



ASA INTERNATIONAL INDIA (ASAI)
ASSESSMENT OF HOUSEHOLD INCOME
Version -1

Version	Date of Adoption	Particulars	Owner	Custodian	Approving Authority
1.0	23.03.2022	Assessment of Household Income	Operations	Compliance	Board of Directors

1. Introduction

ASA International India Microfinance Limited (ASAI India / the Company) is registered with Reserve Bank of India (RBI) as a non-deposit accepting NBFC- MFI. Being an NBFC, it has to comply with Guidelines / Directions issued by RBI from time to time. The Reserve Bank of India issued the Master Directions on Microfinance Loans on 14th of March, 2022 (which shall come into effect from 1st April 2022) wherein NBFC MFI's were directed to draft a policy for assessment of household income for microfinance loans. The Company shall duly implement and keep the Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, corporate or other legal requirements as may be issued from time to time.

2. Objectives of the Policy

The objective of this Policy is to put in place an indicative methodology for assessment of household income. SRO's and other associations/ agencies may also develop a common framework based on the indicative methodology. The Company may adopt/modify this framework suitably as per their requirements with the approval of the Board.

3. Definition of microfinance loan

The definition of microfinance loan (as applicable from 1st April, 2022) is as under:

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.

4. Indicative methodology for Assessment of household income for microfinance loans

The indicative methodology for assessment of household income for microfinance loan are as under:

For undertaking the income assessment of a low-income household, information related to following parameters need to be captured:

(i) Parameters to capture household profile

a) Composition of the household

- i. Number of earning members
- ii. Number of non-earning members
- b) Type of accommodation (owned/ rented, etc.)
- c) Availability of basic amenities (electricity, water, toilet, sewage, LPG connection, etc.)

d) Availability of other assets (land, livestock, vehicle, furniture, smartphone, electronic items, etc.)

(ii) Parameters to capture household income

a) Primary source of income

- i. Sector of work (Agriculture & allied activities, trading, manufacturing, services, etc.)
- 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
- iii. Pension
- iv. Government transfer
- v. Scholarship
- vi. Others (specify details)

c) The income assessment must 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 must 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.

d) While the income computation must be done on a monthly basis, the income assessment for all members and sources must be carried out over a period of minimum one year to ascertain the stability of the household income.

(iii) Parameters to capture household expenses

- a) Regular monthly expenses (food, utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees, etc.)
- b) Irregular expenses over last one year (medical expenses, house renovation, purchase of household goods, functions, etc.)

2. Self-reported income at 1(ii) above may be corroborated with the profile of household at 1(i) and household expenses at 1(iii). Further, household income must also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

5. Guidelines on Conduct towards Microfinance Borrowers

The Company already has in place a Fair Practice Code policy which has been approved by the Board. The Company is also in compliance with the Master Directions issued by the Reserve Bank of India and displays the FPC in all its branch offices and its areas of operation in a vernacular language which is understood by the borrower.

ii) A standard form of loan agreement for microfinance loans in a language understood by the borrower will be designed and implemented by the Company.

iii) All branch offices shall provide a loan card to the borrower in a standard format of ASAI India which shall include:

- a) Information which adequately identifies the borrower;
- b) Simplified factsheet on pricing;
- c) All other terms and conditions attached to the loan;
- d) Acknowledgements by the RE of all repayments including instalments received and the final discharge; and
- e) Details of the grievance redressal system, including the name and contact number of the nodal officer of the RE.

iii) All entries in the loan card shall be in a language understood by the borrower.

6. Review of Policy

This Policy is being proposed by the Management to the Board of Directors for approval.

The policy shall come into effect from 1st April, 2022.

This Policy shall be reviewed at regular intervals or as and when considered necessary by the Board of Directors/Committee of the Company.