WOMAN

(Welfare Organisation for multipurpose Mass Awareness Network)

Credit Policy 2016-2017

1. Introduction

Group loans to women consists the largest portfolio in WOMAN and is extended in all branches across the company. Below chart describes the operational procedure of WOMAN's group loans to women at a glance.

- Area Selection
- Identification of client/Group
- General meeting and Group formation
- GOP day 1: Registration
- GOP day 2: Learning Norms of WOMAN
  : Learning credit Policy
  : Review and Application
- GRT
- Sanctioning: Sanction Committee
- Disbursement
- Centre Meeting: 1st Recovery

1.1 Client Identification/Group

- CRO should identify Clients/Group as per eligibility criteria. After identifying Client/Groups, CRO should inform the client details to BM
- BM should cross verify the Client details as per eligibility criteria
- BM immediately should send the client details in credit bureau report format to MIS department. MIS department generates the credit bureau report and sends the same report to branch within one day. BM should cross verify the credit bureau report and overlap report with eligibility criteria and prepares eligible groups for GOP.

"Credit Information Bureau: It is an organization which maintains the details of borrowers of all MICRO FINANCE's along with the history and details of loans.

Each member MICRO FINANCE can verify credentials of each applicant/borrower and get the detailed report about no. of loans, payment history including defaults if any. As of now in India all MICRO FINANCE's shared their data with credit information bureau and it is very helpful in taking credit decisions. CIBIL, HIGHMARK, EQUIFAX are few credit information bureaus working in India and we will be utilizing the services of "HIGHMARK "

1.2 Group Orientation Program (GOP)

CRO should organise 2 days Group Orientation Program (GOP) to all prospective members immediately after above process. GOP occurs at a scheduled time at a scheduled central place, GOP should be given to maximum of 2 groups at a time for 15 to 30 minutes.

While organizing a GOP, a CRO should:

• Arrive on time and strictly follow the syllabus and time schedule to demonstrate the discipline expected of clients in all matters

• Ensure that all prospective members attend each day of GOP

• Conduct the GOP in the vernacular language understood by all the language

• Behave in a professional, respectful and friendly manner and ensure all necessary information reaches clients properly and correctly. Encourage active participation and questions.

• Enter topics covered and attendance on GOP status form

GROUP ORIENTATION PROGRAM (GOP)

DAY-1: Organization Profile

• Share information about WOMAN: Mission, history, branch locations

• Share necessary information about other MICRO FINANCEs actively operating in the area to enable the clients to make meaningful comparison and take an informed decision.

• Make it clear to the clients this program is provided to them free of cost.

• Discuss why small businesses are effective income sources for the low-income households, and how microfinance loans can enhance livelihood

• Educate customers regarding availing and utilizing the appropriate loan amount

• Gather information on client's background and their livelihoods

• Collect photo identity proofs along with age and address proof

• Address clients' concerns, doubts, and questions if any

• Conduct house visits

FO explains norms of WOMAN, such as:

• Client Characteristics: Policy on who can and cannot be a group member

• Group Liability: All group members are responsible for the non-payment by any single client

• Behavioural requirement: Punctuality, sitting discipline in centre meetings, and compliance to WOMAN's rules and regulations

• Explain insurance coverage for client and the claim procedure

• Educate clients not to pay any unauthorized payment to Group leader/member/agents or Mediators and WOMAN staff for availing a loan.

• Attendance requirement: impress upon them they need to maintain at least 80% attendance in the centre meetings so that they become eligible for the next loan.

DAY-2: Credit Policy and Other Matters

FO explains WOMAN's terms and conditions of loans and insurance

• Interest rate, insurance premium, repayment schedule, terms and conditions of loans etc.

• Make clear to the clients that the pricing of the loan involves only 3 components viz. the interest charge, the processing fee and the insurance premium and interest will be calculated on a reducing balance method.

• Make it clear to the clients that no penalty will be charged for late repayments/prepayments.

