

# **CREDIT POLICY**

**SERVITIUM MICRO FINANCE PVT LTD**

**2025-2026**

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## **1. PRODUCT OVERVIEW**

Microfinance loans are collateral free loans given to Female clients having annual household income up to ₹3,00,000 on the basis of joint liability. Loans are repayable in equated instalments over a period of time. Loans are given for declared legal end use, like business expansion, working capital needs, purchasing raw material, purchasing animals, debt consolidation etc. Clients are organized in Centers Of females and each woman takes joint liability for the other members of the Centre. The center is further divided into Groups. The minimum Centre size is Five. The clients have weekly/fortnightly /monthly meetings where they pay back the loans to the field officers called Relationship Executives of the company. All process and procedures are formulated based on RBI's MFI guidelines issued from time to time.

## **2. PRODUCT FEATURES**

<b>Parameter</b>	<b>Remarks</b>
1st Cycle	Upto Rs.40,000
2nd and Subsequent Cycles	Upto Rs.60,000 but upto Rs.10000 increase on previous loan.
Loan Tenure	Upto Rs.40,000 – 12 Month
	Above Rs.45,000 but upto Rs.50,000 – 15 Month
	Above Rs.50,000 – 18 Month
Processing Fee	1.5 % of Loan Amount
Geographical Limit	1.0 Km from Centre
Eligibility for next Cycle	After close on Eligibility
Age limit	18 – 58 for all cycles

### **3. TARGET SEGMENT**

Group of 5 - 30 economically active married women having total household income up to Rs.3,00,000/- are eligible to apply for loan.

- Self -managed businesses
- Small shop keepers
- Vegetable Vendor
- Animal husbandry business
- Tailoring business
- And profiles with regular and sustainable cash flows

Loan cannot be used for illegal, speculative or anti-social activities

### **4. NON TARGET SEGMENTS**

The following are not eligible for a loan

- Political Leaders
- Big Land lords.
- Wine/Liquor shop owners
- Police & lawyers and their immediate family members
- People running finance & chit funds business
- People involved in real estate business.
- People with bad credit history.
- Government employees
- Temporarily rehabilitated people
- Staffs & Relatives of Servitium.

**5. GEOGRAPHICAL LIMITS FOR LENDING**

Up to 20 Km Radius from the Microfinance branch and 1.0km radius from the center place.

**6. REPAYMENT MODE**

Weekly /Bi-Weekly/Monthly instalments to be paid in cash / as digital methods at center meetings to the Relationship Officer. In no circumstances coercive methods should be used against clients for recovery of dues/ defaults.

**7. REPAYMENT SCHEDULE / FIRST INSTALLMENT DATE**

A specific day in a week to be fixed at the time of GRT (group recognition test) for collecting the instalments and the same day is to be set followed as the collection day throughout the cycle. 1st instalment is to be paid in the immediate next week after 14 days of cooling period from the date of receipt of loan

**8. CREDIT NORMS – MICROFINANCE**

The credit decision will be taken based on following criteria.

a) Financial Criteria

1. Annual Household income only up to Rs.300,000/-
2. Total monthly Household obligation including proposed Loan only up to 50% of monthly Household Income. The details can be cross verified using Credit Bureau report.

b) Non- Financial Criteria

1. Age: 18- 58 Years for both applicant andCo Applicant at entry
2. Health Condition
3. Residence Stability: Minimum 6 months for own house.
4. Group Guarantee
5. Composition: 5 - 30 members in a Center
6. Group Dynamics
  - i) Group has been made by the clients themselvesand not by the staff.
  - ii) All the clients at a center are willing to take eachother responsibility and give mutual guarantee.
  - iii) Members should attend in CenterMeetings.

7. **DOCUMENTATION**

<b>Application form</b>	Duly filled and signed application form in Vernacular required.
<b>Photograph</b>	2 Colored passport size photographs of applicant along with.
<b>Proof of identity/ existence</b>	<p><b><u>Primary Document</u></b> UID (ADHAAR) is Optional but first preference is Adhaar. Adhaar number of the client has been masked in our system. A consent letter from client to be obtained if UID is given as primary ID .If UID is not available Voter ID as per EC website can be accepted.</p> <p><b><u>Secondary Document</u></b></p> <ul style="list-style-type: none"><li>• Voter ID first choice</li><li>• Pan Card</li><li>• Passport</li><li>• Driving license</li><li>• Scheduled Bank passbook with applicant's photograph and seal.</li><li>• Letter issued by /Revenue Officer/ Village Administrative Officer.</li><li>• Ration card in respective customer's namewith photo.</li><li>• Letter from a recognized public authority orpublic servant.</li><li>• Ration card in respective customer's namewith photo.</li></ul> <p>KYC documents' photo copies only need to betaken. (Originals not required) originals KYC will be uploaded in our system.</p>

**Proof of identity/ existence**

KYC documents must be self- attested.

