

EMPLOYEE ENGAGEMENT PRACTICES



“The deepest principle in human nature is the craving to be appreciated.”

William James

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Introduction

Over the years, MFIN has worked alongside the micro-credit industry to advance the industry's employee ecosystem (occupation standards), employee bureau, learning programs for field-level employees, benchmarking studies, and employee engagement standards (Industry CoC, MFIN Directives and Advisories) etc¹. There is still lots of room to cover though, particularly in creating a conducive work environment for employees.

This Guidance Note on Employee Engagement Practices is another step in that direction. It contains foundational principles, obvious but all too easy to overlook, companies may follow towards the employee practices. We have organised the Guidance Note across the key milestones in the lifecycle of an employee – recruitment, orientation, well-being and exits.

Challenges emerging from the pandemic have shaken the previous assumptions and have shown that newer and different ways of working may be as effective. It has brought to fore the need for an agile/adaptive/empowered workforce, constant upskilling, trust/compassion, leveraging technology to create and foster a conducive work environment. We can apply these experiences and learnings to employee engagement.

For the sake of completeness, the Guidance Note incorporates the relevant employee engagement norms covered in CoC (Annex 1), MFIN Advisory for fair treatment of employees (Annex 2) and Advisory on original documents of the employees (Annex 3). These norms are colour coded (blue) for distinction.

For your suggestions/feedbacks, please connect with us at sro@mfinindia.org.

¹ Please refer to MFIN [website](#) and [YouTube channel](#) for information about our work.

A. Recruitment

1. Clearly formulate the open position with the description of job role, responsibilities, designation, location, travelling, and required qualification in terms of education, expertise, experience and soft skills, among other things.
2. Use multiple channels (employee referrals, local advertisement, community posters, social media platforms, job portals, hiring agencies, social media campaigns, vocational institutes/NGOs/colleges/training institutes) to recruit candidates. The multiplicity of channels ensures a wider and more diverse pool of talent.
3. Sufficiently inform the candidate about the job description, designation, location and expected remuneration. It is equally important to set accurate and honest expectations about the company ethos, deliverables, work environment, growth path, increments etc.
4. Recruit candidates transparently and professionally. Set common standards for qualification, years of experience, selection process (tests, interviews) for the positions. Give preference to candidates with relevant and suitable certification/education/work experience to the job profile.
5. Do not discriminate due to colour, gender, race, religion, caste, ethnicity, birthplace and residence.
6. Select candidates based on merit, ethics and integrity.
7. Leverage technology in the recruitment process, including sourcing, screening, assessment/interview and onboarding to assess the right fit in terms of skills, attitude, expectations for bulk recruitments.
8. Conduct a comprehensive reference check on candidates for identity/address/education/employment/documents verification and other background information. Leverage their credit history, employee bureau, previous employer reference, PF/ESI checks for this. Consider the negative response for a candidate by a prior employer in the recruitment process.
9. Recruit a candidate from other employers based on a satisfactory relieving letter or reference check only. The company making the recruitment must seek a reference check from the candidate's current employer only after issuing an offer letter to the candidate. However, if the request for reference check is not responded to within 15 calendar days (from the date of sending the request), the recruiting company may proceed with the recruitment.
10. Respond to request from other companies for reference checks within 15 calendar days from receipt of such communication.

11. Participate in Employee Bureau to submit employees' data and check candidate's employment records.
12. If recruiting from other companies, honour the notice period as mutually agreed between your prospective employee and her/his current employer.
13. If recruiting an employee up to the position of area manager from another micro-lending company, should preferably position such employee at least 50 km away from the location of her/his last posting (i.e., location of branch where the employee was last posted in the last company) for a year. The fundamental spirit behind this clause is to ensure that an employee does not encroach upon the business of a previous company (where she/he was last employed) by virtue of her/him being privy to business information of the area and familiarity with the customers from last employment.
14. Leverage technology for faster and smooth onboarding, like submitting documents, contracts, and other joining formalities.
15. Company should abstain from retaining the employees' original documents. If the company takes the original documents for verification purposes, it must institutionalize the process to return them to the employees within a reasonable timeframe, not beyond seven calendar days².

