



## **Charter for Rang De Field Partners**

Rang De and its field partners share an invaluable partnership that is based on trust and the conviction of making a social impact through low cost microcredit. It is non-negotiable for Rang De that field partners identify with and believe in Rang De's mission of reaching out to borrowers from low income groups in a fair and non-exploitative approach.

Every field partner of Rang De is mandated to follow the guidelines listed below. Failing to adhere to these guidelines could result in disengagement from the partnership.

### **Guidelines for choosing a borrower for a Rang De Loan**

#### **A Rang De Borrower is a member of a group**

All borrowers on Rang De are members of a group – either a Self help group, joint liability group, producer group or a co-operative. The group and the community play a unique role in screening each other and remain bonded through the loan tenure due to physical proximity and similarity in the kind of business activity they are involved in.

Why is this important? Historically, repayment rates in the microfinance industry have been high because the group plays a crucial role in screening borrowers and accepting individuals as part of the group. There is a feeling of community among the group that works well to ensure repayments are in time.

What are the different kinds of groups? Borrowers can be members of self help groups, joint liability groups, producer groups or co-operatives to be eligible for a Rang De Loan

How do we ensure that the field partner follows this? Every application form is countersigned by the leader of the group and the verifying officer who is a team member of the field partner organization. In case of self help groups, the application also carries the seal of the SHG.



**A Rang De borrower is preferably someone who has not had access to credit from banks or financial institutions**

Why is this important? A Rang De loan is a low cost loan and is meant for low income groups with small businesses. We also understand that within the same neighbourhood, there are slightly larger businesses which need bigger sums of money as working capital loans. These loan requirements will be serviced by rang de only if an attempt has already been made to access loans from financial institutions and this has been rejected.

Our focus is to reach out to micro- entrepreneurs from low income groups who are hard working and have the aspiration to become financially independent. Since Rang De loans are low cost loans, it is preferred that borrowers are chosen from those sections of the community who find it difficult to borrow from financial institutions or microfinance institutions.

How do we ensure that we are reaching out to the target group? We use the Rang De Wellness Score to determine the social and economical status of the individual. The Wellness Score is determined based on data captured along different indicators that reflect the well being of the borrower.

**Business or activity of the Rang De Borrower must have the potential to absorb the loan amount and must result in some form of benefit for the individual.**

Why is this important? Borrowers need to have a clear plan about how they are going to use the loan. A mini business plan is captured on the application form of the borrower and it is essential to provide details of how the loan is going to be used in the business and how the borrower expects to make a repayment. This information is checked against reality during subsequent interactions with the



borrower. Any application that is found to have data discrepancy is rejected and sent back to the field partner.

### **Rang De does not provide loans for:**

- On lending the Rang De loan at higher interest rate
- Illegal activities
- Consumption

All of the above are unacceptable to Rang De and if a field partner is found to be involving in these activities, Rang De will disengage from the partner instantly and ensure that the field partner returns the repayment for the outstanding portfolio without fail.

### **Documentation collected from the borrower**

All Rang De loans are collateral free and unsecured loans. However the following documents are collected from the borrowers:

- 1) Rang De loan application form duly signed by the borrower, verifying officer of the field partner and the group leader of the SHG or JLG
- 2) A copy of an identity proof – either a ration card or voter identity card
- 3) A loan agreement signed by the borrower and the leader of the group

### **Delayed Payments and defaults**

Rang De is committed to protecting the interest of the social investors as well as borrowers. While we work hard with our field partners to ensure that borrowers are not exploited, we strive equally hard to make sure that RangDe.Org as a platform is transparent and provides feedback to the social investor at regular intervals. Feedback and updates from people are bound to be a mixed bag



because they reflect the reality. There is bound to be stories of hope, success and inspiration just as there will be stories of hopelessness.

### **Distinction between delayed payments and defaults**

During our interaction with borrowers we learnt that there are times when things are exceptionally difficult for the borrowers. This could be due to emergencies, high expenses or a bad month for business. This is not unique to the borrowers. It is a harsh reality of life that we are all exposed to. In order to ensure that the borrower is not exploited and is not under undue pressure to repay at times of distress, we make a clear distinction between delayed payments and defaults.

A payment is considered 'delayed ' when a borrower is not able to pay 3 consecutive repayments.

### **Dealing with delays**

Rang De's field partner is mandated to inform Rang De of any such delays along with the reasons for such delays. This will be communicated to Rang De at the time of sending repayment reports. When such delays are communicated by the field partner, Rang De will closely track the repayments for the 2 installments and if delays spill over to the third installment, the social investor is intimated through an e-mail.

### **Communication to the social investor**

Rang De and the concerned field partner will be responsible for communicating delays and reasons for the delay to social investors. The social investors can request for more information on the same.

### **Dealing with defaults**

Any borrower whose repayments have been overdue beyond three installments is considered a default. We categorise default into genuine defaults and willful



defaults. When a borrower has not been able to pay due to a genuine reason such as an emergency, natural calamity or strong personal reason and has been verified by Rang De and the field partner will be categorised as a genuine default. A willful default is when borrowers do not repay the loan and there is an absence of reason for the default.

### **The Rang De Contingency Fund**

From the beginning of April 2009, 0.5% of what the borrower pays as interest is set aside towards contingency fund. The contingency fund will be used to cover up defaults on proportionate basis and will cover loans in which interest has been set aside towards this fund. The calculation of the proportion of default to be met out of this fund will be as under:

$$\text{Default Coverage} = \frac{\text{Principal Defaulted} \times \text{Contingency Fund Value (as on date of last default)}}{\text{Total outstanding loans (as on date of last default)}}$$

The default coverage will be shared by the social investors in proportion to their share in the investment.

Rang De contingency fund is in addition to any fund of such nature maintained by the field partner to cover up the defaults. Field partners are advised to maintain a fund to cover up the defaults.

### **Impact of Default and Delays on Rang De partnership**

There can be genuine cases of delays and defaults and as well as willful non repayment. Rang De expects its partners to take swift action on the ground to resolve any such issues with information to Rang De. Any attempt to hide the facts will result in breach of trust. As Rang De is a facilitator of loans and it is the social investors which lend out the money, it is primary responsibility of Rang De and its field partners to keep the social investors fully informed at all times. The communication needs to be quick and transparent and field partner will be the



source of information in all such cases. Any such communication delays will call for an explanation. Rang De partnership will also be affected by the quantum and frequency of delays and defaults and would call for a review, if required.