• Explain to them that no cash margin/deposit is collected by them.
• Inform the clients that the entire amount collected towards insurance premium is paid to the insurance company and no additional amount is collected by the WOMAN.
• Explain to the clients that there is a grievance redressal system in place and any grievance/ complaint by any client can be brought to the notice of the staff members of WOMAN at Centre/ Branch/HO in person, mail/letter or over phone.
• Inform the client that we have provided Customer Grievance Redressal Officer’s phone number, address and mail I.D on loan card.
• Review all the covered topics in GOP and prepare for GRT
• Collect Loan Application Form (and other client details, if applied) and issue acknowledgement for the same.
• The signature of the spouse/nominee should be obtained on the application form after explaining all the terms and the conditions of the loan
• Hand over the filled forms to BM for appraisal.

1.3 Group Recognition Test (GRT)

Immediately after successful completion of GOP, GRT will be scheduled with FM at one of the group member’s house. GRT should happen only after generating the Customer ID. On the GRT date, all clients’ presence is compulsory. Branch Manager should visit each client’s house to verify the address and activity. At GRT, in addition to CRO, BM cross-verifies clients' understanding of WOMAN’s policies and procedures, income by observing:

• Punctuality & Discipline during GOP and GRT
• Awareness of WOMAN’s services
• Knowledge of WOMAN membership norms
• Knowledge of credit terms and insurance
• Awareness on Grievance Redressal Mechanism of the company

Sample questions asked at GRT are:

What is the interest rate?
What is the name of the company?
At What time is the centre/Group meeting starts?
How much should be repaid in each month?
Were our branch is located?
Has anyone asked bribe to avail the loan?

In case a group failed GRT, the result is communicated to the group immediately after GRT. If a group passed GRT, the branch proceeds to sanctioning at the earliest by Head Office Sanction committee.

All members of a group must pass the GRT to get loans. If one member fails GRT, her entire group must re-take GOP and GRT, or the group may decide to select a new member for replacement. This new group must take GOP and GRT again.

In GRT, BM verifies

• Social appraisal/ counterparty check to verify the applicant's credibility with neighbours and other group members
• Home visit to verify her family's financial situation, assets and property she registered, and commitment to the loan terms
• Business visit to check profitability of business establishment
• To verify annual income and cash flows of the client and household
•To verify loans with other MICRO FINANCE ‘s and repayment history, Outstanding amount and instalments

1.4 Sanctioning

Head Office Sanction Committee (HSC) is held at a centralized location to review loan application with the attendance of concerned branch staff. At HSC, FM briefs on loan application with client details, credit bureau report details, discuss sanction amount.

BM verifies credit bureau report, client cash flows, activity, and purpose of loan and makes a final decision on the amount and approves them. AM heads HSC. Loan sanction details conveyed to the client and obtain the acknowledgement.

1.5 Disbursement

• After HSC, list of members with loan amount are informed to the AM; AM verifies the details and places an indent on the accounts department. The accounts department will maintain the cash to the respective bank account, disbursement will be done by providing cheque/NEFT to each member Individual accounts.
• Disbursement for monthly loans can be made on any date of the month and for weekly/ fortnightly loans disbursement should be only on centre meeting day.
• Centre should start with maximum of 2 groups i.e., branch should disburse to only 2 groups at one time and then can add up to maximum of 3 groups in a month.
• Full attendance of a group with spouse/nominee is required for disbursement.
If there are absences, disbursement is rescheduled to the next date.

Disbursement process:
• Specific time slot is allocated to each group for disbursement; FO first communicates this schedule to the group leader
• Groups gather at the branch office, wait for their turn in the waiting space

• A group is called in, FO again confirms the group members/spouse terms and conditions of the loans, and collects signatures on loan documents
• ABM collects Loan Processing Fee (LPF) and Insurance Premium from clients, and obtains signature on loan documents and on loan card
• BM and above double-checks loan documents and repayment schedule and confirms that date of Credit Bureau Report is not exceeded 14 days.
• Once again BM confirms with group members/spouse, terms and conditions of the loan, and hands over the cheque to each client. Clients verify all the details in the cheque and leave the office
• BM records disbursement details in register and the system on the same day
• BM along with any one of the staff go to the bank and remit the LPF and Insurance Premium amount collected.

Both BM and above and ABM's attendance is mandatory for disbursements. The maximum number of groups one branch can disburse is 10 groups per day to ensure quality of the services.

