



MICROFINANCE LOANS & PRODUCT POLICY

Version 1.1 [Date: February 17th 2025]

INTRODUCTION

Radhya Micro Finance Pvt Ltd (hereinafter referred to as “The Company” or “NBFC”) is registered as a Non-Banking Financial Company with the Reserve Bank of India (RBI) and engaged in micro-finance activities. During its operations, the Company will strictly adhere to various directions, guidelines, circulars, instructions, etc. as may be stipulated by RBI from time to time.

NBFC’s policies should always be read in conjunction with RBI guidelines, directives, circulars, and instructions. The Company will apply best industry practices so long as such practices do not conflict with or violate RBI guidelines.

PURPOSE

This policy is as per directions and guidelines of the RBI Master Direction on “Regulatory Framework for Microfinance Loans 2022”, and the RBI Circular dated 15th April 2024 on Key Facts Statement (KFS) for Loans & Advances. This policy is the framework for the distribution and collection of Micro Finance Loans of the Company.

APPLICABILITY

This Policy will apply to Microfinance loans to be given by the Company from date of approval of this Policy.

1. MICROFINANCE LOAN

- A microfinance loan is defined as a collateral-free loan given to a household having an annual household income of up to ₹3,00,000.
- All collateral-free loans, irrespective of end-use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.
- To ensure the collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

2. HOUSEHOLD/BORROWER

- The household shall mean an individual family unit, i.e., husband, wife, and their unmarried children.
- The Company, for the time being, will extend loans only to the woman in a household. She should also be a member of a Joint Liability Group (JLG).

3. HOUSEHOLD PROFILING

The detailed procedures for identification of villages to lend, formation of JLGs and the training of JLG members, submission of loan application forms with supporting documents, verification, and obtaining of credit reports are given in the Operations Manual.

The Company's Field Officers shall identify the right customer based on the target group i.e. households that are low-income but actively employed in the informal/ formal economy as wage earner/ self-employed/ salaried, who belongs to socially/ economically disadvantaged communities and need credit to improve income and deal with vulnerabilities. Focusing on positive discrimination ensures the Company sources genuine customers from low-income households.

The Company shall assess the information on the household and this household assessment is for knowing and confirming the identity and address of the borrower. The executives of the Company shall assess information from the Clients as per **Annex 1 (Personal information Sheet)** of this policy.

The Field Officer will collect the data from the loan applicants and before sanctioning, the Credit Manager/ Branch Manager must verify the data collected by Field Officers. The Company shall leverage the technology to facilitate accurate, consistent, and efficient capture of information. A sound framework to maintain the integrity, confidentiality, and privacy of the information will be put in place.

The Company shall follow a simple questionnaire mentioned in **Annex-2 (Household Profile sheet)** that will be used for profiling the households. The questionnaire includes indicators such as household composition, type of accommodation, ownership of physical assets, and education to understand the profile of members of the household. Based on the understanding of the market segment (earning opportunities in a specific location, occupations, and segment), the Company has fixed weightage/scores in Annexure -2 and may adapt/refine it and assign appropriate weightage/scores and fix limits for targeting a certain profile of customers.

4. ASSESSMENT OF HOUSEHOLD INCOME

- The Company shall assess the household income before sanctioning the loan as per the policy of the Company and Directions of the RBI and also follow the framework of the Self-regulatory organizations (SROs) i.e. MFIN and Sa-Dhan as of now.
- The Company shall assess the household income of the Client through the methodology as provided in **Annex 3 (Income Assessment sheet)** of this policy.

INCOME ASSESSMENT:

The Company shall capture self-reported income from earning members of the households considered for microfinance. However, incomes fluctuate, and the recall of members is prone to inaccuracy and inconsistency. Therefore, the Company shall make a

suitable adjustment in arriving at the household's average monthly income, through the triangulation method as mentioned in **Annex 3** for the income assessment format.

The Company shall verify the self-reported income data of the households through group members or other references in the community/neighborhood. Self-reported income may be triangulated with the profile of household and household expenses, by studying the household's living conditions, including accommodation and ownership of physical assets. If the household scores low on living conditions (compared to reported income), the Company shall make a downward correction in the income by a suitable factor and vice versa.

Further, household income may also be verified from other sources like bank account statements of the borrowers.

The Company shall also capture the household expenses as per **Annex – 4 (Expense Assessment)** to triangulate the income reported by the customer, as mentioned above.

