

**Policy on Flexibility of Repayment periodicity on
Microfinance Loans**

VERSION 1

UNACCO FINANCIAL SERVICES PVT. LTD.

Introduction: Flexibility on Repayment Periodicity means providing options to clients to choose amongst the mode of Repayment frequencies as per their convenience. The repayment frequency options available are Weekly, Fortnightly and monthly.

In reference to the RBI's Direction on Flexibility of Repayment periodicity on microfinance Loans through "Master Direction- Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022", all Regulatory Entities (REs) shall provide its borrowers the flexibility to choose amongst the Weekly, Fortnightly and Monthly repayment modes.

Objectives of the Policy:

- ❖ To create awareness among the clients on the flexibility of Repayment periodicity so that the preferred mode of frequency can be availed.
- ❖ To provide convenience to all segments of income earners select their preferred mode of repayment frequency as per their wage calendar.

Applicability & Validity of the Policy:

The policy will become applicable from such date as approved by the Board of Directors of UFSPL. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

Implementation of the Policy:

UNACCO Financial Services Pvt. Ltd. offers Flexibility on Repayment Periodicity to its Borrowers of Microfinance Loans. During Loan Application (Loan Form Fill up) customers are given the options on Repayment Periodicity to choose among Weekly, Fortnightly or monthly modes. The MIS of UFSPL is also designed in such a way that the periodicity can be selected from the mentioned options.

Policy on Assessment of Household income

VERSION 1

UNACCO FINANCIAL SERVICES PVT. LTD.

Introduction: Assessing Household income of Loan applicant is the key to evaluate the credit & repayment eligibility of a client. For Micro-Finance Loans, the previous Annual Household income eligibility limit of clients is raised from Rs. 1, 25,000 for Rural and Rs. 2, 00,000 urban/ Semi-urban areas to Rs. 3, 00,000. The Loan applicants whose annual household income is under the limit of Rs. 3, 00,000 can apply for Micro-Finance Loans. To assess the eligibility of repayment, the complete Household income assessment is done through a calculation of Household Income and Expenditure of all Earning family members. The Income is also verified through Credit Bureau income check of the Earning family members.

In reference to the RBI's Direction on Assessment of Household income through "Master Direction- Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022", all Regulatory Entities (REs) shall put in place a board-approved policy for assessment of household income. It is also directed to 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.

Objectives of the Policy:

- ❖ To create awareness among the clients about the Credit Eligibility of Micro-Finance Loans.
- ❖ To understand the Credit and repayment eligibility of the client so that the applied loan doesn't create overburden on the clients.
- ❖ To understand the client's livelihood and need of loan.

Applicability & Validity of the Policy:

The policy will become applicable from such date as approved by the Board of Directors of UFSPL. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

Implementation of the Policy:

UFSPL does the Household Income Assessment of all the prospective borrowers who applies for a loan to verify the Loan eligibility. The household income assessment is conducted in five steps

- A. **Household profile verification:** In profile verification, number of Household members, Earning/ non-Earning member's ratio, Type of Accommodation and Availability of Basic Amenities are verified to identify the Risk and Borrowing capacity of the prospective borrowers.
- B. **Household income verification:** In Household income verification part, Income from different sources and all family members are calculated including the Nature, Sector and Type of work are verified.
- C. **Household Expenses verification:** Expense verification is also very important to judge the Risk and Borrowing capacity of a prospective borrower. Both Regular and Irregular (occasional/seasonal) monthly expenses are taken into account to verify the prospective borrower's eligibility to repay.
- D. **Activity Appraisal:** In Activity Appraisal, the Technical know-how, economic viability, infrastructure, storage/ transportation and market of the proposed business are evaluated.
- E. **Credit Bureau Verification:** Gross annual Household Income and Monthly Outflows towards Loan Repayment in Existing Loans of the Loan applicant are cross-checked with the CIC (CRIF-Highmark).

From the above verifications the final assessment is done on Loan Eligibility. The limit on the outflows for repayment of monthly loan obligations (of a Household) cannot exceed 50% of the monthly Household income.

**Policy on Limit on the outflows on account of
repayment of monthly loan obligations of a
household as a percentage of the monthly
household income**

VERSION 1

UNACCO FINANCIAL SERVICES PVT. LTD.

