



## Fair Practices Code



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Micro Units Development & Refinance Agency Ltd. (*hereinafter referred to as "MUDRA"*), registered as a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI) (pending enactment of an Act to set up MUDRA Bank, as announced by GOI in Union Budget for 2015-16), is a refinancing institution, providing refinance / financial support to the Last Mile Financial Institutions like Banks, NBFCs, MFIs and other forms of financial intermediaries for providing loans to micro and small business enterprises with credit requirements not exceeding ₹10 lakh. As per the GOI Press release of 2<sup>nd</sup> March, 2015, MUDRA was envisaged to play many other roles including regulator for MFIs and an ecosystem facilitator for micro enterprise sector.

MUDRA's financial transactions shall be in the nature of financial support / refinance to banks, NBFCs, MFIs & other financial intermediaries.

MUDRA adopts the following Fair Practices Code as means to provide transparency, adequate disclosures on the terms and conditions of a loan, adopting a non-coercive recovery method and clarity to its **Partner Lending Institutions ("PLIs")** with regard to their transactions with MUDRA.

### A. Applications for finance / refinance assistance and their processing

- i) MUDRA shall have an Application Form for the PLIs, seeking financial/ refinance assistance from MUDRA, for onward lending to the ultimate borrowers to carry on income generation activity under manufacturing, processing, trading, service sector and such other areas as may be decided by the Board of MUDRA / Govt. of India from time to time. The Application Form shall also indicate the documents required to be submitted with the application form.
- ii) The eligible institutions shall submit their applications in the prescribed format to MUDRA, or its designated offices, for availing financial / refinance support, which shall be acknowledged only in writing/email.
- iii) Any additional information required shall be sought from the PLIs within a reasonable time frame.



### **C. Loan Appraisal and terms/conditions**

- i) MUDRA, directly or through designated offices/ Associate Institutions, shall appraise the loan applications within a reasonable period of time.
- ii) The credit limit sanctioned (within the overall exposure limit set for each PLI) along with the terms and conditions, including annualized rate of interest and method of application thereof, and draft Loan Agreement / General Refinance Agreement shall be communicated to PLIs. The acceptance of these terms and conditions shall be kept on record.
- iii) A copy of Loan Agreement, General Conditions along with all enclosures shall be furnished to the PLIs. Loan Agreement shall also mention in bold type face about the penal interest charged for late repayment.
- iv) In case of applications which are found not eligible, as per extant guidelines, the applicant shall be conveyed in writing or through phone or any other communication mode, along with the reason(s) thereof. Such communication shall normally be done within 2 weeks of non-consideration.

### **D. Disbursement of loans including changes in terms and conditions**

- i) MUDRA shall ensure timely disbursement of loans sanctioned subject to the PLIs fulfilling the conditions precedent and complying with the disbursement procedure including execution of General Refinance Agreement (GRA) for refinance facility that shall be notified to the PLIs in advance.
- ii) Any change in the terms and conditions including disbursement schedule, interest rates (other than floating rates), service charges, prepayment charges, etc., notified on the notice board in MUDRA premises/ on the website/or reflected in the demand advices, shall be deemed to be sufficient notice to the Borrower. MUDRA shall also ensure that changes in interest rates and charges are levied on disbursements only with prospective effect, except those imposed by regulatory/government authority which shall be on back to back basis.



## **E. Post disbursement supervision / obligations**

- i) MUDRA shall take up pre and post disbursement visits as deemed necessary through its officers or authorised representatives/ other agencies assigned for the purpose.
- ii) Computation of interest, further interest, penal interest and costs & charges shall be done as per the extant policy of MUDRA.
- iii) Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the terms of sanction/General Refinance Agreement.
- iv) Repayment Schedule shall be sent to the PLIs in advance of the commencement of repayment. A Demand Advice shall normally be sent in writing including by way of any electronic means, to the PLI in advance of the due date of repayment of installment. However, as the repayment schedule has already been communicated to the PLI at the time of sanction, receipt of such demand advices are not a pre-requisite for making the payment on due date.
- v) MUDRA shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim MUDRA may have against the PLI / securities, on receipt of a request in writing by the PLI. If such right to set off is to be exercised, the PLI shall be given notice about the same with full particulars about the remaining claims and the conditions under which MUDRA is entitled to retain the securities till the relevant claim is settled/ paid.

## **F. General**

- i) All communications to the PLIs shall be made in Hindi, English or bilingual (English and Hindi), in writing, in the form of letter, facsimile, email, or by way of any other electronic means and shall be communicated directly or by display in MUDRA website / its premises.
- ii) MUDRA shall refrain from interference in the affairs of the PLIs, except for what is provided in the terms and conditions of the loan / loan documents (unless new information, not earlier disclosed by the PLI has come to the notice of MUDRA).



- iii) In the matter of recovery of loans, MUDRA shall follow the well-established & lawfully accepted practices.
- iv) In case of receipt of request from the PLIs for transfer of account, which proposes to take over the account the consent or otherwise of MUDRA, if any, shall normally be conveyed within 21 working days from the date of receipt of request.
- v) Information submitted by PLI shall be generally kept confidential and not disclosed to any third party without their consent. The term third party excludes all law enforcement agencies, Reserve Bank of India, Credit Information Bureau, other Banks, Financial Institutions and other such bodies empowered to obtain such information under applicable provisions of law.

### G. Grievance Redressal Mechanism

- (i) The Partner Lending Institutions may write to MUDRA, at following address, in case of any dispute arising out of its Fair Practices Codes by clearly stating the nature of their grievance along with necessary documents, if any;

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|------------------------|--|
| <b>Designation</b>     | MD & CEO   |
| <b>Address</b>         | 6 <sup>th</sup> Floor, Swavalamban Bhawan,<br>C-11, G-Block, Bandra Kurla Complex,<br>Bandra (E), Mumbai – 400 051 |
| <b>Contact details</b> | 022- 67221465  |
| <b>Email id</b>        | <a href="mailto:ceo@mudra.org.in">ceo@mudra.org.in</a>   |

- (ii) The grievances of PLIs shall be addressed and dealt with in the manner as provided for, in the internal Grievance Redressal Policy adopted by MUDRA.
- (iii) If the complaints / disputes are not redressed within the reasonable time, the PLIs may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI, Mumbai within whose jurisdiction the registered office of MUDRA is currently situated. The contact details of regional office of RBI is as follows;

|                        |   |
|------------------------|---|
| <b>Designation</b>     | General Manager   |
| <b>Contact Address</b> | Department of Non Banking Supervision (DNBS),<br>3 <sup>rd</sup> Floor, RBI Building,<br>Opp. Mumbai Central Railway Station,<br>Near Maratha Mandir, |



|                    |                              |
|--------------------|------------------------------|
|                    | Byculla, Mumbai – 400 008    |
| <b>Contact No.</b> | Tel: 022-2308 4121/2302 8436 |
| <b>Email id</b>    | dnbsmro@rbi.org.in           |

## **H. Regulation of excessive interest**

MUDRA shall adopt an interest rate model taking into account relevant factors such as cost of funds, operating costs, margin and risk premium or as advised by the Regulator.

## **I. Reporting to Board of Directors**

The Board of Directors of MUDRA shall provide for periodical review of compliance of Fair Practices Code and functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be decided by the Board.

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