Loan Repayment Policy

Digamber Capfin Limited

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Table of Contents

Introduction 4

Areas of Operation 4

Objective and Scope of this Policy 4

Limit on Loan Repayment Obligations of a Household 4

Guidelines related to Recovery of Loans 5

How can a customer file complaint? ..... **Error! Bookmark not defined.**

Pricing of Loans 6

Guidelines on conduct towards microfinance borrowers 6

Centre Meeting 7

Visit of Centres 7

Pre-Payments 8

Recovery 8

Overdue monitoring 8

Absence and overdue follow-up 9

Appropriate interaction and collection practices 9

Review of policy 10

Introduction

DIGAMBER CAPFIN LIMITED (hereinafter referred to as "Company" or "Digamber finance") is a Microfinance institution started in April 1995 in Rajasthan, India (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 Company 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 / Circle Manager / 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. Being an NBFC, it has 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 repayment of loan and implement the same.

The Company shall duly implement and keep the Loan Repayment Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, operational (within the guidelines) or other legal requirements. The objectives of this Policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement and regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income.

Keeping the regulatory requirement in view, a policy on repayment of loan detailed out as under:

Limit on Loan Repayment Obligations of a Household

1. Company shall have the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.

2. 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 shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.

3. 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 (at the time of applicability of the circular) 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.

4. Company shall provide timely and accurate data to the Credit Information Companies (CICs) on monthly basis 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.

5. As mentioned in Fair Practice Code of the company, any change in terms and conditions or any change in interest or any other charges shall be informed to the borrowers in advance and shall only be effective prospectively.

6. Flexibility of repayment periodicity:
   The flexibility for the repayment of the loan will be provided to the borrowers keeping in view of the income and requirement of the borrower and will be decided from case to case basis.

Guidelines related to Recovery of Loans

Company will not resort to any questionable / unethical collection methods such as threatening, use of abusive language etc. while dealing with cases of clients having over dues or clients with defaults.

1. Company shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

2. Recovery shall be made at a designated/ central designated place decided mutually by the borrower and the Company. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.
3. Company or its agent (if appointed) shall not engage in any harsh methods towards

recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

(i) Use of threatening or abusive language
(ii) Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
(iii) Harassing relatives, friends, or co-workers of the borrower
(iv) Publishing the name of borrowers
(v) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
(vi) Misleading the borrower about the extent of the debt or the consequences of non-repayment

4. A declaration that the Company shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal, shall be made in the loan agreement and also in the FPC displayed in its office/ branch premises/ website.

5. Company have a dedicated mechanism for redressal of recovery related grievances. The Company has put in place Client Grievance Redressal Policy approved by the Client Grievance Redressal Committee regarding the details of the dedicated mechanism. The brief details are mentioned in the policy adopted by the Company which shall be displayed (updated version) on website of the company as well.

6. Company's staff will patiently explain the procedures and the need for timely repayment of the loans availed in a polite manner. If company is convinced that there is a genuine reason for non-payment/ delayed payment, appropriate measures for repayment will be discussed with clients concerned and implemented with their consent.

Note: - Company does not engage any recovery agency for recovery of dues from its borrowers and the employees.

Pricing of Loans

The Company has put in place Loan Pricing policy approved by the Board of Directors regarding pricing of microfinance loans.

The brief details are mentioned in the Loan Pricing policy adopted by the Company which shall be displayed (updated version) on website of the company as well.

Guidelines on conduct towards microfinance borrowers

A fair practice code (FPC) based on the directions as mentioned in the MFI Directions is in place and adopted by the company. The FPC shall be displayed in all the offices and on the website of the company.

Centre Meeting

Centre Meetings shall be held by Relationship Officer (RO) for the purpose of collection of repayment amounts (EMI) from clients, at a fixed place at a fixed time (between 9am to 6 pm) and fixed day between Mondays to Friday for four weekly loans. The place for holding a Centre Meeting should be at a central designated place in the locality. Total time for a centre meeting ranges from 30 minutes to 45 minutes. Center Meeting locations, time schedules and expected recovery amounts are available in Day book register in the system. Any change in Centre Meeting time and place should be informed to Head Office, and should be updated immediately.

The procedure of a Centre Meeting is as follows:

- Clients arrive 5 minutes before the meeting and sit in order as mutually agreed
- Clients give money (repayment) and loan card to their respective group leader.
- RO arrives at the meeting location exactly on time and introduces visitors (if any)
- RO takes attendance by pronouncing their names, take notes in collection sheet.
- Group leader hands over money and loan card to RO in their sitting order (from front to back, or right to left).
- RO verifies cash amount, signs the loan card, and records “check” if present, and “A” if absent, “L” if late, “H” if hospital, “E” if emergency and “P” if permitted absence for the center meeting, enters in loan card for payment and returns them to group leaders.
- Clients ensure that RO has correctly entered repayment and other details on the loan card.
- RO makes necessary announcements, asks for questions and comments from clients.
- Management of center meeting is the essential part of RO’s work. RO shall behave politely with discipline and punctuality. Maximum number of centers that one RO can take care of is 8 per day.

