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# POLICY OF MICRO CREDIT LOANS

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**HUMANA**  
FINANCIAL SERVICES PRIVATE LIMITED

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## INTRODUCTION

Humana Financial Services Private Limited (herein after referred to as "Company" or "HFSPL") is registered as Non-Banking Financial Company with Reserve Bank of India (RBI) and engaged in micro-finance activities".

During the course of its operations, the Company will strictly adhere to various directions, guidelines, circulars, instructions etc. as may be stipulated by RBI from time to time.

HFSPL'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 practice does not conflict with or violate RBI/regulatory guidelines.

## PURPOSE

This policy is as per directions and guidelines of the RBI Master Direction on "Regulatory Framework for Microfinance Loans 2022. This policy is the frame work of the distribution and collection of Micro Finance Loans of the Company.

## APPLICABILITY

This Policy will be applicable on Micro finance loan given by company with effect from April 01, 2021.

### 1. MICRO FINANCE LOAN

As per clause 3.1 of the regulation:

- A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.
- 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 collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

### 2. ASSESSMENT of Household.

- The household shall mean an individual family unit, i.e., husband, wife and their unmarried children.





- The Company shall assess the information of the household and this household assessment is for knowing and confirming the identity and address of the borrower and co-borrower. The executives of the Company shall assess information from the Clients as per the **Annex 1 (Personal information Sheet)** of this policy.
- The Company shall put in place a monitoring framework including a system of maker-checker to ensure accuracy. Leverage the technology to facilitate accurate, consistent and efficient capture of information. Put a sound framework to maintain the integrity, confidentiality and privacy of the information.

### 3. Household Profiling:

The Company's Executive 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, and belongs to socially/economically disadvantaged communities and needs credit to improve income and deal with vulnerabilities. Focusing on positive discrimination ensures the Company sources a genuine customer, and micro-credit remain focused on low income households (LIHs) (with annual household income up to ₹3,00,000 as defined by RBI in the new regulations).

The Company shall follow a simple questionnaire refer in **Annex-2 (Household Profile sheet)** that can use for profiling the customers. The questionnaire includes indicators such as household composition, type of accommodation ownership of physical assets and education to understand the customer profile. Based on their understanding of their market segment (earning opportunities in specific location, occupations, segment), the Company 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 disbursing the loan as per the policy of the Company and Directions of the RBI and also follow the framework of the Self-regulatory organisations (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** of this policy.
- The Company shall mandatorily submit information regarding household income to the Credit Information Companies (CICs) on periodic intervals.

### INCOME ASSESSMENT:

The Company shall capture self-reported income from customers (earning members of the household considered for micro-credit). However, incomes fluctuate, and customer recall is prone to inaccuracy and inconsistency. Therefore, the Company shall make a suitable adjustment in arriving at the household's average monthly income, through triangulation method as mentioned in **Annex 3 (Income Assessment sheet)** for the income assessment format.

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The Company shall verify the self-reported income data of the households through group members or other references in the community/neighbourhood. 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 to 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 (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

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 Company shall assess the repayment obligations of the Household regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as 50% of the monthly household income.
- 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 outflows capped at 50 per cent 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 per cent, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50 per cent 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 declaration from the borrowers, their bank account statements and local enquiries.
- The Company will take consent from family members of applicants to check their credit report using digital/physical tools.

## 6. FLEXIBILITY OF REPAYMENT.

As per clause 3.4 of RBI Master Direction on "Regulatory Framework for Microfinance Loans 2022, the Company shall provide the flexibility of repayment periodicity on microfinance loans as per the borrowers' requirement.

## 7. PENAL INTEREST/ LATE PAYMENT CHARGES.





- Besides normal interest, The Company may charge for late payment (any delay from the due date to date of actual repayment).
- It charge additional 26% (per annum) interest on overdue amount (Principle + Interest) and the Company shall inform the customer about such charges at the time of loan disbursement.
- 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 are expressly stated in the Loan documents.

The charges are uniform and in consonance with the regulatory requirement issued by RBI and we maintain uniformity across loan product, geographical location, customer segment and generally represent the cost incurred in rendering the services to the customers.

The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

Processing charges shall not be more than 1% of gross loan amount, excluding amount of GST.

##### **Discount in Processing Fee**

To incentivise better repayment and loyalty it is proposed to give discount in processing fee to from second cycle onwards.