**Address Proof**

**Primary Document**

UID (ADHAAR) is Optional but first preference is Adhhaar. Adhaar number of the client has been masked in our system. A consent letter from client to be obtained if UID is given as primary ID

.If UID is not available Voter ID as per EC website can be accepted.

**Address Proof**

**Secondary Document**

- Voter ID
- Driving License
- Passport
- Utility Bills like Electricity , Telephone ,Water bills not older than 90 days
- Life Insurance Policy or latest Premium receipt
- Consumer Gas Connection Card/Book
- Bank statements / Passbook cover page with address being mentioned with an updated mini statement
- Letter from a recognized public authority or public servant.



<p><b>Credit documents</b></p>	<ol style="list-style-type: none"> <li>1. Contact Point Verification form (CPV) filled and signed by both Credit officer And Branch in charge</li> <li>2. KYC documents should be verified with originals and need to mark as OSV (Original Seen &amp; Verified) and duly self- attested.</li> <li>3. Annexure I &amp; IV for Household Income</li> <li>4. Loan Agreement</li> <li>5. Fact sheet as per Annexure II</li> <li>6. If any deviation is taken then it should be attached with the respective application.</li> </ol>
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**8. COMPREHENSIVE GROUP TRAINING (CGT) AND GROUPOCOGNITIVE TEST (GRT)**

Each applicant should undergo a comprehensive group training (CGT) irrespective of loan cycle. Credit Officer (FO) is primarily responsible for CGT. The focus of the training should be on:

- a) Developing Group responsibility and joint liability among the members.
- b) Informing clients about terms and condition of the loan like interest rate, processing fee, insurance premium, loan documents etc.
- c) To check that all the members know each other
- d) To check whether the house of the client is not located more than 1.0km from the Center meeting place.

## **Group Recognition Test (GRT)**

All customers who have attended CGT) should appear for the test called GRT conducted by the Branch in charge .The purpose of GRT is :

- a) To check that all members are meeting the credit criteria.
- b) To understand that all client are familiar with each other.
- c) To ensure there are no agents involved in sourcing and all applicants are willing to take each other's responsibility for repayment.
- d) To check that all documentation norms with respect to KYC are met or not.
- e) Household Income & expenses assessment.

During the GRT, Branch Manager needs to verify the given ID and Address proofs with originals and need to sign with date on application. Geo location captured at customer house point and need to photo captured of branch manager.

## **9. AGENDA FOR CGT**

1. Greet the customers & Self-introduction
2. Introduce Servitium Micro Finance Pvt. Ltd. and other group companies and its products.
3. Give customers the address and telephone numbers of the Microfinance branch office/Distribution of palmlet explaining no agents, no bribes etc.
4. Center responsibility and liability must be clearly explained, so that it is understood by all the members during CGT.
5. Credit Officer (FO) needs to make them understand that with joint liability the customer has to take the responsibility of repayment if any customer makes default in the center.
6. Instruct the customers about member and group discipline.
7. Explain the need of attending center meeting on time regularly.
8. Sign the attendance register.
9. Loan repayment in the center meeting on time
10. Explain the importance of updating the loan cards, maintaining meeting minutes/ register and copy of scroll sheets.
11. Collect KYC documents and photos.
12. Fixing Centre meeting place, day & time
13. Complete Loan application documents duly signed
14. Explain the loan disbursement process and bank transfer
15. For any clarification/Grievances client can contact the branch staff or in the number given in the loan card.
16. Question & Answers.(Annexure III)

The person who can manage the responsibilities should be nominated as by the center precedent, secretary, cashier members on CGT. Before the approving a loan Branch manager should ensure the following criteria are met by each individual.

- i) Group Guarantee / Joint responsibility.
- ii) Income criteria and loan Eligibility
- iii) Repayment capacity
- iv) Age and Health.
- v) Residence stability and distance from branch and center
- vi) Documentation criteria
- vii) CGT is conducted or not for all the clients.

## **12. AGENDA FOR GROUP RECOGNITION TEST (GRT)**

1. Verification of Loan Documents and OSV sign
2. Verification of KYC documents with Original
3. Recommendation of Credit in charge based on Credit bureau check
4. Branch Manager / In charge should sign in the CPV as part of approving the loan as per policy
5. Geo location capture
6. Income assessment.
7. Expenses assessment.