5. REPAYMENT OBLIGATIONS OF A HOUSEHOLD

- The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The repayment obligations are capped at 50 percent of the monthly household income
- Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50 percent, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50 percent is complied with.
- The Company shall provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, the Company shall also ascertain the same from other sources such as declarations from the borrowers, their bank account statements, and local inquiries.

6. FLEXIBILITY OF REPAYMENT.

The Company shall provide the flexibility of repayment periodicity on microfinance loans as per the borrowers' requirements.

7. PENAL CHARGES/ LATE PAYMENT CHARGES.

- Besides normal interest, the Company may charge for late payment (any delay from the due date to the date of actual repayment).
- It will charge additional charge at 24% (per annum) on the overdue amount (Principal) and the Company shall inform the customer about such charges at the time of loan sanction.
- There shall be no pre-payment penalty on microfinance loans.

- The Company shall communicate any changes in pricing information that apply to existing customers through multiple modes such as email, letter, SMS, app, etc.

8. PROCESSING/ DOCUMENTATION AND OTHER CHARGES.

- All processing / documentation and other charges recovered/to be recovered will be expressly stated in the Loan Documents.
- The charges will be uniform and in consonance with the regulatory requirement issued by RBI and uniformity will be maintained across loan products, geographical locations, and customer segments and generally will represent the cost incurred in rendering the services to the customers.
- Processing charges shall be 1.5% of the gross loan amount, excluding the amount of GST.
- The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

9. MICRO FINANCE LOAN PRODUCT AND PRICING: -

The Company has three microloan products known as “SAHYOGI”, “UDAAN” & “KALYANI”. The main features of these products are: -

Sl. No.	Description	Detail
1.	Disbursement Criteria	To members of JLG (women only)
2.	Income of Household	Up to Rs. 3,00,000 annual
3.	Repayment Schedule	14 days & 28 days cycle
4.	Rate of Interest	As per Board approved pricing policy on microfinance loans and RBI guidelines or circulars.
5.	Tenure	From 12 months to 18 Months
6.	Moratorium Period	13 days & 27 days
7.	Purpose of Product	Income Generating Activities (Animal Husbandry, Agriculture and allied activities, etc.)

Ticket Size available for the members is between Rs.20,000, to Rs.80,000 and based on the below- mentioned criteria.

Loan Product	Min Loan Amount	Max Loan Amount	Actual which can be disbursed
Sahyogi	20,000	35,000	Based on client's/household's credit bureau report.
Udaan	40,000	50,000	Based on client's/household's credit bureau report.
Kalyani	60,000	80,000	Based on client's/household's credit bureau report.

10. APPRAISAL AND SANCTION

The detailed procedures for submission of loan application forms with supporting documents, verification, and generation of credit reports are given in the Operations Manual of the Company. It is proposed not to have separate internal credit ratings for the borrowers but to depend on the credit reports obtained from Credit Information Bureaus. The Company will obtain consent from family members of applicants to check their credit reports using digital/physical tools. If the credit reports are not satisfactory, the loan shall be rejected. The sanctioning authority for the loan is the Branch Manager (BM). The Company shall disclose pricing-related information to the prospective borrower in a standardised simplified factsheet while forwarding the sanction letter.

11. DISBURSEMENT OF LOAN:

After the loan is sanctioned by BM, the documentation as per the detailed procedure given in the Operations Manual should be completed. The scanned copies of all documents including KYC forms, application forms, passbooks, etc. should be forwarded to Head Office (HO) by branches. HO will verify the documents for completeness and accuracy. HO will send details of clients marked 'Incomplete documents' or 'Detail Mismatch' to the branches to resolve. The disbursement to members of entire such groups will be held in abeyance till correction/ confirmation from the branch. The cases with satisfactory documents and also those after correction/confirmation will be sent to the Accounts Department at HO for disbursement. The Accounts Department will disburse the loan amount to the borrower's respective savings account through banking channels (NEFT, RTGS, etc.) within the next 24-48 hours (Subject to bank holiday). The amount transferred to the borrower's savings account will be after the deduction of the processing fee, insurance fee, and any other charges levied by the Company from time to time.

The loan amount will be directly transferred to the accounts of borrowers after verification of their bank accounts and it will be ensured that:-

- The borrower's bank account is active
- the given bank account details are of scheduled commercial banks
- the passbook has clear visibility containing the name, branch detail, full account number, and IFS code along with a photo of the borrower.

If any of the above-mentioned details are missing or not clear or handwritten or differ then it should be authenticated by the bank officials and the same should be counter-checked by the Field Officer by affixing the OSV seal without which the passbook should be considered invalid.

