Household Income Policy

Digamber Capfin Limited

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Table of Contents

Introduction 3

Areas of Operation 3

Objective and Scope of this Policy 3

Definition of Microfinance Loan 3

Assessment of Household Income 4

Review of policy 5

Annex A 6

Introduction

DIGAMBER CAPFIN LIMITED (hereinafter referred to as "Company" or "Digamber finance") is a Microfinance institution started in April 1995 in Rajasthan, India and got its NBFC-MFI License in year 2013. The mission of the organization is "to reach the unreached low income communities with financial and business solutions in a socially, economically and environmentally sustainable manner through the efficient use of capital, technology and human resources". A combination of servicing methodologies is being explored with an ultimate objective of 'no bankable underprivileged persons are left behind' in the areas of operation.

Areas of Operation

The areas of operation of DIGAMBER FINANCE are presently spread over 8 States and 1 union Territory i.e. Rajasthan, Madhya Pradesh, Haryana, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, Punjab, Bihar and Uttar Pradesh. Operations in each state are controlled by a Regional Manager / State Head / Zonal Head under the overall supervision of Business Head and Head Office.

Objective and Scope of this Policy

DIGAMBER CAPFIN LIMITED is registered with Reserve Bank of India (RBI) as a non-deposit accepting NBFC MFI. Being an NBFC, it is required to comply with Guidelines / Directions issued by RBI from time to time. As per RBI Circular Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 vide Ref. No. RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22 dated 14th March, 2022 (amended from time to time) provides that All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies) shall frame a policy regarding the assessment of household income of the borrowers.

The Company shall duly implement and keep the Household Income Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory operational (in line with regulations) and other legal requirements. The objectives of this Policy to provide an indicative methodology for assessment of household income of borrowers.

Definition of Microfinance Loan

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.

Assessment of Household Income

Keeping in view of the regulatory requirements, detailed assessment plan has been framed to assess household income of perspective borrowers. Major parameters are composition of household income are number of earning members/ non-earning members, source of income, frequency of the income, expenses, type of accommodation they are having, availability of basic amenities/ assets.

Assessment will include all source of income both primary & others such as area/ nature of work, frequency of income, remittance/ rent/ pension/ government transfer, if any, etc.

The income assessment as given in methodology shall be carried out for all earning members with respect to all sources (primary or secondary) of income. While assessing income of all members from all sources, it shall 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.

Although Income computation can be done on a monthly basis, the income assessment for all members and sources may also be carried out over a period of minimum one year to ascertain the stability of the household income.

Along with household income it is necessary to capture household expenses as well to identify actual repayment capacity of borrower. Accordingly, regular monthly expenses such as food/ utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees along with irregular expenses over last one year such as medical expenses, house renovation, purchase of household goods, functions, etc. shall be taken into account.

Self-reported income as given in the methodology may be corroborated with the profile of household and household expenses as mentioned below. Further, wherever possible the household income may also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

A detailed annexure for assessment of household income has been framed (Annex A) which shall be part of company's loan process.

Company shall mandatorily submit information regarding household income to the Credit Information Companies (CICs). Reasons for any divergence between the already reported household income and assessed household income shall be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

Review of policy

The Household Income Policy shall be reviewed annually or as and when required.

Annex A

ASSESSMENT FORM OF HOUSEHOLD INCOME

Branch's Name		Center's Name	
Member's Name		Husband's Name	
Loan Purpose		Type of accommodation	
Number of earning members		Number of non-earning members	

Availability of basic amenities	Availability of other assets
❒ Electricity ❒ Water ❒ Toilet ❒ Sewage ❒ LPG connection ❒ Others: _____	❒ Land ❒ Livestock ❒ Vehicle ❒ Furniture ❒ Smartphone ❒ Electronic items ❒ Others: _____

Monthly Income	Self	Husband	Unmarried Children
a) Primary Source of income			
i. Sector of Work (Agriculture & Allied / Livestock / Production / Social Infrastructure / Service Industry / Small Business / Housing/Trading/Manufacturing)			
ii. Nature of work (self-employed or salaried, regular or seasonal, etc.)			
iii. Frequency of income (daily/weekly/monthly)			
iv. Months/days of employment over last one year			
v. Self-reported monthly income			
vi. Average monthly income (to be derived from (iv) & (v) above)			
b) Other Sources of income			
i. Remittance			
ii. Rent/Lease Income			
iii. Pension			
iv. Government Transfer			
v. Scholarship			
vi. Other Income: - (Specify Details)			

Monthly Total Income (Self + Husband + unmarried Children)	

Regular Monthly Expenses	
Food Expenses*	
Utility Bill Expenses*	
Rent / Lease Expenses	
Medical Expenses	
Education Expenses	
Transportation Expenses	
Other Expenses: - _____	
Total Regular Expenses	

Irregular expenses over last one year	
House renovation	
Medical Expenses	
Purchase of Household goods	
Functions	
Other Expenses: - _____	
Total Irregular Expenses for last one year	

Monthly Total Net Income (Total Income (Self+ Husband+ Children) minus Total Expenses)	

Monthly Total Household EMI Amount	

Field Officer Signature Member's Signature

Note

1. Information to be filled by the Field Officers after taking estimations from the Borrowers.
2. Income assessment should be carried out for over a period of minimum one year to ascertain the stability of household income.
3. The annual income & expenses will be calculated by multiplying the monthly income & expenses by 12.

Digamber Capfin Limited

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