



ASA INTERNATIONAL INDIA (ASAI)

**LOAN POLICY
Version -1**

Version	Date of Adoption	Particulars	Owner	Custodian	Approving Authority
1.0	23.03.2022	Loan Policy	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. Being an NBFC, it has to comply with Guidelines / Directions issued by RBI from time to time. The Company's Loan Policy is the framework, which defines the principles for lending business. The Company shall duly implement and keep the Loan Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, corporate or other legal requirements.

2. Objectives of the Policy

The objectives of this Policy are as below:

- a) To create a set of standardized policies and procedures for the lending activities of the Company.
- b) To institute due diligence for mitigating level of credit risks and improve credit quality.
- c) To define overall risk appetite.
- d) To ensure thorough loan appraisal and proper monitoring of all outstanding loans. This includes both; supervision of outstanding loans as well as recovery of overdue loans.

This Loan policy provides an overall description of all stages of the lending process. In pursuing its business, the Company will operate according to the highest ethical and compliance standards and constantly seek to follow best practices in the industry as directed by the Reserve Bank of India and SRO's. Under no circumstances will contravention of laws and relevant regulations would be tolerated.

3. Business Model

ASA India follows the highly efficient and socially responsible ASA Model, a cost-efficient, standardized and sustainable model of microfinance. The ASA Model lies at the heart of our business model. Our staff are relentlessly implementing this model by adjusting local economic and cultural circumstances.

Almost all branches are identical, operated and managed in the same manner, enabling simple replication, expansion and supervision. Loan disbursements, repayments, record-keeping, etc. are all standardized. Our lean head office and agile field staff facilitate efficient and decentralized decision-making. We actively seek to prevent over-leveraging of clients by capping loan sizes and by not granting new loans before current loans are fully repaid.

Our lending approach is based on individual lending via client groups. We offer individual loans. Group members are only responsible for non-financial obligations, such as the screening or selecting of potential new clients. In addition, the social cohesion within the groups means that members help foster financial discipline by encouraging each other to repay loans on time.

Before a loan is disbursed, the loan officer and the branch managers carry out a credit evaluation process. The loan application must then be approved by the branch manager.

Group meetings are held regularly, at a fixed time, day and place and all members are required to attend.

4. Types of Loan and their features (Applicable wef 1st April 2022):

1) **Primary Loan** - The primary loan is for women who are engaged in small businesses and other income generating activities but face liquidity problems, financial insolvency, and do not meet the requirements of obtaining loans from banks. The primary features of the loan are as follows:

Loan Amount	INR 1,000 – INR 30,000		
Instalment Frequency	Weekly	Fortnightly	Monthly
No of Instalments	At the option of the borrower, however, shall not extend a tenure of 24 months.		
Rate of Interest	As may be determined by the Board from time to time. The interest rate to be charged to the borrower shall be complying to the RBI directions in this regard.		

The processing fee, insurance fee, admin fees and penalty shall be as approved by the Board from time to time.

2) **Special Loan** - The special loan is for women who are involved in emerging entrepreneurial enterprises and supplementary income generating activities but suffer from shortage of capital and are not eligible for banking assistance. The primary features of the loan are as follows:

Loan Amount	INR 31,000 – INR 60,000		
Instalment Frequency	Weekly	Fortnightly	Monthly
No of Instalments	At the option of the borrower, however, shall not extend a tenure of 24 months.		
Rate of Interest	As may be determined by the Board from time to time. The interest rate to be charged to the borrower shall be complying to the RBI directions in this regard.		

The processing fee, insurance fee, admin fees and penalty shall be as approved by the Board from time to time.

3. **Business Loan** - The business loan is for men and women engaged in small and medium scale businesses and other income generating activities but who face liquidity problems, financial insolvency, and do not meet the requirements of obtaining loans from banks. The primary features of the loan are as follows:

Loan Amount	INR 61,000 – INR 1,25,000		
Instalment Frequency	Weekly	Fortnightly	Monthly
No of Instalments	At the option of the borrower, however, shall not extend a tenure of 24 months.		
Rate of Interest	As may be determined by the Board from time to time. The interest rate to be charged to the borrower shall be complying to the RBI directions in this regard.		

The processing fee, insurance fee, admin fees and penalty shall be as approved by the Board from time to time.

4. Business Correspondence Loan - ASA International India primarily acts as a facilitator for providing micro credit facilities in case of Business Correspondence Loans and started a partnership with effect from 29 June 2016 with IDFC First Bank (previously called IDFC Bank).