Visit of Centres

- All branch staff is responsible to monitor the quality and discipline of the center meetings constantly. Assistant Branch Manager (ABM)/Branch Manager (BM) is required to visit all new centers within 3 months of disbursement. ABM and BM should visit at least 6 centers per day. ABM and BM should complete visits to all the centers in a period of five months. Area Manager (AM) should visit at least 15 centers in a week and Regional Manager (RM) should visit at least 10 centers in a week. State Head should visit a minimum of 8 centers in a month.

- All those who visit the centers are required to fill in the Center Monitoring Form to give rating on the center functioning and recommended to give constructive feedback to the center and RO based on the performance result. Center monitoring tools should be approved by the immediate reporting officer and filed accordingly in the branch offices as management staff, AM, and BM should review them periodically. AM and Management staff needs to be sent center monitoring tools once in a 15 days to reporting officer.

- All the operational functionaries (BM and above) should make surprise visits to

field/branch (in addition or regular visit). Apart from these, there might be surprise visits from the Senior Management Group to the branches or any other Operational areas. If any discrepancies are found, corrective action(s) will be taken.

Pre-Payments

- If clients wish to close the loan account earlier than the scheduled time, the same can be done by communicating to RO in advance.
- In case of pre-payment by a group, all members of the group should together repay the outstanding amount and close the loan accounts at the same time. Remaining principal and interest accrued till the date should be collected at the time of pre-payment.
- Individual members in a group can pre-close their respective loan at any time during the tenure of the loan. However, they will carry the responsibility of guaranteeing outstanding accounts of the remaining members of that group.
- There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

Recovery

- All recoveries should preferably be scheduled between Mondays to Friday of every Week or as decided mutually between the company and the borrowers, so that branches can recoup the less than 30-day overdue loans by the month end, if necessary.
- Recovery receipts should be filled in case of any transactions between customer & company. No transactions are to be entered into system without the availability of the "Receipt Office Copy". RO shall not leave for field after depositing receipts unless BM/AM has reviewed the non-payments and prepare visit plan for follow up.
- BM or AM should visit all clients who became overdue for the first time within 48 hours and record the outcome of the same.
- BM is required to send updated overdue report to AM.

Overdue monitoring

The Branches must strictly follow the procedure to minimize overdue. Each and every loan must be allocated to the BM. Each BM must be attached/mapped to AM/RM.

Thus the AM/RM is responsible for follow-up of his/her direct loans as well all loans of the BM reporting to her/him.

Each BM must do a follow-up on all individual loan clients at least once in a month. A separate list of all accounts which become overdue will be generated and handover to AM/RM. Overdue of 1-30-day report will be used for follow-up.

By 15th day of a month, AM/RM reviews reports and visits all loan accounts where BM's visit was not successful in recovery. Overdue accounts moving from 1-30 days to 31-60 days should be reported to HO. BM will visit all overdue loans between 31-60 days which are of monthly repayment every month and for other loans at least once in a quarter. AM should visit all loans overdue beyond 60 days on a quarterly basis. Regional Manager will also review the overdue status of unit with BMs & AMs before 20th of every month, with particular focus on new overdue loans.

Absence and overdue follow-up

Although ABM and BM should monitor center meetings frequently and conduct loan utilization check to minimize over dues, the branch staff should act promptly and responsibly whenever cases of overdue clients are noticed.

When a client fails to appear at the center meeting for 2 successive occasions, the RO and ABM/BM should review and visit her house/work place and inquire about the reasons for her absence and make efforts for recovery.

When a client is absent for more than 4 successive meetings, the AM should review such cases and visit the client. If the absence is more than 6 successive meetings, the RM should review such cases and visit the client.

If all above failed, the company may pursue legal action.

Appropriate interaction and collection practices

The collection and recovery will be done by the company's employees as per clearly defined guidelines and the staff shall not use any unfair practices, harsh means etc. for recovering the loans.

SOP FOR ISSUANCE OF NO DUE CERTIFICATE

1. The MIS team will track the closure of the loan by the borrower

2. After reconciling and finding that there is no due pending against the Loan account the MIS Depat shall send the link through which NDC can be downloaded by the customer will be sent on the registered mobvile no. of the customer within 30 working days of the closure of the loan

3. In case customer is facing any problem in downloading the NDC the MIS Dep on the basis of the complaint received by the Client Grievance,. Redressal team will reissue the NDC to the customer.

4. The NDC will be in the format prescribed by the company.

Review of policy

The Loan Repayment Policy shall be reviewed annually or as and when required necessary.

Digamber Capfin Limited

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