12. LOAN DOCUMENTS, AGREEMENT, AND LOAN CARD.

Loan documents include the Loan Application Form, Personal Information Sheet, Household Profile sheet, Income, and Expense Assessment sheet of the Household copies of the Aadhaar card/Ration Card/voter ID Card as KYC of members of the household, and copies of Bank passbook.

The sanction letter should be duly acknowledged by the borrower and guarantors.

Each page of the Loan Agreement shall be signed or affixed with thumb impressions by the borrower/ guarantors and the concerned Executive of the Company.

Every loan agreement along with supporting documents shall be kept in the custody of the Branch Manager of the concerned branch for the loan period and after that these documents shall be shifted to the HO.

Loan Card: -

A loan card shall be given to the client at the time of loan disbursement identifying the borrower and the loan card shall contain the following information: -

- I. Key Fact Statement (KFS) on pricing as per **Annex 5** of this policy,
- II. All other terms and conditions of the loan;
- III. Acknowledgements by the Company of all repayments including installments received and the final discharge; and
- IV. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company.
- V. Any issuance of non-credit products shall be with the full consent of the borrowers and the fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

All entries in the loan card as per **Annex 5** should be in a language understood by the borrower.

Key Facts Statement (KFS) for Loans:-

- a. NBFC shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format given in Annex 5. The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgment shall be obtained that he/she has understood the same.
- b. Further, the KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.

(Explanation : The validity period refers to the period available to the borrower, after being provided the KFS by the NBFC, to agree to the terms of the loan. The RE shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period).

- c. The KFS shall also include a computation sheet of the annual percentage rate (APR), and the amortisation schedule of the loan over the loan tenor. APR will include all charges which are levied by the NBFC.

- d. Charges recovered from the borrowers by the NBFC on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the NBFC is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.
- e. Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the NBFC to the borrower at any stage during the term of the loan, without explicit consent of the borrower.
- f. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

13. CIRCULATION

This Policy shall be circulated to Promoters/ Directors/ Designated Employees/ Officers of the Company. This policy, as amended from time to time, shall be made available on the website of the Company.

14. AMENDMENTS

The Company reserves its right to amend or modify this Policy in whole or in part as circumstances so warrant, at any time without assigning any reason whatsoever.

Annex-1

Personal Information Sheet

Personal Information

[To be captured for the borrower and all earning members of the household]

#	Indicator	What to fill
A	Borrower	
1	Name	Given/Family
2	KYC	
	Type	From the list (e-KYC/VID/PAN/Aadhaar/DL/Other)
	Number	
3	Gender	From the list (Female/Male/Not-specified)
4	DoB	DD/MM/YYYY
5	Marital status	From the list (Unmarried/Married/Separated/Widow/Not-specified)
6	Education	From the list (Illiterate/Primary/Middle/Secondary/Graduate/Postgraduate)
7	Location	From the list (Rural/Semi-urban/Urban)
8	Mobile number	
9	Email	
10	Address	Full address with District, State, Pincode
B	Other Earning Member*	
1	Relationship with borrower	Spouse/ Son/Daughter
2	Name	Given/Family
3	KYC	
	Type	From the list (e-KYC/VID/PAN/Aadhaar/DL/Other)
	Number	
4	Gender	From the list (Female/Male/Not-specified)
5	DoB	DD/MM/YYYY
6	Marital status	From the list (Unmarried/Married/Separated/Widow/Not-specified)
7	Education	From the list (Illiterate/Primary/Middle/Secondary/Graduate/Postgraduate)
8	Location	From the list (Rural/Semi-urban/Urban)
9	Mobile number	
10	Email	
11	Address	Full address with District, State, Pincode

** Add more rows if there are additional earning members in the household*

Annex-2
Household Profile

Sheet 2: Household Profile

[Based on interviews with all earning members of the household]