5. Loan disbursement process

ASA India replicates the ASA Bangladesh model of microfinance which is individual lending. Collections are in groups with no group guaranteed. We do not practice group approach. All loans are treated as individual loan. ASA India follows individual lending under group formation approach. Under this model, a group is formed by 10 members. The members have to attend initial group meetings and after this they are enrolled as members and are eligible to become borrowers. The loans are distributed individually and directly to the members. The selection of the borrowers and final decision depends on the assessment done by the Loan Officer duly endorsed by the Branch Manager which includes physical verification of borrowers, residential status and place of occupation/business. Weekly meetings are very important feature of ASA methodology for microfinance. 10-35 members of the neighborhood will assemble together every week on a specified day in one of the member's place of residence. Each group will have office bearers like President, Secretary and Cashier. They are unanimously selected by the group members for a year. Trainings are imparted to the office bearers on various areas like recording of resolutions in the register, maintaining attendance, collection of cash installments, new member application form, views about group members etc. Individual loan products will be designed to cater to clients gradually to this product from group approach.

As per ASA's cost effective and sustainable microfinance model, there will be one Branch Manager, four Loan Officers (five Loan Officer per Branch from the 2nd year of the Branch) and one support staff to conduct all activities of the Branch. On an average each Loan Officer supervises 300-500 borrowers under 24 groups. 6 to 8 branches will constitute one Region which will be looked after by one Regional Manager. Regional Manager will not have separate office and staff to conduct his work. The Regional Office will be situated at a central branch of the region. Regional Manager will monitor activities of a branch at regular intervals.

Group (Collection Center) Formation:

- A group is formed with 10 or more client initially and the number is increased to 35 clients.
- All the clients of a group should be from same the locality and adjacent areas only.
- Only female clients can join in a group for micro loan product and male clients can join as an individual for small business loan.
- The Loan Officer (LO) will specify the day, time & place of the group's weekly meeting in consultation with the clients.

Group Norms:

- The clients should have to attend weekly group meetings physically. In case of any illness or serious problems, they are allowed to repay their dues through their spouse / other family members.
- The clients should attend the meeting in specified day, time and place. The clients must pay weekly installment regularly.
- The clients should have to invest the loan money in Income Generating Activity (IGA)/business.
- The clients have to bring their pass book in the meeting.

Group Management:

- Each group will have one chairperson and one cashier who is elected / selected by the clients.
- The Committee is elected / selected for one year.
- The group resolution book is preserved by the chairperson.
- Yearly change of the meeting place is encouraged, in consultation with the clients, LO takes the initiative to change the meeting place.
- The Committee assists the LO for collecting weekly installments.

Conducting Group Meeting:

- The weekly meetings are conducted at a specific location, on a specific day of the week and at specific time.
- The meeting is conducted by the LO and the chairperson coordinates.
- The LO makes the entry of installment in each pass book and borrower puts his / her signature.
- New enrolment of borrower, loan proposal, membership withdrawal from the groups, etc. is recorded in the resolution book.
- Total collections of installments are recorded in the resolution book.
- The LO and the chairperson endorses the resolution book with their signatures. In the resolution book, all clients sign as it is treated as an attendance register also.

6. Roles and responsibilities of the Loan Officers in the field operation

The roles and responsibilities of the loan officer shall include the following:

- Identify the potential borrower.
- Convince them to take the loan for income generating activity and its advantages
- Intimate above matter to the Branch Manager to get the credit appraisal.
- Collection of essential information from the borrower like socio-economic and financial conditions.
- Verify the financial viability for the purpose of loan requirement.
- Determination of exact loan amount to be given.
- After disbursement of loan amount LO's are responsible to collect the loan installment from the group.

7. Customer Factors based on the risk categorization (low, medium, high) of the customer

- Credit Bureau rating: All customers together with defined family members with existing credit lines shall be evaluated on the basis of their credit score.

- Customer history: If a customer already has a loan account with the Company, the performance of the individual on the existing repayments shall be evaluated. This is also a subset of the credit score.

8. General Information

- All customers shall be informed in detail regarding the features, terms and conditions before the sourcing of the application.

- The Company shall not discriminate the sanctioning of loans based on gender, caste or religion.

- After the sanction of the loan, the loan terms and conditions, sanctioning letter, repayment schedule and all other such relevant documents shall be sent in any chosen mode and explained to the customer.

- We shall endeavor to inform the customer regarding status of the account prior to it turning into an NPA.

9. Reporting to CIC's

The Company shall ensure submission and updation of credit information for its borrowers regularly to all the Credit Information Companies (CICs) on a frequency as mandated by the RBI regulations.

10. 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 23rd of March, 2022.

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