##### **Additional Processing Fee:**

On those borrowers who have defaulted in repayment in HFSPL/other lender in past or there is default history in the household other than borrower or any default is ongoing with any lender.

#### **9. PRICING OF MICRO CREDIT LOAN PRODUCT: -**

The Pricing of Micro Credit Loan Product shall be accordingly "*Policy of Pricing of Micro Credit Loans*" of the Company.

#### **10. MICRO CREDIT LOAN PRODUCT:-**

The Company has one micro credit loan product known as "Microfinance Loan". The main features of this product are:-



Ticket Size available for the clients are Rs. 20,000, to Rs. 1,00,000 and based on below mentioned criteria.

Sl. No	Description	Detail
1.	Disbursement criteria	JLG Model (Minimum 4 to 8 Members)
2.	Income of Client/Household	Rs. 3,00,000
3.	Repayment Schedule	Four Weekly (28 Days)
4.	Rate of Interest	As per Board approved policy and RBI guidelines or circulars.
5.	Tenure	As per the needs of Borrowers
6.	Moratorium Period	28 days
7.	Purpose of Product	Income Generating Activities or Non-Income Generation Loan as per borrower needs

Loan Cycle	Min loan Amount	Max Loan Amount	Actual which can be disbursed
1 <sup>st</sup> Cycle	20,000	50,000	On the basis of client's/household's credit bureau report.
2 <sup>nd</sup> Cycle	40,000	70,000	On the basis of client's/household's credit bureau report.
3 <sup>rd</sup> Cycle	40,000	1,00,000	On the basis of client's/household's credit bureau report.

#### 11. DISBURSEMENT OF LOAN:

All the disbursement will take place in non-cash mode (NEFT, RTGS, etc.). The loan amount shall direct transfer in account of clients after verification of their bank accounts and also ensure that:-

- member's bank account is active
- the given bank account details are of nationalized/ scheduled commercial banks
- the passbook with clear visibility containing member name, branch detail, full account number, IFSC code along with photo of member.
- If any of the above said details is missing or not clear or hand written or differ then it should be authenticated by the bank officials and the same should be counter checked by field executive by affixing OSV seal without which the passbook is invalid.
- the household cash flows – including existing debts – of the loan applicant is sufficient to enable her to repay HFSPL's loans.

#### 12. LOAN AGREEMENT AND LOAN CARD.

Loan Agreement includes **Loan Application Form**, Personal information Sheet, Household Profile sheet, Income and Expense Assessment sheet of the Household and the copy of Aadhar card/Ration Card/Voter id Card as KYC of client/household, copy of Bank passbook active bank account number, IFSC code, bank and branch name.

Each page of the Loan agreement shall be sign or thumbs by the client/household and the concerned executive of the Company.





Every loan agreement along with supportive documents shall keep in the custody of the Branch Manager of the concerned branch for the loan period after that these documents shall shift to the head office of the Company.

**Loan Card: -**

Loan card shall be given to the client at the time loan disbursement and the loan card shall contain the following information: -

- I. Simplified factsheet on pricing as per **Annex 5** of this policy,
- II. All other terms and conditions attached of the loan;
- III. Acknowledgements by the Company of all repayments including instalments 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 full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

All entries in the loan card should be in a language understood by the borrower.

**13. CIRCULATION**

This Policy shall be circulated to every Promoters/ Directors/ Designated Employees/ Officers of the Company to let them be informed about the desired loan product Norms. 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 warrants, at any time without assigning any reason whatsoever.



# Annexures





<b>Personal Information</b>
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[To be captured for the borrower and all earning members of the household]

#	Indicator	What to fill
<b>A</b>	<b>Borrower</b>	
1	Name	Given/Family
2	KYC	
	Type	From the list (e-KYC/VID/PAN/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>B</b>	<b>Co-borrower/s*</b>	
1	Relationship with borrower	Spouse/Father/Mother/Son/Daughter/Brother/Sister
2	Name	Given/Family
3	KYC	
	Type	From the list (e-KYC/VID/PAN/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