#	Indicator	What to fill	Suggested score	Scoring logic
A	House Hold Composition			
1	No. of Adults (≥18)			<div>ED Ratio</div> <div>Score</div> <div>>50%5</div> <div>31% to 50%3</div> <div>0% to 30%1</div>
2	No. of Children (<18			
3	No. of Dependent			
4	No. of Earner			
	Total		5	
	ED (earning to dependent) Ratio	3/4		
B	Accommodation			
5	Type	From the list (rent / family / own)	10	Rent: 0, Family: 5,Own: 10
6	Construction	From the list (kachcha / tin- roof / concrete-roof)	5	Kachcha: 1, Tin: 2, Concrete: 5
7	Toilet	N/Y	2	N=0, Y=2
8	Electricity	N/Y	2	N=0, Y=2
9	Water	N/Y	2	N=0, Y=2
10	Sewage	N/Y	2	N=0, Y=2
C	Physical assets			
11	Land	From the list (agriculture / commercial / other)	5	N=0, Agriculture / Commercial / Other=5
12	Shop	N/Y	5	N=0, Y=5
13	House (other than where residing)	N/Y	5	N=0, Y=5
14	Vehicle	From the list (cycle / two-wheeler / three-wheeler / four-wheeler / tractor)	10	N=0, Cycle=1, Two wheeler=2, Three- wheeler=3, Four- wheeler/tractor=4)
15	Television	From the list (n/basic/LED)	2	N=0, Basic=1, LED=2
16	Mobile phone	From the list (n/basic/Smart)	2	N=0, Basic=1, Smart=2
17	Electric fan	N/Y	1	N=0, Y=1
18	Almirah/dressing	N/Y	1	N=0, Y=1
19	Chair/stool/bench/tab	N/Y	1	N=0, Y=1
20	Pressure cooker	N/Y	1	N=0, Y=1
21	Gas Connection	N/Y	2	N=0, Y=2
22	Mixer	N/Y	2	N=0, Y=2
23	Cooler	N/Y	3	N=0, Y=3
24	Fridge	N/Y	3	N=0, Y=3
25	Washing machine	N/Y	5	N=0, Y=5
26	Air-conditioner	N/Y	5	N=0, Y=5

D	Education			
27	Borrower		3	Illiterate=0, Primary / Middle: 1, Secondary=2, Graduate / Post Graduate=3
28	Other Member		3	Illiterate=0, Primary/Middle: 1, Secondary=2, Graduate / Post Graduate=3
29	Children going to school/college		3	N=0, Yes=3
	Household Profile Score	Max score =	100	

Notes:

1. Fill this information from the borrower/members of the household in personal interview.
2. Verify as much possible for all the information by physical examination and documents.
3. The Operations Head can change the indicators, weightages and scoring logic as they best understand their customer and market segment.
4. The Operations Head define the bands for household profile score (like Low<50, Medium 50-75 and High>75) and also fix limits based on segment/profile of customers they want to target. Like, lower score indicates lower income and hence low-repayment capacity and so on.

Annex-3

Household Income Assessment

[Based on interviews with all earning members of the household]

#	Indicator	What to fill
A	<i>Borrower Income</i>	
	Primary source	
1	Employment type	Self-employed-own enterprise, Self-employed-wage earner, Salaried-Govt, Salaried-Private, Unemployed
2	Sector	Agri-allied/Manufacturing/Services/Trade/Other
3	Occupation	Specific details (To be filled from standard catalogue)
4	Nature	Regular/Seasonal
5	Income frequency	Daily/Weekly/Monthly/Quarterly/Seasonal
6	Months of employment in last 12 months	
7	Equivalent avg monthly income (Rs)	
	Secondary source	
1	Employment type	Self-employed-own enterprise, Self-employed-wage earner, Salaried-Govt, Salaried-Private, Unemployed
2	Sector	Agri-allied/Manufacturing/Services/Trade/Other
3	Occupation	Specific details (To be filled from standard catalogue)
4	Nature	Regular/Seasonal
5	Income frequency	Daily/Weekly/Monthly/Quarterly/Seasonal
6	Months of employment in last 12 months	
7	Equivalent avg monthly income (Rs)	
B	<i>Other Member's income</i>	
	Primary source	
1	Employment type	Self-employed-own enterprise, Self-employed-wage earner, Salaried-Govt, Salaried-Private, Unemployed
2	Sector	Agri-allied/Manufacturing/Services/Trade/Other
3	Occupation	Specific details (To be filled from standard catalogue)
4	Nature	Regular/Seasonal
5	Income frequency	Daily/Weekly/Monthly/Quarterly/Seasonal
6	Months of employment in last 12 months	
7	Equivalent avg monthly income (Rs)	
	Secondary source	
1	Employment type	Self-employed-own enterprise, Self-employed-wage earner, Salaried-Govt, Salaried-Private, Unemployed
2	Sector	Agri-allied/Manufacturing/Services/Trade/Other
3	Occupation	Specific details (To be filled from standard catalogue)
4	Nature	Regular/Seasonal
5	Income frequency	Daily/Weekly/Monthly/Quarterly/Seasonal
6	Months of employment in last 12 months	
7	Equivalent avg monthly income (Rs)	

