



PRODUCT & CREDIT POLICY

Business: MSME

Product: Enterprise Loans

Approval Date: - 14 August 2024

Prepared By:

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Reviewed By:

Name	Designation	Signature
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Approved By

Name	Designation	Signature
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REVIEW CALENDER

Scheduled Board Review – Annually, unless in the opinion of Managing Director/Joint Managing Director a review of this needed sooner.



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Introduction:

Enterprise Loans (EL) product is fully unsecured loan, which is provided to Working capital for starting a micro business running the business, business development, income generation purposes, medical exigency or for Personal use to address their credit needs. Basis certain pre-defined rules and parameters, the borrower is assessed individually and based on its fulfillment, and the loan is sanctioned.

Objectives of the Policy:

To ensure that a good quality portfolio is sourced and maintained, backed by due diligence and proper monitoring of the portfolio.

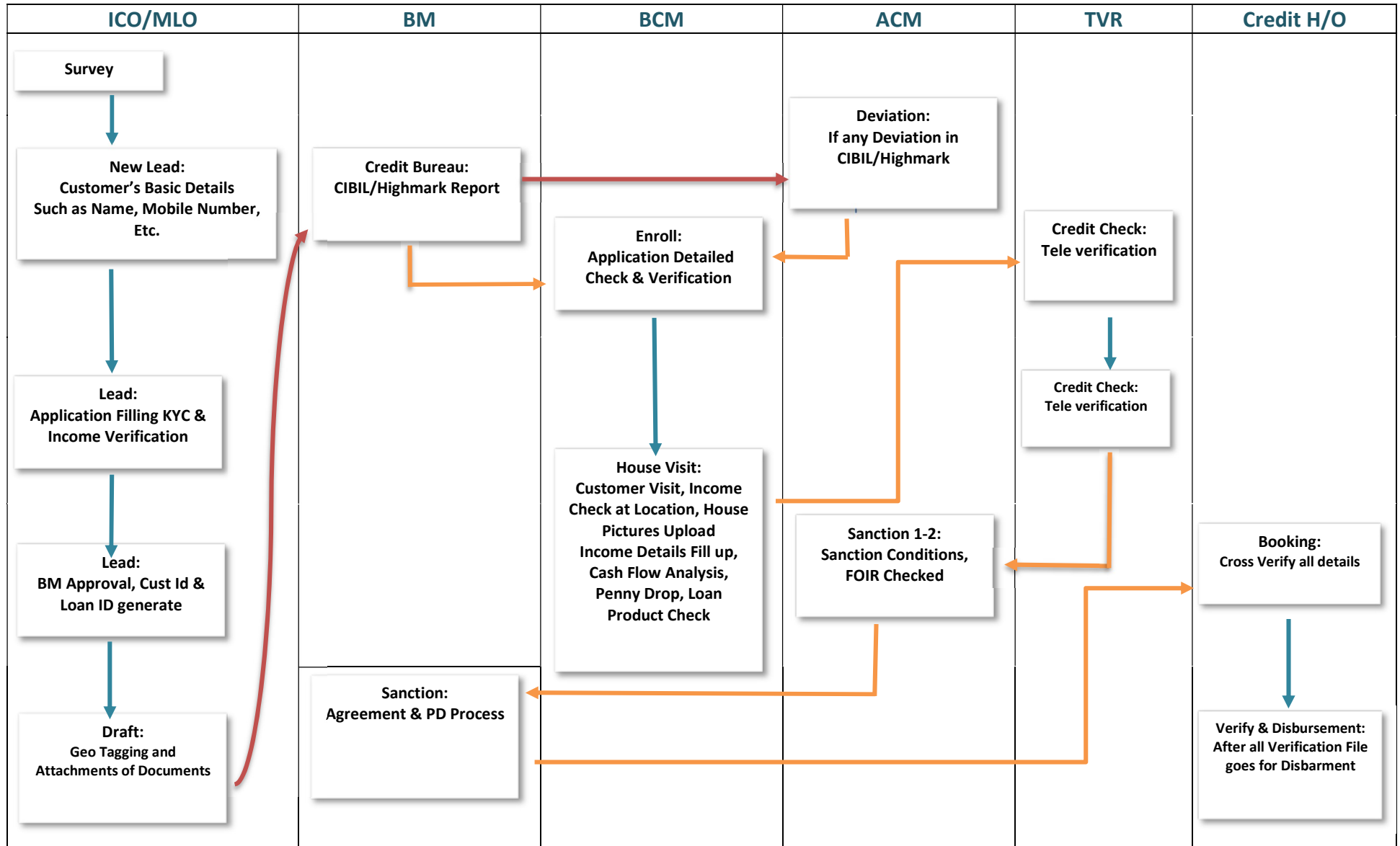
Key Process Responsibilities

The responsibility of different activities during the process would be as follows:

Process	Responsibility
Lead generation/sourcing	Individual Credit Officer (ICO)
CPV/House Visit/Credit Checks/Recommendation	Branch Credit Manager (BCM)
Tele Verification	TVR Team
Document , Data verification and Approval	Area Credit Manager/Regional Credit Manager(ACM/RCM/CH)
Loan Booking	Branch Manager
Verification (Data Review)	Central Credit Team(Head Office)
Disbursement and PDD storage	Operations team



CREDIT - PROCESS FLOW CHART





Policy Parameters

Enterprise loans under MSME concept is a simplified product based on cash flow assessment of the borrower. The focus customers for this product are funding income generation activities predominantly in the rural, & semi-urban market space. The product is aimed at meeting various requirements of the customers by providing timely and affordable credit. The product has been designed considering the challenges in availability of formal documented income with this set of customers through training in a simplified manner with shorter response times

Objective: The objective of this Product Policy is to explain the Enterprise Loan product features & describes the credit policy parameters related to customer selection & acceptance criteria.

SRN	Parameters	Applicable Rules
1.	Product Type	Enterprise Loan
2.	Customer Segment	Entrepreneurs, Self-employed, Salaried, Professionals, Wage -earners (Daily, Weekly, Fortnightly)
3.	Sources of Customer Acquisition	Sourcing through authorized ICO (Individual Credit Officer) <ul style="list-style-type: none">Existing CustomerBranch walk-insOpen market sourcing (Cold Sourcing)
4.	Main Applicant	Earning member
5.	Co- Applicant	Co-applicant is mandatory in every case and should be immediate family member Father/ Mother/ Spouse/ Son/ Brother.
6.	Residential Stability	Owned residence located within the branch catchment and with minimum stability of 3 year.
7.	Income factoring	Trading Income, Pension Income, Rental income, Service providers, Agri Allied (Dairy and other trading Activity), salaried, Skilled labor, Daily Wages. <ol style="list-style-type: none">Income earned from all legal sources Business Income/Agri and Agri allied income will be considered for preparing.As regards reckoning the Co- Borrowers income when it is higher than borrower income it can be done provided both are Husband and Wife Only.In case of agriculture income if it is dairy income which is accruing monthly, we can reckon, if it is other agriculture income which is seasonal or computed based on land holding it should be subject to a maximum of Rs: 5000/-Borrower Life Style.
8.	Area Identification	All branches approved for Enterprise Loans subject to satisfactory Branch Survey Report provided by the branch manager which is further assessed in HO Credit / Business / Risk and approved by CEO/ MD.
9.	Distance coverage	Within 35 KMs Radius from the Branch.
10.	Loan Purpose	Working capital for starting/running the business, business development, income generation purposes, medical exigency or for Personal use. Not for Speculative purposes.