1.6 Loan Documents

GROUP LOAN Documents at a Glance

Group Registration form

KYC form records: client details such as name, address, date of birth, nominee name, a client's photo and family structure. The registration form is filled and collected on the first day of GOP with assistance of CRO, stored and entered into MIS at the branch office.

Loan Application and Appraisal forms:

Loan application form records: client's applied loan amount, purpose of loan, income generating activity. Loan application form is filled on the 2nd day of GOP with CRO's assistance, and reviewed at the HSC and stored in the branch office afterwards. Both signature and fingerprints of clients are accepted as verification.

Loan appraisal form records detail information of applicants pertaining to repayment capacity, such as monthly income, family structure and house material. Loan appraisal form is furnished with details by Appraiser BM/FM and used in the branch office at the time of HSC for the detail discussion.

Sanction Letter

Sanction Letter contains all the terms and conditions of the term loan shall be handed over to the client immediately after the HSC and obtain an acknowledgement.

Promissory note (Pro-note)

All clients sign the promissory note at the time of disbursement to formally promise repayment of loans to WOMAN in writing. All clients are required to supply Rs.1- revenue stamp to be pasted on the promissory note for JLG model Loan and Group Representative of SHG have to submit Twenty Rupees Stamp paper for Group Inter se Agreement.

Term Loan Agreement

Term Loan Agreement containing the terms and conditions of the Term Loan shall be executed between the individual client and WOMAN for JLG model also with Group and WOMAN for SHG model.

Mutual Guarantee Agreement

All GROUP LOAN clients sign Mutual Guarantee Agreement at the time of disbursement to formally agree to co-guarantee the repayment of all members of a group a client is associated with.

Loan Card

Loan Card for group loans records: centre details (name and number), group name and number, client details such as ID number, cycle, loan amount and loan details such as interest rate, Loan will be clearly displayed on Loan Card. BM has to ensure the disbursement done through software. Loan Card are distributed at the time of disbursement, and collected and updated at each centre meeting by CRO.

1.7 Centre/Group Meeting

Centre/Group Meetings are held by CRO for the purpose of recovery of repayment from clients, at a fixed place at a fixed time (usually between 7am to noon) and fixed day each week between Monday to Friday for weekly /fortnight loans and from 1st to 28th of every month for monthly loans. The place for holding a Centre Meeting should be at a central designated place in the locality. Total time for a centre/Group meeting ranges from 10 minutes to 15 minutes.

Centre/Group Meeting locations, time schedules and expected recovery amounts are available in Day book register in the system. Any change in Centre/Group Meeting time and place should be approved by AM, and should be updated immediately

The procedure of a Centre/Group 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
- CRO arrives at the meeting location exactly on time and introduces visitors (if any)
- CRO takes attendance by pronouncing their names, take notes in collection sheet.
- Respective group leader hands over money and loan card to CRO in their sitting order

• CRO verifies cash amount, and enter the collected amount in WOMAN exclusive mobile application, provide printed receipt via Bluetooth printer, signs the loan card for both group(Yellow) and individual(Pink), and records "check" if present, enters in loan card for payment and returns them to group leaders
• Clients ensure that CRO has correctly entered info on the loan card
• CRO makes necessary announcements, asks for questions and comments from clients

Management of centre/Group meeting is the essential part of CRO's work. CRO should behave politely with discipline and punctuality. Maximum number of centres/groups that one CRO can take care of is 12 groups per day (or) 2 centres per day.

1.8 Back office Administration

Immediately after the return to the branch office after completing the centre/Group meetings of the day, back office administration takes place in the following flow:

• CRO recounts the day's recovery and confirms the total amount and denomination with the to ABM.
• ABM verifies cash and collection in the system on CROs GL account, and compares them with the day's demand.
• After collecting cash from all CROs in branch, ABM reverse the amount in CROs GL account to Cash in hand and prints out Staff daily cash position report and branch daily cash position report, and hands them out to BM for verification
• BM verifies above reports, and all cash transaction in software and pass the entry in the software.
• ABM and another branch staff –either BM or CRO—go to the bank to remit cash. The collection amount should not be utilized for any disbursements.