Introduction:

Previously the Loan eligibility of a client was determined by the numbers of Loans availed from Micro-Finance institutions/Small Finance Banks/Banks and Loan Outstanding Cap. Customers could avail maximum 2 numbers of Micro-Finance Loans at a time and the outstanding cap for Micro-Finance Loans was Rs.1, 25,000. As per the latest Directions of RBI the previous cap is replaced by putting limit on Household's all Loan instalments against Household income as maximum 50%. It is assumed that the minimum 50% of the income of all family members of the Household is the minimum requirement for meeting the other household expenses of the family.

Objectives of the Policy:

- ❖ To create awareness among the clients about the Credit Eligibility of Micro-Finance Loans.
- ❖ To regulate the Loan Eligibility as per the Household income of the Customers instead of having same uniform eligibility cap for all customers.
- ❖ To restrict overburden on the Household income of the borrowers.

Applicability & Validity of the Policy:

The policy will become applicable from such date as approved by the Board of Directors of UFSPL. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

Implementation of the Policy: UFSPL follows the limit on the outflows for repayment of monthly loan obligations of a Household as maximum 50% of the monthly Household income. The outflows on account of the Repayment of total household monthly loan installments to all the Existing Loans and the installment of the proposed loan should not cross the 50% of the monthly household income and if it goes above the same, then the loan application will not be considered Eligible for Microfinance Loans.

All the Loans from Banks, NBFCs, MFIS and NGOs are taken into account while calculating the monthly obligations to Loan Repayment.

The CIC (Credit Information Company) report on Current Loans and Household income is cross-checked to get the credit evaluation right.

The Eligibility of Microfinance Loan is subject to

Total Monthly Installment on Existing Loans + Monthly installment on the proposed Loan ×100 =>50%

Total Monthly Household Income

**Policy on the conduct of employees and system
for their recruitment, training and monitoring**

VERSION 1

UNACCO FINANCIAL SERVICES PVT. LTD.

Introduction:

UFSPL has fixed set of conducts for its employees. The conduct of the staffs is regulated by 'Service Rules' and 'Operation Manual' of the Organization which is reviewed time to time and the Code of Conduct set by the SROs and RBI are also ensured. Timely training programs are arranged to train the staffs on their communication and gesture towards customers which is also ensured through the tests conducted across the annual test calendar. The conduct of the staffs are strictly monitored and linked with the Performance Appraisal and salary increment of the staffs.

Objectives of the Policy:

- ❖ To create awareness among the employees and potential employees about the process of Recruitment, Training and Monitoring.
- ❖ To ensure a uniform and fair application of Human Resources Policy, Procedures and Practices so as to achieve consistency of management decisions.

Applicability & Validity of the Policy:

The policy will become applicable from such date as approved by the Board of Directors of UFSPL. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

Implementation of the Policy:

The company follows a rigorous Recruitment, Training and Monitoring process.

Recruitment Process:

UFSPL follows a strict Recruitment policy where minimum Educational qualification and prior experience for each level of staffs are fixed. For the Ground level staffs (Relationship Officers to Branch Managers) minimum Educational qualification is 10+2 whereas for the Mid level management (District Managers to Regional Managers and HO Team members), educational qualification is set as Graduation. For the Senior Management level (HO Managers and above), specializations in own Departments are required. Company follows separate Internal Job Posting as well as External Recruitment policies for filling up the vacancies where different set of criterias are fixed to place a staff.

The different levels of staffs are recruited with multiple interactions/interviews. Background verifications are also done with personal as well as professional verifications.

Staffs are initially placed under one year of probation after successful completion of which the services are regularised or extended depending on the performance.

Training:

UFSPL takes care of the staff's training needs at the various levels of management and field team. We as an organization believe that imparting adequate trainings is one of the most important requirements for upgrading the team.

UFSPL arranges different in House and external training programs for its staffs.

There is fixed **induction training** for all the new joiners with field attachment programs for field staffs.

Refresher training programs are arranged for existing staffs time to time.

UFSPL also nominates various level of staffs for the **training programs arranged through external organizations** like NABARAD, NEDFi etc. Other online as well as offline training programs are also arranged to its staffs in cooperation with other leading training organizations like IIBM, M2I etc..

Other on the job **need based trainings** is arranged time to time.

Monitoring:

UFSPL monitors the staff conduct, training implementation and field operations through its rigorous field and Branch visits conducted at various levels. Adequate actions are taken and suggestions are made to maintain the standard operating practices.