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		LUC declaration be obtained from the borrower.		
11.	End Use	End use to be verified by BM / BCM post sanction on sample basis and by internal audit team.		
12.	Repayment Frequency	Monthly		
13.	Loan Ticket Size	Min Rs. 60,000 – Maximum (whew is Basis Customer rating /Moratorium Performance /Loan Type) Up to Rs. 2.50 Lakh		
14.	Loan Tenor	Minimum: 12 Months Maximum: 24 Months		
15.	Rate of Interest	25 % to 34% (The rate of interest charges to the customer would depend on the multiple factors like the credit Evaluation of the borrower, past credit history, CIBIL/Highmark score, loan size, tenor of loan, repeat or new to Arman etc.)		
16.	Processing Fee	2% to 3.5% + Applicable Taxes (Present GST @ 18%T) of the sanctioned amount.		
17.	Insurance	Actual premiums not exceeding - 2.25% of the sanctioned amount.		
18.	Coverage	Life cover for the loan tenure for the entire loan amount under the Group Master policy for Applicant & Co-applicant is mandatory.		
19.	Foreclosure Charge	Period	Foreclosure period within 6 Months	Foreclosure Period >6 Months
		Applicable Fee	6%	5%
20.	Penal charges	In case of any default/delay in the repayment of principal instalments due on the facility penal charges shall be levied, the penal charges will be calculated @ 2% per month on the Overdue amount (principle/Interest or any other amount) for the Overdue period along with Applicable taxes until compliance. The penal charges shall not be added to principle or capitalized.		
21.	Bounce Charges	The E NACH, Manual NACH, Cheque bounce or non-Payment of Instalment on the due date would result in bouncing charges. The Bounce charges shall not exceed Rs: 500 per such instance. Further these charges shall not be capitalized		
22.	Second Loan	After closer the Existing loan.		
23.	Renewal Loans Eligibility for Foreclose	When only 8 Months for of EMI are remaining to be paid by foreclosure new loan can be availed.(No Previous Loan DPD or OD history, If any DPD and OD Deviation Approval has been required based in Deviation matrix)		
24.	Credit Approvals	Credit Decision to be based on the Underwriting Policy and CAM & CFA.		
25.	Phone Requirement	Any kind of Mobile number is mandatory. (Loan Amount will be Credited to the link to Bank Account)		
26.	Co-applicant	In case of computing total income, Co-applicants' income will be reckoned only if the Co applicant is with the borrower in the same place		
27.	Age Norms	21 Years to 60 years Maximum CAP.		
28.	Minimum Annual Income	Income of the applicant and the co-applicant will be considered for Loan eligibility.		



29.	Source of Income to be considered for eligibility	<p>a) Income earned from all legitimate sources including business income / salary income / agriculture and Agri-allied income will be considered.</p> <p>b) Salaried – At least 01-year continuity in the same job.</p> <p>c) Pension Income – Pension income to be considered till the age of 59 years at the end of loan tenure.</p> <p>d) Self-employed – At least 2 years continuity in same business</p> <p>e) In case of agriculture income if it is dairy income which is accruing monthly, we can reckon, if it is other agriculture income which is seasonal or computed based on land holding it should be subject to a maximum of Rs: 5000/-</p>
30.	Documentation	<p><u>Pre – Approval Documentations:</u></p> <p>Loan application: Customer acknowledgement in the application form on the acceptance of availing the credit.</p> <p>Photograph: Live Photograph of applicant and co-Applicant to be available in the application.</p> <p>Proof of Identity (Any Two)</p> <ul style="list-style-type: none">• Primary - Aadhar Card (Borrower and Co-borrower) (Biometric (OTP/Fingerprint) and IRIS is Mandatory)• Primary - Voter ID /PAN Card (Borrower and Co-borrower) and to be verified with OCR in Finpage. <p>Address Proof (ownership)</p> <p>Only property in the name of Applicant or Co Applicant and Applicant (Male) / Co Applicant (Male) Parents shall be considered, In case of property held jointly by Applicant Borrower / Co-Borrower hence the same can be considered.</p> <ul style="list-style-type: none">• The house property area should be of minimum size of 100 sq.ft.• The property includes residential house or commercial property or agricultural land (no vacant plot of land). The house property needs to be of proper walls on all sides with strong structure roof style, concrete slabs/ steel / tin /NALIYA /cement sheet/Shells.• The ownership proof is to be collected as any one of the following documents – <p>List Of Address Proof(Ownership)</p> <ul style="list-style-type: none">• Electricity and Water Bill (Not be older than last 03 Months)• House Tax and Akarni (Not be older than last 01 Year).• MGNREGA,• Jamabandhi , Bhamashah Card and House Patta attested by Public Authority/Secretary/Patwari.(Only the documents given below will be accepted as proof of



