

# **THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED**

## **FAIR PRACTICES CODE**

## TABLE OF CONTENT

<b>S. No.</b>	<b>TOPIC</b>	<b>PAGE No.</b>
<b>I</b>	<b>BACKGROUND</b>	<b>3</b>
<b>II</b>	<b>OBJECTIVES</b>	<b>3</b>
<b>III</b>	<b>KEY ELEMENTS</b>	<b>3</b>
<b>IV</b>	<b>GRIEVANCE REDRESSAL MECHANISM</b>	<b>5</b>
<b>V</b>	<b>REPORT ON COMPLIANCE OF FAIR PRACTICES CODE TO THE BOARD OF DIRECTORS</b>	<b>6</b>
<b>VI</b>	<b>LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE</b>	<b>6</b>
<b>VII</b>	<b>REGULATION OF EXCESSIVE INTEREST CHARGED BY NBFCS</b>	<b>6</b>
<b>VIII</b>	<b>COMPLAINT ABOUT EXCESSIVE INTEREST CHARGED BY NBFCS</b>	<b>6</b>

## **1.0 BACKGROUND**

National Small Industries Corporation Limited (NSIC) is a Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI) in pursuance of Section 45-IA of the RBI Act, 1934. One of the key activities of the NSIC is to facilitate MSMEs in meeting their raw material requirement on credit by extending financial assistance for raw material procurement.

RBI has issued guidelines on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. Accordingly, NSIC has developed the Fair Practices Code (FPC) for its financing operations based on the RBI guidelines, which intends to provide assurance to all the borrowers of the Company's commitment to fair dealing and transparency in its businesses transactions. The fair practice code sets out the minimum practices to be followed by the company while dealing with the customers. This code is not a legal document creating any rights and obligations on NSIC.

## **2.0 OBJECTIVES**

This code has been developed to:

- 2.1** Promote good and fair practices by setting standards in dealing with the customers.
- 2.2** To provide the necessary information to the customers and to increase the transparency to enable customers to take informative decisions and to appraise them of the services rendered by the Corporation.
- 2.3** To promote a fair and cordial relationship with the customers.

## **3.0 KEY ELEMENTS**

The Corporation will adhere to the Fair Practices Code in its functioning, the key elements, of which are as follows:

### **Applications for financial assistance and their processing**

- 3.1.1** Application for financial assistance is given on NSIC's website with list of documents required to be submitted with application form. Application forms can also be obtained from any of NSIC's offices.

**3.1.2** The literature of schemes shall contain all the terms and conditions of the schemes which the borrower can understand and consider while availing assistance under these schemes. The information shall also be available on the NSIC's website under the respective schemes. In addition, the Corporation shall take the declaration from the borrower, inbuilt in the application form mentioning that "*I/We have understood and agree to abide by the terms and condition of your above scheme(s) including the amendments thereto made from time to time*". Application for financial assistance shall also indicate the documents required to be submitted along with the application form.

**3.1.3** The application for financial assistance shall contain the note that "*The complete application should be submitted in duplicate by the borrower, one copy of which will be returned for giving acknowledgement of receipt of application form*". Acknowledgement of receipt of application form shall be made immediately on receipt of application from the borrower.

**3.1.4** All communication to the borrower shall be in English / Hindi as understood by most of the borrowers

### **3.2 Financial Assistance Appraisal and Terms & Conditions**

**3.2.1** NSIC ensures proper assessment of the proposal for financial assistance based on internal guidelines & procedures.

**3.2.2** The sanction letter issued to the borrowers shall contain all the information w.r.t. the amount of financial assistance sanctioned, the rate of interest and repayment period etc.

**3.2.3** The sanction letter issued to borrower shall contain the following condition:- "*Please sign the one copy of sanction letter in token of having accepted the above terms and conditions and return the same to us*", in token of borrower having accepted all the terms & conditions of sanction.

**3.2.4** The Corporation shall convey to the borrower the terms of sanction through sanction letter in English / Hindi.

**3.2.5** A copy of the standard agreement for financial assistance, as amended from time to time, together with general/special conditions would be furnished along with the sanction letter and thereafter agreement for

financial assistance and security documents would be executed with the borrowers.

**3.2.6** The agreement for financial assistance shall contain the clause for charging interest on delayed payment which shall be highlighted in “Bold”.

### **3.3 Disbursement of Financial Assistance including changes in terms & conditions**

**3.3.1** The borrower shall enter into an Agreement containing all standard and specific terms and conditions with NSIC, execute the requisite documents, provide security for the assistance as mentioned in the sanction letter, before seeking disbursement.

**3.3.2** All the changes in terms & conditions shall be conveyed to the borrower through letter or by e-mail in English / Hindi along with changes in rate of interest and / or interest on delayed payment. Any change in interest rate and/ or service charges, prepayment charges, etc will be affected from a prospective date and would be informed to the customers suitably in advance.

**3.3.3** The Corporation shall release all securities after the repayment of all dues or on realization of the outstanding amount of financial assistance subject to any legitimate right or lien for any other claim that may have against the borrower.

### **3.4 General**

**3.4.1** The Corporation shall not interfere in the affairs of the borrower except for the purposes as provided in the terms and conditions of agreement for financial assistance.

**3.4.2** In the matter of recovery of financial assistance, the Corporation shall not resort to any kind of harassment (viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of financial assistance, rude behaviour, etc) while recovering the financial assistance. The recovery shall be affected only through legal recourse.

**3.4.3** The staff at NSIC shall be adequately trained to deal with the customers/borrowers.

#### **4.0 GRIEVANCE REDRESSAL MECHANISM**

The Corporation shall designate a Nodal Officer for receiving and resolving complaints from customers. Any customer having grievance / complaints about services / products which has not been addressed at the Branch/Centre/Zone level can inform in writing to the Nodal Officer for resolution of the same within two weeks.

All branches have to display the name and address of Grievance Redressal Mechanism officer at a prominent location in their branches/ offices. In case customers are not satisfied with the resolution provided by the company, they may further approach:

General Manager,  
Department of Non-Banking Supervision,  
Reserve Bank of India,  
6, Sansad Marg, New Delhi-110001  
Telephone Nos.: 011-23714456 and 23739318; Fax: 011-23752188  
Email: [dnbsnewdelhi@rbi.org.in](mailto:dnbsnewdelhi@rbi.org.in)

#### **5.0 REPORT ON COMPLIANCE OF FAIR PRACTICES CODE TO THE BOARD OF DIRECTORS.**

The Corporation has appropriate grievance redressal mechanism under which Grievance Officer has been appointed to resolve any disputes or differences. A consolidated report of such reviews shall be submitted to the Board by the Nodal Officer on half yearly basis.

#### **6.0 LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE**

Fair Practice Code in English / Hindi based on the guidelines outlined by RBI and approved by the Corporation shall be displayed on the NSIC's website.

#### **7.0 REGULATION OF EXCESSIVE INTEREST CHARGED BY NBFCS**

**7.1** A uniform rate of interest is charged under the scheme(s) which shall be shown in the brochure / literature if any, as well as website of the Corporation for the knowledge of borrowers.

**7.2** The rate of interest being charged under the scheme is displayed on the web-site of the Corporation i.e. <http://www.nsic.co.in>.

## **8.0 COMPLAINT ABOUT EXCESSIVE INTEREST CHARGED BY NBFCS**

Any unit, having complaint about excessive interest charged by any of NSIC Officer may contact Nodal Officer of the Corporation for resolving the complaints.

In order to enhance value and relevance to the borrowers this code would be reviewed from time to time.

-----