Directors of Radhya.

Disclosure:

- The details of Fair Practice Code shall be disclosed by the Radhya in its website.

Ritvik Kothiwal
Director & Promoter

Policy Revision History

Version No.	Effective Date	Section/Heading Amended	Details of Amendment	Approved By
1.0	30/07/2024	Initial Issue of Policy		Board of Directors
1.1	10/03/2025	Changes due to new RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025	Highlighted In Yellow	Board of Directors

Note: All amendments made in this Policy from time to time shall be highlighted in yellow colour for easy identification. The respective clause shall also mention "Amended/Inserted vide Board approval dated 10th March, 2026" indicating the date of approval by the Board of Directors.