## **13. SECOND CYCLE AND SUBSEQUENT CYCLE LOANS**

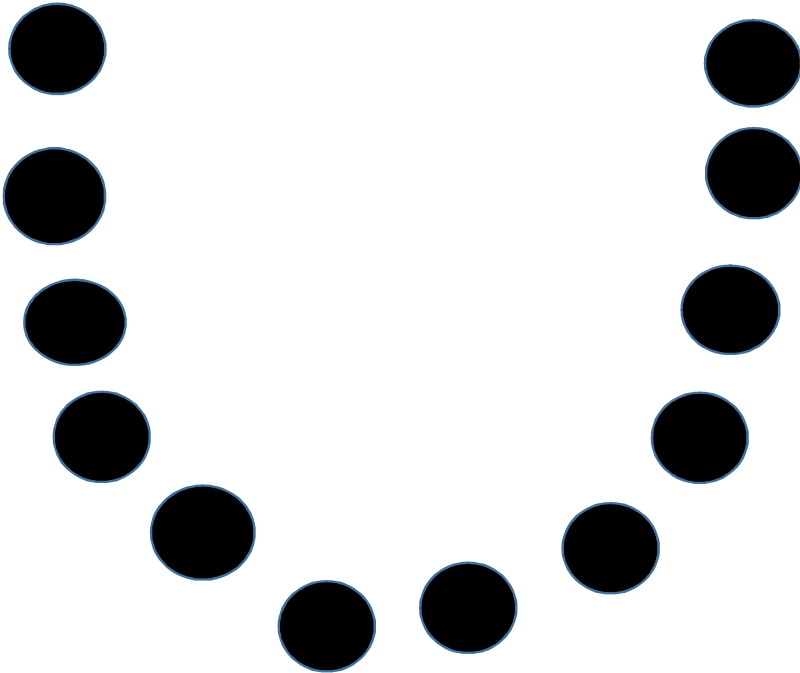
All clients who have completed of current cycle then are eligible next cycle as per policy.

## **14. LOAN DISBURSEMENT PROCEDURE**

- Disbursement should only happen through direct bank account.
- Loan can be disbursed only to customers those have passed Credit Bureau check & passed GRT.
- The date & time for disbursement should be intimated to the customers according to the system generated of running day.
- Ensure the clients have relevant contact numbers of branch, Branch Manager, Credit Officer (FO) & Head Office.
- Credit Officer must hand over updated Loan Card to members immediately after loan disbursement.
- After disbursement collection will start after a cooling period of 14 days /1 month as the case may be.

**SEATING PATTERN**

Credit  
Officer



Annex I (cf. Para 4.1 of RBI Directions)

Indicative Methodology for Household Income Assessment

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

(i) Parameters to capture household profile

a) Composition of the household i. Number of earning members ii. 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.)

(ii) Parameters to capture household income

a) Primary source of income

i. Sector of work (Agriculture & allied activities, trading, manufacturing, services, etc.)

ii. Nature of work (Self-employed or salaried, regular or seasonal, etc.)

iii. Frequency of income (daily/ weekly/ monthly)

iv. Months/ days of employment over last one year

v. Self-reported monthly income

vi. Average monthly income (to be derived from (iv) & (v) above)

b) Other sources of income

i. Remittance ii. Rent/ Lease iii. Pension iv. Government transfer v. Scholarship vi. Others (specify details)

c) The income assessment as above may be carried out for all earning members with respect to all sources (primary or secondary) of income. While assessing income of all members from all sources, 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.

d) While the income computation may be done on a monthly basis, the income assessment for all members and sources may be carried out over a period of minimum one year to ascertain the stability of the household income.

(iii) Parameters to capture household expenses

a) Regular monthly expenses (food, utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees, etc.) b) Irregular expenses over last one year (medical expenses, house renovation, purchase of household goods, functions, etc.)

2. Self-reported income at 1(ii) above may be corroborated with the profile of household at 1(i) and household expenses at 1(iii). Further, household income may also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

## Annex II

(cf. Para 6.3 of RBI Directions)

### Illustrative Factsheet on Pricing of Microfinance Loans (to be provided in a language understood by the

Date : XXX Lender's Name: XXX

Applicant Name: XXX

Sr. No.	Parameter	Details
(1)	Loan amount (amount disbursed to the borrower (in Rupees)	40,000
(2)	Total interest charge during the entire tenure of the loan (in Rupees)	5,720
(3)	Other up-front charges (break-up of each component to be given below) (in Rupees)	1,808
a)	Processing fees with GST (in Rupees)	708
b)	Insurance charges (in Rupees)	400
c)	Others (if any) (in Rupees)	700
(4)	Net disbursed amount ((1)-(3)) (in Rupees)	38,192
(5)	Total amount to be paid by the borrower (sum of (1), (ii) and (iii)) (in Rupees)	47,528
(6)	Effective annualized interest rate (ROI percentage)	26.5 %
	With PF	30.74 %
	With PF & Insurance	32.89 %
(7)	Loan term {in months}	12
(8)	Repayment frequency by the borrower	Bi-weekly
(9)	Number of instalments of repayment	26
(10)	Amount of each instalment of repayment (in Rupees)	1800
<b>Details about Contingent Charges</b>		
(11)	Borrower shall not be charged any penalty on prepayment of loan	<i>Nil</i>
(12)	Penal charges in case of delayed payments (if any)	<i>Nil</i>
(13)	Other charges (if any)	<i>Nil</i>