*Prinny*



**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
<b>A</b>	<b>HH Composition</b>			
1	Adults ( $\geq 18$ years)	Count		
2	Children ( $< 18$ years)	Count		
3	Dependent	Count		
4	Earning	Count		
	Total			
	ED (earning to dependent) ratio	Calculate ED ratio	5	Max score*ED ratio
<b>B</b>	<b>Accommodation</b>			
5	Type	From the list	10	Rent: 0, Family: 5, Own: 10
6	Construction	From the list (kachcha/tin-roof/concrete)	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
<b>C</b>	<b>Physical assets</b>			
11	Land	From the list (n/agriculture/commercial)	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 (n/cycle/two-wheeler/three-wheeler/four-wheeler)	10	N=0, Cycle=1, Two wheeler=2, Three-wheeler=3, Four-wheeler/tractor=4
15	Television	From the list	2	N=0, Basic=1, LED=2
16	Mobile phone	From the list	2	N=0, Basic=1, Smart=2
17	Electric fan	N/Y	1	N=0, Y=1
18	Almirah/dressing table	N/Y	1	N=0, Y=1
19	Chair/stool/bench/table	N/Y	1	N=0, Y=1
20	Pressure cooker	N/Y	1	N=0, Y=1
21	Gas cylinder	N/Y	2	N=0, Y=2
22	Gas burner	N/Y	2	N=0, Y=2
23	Mixer	N/Y	3	N=0, Y=3
24	Cooler	N/Y	3	N=0, Y=3
25	Fridge	N/Y	5	N=0, Y=5
26	Washing machine	N/Y	5	N=0, Y=5
27	Air-conditioner	N/Y	10	N=0, Y=10





D	Education			
28	Borrower	From the list (illiterate/primary/middle/secondary/graduate/postgraduate)	3	Illiterate=0, Primary/Middle: 1, Secondary=2, Graduate/Post Graduate=3
29	Co-borrower	From the list (illiterate/primary/middle/secondary/graduate/postgraduate)	3	Illiterate=0, Primary/Middle: 1, Secondary=2, Graduate/Post Graduate=3
30	Children going to school/college	From the list (na/n/public/private)	3	N=0, Public=2, NA/Private=5
	<b>Household Profile Score</b>	<b>Max score=</b>	<b>100</b>	

**Notes:**

1. Fill this information from the borrower/co-borrower 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.



## Household Income Assessment

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

#	Indicator	What to fill
<b>A</b>	<b>Borrower Income</b>	
	<b>Primary source</b>	
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>Secondary source</b>	
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>B</b>	<b>Co-borrower/s income</b>	
	<b>Primary source</b>	
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>Secondary source</b>	
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)	
	<b>Total estimated monthly Income (Rs)</b>	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 co-borrower/s. 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
	<b>Regular expenses (Av. Monthly)</b>		
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)		
	<b>Irregular expenses (Over last one year)</b>		
1	Medical/Health		
6	House renovation		
7	Purchase of household goods		
8	Functions		
9	Education		
10	Other (specify)		
	<b>Total av. monthly expenses</b>		

## Notes:

1. Fill this information in personal interview with the borrower and co-borrower/s.
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 too overlook such expenses and factor them when arriving at customers repayment capacity.





## Factsheet on Pricing of Microfinance Loans

(cf. Para 6.3 of these Directions)

## Illustrative Factsheet on Pricing of Microfinance Loans

(to be provided in a language understood by the borrower)

Date: XXX Lender's Name: XXX Applicant Name: XXX

Sr. No.	Parameter	Details
(i)	Loan amount (amount disbursed to the borrower) (in Rupees)	
(ii)	Total interest charge during the entire tenure of the loan (in Rupees)	
(iii)	Other up-front charges (break-up of each component to be given below) (in Rupees)	
(a)	Processing fees (in Rupees)	
(b)	Insurance charges (in Rupees)	
(c)	Others (if any) (in Rupees)	
(iv)	Net disbursed amount ((i)-(iii)) (in Rupees)	
(v)	Total amount to be paid by the borrower (sum of (i), (ii) and (iii)) (in Rupees)	
(vi)	Effective annualized interest rate (in percentage) (computed on net disbursed amount using IRR approach and reducing balance method)	
(vii)	Loan term (in months)	
(viii)	Repayment frequency by the borrower	
(ix)	Number of instalments of repayment	
(x)	Amount of each instalment of repayment (in Rupees)	
<b>Details about Contingent Charges</b>		
(xi)	Borrower shall not be charged any penalty on prepayment of loan at any time.	
(xii)	Penal charges in case of delayed payments	
(xiii)	Other charges (if any)	

Detailed Repayment Schedule				
Instalment No.	Outstanding Principal (in Rupees)	Principal (in Rupees)	Interest (in Rupees)	Instalment (in Rupees)