C	Other sources of household income (monthly average)	
1	Rent/Lease	
2	Government transfer	
3	Pension	
4	Remittances	
5	Scholarship	
6	Other (specify)	
7	Avg monthly income other sources (Rs)	
	Total estimated monthly Income (Rs)	Sum of self-reported monthly average income of each earning member and average household income from other sources

Notes:

1. Fill this information in personal interview with borrower and members of the household. The income assessment as above may be carried out for all earning members with respect to all sources (primary or secondary) of income.
2. While assessing income of all members from all sources, it may be ensured that there is no double counting of income such as counting of salary income of one migrant member also as remittance income for the household.
3. While the income computation may be done on a monthly basis, the income assessment for all members and sources may be carried out over a period of minimum one year to ascertain the stability of the household income.
4. Add additional rows for additional sources and additional earning members of the household.
5. Spend enough time to understand the income flows and factor business expenses, seasonality, stability to arrive at household income. For example, if borrower has dairy business, understand the number/quality of livestock, output, price of milk, seasonality, maintenance cost (one time and recurring fodder, shed, medication, labour) and then estimate the average monthly income for the year.
6. Verify the income by visiting the business place and making relevant inquiries about occupation.
7. See evidence where relevant and possible, like bank passbook for salaries, DBT, remittances, receipts for sale/purchase.
8. Do not hesitate to ask follow-up questions for doubts and recheck.
9. Do not make any comments on occupation or income and stay professional/objective and focused in capturing the information.

Annex-4

Household Expense Assessment

[Based on interviews with all earning members of the household]

#	Indicator	Fill amount (Rs)	Remarks
	Regular expenses (Av. Monthly)		
1	Accommodation/Rent		
2	Food + cooking fuel		
3	Clothes		
4	Regular education expenses		
5	Electricity/phone/data/cable		
6	Regular medical costs		
7	Transport		
8	Entertainment/social obligations		
9	Other (specify)		
	Irregular expenses (Over last one)		
1	Medical/Health		
6	House renovation		
7	Purchase of household goods		
8	Functions		
9	Education		
10	Other (specify)		
	Total av. monthly expenses		

Notes:

1. Fill this information in personal interview with the borrower and members of the household.
2. Try to verify as much possible for example through utility bills, school fee/rent receipts.
3. Borrower may not have precise recall and assessment for discretionary spends things like clothes, social obligations, entertainment as well as unforeseen expenses like health. Idea, however, is to not to overlook such expenses and factor them when arriving at customers repayment capacity.

Annex-5

KEY FACR STATEMENT on Pricing of Microfinance Loans

Part 1: Interest rate and fees/charges

Parameter	Details
Loan Account No.	[To be provided]
Type of Loan	Microfinance Loan
Sanctioned Loan Amount	₹ 40,000
Disbursal Schedule	100% upfront
Loan Term (year/month/days)	15 months
Type of Instalments	Equal monthly instalments (EMI)
Number of EPIs	15
EPI Amount (₹)	₹ -----
Commencement of Repayment	30 days from disbursement
Interest Rate (%) and Type	25% Fixed
Processing Fee	₹ 600
GST on Processing Fee	₹ --
Life Insurance Fee	₹ ---
Health Insurance Fee	₹ ----
Other Fees (if any)	None
Annual Percentage Rate (APR)	==%
Penal Charges (for delay)	Nil
Foreclosure Charges	Nil
Switching from Fixed to Floating	Nil
Other Contingent Charges	None
Part 2: Other Qualitative Information	
1. Clause relating to Recovery Agents:	Not Applicable
2. Grievance Redressal Mechanism:	[Clause to be specified in the loan agreement].
3. Nodal Grievance Redressal Officer:	[Phone number and email to be provided].
APR Calculation for Microfinance Loans	
Parameter	Details
Sanctioned Loan Amount	₹ 40,000
Loan Term	15 months
Interest Rate	25%
Total Interest Over Loan Term	₹ -----
Processing Fee + GST	₹ ----
Life Insurance Fee	₹ ---
Health Insurance Fee	₹ ----
Total Fees	₹ -----
Net Disbursed Amount	₹ -----
Total Amount to be Paid by Borrower	₹ -----
Effective Annualized Interest Rate (APR)	==%
This KFS and APR sheet follows the format and guidelines from the RBI's circular on microfinance loans (CIRCULARKFS1504242_B)(CIRCULARKFS1504242_A). The APR includes both interest and all additional fees, providing the borrower with the true cost of the loan.	

[illegible]