## Recruitment /Training / monitoring of Employees

### **Selection of Field Staff**

1. Check Manpower Planning matrix once every week and identify manpower gaps.
2. Post Ad based on manpower gap and filter Resume
3. Do initial telephonic interview.
4. Schedule face-to-face interview for shortlisted candidates.
5. Cross-check Bio-data form to see whether candidate fulfils all criteria as per policy.
6. Conduct face-to-face interview by MF HR.
7. Do Mandatory Credit Bureau test for candidate and reject if there is any adversereport
8. For ABM candidate or higher candidate to meet HR Head.
9. If candidate clears all rounds of interview, fix PSO (pre service orientation) for the following week.
10. For ensuring conduct of the candidate is good, a back ground verification is initiated if necessary.
11. Qualifications of Field Executive
  - Minimum HS intermediate Qualified.
  - Fresher or 1+ Year experienced in any field.
  - Age between 18 to 35
  - Driving License mandatory
  - 2 Wheeler Mandatory
  - Aadhaar card Mandatory

### **TRAINING**

#### **1. INDUCTION**

Once the employees have joined with our organization the said employee will be directly taken in to a HR introduction part on about the company & the products. The training module consists of:

- Work timing
- Leave Policy
- Attendance and payroll
- Dress code & Hygiene
- HR Policy - id card
- PROBATION period
- Disciplinary Action
- Resignation Policy
- Employee Benefits-ESI etc.
- Promotion Policy.

## 2. **PROCESS TRAINING:**

The staff will be then trained by the HR regarding the products & its process for operations to the newly joined staff.

- LOAN Product overview
- Abbreviations
- Loan Eligibility criteria
- Target segments
- Loan product features
- Loan repayments
- Group parameters
- Group composition Check list
- Overview - CGT & GRT
- Customer loan eligibility check
- In Detail CGT & GRT
- Loan documentations
- Second /Subsequent cycle loan
- Loan disbursement procedure
- Center meeting seating pattern



### **3. Customer Interaction Training:**

- How to greet the customer.
- Induction about the company to the customer
- Brief detailed view about the products & the service.
- Collection details & how to receive the collection.
- How to deal the Arrear & NPA Customer
- How to maintain a good relationship with the customer.
- Collection updating.
- 02<sup>nd</sup> cycle loan to customers.
- Collection follow ups
- Prohibition of abusive languages / coercive measures.
- Special session on regulatory circulars , credit policies.

### **4. Field Training :**

- Once the induction for the staff & process training is finished. The Employees will be given a field training for their practical experience for 1 week.
- How to calculate the customer's income & debt of their household.
- How to know the financial stability/ repayment capacity of the customer.

By the end of the module, the employee will be able understand:

- Company History of Servitium Micro Finance Group
- Understand and Recall the Vision & Mission of the organization
- Know Our Management
- Understand our business model
- Explain our product range and identify customer segments
- Know our regulators
- Understand your roles , responsibilities and compliances
- Customer interactions & activities

### **Disciplinary actions – Punishment Matrix**

Misconduct like Misappropriation of Cash / manipulation Bank Accounts/ Financialfrauds on any of the products or services offered by the Company / Indulging in activities which will tarnish the reputation of the Company- drunkenness, misbehavior or other anti-social or unethical activities etc. will attract corrective /punitive actions. These include 1. Demotion, 2. Withholding of increment. 3 Termination from service, 4. Punishment transfer.

### **Refresher Trainings**

Periodic trainings are conducted frequently to update process & Policies throughonline as well as offline methods.

## Annex III (CGT Question &amp; Answers)

Question	Answers(Yes)	Answers(No)
Introduction of SERVITIUM and banking partner		
Goals and objectives		
Characteristics of the group		
Group attribute		
Meaning of the group responsibility		
Member Eligibility		
Credit bureau information		
Customer information from information & Its Verification		
RBI Guidelines		
High debt		
Damage information		
Verification and Member house		
Signature and practices		
Purpose of loan		
Presence		

## Annex IV(Income Assessment)

Income Assessment			
SL No	Assessment Category	Sub Category	Score
1	Availability of Land		
2	Type of House		
3	Availability of Toilet		
4	Medical Facility		
5	Type of Cooking		
6	Access to Electricity		
7	Type of Children Studying Facility		
8	Access to Smart Phone Or Land Line		
9	Main Income Source of Family		
10	Type of Ration Card		
<b>TOTAL SCORE</b>			