

# Credit Policy

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## VECTOR FINANCE PRIVATE LIMITED

### Credit Policy

Vector finance Private Limited (Vector Finance) is involved in giving small-ticket loans (microfinance loans) to women borrowers for mainly income-generating purposes. Through providing these loans, Vector Finance aims to uplift the quality of life of its borrowers. Vector Finance conducts a basic assessment of the borrowers' loan requirement and ensures that customers have existing income levels to service these loans. Vector Finance will ensure that its operations adhere to external and internal governance standards.

#### 1. Policy Overview :

- 1.1. Poverty and exclusion continue to dominate socio-economic and political discourse in India as they have done over the last six decades in the post-independence period. Poverty reduction has been an important goal of development policy since the inception of planning in India. Various anti-poverty, employment generation and basic services programmes have been in operation for decades in India. The ongoing reforms attach great importance to elimination of poverty and addressing the wide variations across states and the rural-urban divide.
- 1.2. Over the decade, Reserve Bank of India, as also other policy makers have resolutely pursued the agenda of financial inclusion and achieved progress in improving access to financial services for the masses.
- 1.3. The present economic growth of our country is sustainable when primary sector growth picks up. Proper credit flow is required for planning such growth. Since the existing banking structure is not in a position to meet this demand, a quicker and effective outreach is possible through the NBFC-MFIs/Non-Government Organizations (NGOs)/ Self Help Promoting Institutes (SHPIs)/ Other FIs which would be a better model to achieve the set goal.

## **2. Objectives of the Credit policy:**

- I. To frame broad guiding principles for deciding credit flow to customers in microfinance
- II. To define various businesses that the company can undertake
- III. To prescribe sanctioning authority, sanctioning process, monitoring and compliance.

## **3. Scope of Credit Policy:**

- 3.1 The policy would govern all fund-based loans to individual and JLG including loans under microfinance.
- 3.2 The policy would also govern lending under Business Correspondent Model, Securitization, direct assignment (with company being seller or subscriber) and all other loan including individual loans.
- 3.3 The policy shall guide broad geographical diversification of portfolio
- 3.4 This Policy lays down the principles and procedures for determination of rate of interests to be charged from the clients, subject to the adherence of RBI directions in this regard and also the policy be read in concurrence with the existing RBI guidelines, directives, circulars and instructions
- 3.5 Financial inclusion is gaining importance for promoting inclusive growth. This has created more opportunities for MFIs in rural/semi urban area especially for lending to allied agriculture and micro enterprises.

## **4. Planning & Budgeting**

- a) The company shall formulate credit budgets keeping in mind the prevailing micro-management and market condition.
- b) The conditions of borrowers' basic eligibility shall include
  - The borrower(s) and activity of the borrower shall be legally permitted
  - Satisfactory track record of the borrower with other MFI(s), as applicable.
  - Acceptability under KYC norms.
- c) One-time settlement (OTS) account/ rehabilitation may be funded on case-to-case basis.
- d) The company shall directly correspond with the borrower / guarantors as a part of pre-sanction due diligence.

## **5 Asset Liability Management :**

The company shall extend term loan with scheduled repayments to customers. The company shall keep in mind that the maturity period of such loan may be different from the liabilities. The company shall aim to minimize the gap in the maturity period of assets and liabilities. Any surplus liquidity available shall be deployed as decided by ALCO.