		<p>address in the RURAL VILLAGES OF RAJASTHAN (Decision taken by BCM only with Original Documents verification), – Rajasthan</p> <p>Above Should be same address where customer lives and this should be verified and authenticated by BCM.</p> <p>Address Proof (Any one)</p> <ul style="list-style-type: none">• Aadhar Card, Ration Card - PREFERRED ,Passport ,License ,• MP Samagra ID, Bhamashah/JAN Aadhar Card – Rajasthan• MNREGA Job Card <p>Relationship Proof: Any valid document establishing the proof of relationship between the client and the spouse like</p> <ul style="list-style-type: none">• Marriage Certificate (issued by religious institutions as well),• Ration card, Aadhar Card, Passport etc.
31.	Income Proofs	<p><u>For Loans should be Below:</u></p> <p><u>Below Rs. 80,000/-</u> BCM need to ensure the Bonafiede of the income declared by the borrower and co borrower</p> <p><u>For All Fresh Loans of Rs. 80,000 and above</u> income proof needs to be insisted upon besides Verification by BCM</p> <p>In case of repeat Customer, the ACM/CM/CH is empowered to take a Credit call on the income provided the first loan was repaid promptly as per Approval Matrix.</p> <ul style="list-style-type: none">• For Salaried customer, salary slip of last three months is mandatory.• Bank statement reflecting Salary.• Proof of income should be provided based on credit team requirements.• For the following profiles BCM should be physically verify (Work Place/factory, Contractors, Milk Daily Owners or Daily Secretary and income declared on fin page.• Daily wages, all type of Contract labors (Labor, Centering Civil and Factory Labor), Factory Labors (Who was not having Salary Slips) and Without Milk Statements.
32.	Residence Stability	<p>Borrowers and Co borrowers should be residing in Catchment area for a minimum period of 01 year. They also should be residing at the time of granting loan in the ownership premises owned by Borrower / Co-Borrower / Spouse / Parents / Grand Parents.</p>
33.	Business Proof (If Available)	<ol style="list-style-type: none">1. Shops and establishment license2. Sales tax registration certificate.3. Registered lease deed4. Latest property tax bills with proper address (Not more than 6 months old)



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		<p>5. Latest telephone bills with proper address (Not more than 3 months old)</p> <p>6. Latest utility bills issued by Government or Public Office mentioning proper address Photograph & Identity proof – 4 Latest passport size color photographs of applicant and co-applicant</p> <p>7. GST Certificate and Udyam Certificate.</p> <p>8. UPI Code if available.</p> <p>Note – based on Credit Team requirement should be provide. (There is no restriction on collection of more than one KYC. This will be good to collect all the standard KYC from customer, this will help us to identify his credit record with other financiers)</p>
34.	Existing loans if any	In the event the applicant is an existing loans in group loan customer with satisfactory Repayment Track Record additional enterprise loan can be given without Foreclosure of existing group loan, EL or TW provided repayment obligations are met by the Net income.
35.	Obligations	All live loans to be taken which is getting reflected in bank statements, CB and as per self- Declaration of Applicant at the time of CPV.
36.	Contact Point Verification (CPV/PD)	<p>a. Mandatory to be done by Branch Credit Manager by visiting Customer's house personally with Individual Credit officer</p> <p>b. At the time of CPV must be Discus with Applicant, Co Applicant and Family members.</p> <p>c. Based on CPV and other Credit Check, Branch Credit Manager will update CFA (Finance Information) and will recommend to Authorized Person (ACM or Credit Manager or Credit Head) for the Final Approval (geo tagging is mandatory in the Fin page (Longitude/Latitude).</p>
37.	Business Reference Check	Mandatory to be done by Branch Credit Manager by visiting Customer's Business place with Individual Credit officer.
38.	FOIR	Maximum at 65% of the 'Net Surplus Cash (Post all business & Household Expenses)' Family Income Ideally should not be less than INR 240000 per annum or FOIR must be < 65%.
39.	Decision on Case	<p>Final status of case will be decided on basis of following credit check</p> <ul style="list-style-type: none"> • Residence (Own House), Business / Office CPV Status • Neighbor reference check is mandatory • Trade reference check (Income proofs and Physical Verification) • Cibil, Additional Match Cibil and Highmark (Credit History) • Authorized approval is required if there is Adverse history in the trade lines in the credit bureau and proper proof is provided. (STD, DPD, OD, Willful defaulter) Deviations are applicable subject to Deviation Matrix.
40.	Approvers	<p>All Cases Recommended by BCM/ACM</p> <ul style="list-style-type: none"> – ACM Up to Rs 1 lac – RCM Up to 1.5 lac – Credit Manager or Credit Head: Above Rs 2 Lac.
41.	CPV and Sanction Validity	CPV and sanction will be considered for 30 days only, Post Expiry of 30 Days, It will be treated as a new case and all documents should be obtained afresh & New CB to be generated.
42.	EMI Due Date	Due-date of all the cases shall be kept between 1st to 15th of the Month (Fixed Date).