Where Safe Chest is provided maximum of Rs.25, 000 cash can be stored overnight in office in case there are scheduled disbursement and/or recovery. Overnight

physical cash storage more than 25,000 requires AM's approval. Branches should operate the bank accounts wisely so that optimum utilization of funds with minimal transaction cost.

1.9 Loan Utilization Check

CROs are responsible to conduct a loan utilization check to ensure the client's purpose of loan matches with the actual activity within 20 days of the disbursement. CROs visit to the client's business location and confirm the utilization of loan in the prescribed format. If loan is not utilized for the specified purpose on the application form, the case should be recorded in the LUC form.

1.10 Pre-Closures

If clients wish to close the loan account earlier than the scheduled time, a group can do so by communicating to CRO in advance. This process is called pre-closure

In case of pre-closure 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-closure.

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. All pre-closure should happen in the presence of ABM and above level. No penalty or charges should be collected from clients for pre-closures.

1.11 Repeat Loans (Subsequent Cycle Loans)

If clients wish to avail another cycle of loans, they can do so by communicating to CRO in advance.

At that time, clients should discuss whether they would like to continue in the same group or form a new group. If they wish to continue in the same group, GOP for the subsequent loan will be one hour for 1 day with GRT on the second day. Loan cards for the previous loan accounts should be attached to the new application forms at the time of submission.

If clients do not wish to continue with the same group but wish to avail another cycle of loan, they can form a new group by recruiting new members into a group. Then all group members should go through 2 day long GOP and GRT.

When considering the sanction of repeat loans to clients, staff should take attendance rate of the previous loan into consideration. Minimum of 80% attendance is required for clients to avail subsequent cycle loan. Exceptional cases can be permitted only with the approval of AM.

1.12 Top-up Loans (TUL)

Existing Loan clients can apply for additional amount of loans, called “Top-up Loan” (TUL) after successfully finishing 50% of their repayment tenure with attendance rate of above 80%. A client can apply Top up loan amount for Rs. 6000, Rs. 8000/-, in multiples of Rs. 2000/-.

Process:

• CRO explains about the Top-up Loan at the time GOP
• CRO should inquire groups whether they wish to apply for Top-up Loan when the group reaches 50% of their repayment tenure
• Option to apply for top-up loans is offered to clients during previous due before reaching 50% of tenure of the current loan cycle.
• Interested members can contact CRO
• CRO collects the details of the interested members and the send the details to the Credit Information Bureau

• After receiving Credit Information Bureau Report, CRO should organize one day training program to eligible clients on the terms and conditions of the product. The application will be filled by the CRO.
• HSC reviews the loan application and sanction the loan.
• Disbursement of sanctioned loan amount is scheduled on the earliest centre/group meeting day

Terms and Conditions:

A minimum of two clients from the existing group are required to apply for TUL, however all the group members should accept and sign on the loan documents

All the members of the group presence are compulsory on the day of disbursement

The TUL sanctioned clients should be present along with spouse/nominee for JLG model.

The tenure of the TUL should be closed along with group loan.

All other terms and conditions of TUL are same as the regular group loan product

1.13 Absence and overdue follow-up

Although ABM and BM should monitor centre meetings frequently and conduct loan utilization check to minimize over dues, the branch staff should act promptly and responsibly whenever cases of overdue clients are noticed.

When a client fails to appear at the centre meeting for 2 successive occasions, the CRO 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 UM should review such cases and visit the client. If the absence is more than 6 successive meetings, the AM should review such cases and visit the client.

If all above failed, WOMAN may pursue legal action as a very last resort.

Annexure-3

Abbreviations

SHG	Self Help Group
JLG	Joint Liability Group
LPF	Loan Processing Fee
GOP	Group Orientation Program
GRT	Group Recognition Test
TUL	Top-up Loan
LUC	Loan Utilisation Certificate
CRO	Customer Relationship Manager
FO	Field Officer
FM	Field Manager
ABM	Assistant Branch Manager
BM	Branch Manager
SM	Senior Manager
AM	Admin Manager
HSC	Head office Sanction Committee
KYC	Know Your Customer
MFI	Micro Finance Institution
HO	Head Office
HR	Human Resource