## **6 Exposure Management:**

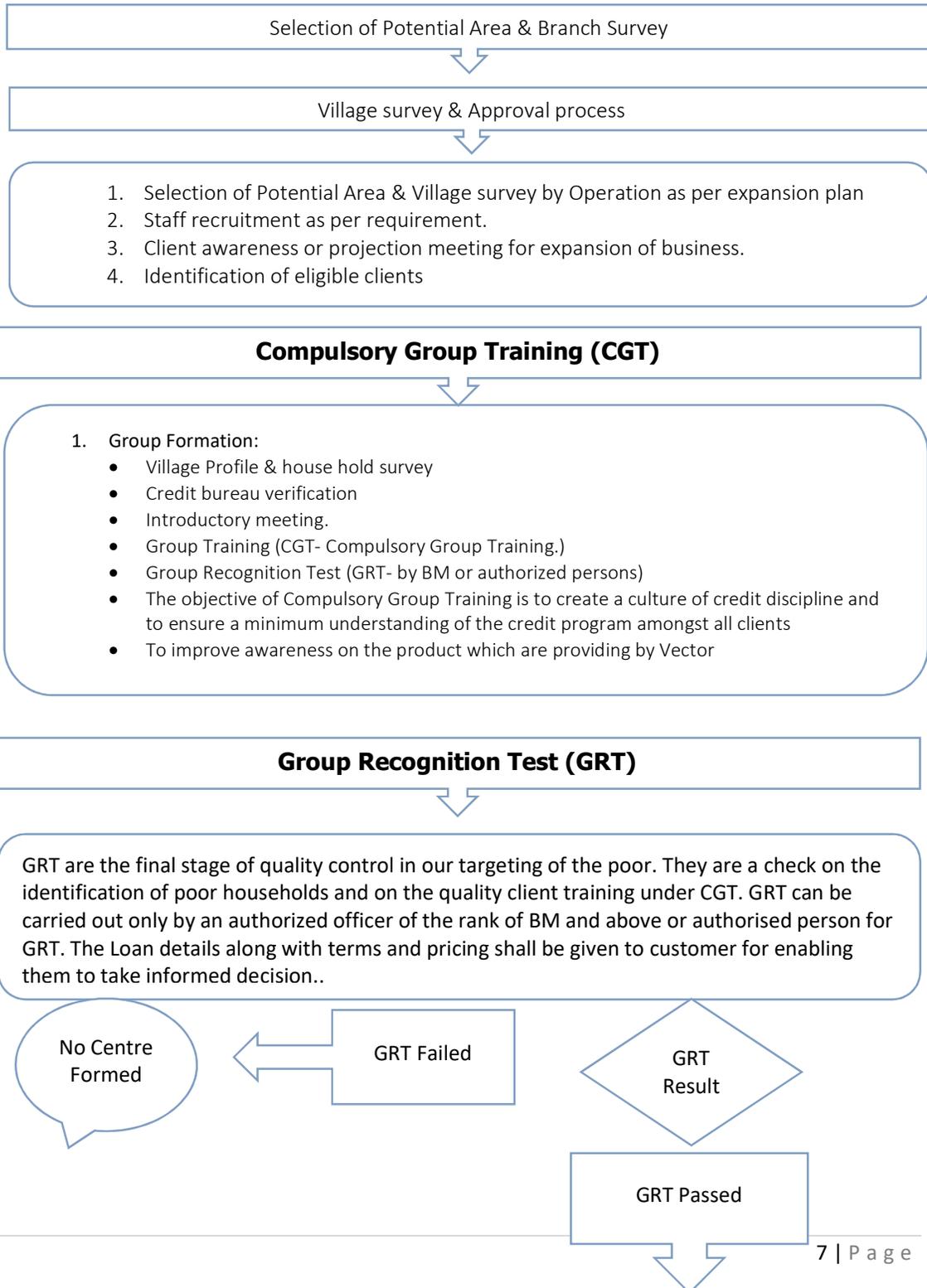
Multiple MFI Operate in various geographies of the country. The per customer exposure shall be guided by extant RBI guidelines applicable for MFIs. The State wise concentration of portfolio of the company shall be maintained below 50% in Odisha State and rest of the states should be maintain below 25% of the loan portfolio. The State wise exposure shall be reviewed by Risk Management Committee of Board (RMCB).