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43.	First EMI Date	EMI date will be allotted in the first 15 days of the month. If loan is given by 24 th , EMI will start next month. Any loan disbursed on 25 th or after, EMI shall start from the second month. (Ex: If loan is given on June 25, EMI will start any day between 1 st to 15 th of August)
44.	Mode of Repayment	<p align="center"><u>CASH and Cash Less.</u></p> <p><u>CASH Mode:</u> When collection will be done in cash by respective ICO at customer doorstep and receipt will be issued to the customer at the same time. No collection will be done without receipt and receipt will be issued in original only.</p> <p><u>CASH Less Mode:</u></p> <ol style="list-style-type: none"> E NACH/ NACH Mandate.(3 MANUAL NACH FORMS is Mandatory) UPI/BBPS
45.	SPDCs or E NACH or NACH Mandate	<p>2 SPDCs (CTS Cheques Only) is required to collect as for security of loan.</p> <p>We will collect 2 SPDC in Favor of "Arman Financial Services Ltd."</p> <p align="center">Or</p> <p>For repayment mode to be NACH or E NACH</p> <ul style="list-style-type: none"> E NACH Process will be done by FINPAGE API Integrity. 3 copies of NACH Mandate to be mandatorily signed for Repayment mode to be NACH.
46.	De-Dupe check	<p>Local de-duplication mandatory to be checked for applicant and co-Applicant If the first applicant is same it can be considered as second loan even if co applicant is different.</p> <ol style="list-style-type: none"> De-dupe tab Can check similar KYC's, Address and Mobile numbers in the Finpage. History tab can Verify Arman Existing Loan History.
47.	CB Reports	<ul style="list-style-type: none"> Up to Rs 80,000/- applicant and Co Applicant CRIF (Highmark) required. In Additional requires CIBIL and CRIF for Loans Rs 80,000 and above for Applicant and Co Applicants.
48.	Trade Check Lines	<p>Trade line Checks is mandatory (If found any Adverse history in CB report) To be done by Branch Credit Manager (BCM); Evaluate the statement for repayment pattern.</p> <p>If the financier is not willing to disclose the information, then realize satisfactory.</p>
49.	Delinquency / RTR	<ol style="list-style-type: none"> Considering Covid issues if there is delay in repayment but repayment is made on the same month of demand, credit call can be taken by the Approving Authority. Must be look in to the Barrower History of Repayment. If any Delinquency AC/RCM/CM/CH Approval required as per Deviation matrix.
50.	References	<p>Two independent references check of residence and business place are mandatory.</p> <ul style="list-style-type: none"> For Salaried: Can be from workplace, colleague and company owner or neighbors. For Self Employed: Suppliers, customers, agents, neighbors, other vendors in the street/village, UPI code if available to the mobile or to check any UPI code in display boards at shop
51.	Credit Assessment - Central Credit Team	<p><u>Pre-disbursement & Post Approval Documentation</u></p> <p>TVR team validations:</p> <p>Tele-verification on customer identity and income assessment etc.</p> <p>TVR team to do customer identity verification, customer consent verification for the</p>



loan, customer income, and customer whereabouts (where she lives, how many years). This four are mandatory questions. Team can ask any other questions which ever they feel are relevant

Central Credit team Validations:

Data Quality Validation

- All the details which are provided by member and entered by Field Team will be checked again.
- It includes KYC details, Loan Product selected, Insurance product attached to that product, Bank account details, mobile number and Voter ID verification as previously done by BM/BCM/ACM in the above step.
- A thorough check of all the documents submitted, i.e., address proof, identity proof, and income proof are done based on Sanction Conditions.

52. Audit

Audit scope will be approved by in consultation with Joint MD.

53. Negative Areas

Negative Area List to be based on the branch catchment survey Report and market feedback

54. Negative Profiles

As per the list defined(Annexery-1)

55. Renewal Loans Process

Renewal loan process also same as above.



