

# AKMI Code of Business Conduct

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## **AKMI CODE OF BUSINESS CONDUCT:**

The members of Association of Karnataka Microfinance Institutions agree to abide by the following code of conduct:

### **1) Introduction:**

AKMI members will agree to:

- Promote and strengthen the microfinance movement in the State of Karnataka by bringing the low-income clients to the mainstream financial sector.
- Build progressive, sustainable and client-centric microfinance institutions in the State of Karnataka to provide integrated financial services to our clients.
- Promote cooperation and coordination among microfinance institutions and other agencies to achieve higher operating standards and avoid unethical competition in order to serve our clients better.

### **2) Scope:**

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

- I. Integrity;
- II. Transparency
- III. Fair Practices;
- IV. Labour;

#### ***a) Integrity:***

AKMI members will agree to:

- Act honestly, fairly and reasonably in conducting microfinance activities.
- Conduct our microfinance activities by means of fair competition, not seeking competitive advantages through illegal or unethical microfinance practices. No officer, employee, agent or other person acting on our behalf shall take unfair advantage of anyone by manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice.
- Prominently display the core values and code of conduct on the notice board of head office and all branches, and put systems in place to ensure compliance.
- Ensure that staff and any person acting for AKMI members or on its behalf, are trained or oriented to put these values into practice;

***b) Transparency:***

AKMI members will agree to:

- Disclose to clients all the terms and conditions of our financial services offered in the language understood by the client.
- Make publicly available the source of funds, costs of funds and use of surpluses to provide truthful information to clients.
- Provide information to clients on the rate of interest levied on the loan based annualized reducing balance as per RBI norms, calculation of interest (monthly/quarterly/half-yearly), terms of repayment, and any other information related to interest rates and other charges
- Provide information to clients on the rate of interest offered on the thrift services provided by us.
- Provide information to clients related to the premium and other fees being charged on insurance and pension services offered by us as intermediaries.
- Provide periodical statements of accounts in the form of passbooks/loan cards to the clients.
- Provide for clauses in the client application forms authorizing and seeking consent of client for the conduct of a personal credit investigation with any credit reporting agency or bureau and with any other financial institution, person or entity with whom the client have or may have financial relations and the sharing and exchange of particulars of loan and other credit information about the client by AKMI members from time to time.
- Provide for clauses in the employment application to authorize AKMI members to investigate the applicant's personal character or employment record and release all persons providing and obtaining this information from any liability or damages.
- Provide for clause in employment application authorizing AKMI member to share and exchange particulars of applicant's personal character or employment record with other AKMI members from time to time.

***c) Fair Practices:***

AKMI members will agree to:

***i) General:***

- Provide micro finance services to low income clients irrespective of gender, race, caste, religion or language;

- Ensure that the services are provided using the most efficient methods possible to enable access to financial services by low income households at reasonable cost;
- Recognize our responsibility to provide financial services to clients based upon their needs and repayment capacity;

*ii) Collaterals:*

- Agree that, in case of loans to individual clients below Rs. 25,000, the clients shall not be asked to hand over original land titles, house pattas, ration cards, etc as collateral security for loans except when obtaining copies of these for fulfilling “know your customers” norms of the RBI. Only in case of loan to individual clients of Rs. 25,000/- and above can land titles, house pattas, vehicle RC books, etc. be taken as collateral security.