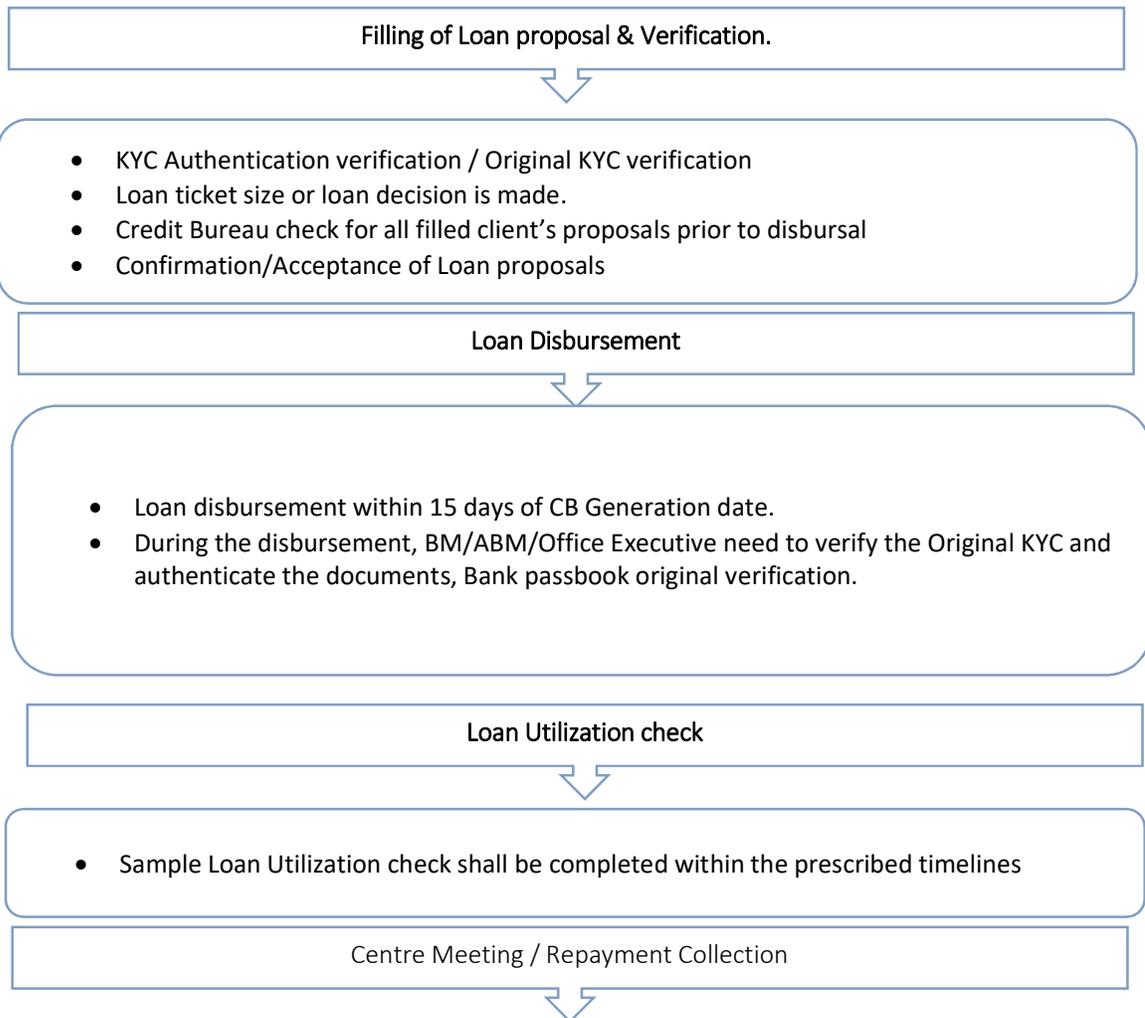
## **7 Eligibility Criteria for loans:**

- i. Under the microfinance programme, only women can become the member and form a group/ centre;
- ii. All members should be in the age group of 20-58 years;
- iii. All the members forming the group must be residing in close proximity to each other
- iv. Each of the clients' loan application will be signed by atleast one more member/ spouse
- v. In rural branches all member's permanent residences are desirable
- vi. In a centre, there shall not be 2 or more members from same family in a same group, they may be in two different groups.
- vii. Kin relations are only allowed if they have separate house, separate kitchen & separate business but shall not be admitted in the same group.
- viii. Only those potential clients qualifying the criteria as per the RBI guidelines considering the Monthly Family House Hold Income eligibility criteria of Rs.3,00,000/- maximum shall be eligible.
- ix. The total EMI should not be more than 50% of total household's income.
- x. For Microfinance, loan shall be 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. Branch officials shall discuss with customers and villagers while arriving at the family income in case proper documentary evidence is not available.
- xi. Company can extend non microfinance loans

8 **Credit Process Flow & Procedure for Selection of Clients:**

The process of accelerating credit to women for up-liftmen and economic development shall be continued. While extending finance to Joint Liability Groups [JLGs]/ Individuals as beneficiaries, special attention and top priority is to be given to women beneficiaries. Following steps shall be taken while extending microfinance loans.





9 **Compulsory Group Training ( CGT ):**

Once the groups are formed by the members voluntarily and the rearrangement of members is done by the CRO, the CRO does the Credit Bureau check of the customers as well as other earning members of the individual family unit & shall start the CGT. While the discussion is a formal way to communicate the rules and regulations of the company, the CRO shall observe the members on their willingness and ability to proper usage of loans and timely recovery. Detailed CGT process shall be framed in the Operation manual of the company to be approved by Management.