Annexure -1

List of Negative and Cautious Customer profiles

SL No	Negative Profiles and Cautious
1	Lawyers / Lawyer in family (father, mother, spouse, son, daughter, brother, or any other family member associated in judiciary and living in customer house)
2	Policemen or direct family members of policemen including paramilitary forces, CRPF, PAC or home Applicants. Guards etc. Paramilitary Force people like Army, CRPF can be Co-Applicants provided they are localized on duty.
3	Politicians / Person residing in community dominated or politically sensitive areas.
4	Press & Media persons
5	Leasing Business / Small Financiers / Chit Financiers / Local money lenders, Collection agencies and Video parlors and etc.
6	Collection Agencies / Video Parlors
7	Jewelers or Jewelry companies who take deposits from public under saving schemes
8	RTO Agents / Sr. RTO officials / Forest Officials / Trade Union Officials
9	Vehicle Dealer / Automobile Consultant / DSA / DMA of any Finance Company
10	Employees of vehicle dealers / automobile consultant / DSA / DMA of any Finance company
11	Criminal background / Under world Connection / Terrorist / Persons engaged in smuggling
12	Any person where it is not possible to collect or repossess due to violence / danger to field staff
13	Production or trade in weapons and ammunitions
14	Production or trade in illicit alcoholic beverages
15	Gambling, casinos and equivalent enterprises
16	Production or activities involving harmful or exploitative forms of forced labor / harmful child labor
17	Butcher
18	Stand-alone cyber café
19	Production or trade in any product or activity deemed illegal under country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
20	HUF and Power of Attorney holder
21	Minors / Insolvents / Person of Unsound mind
22	Social Club / Trusts / Charitable entities
23	Person disqualified by the law



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Annexure -2 KYC POLICY

SL No	List of Standard KYC's
1	Aadhar Card and Voter or Pan card is mandatory for All type of Borrowers
2	Voter ID Cards
3	Passport
4	Driving License
5	PAN Card
6	Ration Card
7	Electricity Bill, Akarni, Water Bill or House Tax Receipt for Address Proof
8	Latest Utility bills issued by Government of public offices including Electricity bill, Gas Bills or New Gas Card, (Not more than 06 months Old)
9	Bank Account Statement (Not more than 06 months Old or Based on credit Requirement) (Penny Drop will be required in the Fin page)
10	Registered Property/Land Documents Copy

Below for Only Rajasthan: -

1. Only the documents given below will be accepted as proof of address in the RURAL VILLAGES OF RAJASTHAN (Decision taken by BRM only with Original Documents verification).
Electricity Bill, House Tax Bill, Jamabandhi and House Patta attested by Public Authority/Secretary/Patwari.



Annexure -3

Deviation Matrix

BCM	Branch Credit Manager
ACM	Area Credit Manager
RCM	Regional credit Manager
CM	Credit Manager
CH	Credit Head

Type of Deviation	New to Company Existing	Approved by
Score CRIF/CIBIL	< 550	CM/CH(Auto Rejected By System)
Score CRIF/CIBIL	550 to 600	RCM/CM/CH(By System)
CRIF Code	11 to 18	ACM/RCM
Delay Repayment for Renewal Loans(Arman and NAMRA)	More than 5EMI's Delay last 12 months - Paid post due date but before Month End	RCM/CM/CH
	Up to 5EMI Delay last 12 months - Paid within 7 days of due date.	ACM/RCM
SMA /DBT/LSS	During >12 months	RCM/CM/CH
	During < 12 months	CM/CH
Written Off/Settlement/Wilful defaulter/Suit Filed	All Trade lines	CM/CH
DPD days	Up to 30 Days	RCM(By System)
DPD Days	1-90 DPD During last > 12 months of application with regularised at the time of application	ACM
	1-90 DPD During last > 12 months of application with not yet regularised at the time of application	RCM/CM
	> 90 DPD During last > 12 months of application with regularised at the time of application	RCM
	> 90 DPD During Last > 12 months of application with not yet regularised at the time of application	CM/CH
	1-90 DPD During last < 12 months of application with regularised at the time of application	ACM
	1-90 DPD During last < 12 months of application with not yet regularised at the time of application	RCM/CM
	> 90 DPD During last < 12 months of application with regularised at the time of application	RCM/RCM
	> 90 DPD During last < 12 months of application with not yet regularised at the time of application	CM/CH
Overdue Amount	Up to 100	System Generated
Overdue Amount	Up to 5000	RCM



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	Above 5000	CM/CH
Banking	More than 3 NACH / ECS bounce during last 6 months - Paid within 10 days of bounce	RCM/CM
	More than 3 NACH / ECS bounce during last 6 months - Paid post 10 days of bounce but before ME	CM/CH
	Up to 3 NACH / ECS bounce during last 6 months - Paid within 10 days of bounce	RCM
	Up to 3 NACH / ECS bounce during last 6 months - Paid post 10 days of bounce but before ME	CM/CH
Residence Stability	< 1 year	RCM
Business / Job Stability	< 2 years	RCM/CH
	< 1 Year	
Distance coverage from Branch	by 5 KMs	RCM
	> 5 KMs	CH
Business Profile	Negative and Cautions Profile	RCM/CH