² MFIN Advisory, Pg 27 of [Compendium of MFIN Directives and Advisories](#)

B. Orientation

- Give comprehensive induction training to the employees on policies, processes, regulations, as well as Industry of Conduct (CoC). For customer-facing employees, emphasis should be given on customer-interface aspects such as fair treatment, credit assessment, the privacy of data, service quality, CGRM, relationship management and dealing with customers facing difficulty in repayment etc³. Regularly assess employees' understanding of these elements and conduct refresher training to address the gaps in knowledge.
- Give induction training program sufficiently timed to include classroom training and field exposure. The induction program should include information about the company, departments, policies, processes, operations, benefits, promotion, safety guidelines and disciplinary policy with information on employee bureau.
- Educate employees in detail about HR policies, including benefits, leaves, employee code of conduct, notice period, termination/abscondism, the definition of misconduct etc.
- Engage new employees in the branch-level business operations only after completion of the induction training.
- Ensure that employees directly responsible for CGRM receive detailed training about the system, processes and soft skills for resolving the complaints.
- Ensure that the training content is engaging, simple, and innovative, emphasising short modules and practical aspects. Leverage e-learning formats (videos, online course, assessment, lectures with senior teams) to standardise the training content, delivery and assessment (outcomes and gaps).
- Conduct periodic training to refresh and educate about new products, policies, processes, culture/value system, life skills, and people management and handling. Allocate dedicated time to employees to participate in training programs.
- Train employees on understanding and dealing with gender issues, including appropriate interaction with women colleagues and customers.
- Orient employees on professional conduct and integrity issues, including expected behaviour and not indulging in unlawful and anti-social activities.
- Conduct ongoing training programs for skill development and encourage employees to upskill and undertake relevant certification programs.

³ Companies may use the MFIN training modules available at https://www.youtube.com/channel/UCsFL4uW_vTucJ13Xgg0AuWg/playlists

- Give written communication on the employment contract and HR policies such as:
 - > The designation, location of posting, probation/notice period, joining date, duration of the contract, non-competitive clause if any
 - > Details of compensation including performance bonus/Incentive, increments.
 - > Benefits/Allowances/Reimbursements (ESI/PF, insurances, mobile/internet, conveyance, books/periodical/stationeries, accommodation, food, education/training etc).
 - > Working days/hours, lunch/break time, paid/unpaid/special leaves.
 - > Usage, privacy and confidentiality of employee data and documents.
 - > Employee Code of Conduct.
 - > Implications of misconduct such as unauthorised absence, theft of data, financial fraud, sexual harassment, misbehaviour with colleagues, customers and third parties.

- Provide written communication on salary, leave records, performance, disciplinary action, relieving letter, final settlement.

- Provide access to Human Resource (HR) manual, policies, performance measurement metrics, and HR department to understand HR policies/process and seek clarifications.

- The unique characteristics of the micro-credit business model (efficient cost structure, small loan sizes, and challenging work conditions) necessitate high productivity and suitable customer service. A company culture should inspire and motivate employees to align performance with the company's goals and values.

- Institute a transparent incentive and appraisal structure in such a way that it does not lead to perverse sales behaviour, factors for the quality of service provided, incentivises responsible lending, rewards compliance with the CoC and penalises breaches of the CoC. Such a structure should be based on clear performance indicators, including aspects of attitude, integrity and behaviour. Set targets for the branch-level employees based on a reasonable-objective criterion including understanding of micro-credit requirement and repayment capacity in an area.

- Develop a positive feedback system to support performance, promotion, career progression and encourage internal promotion to motivate and retain the employees.

C. Well-being

1. Do not discriminate due to colour, gender, race, religion, caste, ethnicity, birthplace and residence, in recruitment, remuneration, benefits, access to services and promotion. Zero tolerance for any remarks or differentiations based on colour, gender, race, religion, caste, ethnicity, birthplace and residence and threats of any kind.
2. Ensure equal pay for equal skills and work.
3. Create a conducive professional environment for all genders to work and grow.
4. Ensure the employee well-being (for example, adequate remuneration, working hours, working conditions, leaves for personal/family needs such as marriage, birth, death, emergency, illness, functions) are taken care of.
5. Respect work timings and holidays for work-life balance, employee satisfaction and productivity.
6. Ensure work life balance and protection from persistently long working hours.
7. Ensure safe workplace and official premises with access to clean drinking water, hygiene, toilet, fire safety and emergency medical kit.
8. Provide adequate safety measures during official travel due to late hours, cash and hostile environment including legal safeguard towards harassment/violence/false allegations.
9. Have a well-defined protocol to be followed by the employee to handle risks arising from going to difficult areas and cash handling. Indemnify the employees for cases where the employee has followed the protocol, but mishap still occurred.
10. Do not collect shortfalls in collections from employees unless in proven cases of fraud by employees.
11. Pay salary, allowances, reimbursement claims, bonus and incentives in timely manner.
12. Facilitate health insurance and health facilities for employees and their dependents.
13. Set aside a welfare fund to deal with unforeseen emergencies.
14. Institute the process for salary review based on objective criteria including industry benchmarking and institute a reward system and recognition of performance and initiative.
15. Provide necessary training and support to learn required skills to perform the job and improve performance.

16. Create a forum between employee and senior management to exchange strategic directions, relevant issues, changes, ideas, and challenges as well as an appropriate mechanism to hear and redress the grievances of the employees and provide counselling.
17. Access to fair and independent mechanism towards grievance redressal of any nature including but not limited to charges against the employee. The mechanism to include access to HR department towards the process including details on internal committee members of Prevention of Sexual Harassment (POSH).
18. Support motivational and team-building program.
19. Conduct awareness programs on physical and mental health, financial planning, road safety.
20. Encourage and support employees to advance their education.
21. Provide necessary infrastructure (laptops, phone, internet, safe drinking water, workplace hygiene).
22. Build flexibilities in the HR process to deal with particular situations of the employees.
23. Ensure privacy and confidentiality of employees' personal and other information.
24. Timely and accurately reporting for the reference check and submission of employee data to the Employee Bureau, as required by industry standards.

D. Exits

1. Ensure that the notice period is not more than three months for employees.
2. Give clear instructions to employees about the exit formalities at the time of induction itself and again when they express intent to resign.
3. For routine cases⁴, the company must complete the relieving formalities (including final settlement of pending dues, issuing no-objection certificate and relieving letter) of the employees within 30 calendar days from the last working day of the employee.
4. Respond to request from new prospective employer for reference check within 15 calendar days from receipt of such communication.
5. Do not threaten the employees while they are resigning or after resignation with adverse reporting to the employee bureau or reference check.
6. Close the absconding cases within 60 days' notice period and report the same to the employee bureau immediately. Institute a standard process and protocol for tagging an employee as absconding.
7. Undertake structured exit interviews from the resigning employees to understand reasons for exit to get feedback and improve own policies and practices.

⁴ Routine case is where employee has orderly served the notice period, finished the tasks, completed handover, has no pending financials and disciplinary clearances

Annex 1: Code of Conduct, Employee Engagement⁵

a. Recruitment

1. Provider must not unfairly discriminate against a candidate for recruitment based on gender, religion, caste, marital status or sexual orientation etc.
2. Provider must select candidates based on merit, ethics and integrity.
3. Provider must recruit a candidate from other Provider based on satisfactory relieving letter or reference check only. Provider must seek reference check from candidate's current employer only after an offer letter is issued to the candidate. However, if request for reference check is not responded to within 15 calendar days (from date of sending the request), Provider may go ahead with the recruitment.
4. Provider must respond to request from other Provider for reference check within 15 calendar days from receipt of such communication.
5. Provider is encouraged to participate in Employee Bureau to submit their employees' data and check candidate's employment records.
6. Provider, recruiting from other Provider, must honour the notice period as mutually agreed between prospective employee and her/his current employer.
7. Provider, recruiting an employee up to the position of Area Manager⁶ from other Provider, should preferably position such employee at least 50 km away from location of her/his last posting (i.e., location of branch where employee was last posted) for a year. The fundamental spirit behind this clause is to ensure that an employee does not encroach upon the business of Provider (where she/he was last employed) by virtue of her/him being privy to business information of the area and familiarity with the customers from last employment.

b. Orientation (training and appraisal)

1. Provider must give comprehensive induction training to the employees on policies, processes, regulations, as well as CoC. Emphasis should be given on customer-interface aspect such as fair treatment, credit assessment, privacy of data, service quality, CGRM, relationship management and dealing with customer facing difficulty in repayment etc.
2. Provider must regularly assess employees' understanding of the above elements and conduct refresher training to address the gaps in understanding.
3. Provider must train their employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
4. Provider must necessarily orient their employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.

⁵ See pg 7-8 of [CoC](#)

⁶ Area Manager is next higher-level position in the organisational hierarchy after the Branch Manager, though Providers may have different designation for this position such as Hub Manager/Divisional Manager etc.

5. Provider must engage new employees in the branch-level business operations only after completion of the induction training.
6. Provider must ensure that employees directly responsible for CGRM receive detailed training about the system, processes and soft skills for resolving the complaints.
7. Provider must institute a transparent incentive and appraisal structure in such a way that it does not lead to perverse sales behaviour, factors for the service quality, incentivises responsible lending, rewards compliance with the CoC and penalises breach of the CoC.
8. Provider must set targets for the branch-level employees based on a reasonable-objective criterion including understanding of micro-credit requirement and repayment capacity in an area.

