

Atmosphere of trust, empowerment and performance-based reward is the key factor of retaining right talent in the organization.

LOAN REPAYMENT POLICY

Policy Owner

 **DIGAMBER FINANCE**[®]

Organization

DIGAMBER CAPFIN LIMITED (DIGAMBER FINANCE) is a Microfinance institution started in April 1995 in Rajasthan, India. 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 poor are left behind’ in the areas of operation.

Areas of Operation

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

Objective and Scope of this Policy

DIGAMBER CAPFIN LIMITED (DIGAMBER FINANCE) is registered with Reserve Bank of India (RBI) as a non-deposit accepting Systemically Important 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 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, corporate 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 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.

Policies and Manuals: Loan Repayment Policy

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

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 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. Company shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

Complain can be sent through the following process:

(1) Toll free no. i.e., 1800-1806-365

(2) Through Email: co_client@digamberfinance.in

(3) Written complain to:

To,

The Nodal officer,
Virendra Kumar Bhargaw (Vice President)
C/o DIGAMBER CAPFIN LIMITED
J-54-55, II Floor, Anand Moti, Himmat Nagar,
Tonk Road, Gopalpura, Jaipur, Rajasthan-302018

Customers may approach the Grievance cell of the Reserve Bank of India (RBI) if:

- (1). The written complaint is rejected by the company or;

Policies and Manuals: Loan Repayment Policy

(2). They are not satisfied with the response received from the company or;

(3). They not receive a response within One month from the date of representation received by the company.

Grounds for filing a complaint by a customer:

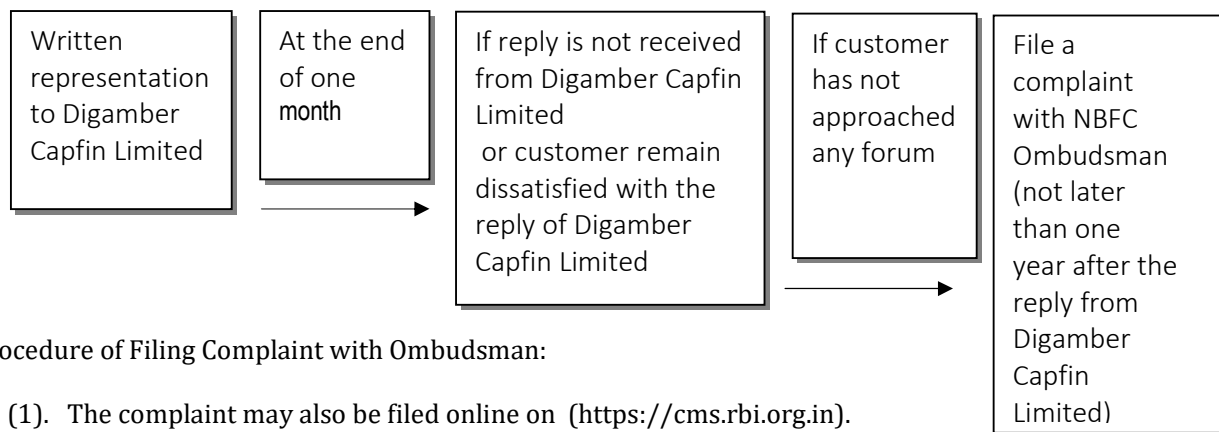
Any customer aggrieved due to any deficiency in service i.e., a shortcoming or an inadequacy in any financial service which may or may not result in financial loss or damage to the customer may file a complaint under the Scheme personally or through an authorised representative

Grounds for Non-Maintainability of Complaint

No complaint for deficiency in service shall lie under the Scheme in matters involving:

- (a) commercial judgment/commercial decision of a Regulated Entity;
- (b) a dispute between a vendor and a Regulated Entity relating to an outsourcing contract;
- (c) a grievance not addressed to the Ombudsman directly;
- (d) general grievances against Management or Executives of a Regulated Entity;
- (e) a dispute in which action is initiated by a Regulated Entity in compliance with the orders of a statutory or law enforcing authority;
- (f) a service not within the regulatory purview of the Reserve Bank;
- (g) a dispute between Regulated Entities; and
- (h) a dispute involving the employee-employer relationship of a Regulated Entity.

How can a customer file complaint?



Procedure of Filing Complaint with Ombudsman:

- (1). The complaint may also be filed online on (<https://cms.rbi.org.in>).
- (2). Complaints can also be filed through the dedicated e-mail i.e. crpc@rbi.org.in or sent in physical mode in the format prescribed and appended herewith to:

‘Centralised Receipt and Processing Centre’
Reserve Bank of India, 4th Floor, Sector 17,
Chandigarh - 160017.

5. 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

Policies and Manuals: Loan Repayment Policy

implemented with their consent.

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

Center Meeting:

Center Meetings shall be held by RO for the purpose of recovery of repayment from clients, at a fixed place at a fixed time (usually between business hours) and fixed day between Mondays to Friday for four weekly loans. The place for holding a Center Meeting should be at a central designated place in the locality. Total time for a center 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 Center Meeting time and place should be informed to Head Office, and should be updated immediately.

The procedure of a Center Meeting is as follows:

- Clients arrive 5 minutes before the meeting and sit in order
- 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, 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 info 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 should behave politely with discipline and punctuality. Maximum number of centers that one RO can take care of is 8 per day.

Visit of Centers:

All branch staff is responsible to monitor the quality and discipline of the center meetings constantly. ABM/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 should visit at least 15 centers in a week and 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, strict action will be taken with immediate effect.

Policies and Manuals: Loan Repayment Policy

Pre-Payments

If clients wish to close the loan account earlier than the scheduled time, a group can do so 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 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 repayment. However they will carry the responsibility of guaranteeing outstanding accounts 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, 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 & DIGAMBER FINANCE. No transactions are to be entered into system without the availability of the "Receipt Office Copy". FO 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 its outcome. 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 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 follow-up on all individual loan clients at least once a month. A separate list of all accounts which become overdue will be generated and handovers 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

Policies and Manuals: Loan Repayment Policy

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, DIGAMBER FINANCE may pursue legal action as a very last resort.

Appropriate interaction and collection practices

1. Company must have clearly defined guidelines for employee interactions with clients.
2. Company must ensure that all Staff and persons acting on behalf of the MFI
 - a) Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
 - b) DO NOT indulge in any behavior that in any manner would suggest any kind of threat or violence.
 - c) DO NOT contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
 - d) DO NOT visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues.
3. MFIs must provide a valid receipt (in whatever form decided by the MFI) for each and every payment received from the borrower.
4. MFIs must not collect shortfalls in collections from employees and their HR policies must categorically denounce this practice. An exception can however be made in proven cases of frauds by employees.

DIGAMBER CAPFIN LIMITED

Registered office Address:

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