*iii) Client Interaction:*

- Interact with the clients in an acceptable language and dignified manner and spare no efforts in fostering clients’ confidence and long-term relationship.
- Maintain decency and decorum during the visit to the clients’ place for collection of dues.
- Avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.
- Scrupulously avoid any demeanor that would suggest any kind of threat or violence.
- 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 are the obligations of social collateral;
- Whenever the loans are disbursed, AKMI member staff will explain to clients the repayment process by way of amount, tenure and periodicity of repayment.
- If the client does not adhere to repayment schedule, the following principles would be adhered to:
  - The customer would be contacted ordinarily at the Centre/SHG Meeting and in the absence of any specified place, at the place of his/her residence and if unavailable at his/her residence, at the place of occupation;
  - Identity and authority of persons authorized to represent the AKMI member for follow up and recovery of dues would be made known to the borrowers at the first instance;
  - The AKMI member staff or any person authorized to represent the AKMI member in collection of dues or/and security repossession will identify himself / herself and display the necessary documents issued by the AKMI member upon request;

- The AKMI member staff would respect privacy of its borrowers;
- The AKMI member staff will ensure that all written and verbal communication with its borrowers will be in simple business language and AKMI member staff will adopt civil manners for interaction with borrowers. Decency and decorum would be maintained
- Normally the AKMI member representatives will contact the borrower between 0600 hrs and 2100 hrs, unless the special circumstance of his/her business or occupation requires the AKMI member staff to contact at a different time;
- Borrower's requests to avoid calls & visits at a particular time or at a particular place would be honored as far as possible;
- The AKMI member staff will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record;
- All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner;
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

*iv) Competition:*

- AKMI members should not seek information about competitors if such information is proprietary nor should they seek to gain such information illegally or in a way that involves a breach of integrity or breach of any confidentiality or employment agreement.
- AKMI members must never misrepresent their identities when attempting to market their services to clients of its competitors;
- AKMI members must never misrepresent their identities when attempting to provide financial services to clients of its competitors;
- AKMI members must never misrepresent their identities when attempting to collect competitive information;

*v) Community:*

- AKMI members will develop cordial community relations in their area of operations, those responsibilities would involve learning the different customs & culture and abiding by them and conducting ourselves as responsible citizens;

**d) Labour:**

AKMI members will agree to:

*i) Freely Chosen Employment:*

- Not use forced, bonded or involuntary prison labor;
- Ensure that all work will be voluntary, and workers should be free to leave upon reasonable notice;

- Ensure that workers shall not be required to hand over government-issued identification such as passports, ration cards, voter-ID cards etc as a condition of employment.

*ii) Avoidance of Child Labor:*

- Not use child labor for & at any level of work The term “child” refers to any person employed under the age of 18;

*iii) Working Hours*

- AKMI members would abide by the working hours as stipulated by labour laws applicable in the state of Karnataka.

*iv) Wages and Benefits*

- Compensation paid to workers shall comply with all applicable labour laws, including those relating to minimum wages, overtime hours and legally required benefits.

*v) Non-Discrimination*

- Not engage in discrimination based on caste, religion, gender, sexual orientation, disability, pregnancy, political, affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training;

*e) Compliance Mechanism*

**i)** The Board of Directors of AKMI shall form an independent Ethics and Grievance Redressal Committee to facilitate compliance with this code. The committee shall be constituted of respected and trusted persons from the microfinance sector and other social development sectors, providing guidance and help in resolving any disputes.

**ii)** The board of the member microfinance institutions should adopt the core values and the code of conduct on an annual basis.

**iii)** In case of a written complaint received by the Ethics and Grievance Redressal Committee regarding non-compliance with the code by any member Microfinance institution, the committee shall take the following steps:

a) Assist in compliance: Failing which -

1) Formally write to the chief executive of that AKMI member to respond to the complaint within **15** days.

2) If the chief executive of that AKMI member fails to respond within **15** days of the receipt of the communiqué, the matter will be formally communicated to the board of that microfinance institution in writing to seek a response.

3) If the board does not respond within the **15** days of the receipt of the communiqué, the membership of that microfinance institution shall be suspended till further decision of the committee.

4) If the committee decides it is necessary to expel the AKMI member from the membership of AKMI, it shall recommend the expulsion to the Board of Directors of AKMI.

5) The Board of Directors of AKMI shall then take the appropriate decision and if they decide to expel the member, the name of the expelled member will be published on the website of AKMI.