

Code of Conduct for LMFPA Members

Introduction

Microfinance Institutions seek to create social benefits and promote financial inclusion by providing financial services to low income households. As these institutions build partnerships with their clients, it is increasingly important to define core values and fair practices, so as to ensure that microfinance services are provided in a manner that benefits and respects clients. This code of conduct adopted by Lanka Microfinance Practitioners' Association is to ensure that the highest level of professionalism, ethical conduct and good governance are observed by all Microfinance practitioners and their employees; and binds its member MFIs and their employees to total compliance as a condition of its membership.

1. Maintain Integrity

- The mission of an MFI is to service low income clients men and women and their families, providing them to financial services that are client focused, designed to enhance their well being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.

2. Maintain Quality of Service

- The MFI is committed to ensure quality of services to clients, appropriate to their needs and deliver efficiently in a convenient and timely manner. While doing so, the MFI agrees to maintain high standards of professionalism based on honesty, equality and dedication to serve the poor.
- MFI should be responsive to major natural disasters faced by clients in an appropriate way.

3. Avoid Over Indebtedness

- The MFI will determine that clients have the capacity to repay without becoming over-indebted and will ensure to improve credit risk management.
- In order to do that members should agree to disclose any borrower information to other member MFIs in case requested.
- For this MFI should get the consent from the members at the initial documentation

4. Maintain Transparency

- The MFI communicates clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions.
- The MFI should maintain a reasonable and fair interest rate policy and obtain written acceptance from the client in their own language clearly indicating the rate of interest, mode of charging interest, all accountable charges, Effective Interest Rate and terms of repayment.
- The MFI provides periodical statements of the clients' accounts by means of a passbook or any other suitable mechanism.
- The MFI also maintains transparency through provision of information to LMFPA in its annual membership data profiling.

5. Conducting of Fair Practices

- The MFI and its agents provide their services to their clients fairly and respectfully and without any discrimination.
- The MFI will place safeguards to detect and correct corruption as well as aggressive and/or abusive treatment by their employees and agents to their clients during loan disbursements and recoveries.
- House visits and telephone calls should be conducted in a manner that doesn't create inconvenience to the client.

6. Privacy of Client Information

- The MFI will keep personal information of client strictly confidential except:
 - When client has been informed about disclosure of information and permission has been obtained
 - It is legally required to do so

7. Integrating Social Values into Operations

- The MFI will maintain high standards of governance, participative management and reporting – that include social as well as financial data – are critical to its mission to serve its clients and to uphold core social values.
- It is recommended that the MFI periodically conducts a social audit and/or social rating on its social performance.

8. Develop a Feedback Mechanism

- The MFI will set up efficient and effective feedback mechanisms for complaints and problem resolution for their clients.
- The MFI will inform the clients about the existence and purpose of these mechanisms and how to access them.

9. Maintaining Healthy Competition

- Develop regular interaction with other MFIs operating within the same area or in new areas where expansion is planned.
- Follow fair and ethical practices while lending to clients of other MFIs and recruiting employees of other MFIs.
- In case of such recruitment a clearance letter should be obtained from the former MFI at the time of recruitment.
- Share information with LMFPA on employees terminated against fraudulent activities.
- Share information with LMFPA on black listed clients (due to delayed payments or default payments).
- Explore untapped areas for expansion and avoiding areas that are already adequately served.



Breach of the Code of Conduct

- Any lapse or a breach of the provisions stipulated above by any employee of an MFI would constitute ground for disciplinary action to be prescribed by the management of the MFI.
- Any breach of the Code of Conduct by the MFI will be reviewed by the Ethics Committee and Professional Ombudsman appointed by LMFPA.

DECLARATION

We member of Lanka Microfinance Practitioners' Association, unanimously and whole-heartedly agree to abide by the Code of Ethics stated above.

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Signature

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Company Seal

Name:

Designation:

Date: