



Guidance Note

micro-credit field operations in the context of Covid-19

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1. Introduction

- The nation-wide lockdown in the in context of Covid-19 is in place until May 3, 2020. However, based on the assessment of risks and need to resume the economic activity, Ministry of Home Affairs (MHA) in its order¹ has allowed select-activities including the financial sector and the NBFC-MFIs² in the areas not identified as “hotspots/containment zones”, subject to specific approval by the state/local administration.
- While resuming micro-credit operations is critical, it comes with utmost responsibility towards the customers, employees and community and environment where we operate. Considering the sensibilities and vulnerabilities of eco-system, all lenders rightly recognize the need for empathetic, uniform, and coordinated approach to micro-credit operations.
- This Guidance Note provides the guidance on the micro-credit operations to lenders (NBFC-MFIs and others) as they prepare and start resume operations from April 20, 2020.
- This Guidance Note is prepared based on the MHA guidelines and extensive feedback taken from lenders on the operational issues in the specific context of the micro-credit operations and eco-system.
- Guidance Note would be updated based on revisions in the MHA guidelines and learnings from the fields as the operations get resumed.
- For any suggestion and clarification on this please connect habibshaik@mfinindia.org
- In an evolving scenario, the Government (national/state/district) may update and enforce stricter guidelines. In case of any differences, the Government guidelines would supersede any instructions contained in this Guidance Note.

Resume the operations in a phased manner with caution based on preparedness on workplace and employee safety/hygiene and clear and established policy/process with respect to lending process (collections, moratorium, disbursements).

¹

https://www.mha.gov.in/sites/default/files/MHA%20order%20dt%2015.04.2020%2C%20with%20Revised%20Consolidated%20Guidelines_compressed%20%283%29.pdf

²

<https://www.mha.gov.in/sites/default/files/MHA%20Order%20Dated%2016.4.2020%20on%20Consolidated%20Revised%20Guidelines.pdf>

2. Micro-credit operations

2.1 Operations³

- Do not resume operations (on-site branch/field operations) in districts identified as “hotspots/containment zones”⁴.
- Resume operations only in districts which do not have “hotspots/containment zones” and where state/district administration has permitted NBFCs (including NBFC-MFIs) to operate in accordance with the MHA guidelines.
- Keep regular track of the revisions in the list of ‘hotspots/containment zones’ by the Government⁵ from reliable sources, preferably government websites etc and do not rely on information floating through social media, even if it prima facie appears order/notification by the Government.
- Submit intimation letter to respective district authorities and local police stations, as required, where operations are being resumed. This letter should also comprise the MHA approval and the RBI registration.
- Organize necessary passes for the employees from relevant government authorities in district, as may be necessary in certain states/districts.
- Ensure that not more than four employees in branch should be present at any time. Use the combination of work-from-home and staggering working hours to ensure this.
- In zonal or regional offices or head offices (if they are in the green zone), only one-third of the total staff should be present at any time.
- Provide greater protection to high-risk employees like pregnant women, people with underlying health conditions (heart, respiratory issues, diabetic)/co-morbidities, parent

Resume operations only in districts which do not have “hotspots containment zones” and where state/district administration has permitted NBFCs (including NBFC-MFIs) to operate in accordance with the MHA guidelines.

³ These are based of MHA Order and should be strictly adhered to

⁴ The list of districts is subject to change. The monitoring of hotspots will be done on a weekly basis (every Monday) or earlier as per MoHFW. If any an area is included in the category of a containment zone, only activities permitted under the guidelines of MoHFW, GOI, will be allowed.

⁵ <https://www.ndma.gov.in/images/covid/MoHFW-Letter-States-reg-containment-of-Hotspots.pdf>

of children below the age of five. Avoid exposing such employees to travels and public interactions and allow them to work from home.

- Ensure that not more than five customers are inside the branch and strictly ensure “social distancing” norms (distance of 2 meters between individuals) as prescribed by the Government all the time during customer interactions, meeting, trainings, lunch time, etc.
- Give a gap of one hour between shifts and will stagger the lunch breaks of employees to ensure social distancing.
- Ensure employee wear masks during face-to-face interactions, maintain norms of “social distancing” and hygiene (regularly wash/sanitize their hands, especially after handling of cash/stationery).
- Maintain enough supply of masks, soap/sanitizers/gloves, etc. at the branches for use of customers and employees.
- Properly disinfect the branch at frequent interval between shifts or end of day. Make sure workplaces are clean and hygienic, surfaces (e.g. desks and tables) and objects (e.g. telephones, keyboards) are regularly wiped with disinfectant.
- Encourage all the employee to use the Arogya Setu app⁶.
- Display the list of hospitals/clinics/testing centres nearby as well as the dedicated hotlines numbers established by the Government⁷.
- Encourage your employees to avoid public transport, crowded places (markets, cinema, religious places, stations, bus-stands, public places) and non-essential travels.
- Do not allow more than two employees will be allowed to travel one at a time.
- Keep a copy of MHA Order and State/District Government guidelines in the branch.
- Ensure that employee carry the identity of the company, identity card issued by the government (Aadhaar, PAN, Voter ID, Driving License, etc.) and copy of company’s registration certificate issued by the RBI.
- Designate an employee in the branch to ensure adherence with the points above.

2.2 Moratorium

- Give option moratorium (up to May 31, 2020 as permitted by the RBI) unless customer chooses to opt-out.

⁶ https://play.google.com/store/apps/details?id=nic.goi.aarogyasetu&hl=en_IN

⁷ <https://www.mohfw.gov.in/pdf/coronavirushelplinenumbr.pdf>

- Employees to keep a copy of company's policy on moratorium declaration. This is to clearly inform the customer about the company policy with respect to moratorium – including changes in terms, tenure, repayment schedule, repayment amounts, payment of accrued interest, impact on credit bureau record, etc. so that customer can take informed decision about the moratorium.
- Educate customers not to get carried away by rumors, etc. Encourage them to call on the company number (available on loan card) if they have question and need support on the moratorium.
- Take customer's informed consent for “opt-in” or “opt-out” for the moratorium.
- Inform the customer if her request for moratorium is approved or not.
- If customer's request for moratorium is approved, inform her about revised loan repayment schedule, tenor, installment amount, additional interest amount payable, etc.
- Resume collection as per the revised repayment schedule after moratorium period ends.

2.3 Collection of repayments

- Take repayments from customers who are willing to repay after taking the consent.
- Collect repayments through digital means, banking outlets, where feasible. Else, request a customer from the group (center/group leader) to deposit the collection at the branches or with loan officer.
- If collection is not possible either by physical or digital means, stay in touch with customers through phone and inform her that collection will be taken after the restrictions are lifted.
- Do not meet the customers in group meeting and minimize movement in the field.
- Provide a system of giving receipt by SMS or receipt voucher if loan card is not available.

Strictly follow the industry Code of Conduct (CoC) and Code for Responsible Lending (CRL) with respect to customer engagement (fair interaction, suitability/avoiding multiple-over lending, education & transparency, information & privacy and others).

2.4 Disbursements

- Limit disbursements to existing customers to minimize customer-interaction and use digital on-boarding and disbursement process.

- Adapt new disbursements to customers to the cashflows of the customers and her need for flexible credit.

2.5 Grievance redressal

- Strengthen customer grievance redressal mechanism and classify Covid-19 related complaints separately.
- Take immediate action on any complaint related to coercive practices and misbehavior.

2.6 Others

- Regularly train the employee on social distancing, hygiene, and company policy with respect to moratorium.
- Take medical insurance for all the employees.
- Allow flexibility to employees who are unable to turn up to for work location (branches/offices) immediately due to restriction on mobility and availability of commutation options. If feasible, such employees can be accommodated in the districts where they are currently located.
- Strictly follow the industry Code of Conduct (CoC) and Code for Responsible Lending (CRL) with respect to customer engagement (fair interaction, suitability/avoiding multiple-over lending, education and transparency, information and privacy and others).
- Scale-up the calls to the customers to verify/confirm choice for opt-in/opt-out as well as for receipt of repayment and application for disbursements. This is necessary for fraud prevention.
- Do not share/spread on any sensitive messages, news and articles published in the print or electronic or social media related to Covid-19.
- Stay in close touch with head office for support and clarification etc, as necessary
- Do not get into any conflict with the government authorities and follow their directions diligently.
- Report any hostility by the group of customers, community, local stakeholders (media, authorities) to MFIN's state/district platforms and do not take any unilateral action under any circumstances.
- Immediately report non-adherences by lenders to CoC (both around customer-protection and employee well-being) to sro@mfinindia.org along with substantive evidence, for necessary action.

3. Annexures

3.1 Annex A: Important clauses from the MHA Guidelines

Clause III Sub Clause (v) under Clause 7 on Financial Sector

“(v) Non-Banking financial institutions (NBFCs) including Housing Finance Companies (HFC) and Micro Finance Institutions (NBFC-MFIs) with bare minimum Staff.”

Point 4 (i) & (ii)

“State/UT Governments shall not dilute these guidelines issued under the Disaster Management Act 2005, in any manner and shall strictly enforce the same.”

“State/UT Governments, may however, impose stricter measures than these guidelines as per requirement of the local areas”

Para 2: “Select additional activities will be allowed, which will come into force from 20th April 2020. However, these additional activities will be operationalised by States/UTs District Administration based on strict compliance to the existing guidelines on lockdown measures. Before operating these relaxations, States /UTs/District Administrations shall ensure that all preparatory arrangements with regard to social distancing in offices, workplaces, factories and establishments, as also other sectoral requirements are in place”.

Para 3: “The activities permitted under the revised guidelines, from April 20, 2020 will not be allowed within the containment zones as demarcated by States/ UTs/ District Administrations, as per the guidelines of Ministry of Health & Family Welfare (MoHF&W). In these zones, no unchecked inward/ outward movement of population would be allowed, except for maintaining essential services, i.e., medical emergencies and law & order duties, and government business continuity”.

Clause 17: Movement of persons is allowed in the following cases:

“i. Private Vehicles for emergency services, including medical and veterinary care, and for procuring essential commodities. In such cases, one passenger besides the private vehicle driver can be permitted in the backseat, in case of four-wheelers; however, in case of two-wheelers, only the driver of the vehicle is to be permitted”.

ii. All personnel travelling to place of work and back in the exempted category as per the instructions of the State/ UT local authority”.

Clause 21(i) and Clause 21 (v)

“(i) All the district magistrates shall strictly enforce the National COVID 19 directives as specified in Ann1. Penalties prescribed shall be levied and collected from all persons and entities violating these directives.

(v) Additional activities permitted in these guidelines shall be implemented in a phased manner, after making all arrangements necessary for strict implementation of the guidelines. These will come into force with effect from 20th April 2020”.

Annexure III: “Penalty for contravention of any order regarding requisitioning – if any person contravenes any order made under section 65. he Shall be punishable with imprisonment for a term which may extend to one year or with fine or both”.

3.2 Annex B: Guide for loan officers on the moratorium

Why moratorium is given: Due to Covid-19 and lockdown, incomes of many micro-credit customers are adversely affected, and they are finding it hard to repay their loans as per the set schedule. Understanding situation, lenders are giving the option of the moratorium to their eligible customers.

What is moratorium: Moratorium means **deferment of loan repayments for some time**. Here's an example to understand this. Suppose customer has taken one-year loan for July 19 – July 20. In March 20, she has 3 instalments left to pay. So, if customer takes moratorium for two months, i.e. for April and May, then she will not pay instalments for these two months and will resume instalment payments in Jun 20. So now her loan tenure will end in Sep 20 instead of Jul 20, two months after the original schedule. **Also, she will have to pay additional interest for the moratorium period, later on.**

Moratorium is not loan-waiver: Moratorium is **not an instalment waiver**, but only additional time given to the customer to repay her loan. Her instalments will resume after the moratorium period ends.

How to decide if customer is be given the moratorium: Follow your company policy with respect to moratorium. Broadly this will be based on the principle that:

- If customer's income is not affected in a way that prevents her from paying for essentials like food, medicines, rent, etc., and she has no difficulty in repaying her loan, she should not take the moratorium. This is because she will have to pay extra interest for the moratorium period.
- However, if customer's income is adversely affected and she is unable to repay as per schedule and therefore asking for the moratorium, then customer can be considered for the moratorium.

Process for the moratorium

- Clearly inform the customer about the company policy with respect to moratorium – including changes in terms, tenure, repayment schedule, repayment amounts, payment of accrued interest, impact on credit bureau record etc. so that customer can take informed decision about the moratorium.
- Educate customers not to get carried away by rumours. Encourage them to call on the company number (available on loan card) if they have questions and need support.
- Take customer's informed consent for 'opt-in' or 'opt-out' for the moratorium.
- Inform the customer if her request for moratorium is approved or not.
- If customer's request for moratorium is approved, inform her about revised loan repayment schedule, tenure, instalment amount, additional interest amount etc.
- Resume collection as per the revised repayment schedule after moratorium period ends

Important message

Strictly follow industry Code of Conduct (CoC) and your company policy with respect to moratorium and interface with customers.

3.3 Annex C: Crisis handling readiness protocol (CHRP)

State Level Collective eMF Platform(s)

- State Level e-Meetings with MFIN members - MFIN will continue to connect with members at the state level through video conferencing per quarter or sooner.
- e-Communications with External Stakeholders at State level - At state level , MFIN will reach out to all key stakeholders (RBI, SLBC, NABARD, Senior Bureaucrats, Chief Electoral Officer in states etc.) through electronic mode and will share regular updates regarding the sectoral developments and proactive steps taken by MFIN members to support clients and following Government instructions and relevant protocols,
- In-person meetings with local stakeholders would be facilitated by MFIN and anchored by members of State Coordination committee (SCC) who are stationed at state capitals with all health precautions like using social distancing, masks etc.
- MFIN would conduct a pre-meeting e-consultation with senior officers of SCC member organisations available locally in the state capitals and work out a meeting strategy.

District Level Collective eMF Platform(s)

- MFIN will organise regular e-district forum meetings through video conferencing facilities at-least once in every quarter or sooner. The discussions will be useful to capture local granular developments which may impact mf business.
- MFIN will maintain a constant touch with district administration Officers through electronic mode. MFIN will forward regularly an update letter and other relevant collaterals to district level officers to keep them aware of proactive steps being taken by MFIN & its members in the district and status of mf in the respective districts. However, in critical circumstances, if at all a personal meeting is required at district H.Q. Senior officer/LC from Lead District Organization who is normally based in the same district will anchor in-person meeting with all support from MFIN.

List of MFIN Dossier below (to be provided by MFIN)

- Stakeholder Letter
- [MHA Order](#)
- State Government guidelines
- RBI's Master Circular for NBFC-MFIs ([SI](#) and [NSI](#))
- [RBI Circular for Small Finance Banks](#)
- [RBI's Regulatory Package on Covid-19](#)
- MFIN SRO Recognition letter by RBI
- [MFIN Advisory and FAQs for moratorium on micro-credit loans in the context of Covid-19](#)
- Do's & Don'ts for field employees of lenders
- List of MFIN members and associates operating in the state/district
- Regional – Flyer