

<b>Policy Title</b>	<b>Assessment of Household Income, Repayment Periodicity and Limit on Outflows of Repayment Policy</b>
<b>Version Number</b>	<b>2.0</b>
<b>Owner of the Policy</b>	<b>Compliance Department</b>
<b>New/Renewal</b>	<b>Renewed</b>
<b>Last date of Renewal</b>	<b>2<sup>nd</sup> December 2022</b>
<b>Periodicity of Renewal</b>	<b>Annual/or earlier if required</b>
<b>Date of Approval/ Revision in the Board</b>	<b>25<sup>th</sup> July 2024</b>

**For Board of Directors  
SARWADI FINANCE Pvt Ltd**

*Diksha Shah*  
Director

**Diksha Shah  
(Managing Director)**

**SARWADI FINANCE PRIVATE LIMITED**

Regd. Office : Flat No. 31, Ganga Jamuna, 3rd Floor, 28/1, Shakespeare Sarani, Kolkata - 700 017, T : 033 4021 4300  
CIN : U67100WB2017PTC235052

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Associate Company of :

## **INTRODUCTION**

The Reserve Bank of India (RBI) had issued Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated 14<sup>th</sup> March, 2022. Based on this, Sarwadi Finance Pvt. Ltd. (SFPL) formulated this Policy known as **POLICY FOR ASSESSMENT OF HOUSEHOLD INCOME, REPAYMENT PERIODICITY AND LIMIT ON OUTFLOWS OF REPAYMENT.**

This policy is based on the RBI directions and shall be put in place by the Company with the approval of the Board. The policy will be binding on the Company and is subject to changes by subsequent approvals of the Board.

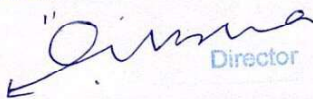
As per the Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated 14<sup>th</sup> March, 2022 a microfinance loan has been defined as a collateral-free loan given to a household having annual household income up to ₹3, 00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their adult unmarried children. The following methodology will be used by the Company to assess Household Income.

1. **For undertaking the income assessment of a low-income household, information related to the following parameters may be collected by the lender:**

### **A. PARAMETERS TO COLLECT HOUSEHOLD PROFILE**

- a) Composition of the household
  - Number of earning members
  - 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.)

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Director

## **B. PARAMETERS OF HOUSEHOLD INCOME TO BE COLLECTED**

### **a) Primary source of income**

- Sector of work (Agriculture & allied activities, trading, manufacturing, services, etc.)
- Nature of work (Self-employed, salaried, or daily wagers regular or seasonal, etc.)
- Frequency of income (daily/ weekly/ monthly)
- Months/ days of employment over last one year
- Self-reported monthly income
- Average monthly income
- Annual Income

### **a) Other sources of income**

- Remittance
- Rent/ Lease
- Pension
- Government transfer
- Others (specify details)

**b)** The income assessment may be carried out for all earning members with respect to all sources (primary or secondary) of income. While assessing income, it may 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.

**c)** The income assessment for all members and sources may be carried out for over a period of minimum one year to ascertain the stability of the household income.

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**C. PARAMETERS OF HOUSEHOLD EXPENDITURE TO BE COLLECTED**

- Regular monthly expenditure (food, utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees, etc.)
  - Irregular expenses over last one year (medical expenses, house renovation, purchase of household goods, functions, etc.)
2. Self-reported income at 1(B) above may be corroborated with the profile of household at 1(A) and household expenses at 1(C).
3. Further, household income may also be verified from other sources:
- Bank account statements
  - Other members of the group
  - Other references in the vicinity
  - Any other source available.

SFPL shall submit information regarding household income to the Credit Information Companies (CICs). Any deviation from the household income reported by the borrower and household income assessed by the company shall be ascertained and verified by SFPL from the borrower/s before updating the household income with CICs.

**REPAYMENT PERIODICITY**

SFPL shall give it's borrowers the liberty to choose the frequency for repayment of the loan based on their convenience- Monthly/Weekly/Bi-Weekly

**LIMIT ON OUTFLOWS OF REPAYMENT**

SFPL shall assess the limit on the outflows of repayment of monthly loan obligations of a household as a percentage of the monthly household income. In doing the same, the following shall be maintained.

The outflow of repayment of monthly household loan obligations will be limited to 50% of the monthly household income of the borrower.

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Director

- 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 (SFPL & Others) as well as the loan from SFPL which is under consideration.
- In case the outflow of repayment of monthly household loan obligation exceeds 50% of the monthly household income of the borrower, the existing loans shall be allowed to mature before a new loan can be given. A new loan shall only be provided to these households once the prescribed limit of 50 per cent is complied with.
- SFPL shall provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness.
- SFPL shall also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

Note: The assessment of household income as done by the field officers will be subject to annual audits and assessments both by the Auditors and senior officials of the Company.

**Policy Review:**

The Management will annually review and assess the adequacy of the Policy in line with the RBI updates and recommend changes to the Company's Board. Any updates/ changes to the Policy will be approved by the Board and communicate to the relevant customer/ staff/ other stakeholders.

SARWADI FINANCE PVT. LTD.

  
Director

**Diksha Shah**  
**(Managing Director)**

**Date: 25.07.2024**

**Place: Kolkata**