Once the CRO is confident that members have understood the particulars explained in CGT, he/she shall schedule the GRT based on the availability of the Branch Head. The GRT by Branch Head shall be done within prescribed timelines from the completion of the CGT. Post GRT and house visit, the Branch Head / Sanctioning Authority can reduce, reject or defer the loan of any member already sanctioned based on defined parameters.

Once approved, the agreement print shall be generated from the system.

#### **10. GRT Process:**

A detailed GRT process covering the above shall be prescribed in Operational manual.

#### **11. Document Verification process before Disbursement:**

**Vector finance** credit team verifies documents, they typically check the documents as bellow process.

i) Identity of the Clients:

The applicant's PAN card, Aadhaar card, passport, voter's ID card, or driving license, as applicable

ii) Address Proof:

The applicant's electricity or gas bill, Aadhaar card, passport, or bank passbook, as applicable

iii) Income Source Verification:

In absence of any documentary evidence for the source of income, the Judgement of Vector representative alongwith the customer declaration shall be considered.

iv) Credit score

The applicant's Credit Bureau report, indebtedness details whether she is defaulter in other MFI. DPD, repayment history of other MFI etc.

v) House Verification:

The verification team may also visit the applicant's residence and/or workplace to confirm their address if required.

#### **The documentation required vector clients:**

- Updated application form
- Passport-size photos
- Credit Bureau Report.
- Both borrower & Co-borrower KYC with self-signed.
- Issued Key Fact Statement to client copy need to attached with documents.

- All the above documents should be verified by BM with seal of OSV (Original seen and verified)

## **12. Centre Meeting Process**

Centre meetings, the meetings of customers staying at close proximity shall be conducted for customers convenience while repaying loans. A detailed Centre Meeting Process shall be covered in the Operation manual of the field operations.

Staff behavior during client interaction shall be guided by extant RBI guidelines.

## **13. Other lending businesses:**

Vector Finance shall mainly concentrate on building unsecured microfinance as per direction of RBI to NBFC-MFIs. Within the prescription, the company may build other loans (secured/ unsecured). Detailed manual shall be approved by management in this regard.

## **14. Pricing of loans:**

The Pricing to customer shall not be usurious and shall include Interest charges, Processing fee & insurance premium collected from members. The Key Fact Sheet (KFS) as per the format prescribed by RBI shall be provided to customers. The pricing shall be reviewed by ALCO on a quarterly rest, and shall be informed to Board in case of any change.

## **15. Sanctioning Authority:**

For All Microloans, Branch Head and above shall have the sanctioning power irrespective of loan size. In addition, the Credit Team under the Risk Department shall have the power to recommend/ approve loans/ deviation.

For other secured/ unsecured loans (irrespective of loan size), Credit Team under Risk Department shall have the final sanctioning power.

## **16. Recovery of loans:**

Regular loan instalments shall be recovered primarily by the Company official. In case of any overdue loans, the company may use the services of Recovery agencies having expertise in such activities. Code of conduct prescribed by RBI in collection of instalments from borrowers shall be strictly adhered to by recovery agencies if applicable.

### **17. Lending under Business Correspondent Arrangement**

As an alternative, the company may tie up with eligible entities for lending to customers under Business Correspondent. The pricing and loan policies of the BC lender shall be followed for such loans.

### **18. Lending under Co-lending Arrangement**

The company may tie up with eligible entities for booking business under Co-lending. The customer pricing and loan process shall be decided in consultation with the lending partner and shall be approved by the Management.

### **19. Direct Assignment and PTCs of loan books as Originator**

The company may assign loan book (either under Direct Assignment or Pass Through Certificate) to eligible entities. The company may act as the servicer of such loans to earn fee income.

### **20. Direct Assignment and PTCs of loan books as Company being subscriber**

The Company may subscribe to the loan pool under Direct Assignment/ PTC backed by microloans eligible to be classified under microfinance. The pricing of such loans shall continue at the original contracted rate as offered by the originator. Company shall maintain segregated data of such customers. Such proposals shall be approved by Risk Management Committee of the Board.

### **21. Reporting to Credit Information Companies:**

Vector finance shall ensure submission and updating of credit information for its borrower regularly to Credit information company on a monthly basis or at shorter interval.

### **22. Periodic Updation/ review:**

The Credit Policy shall be reviewed annually. Any interim changes in policy shall be approved by Risk Management Committee of the Board and shall be reported to Board before implementation. Any regulatory prescription related to the business shall be accepted/ implemented within prescribed timeline.