c. Well-being

1. Provider must ensure the well-being (for example, adequate remuneration, working hours, working conditions, leaves for personal reasons such as family commitments and emergencies) and security of employee is given due importance.
2. Provider must have well-defined protocol to be followed by employee to handle risks arising from going to difficult area and cash-handling. Provider must indemnify the employees for cases where protocol has been followed but mishap still occurred.
3. Provider must not collect shortfalls in collections from employees unless in proven cases of frauds by employees.
4. Provider must create conducive professional environments for all genders to work and grow.
5. Provider must have an appropriate mechanism to hear and redress the grievances of the employees and provide counselling.
6. Provider, for routine cases⁷, must complete the relieving formalities (including final settlement of pending dues, issuing no-objection certificate and relieving letter) of the employees within 30 calendar days from the last working day of the employee.
7. Provider must respond to request from prospective employer for reference check within calendar days from receipt of such communication.
8. Provider must ensure that notice period is not more than 3 months for employees.

⁷ Routine case is where employee has orderly served the notice period, finished the tasks, completed handover, has no pending financials and disciplinary clearances required.

Annex 2: MFIN Advisory for fair treatment of employees⁸

To ensure that lenders follow certain minimum standards in their treatment of employees lenders are advised as under.

Equality

- No discrimination due to colour, gender, race, religion, caste, ethnicity, birthplace and residence, in recruitment, remuneration, benefits, access to services and promotion.
- Equal pay for equal skills and work.

Transparency

- Written communication of employment contract and HR policies such as:
 - > The designation, location of posting, probation/notice period, joining date, duration of the contract, non-competitive clause if any
 - > Details of compensation including performance bonus/Incentive, increments.
 - > Benefits/Allowances/Reimbursements (ESI/PF, insurances, mobile/internet, conveyance, books/periodical/stationeries, accommodation, food, education/training etc).
 - > Working days/hours, lunch/break time, paid/unpaid/special leaves.
 - > Usage, privacy and confidentiality of employee data and documents.
 - > Employee Code of Conduct.
 - > Implications of misconduct such as unauthorised absence, theft of data, financial fraud, sexual harassment, misbehaviour with colleagues, customers and third parties.
- Written communication on salary, leave records, performance, disciplinary action, relieving letter, final settlement.
- Access to Human Resource (HR) manual, policies, performance measurement metrics, and HR department to understand HR policies/process and seek clarifications.

Safety

- Safe workplace and official premises with access to clean drinking water, hygiene, toilet, fire safety and emergency medical kit.
- Adequate safety measures during official travel due to late hours, cash and hostile environment including legal safeguard towards harassment/violence/false allegations.
- Zero tolerance for any remarks or differentiations based on colour, gender, race, religion, caste, ethnicity, birthplace and residence and threats of any kind.

Grievance redressal

- Access to fair and independent mechanism towards grievance redressal of any nature including but not limited to charges against the employee. The mechanism to include access to HR department towards the process including details on internal committee members of Prevention of Sexual Harassment (POSH).

Others

- Timely payment of salary, allowances, reimbursement claims, bonus and incentives.
- Training and support to learn required skills to perform the job and improve the performance.
- Work life balance and protection from persistently long working hours.

⁸ See page 30-31 of the [Compendium of MFIN Directives and Advisories](#)

- Leaves for personal/family needs (marriage, birth, death, emergency, illness, functions).
- Timely and accurate reporting for the reference check and submission of employee data to the Employee Bureau, as required by industry standards.

Annex 3: MFIN Advisory on original documents of the employees⁹

a. Context

The micro-credit industry takes pride in creating employment opportunities for local youths from underprivileged backgrounds. These field-level employees are crucial to business and carry responsibilities for adhering to customer protection norms and other company policies. Recognizing this, the Industry Code of Conduct (CoC)¹⁰ emphasizes Employee Engagement through recruitment, orientation, and well-being.

In the last few months, SRO has received several communications from micro-credit employees sharing that some lenders take custody of their original documents, notably education certificates. Employees have also shared delays in getting back their certificates months after the relieving date, impacting their choices to seek employment elsewhere.

As an industry, we fully recognize people challenges like retention, abscondism, embezzlement, and other frauds. However, lenders must address them by improving recruitment, training, risk, audit practices, and mandatorily submitting negative exits to the Employee Bureau. A regressive approach like retaining the original documents demotivates the existing employees, discourages good candidates from seeking recruitment, and turns away desirable talent. Further, such practices can also draw negative attention from the stakeholders, including government authorities, exposing the lenders and the industry to legal and reputational risks.

b. Advisory

In the above background, we advise the lenders to abstain from retaining the employees' original documents. If the lender takes the original documents for verification purposes, it must institutionalize the process to return them to the employees within a reasonable timeframe, not beyond seven calendar days.

⁹ See page 27 of the [Compendium of MFIN Directives and Advisories](#)

¹⁰ [CoC](#)