

This LOAN AGREEMENT is between:

- (1) The Borrower: [Name]
[Address]
- (2) Any Social Investor who agrees to lend to the Borrower
- (3) The Guarantor

[Name of the self help group/joint liability group]

The Borrower, Social Investor and the Guarantor may also be referred to as Party, individually, and Parties, collectively.

RECITALS:

(A) The Borrower is a member of the Guarantor, which is organised as a self help group/joint liability group for the purposes of arranging and facilitating microfinance for its members, and requires an amount of [] ("Loan Amount") for meeting his funding requirements.

(B) The Borrower, in accordance with the terms and conditions hereof, agrees to borrow sums up to the Loan Amount on loan(s) from one or more Social Investor(s) for a period of [] ("Term").

(C) A Social Investor who agrees and expresses consent to the terms of this Agreement, in the manner stated herein below, shall lend such portion of the Loan Amount, subject to and in accordance with this Agreement, as may be intimated by such Social Investor to the Borrower either directly or through one or more agents ("Principal").

(D) The Guarantor, in accordance with the terms and conditions hereof, agrees to guarantee the repayment of the Principal and interest thereon (computed in accordance with and in the manner stated herein below).

1. LOAN: The Borrower agrees to accept the Principal as loan from a Social Investor (transferred by the Social Investor either directly or through an agent).

2. INTEREST: The interest to be repaid by the Borrower shall be calculated at 8.5% per annum on the whole of the Principal for the entire Term of the loan ("Interest").

3. SECURITY: 3.1 The Guarantor unconditionally and irrevocably guarantees, as principal obligor and not merely as surety, payment of the Principal and Interest payable by the Borrower to the Social Investor under the terms hereof within 15 days of first written demand by the Social Investor (either directly or through any agent). Save as provided in Clause 3.2, in no event shall the liability of the Guarantor for payment of any monies hereunder be greater than the payment obligations and/or liabilities of the Borrower under the terms hereof.

3.2 The Guarantor shall indemnify the Social Investor to the extent of all reasonable and direct legal costs which may be incurred by the Social Investor in connection with the enforcement of the guarantee hereof.

3.3 The guarantee provided by the Guarantor hereunder shall be a continuing security and is in addition to any independent security or guarantee which the Social Investor may hold for the Principal and Interest payable by the Borrower to the Social Investor hereunder. This guarantee shall continue in full force and effect despite any settlement of account or intermediate payment until:

(i) the Borrower has no liability in respect of the Principal and Interest payable to the Social Investor under this Agreement; or

(ii) all monies due from the Guarantor under this guarantee have been paid in full.

3.4 The guarantee provided by the Guarantor hereof shall bind the Guarantor and its successors.

3.5 Any determination made by the Social Investor regarding the quantum of the Principal and/ or Interest or any part thereof payable by the Borrower to the Social Investor and/ or of such amounts payable by the Guarantor to the Social Investor shall be conclusive and binding on the Guarantor.

3.6 The Guarantor shall separately execute a promissory note in the name of the Social Investor, in a form acceptable to the Social Investor, of an amount equal to the entire Principal and Interest.

4. TERM: The Term of the loan shall commence from the date of disbursement of the Principal to the Borrower by the Social Investor (either directly or through a duly appointed agent).

5. REPAYMENT: The Borrower shall repay whole of the Principal and Interest either on or before the day of expiry of the Term. The Social Investor may also appoint an agent for the purposes of collecting the Principal and Interest, or any part thereof, and in such cases the Borrower shall be required to make such repayments to the agent so appointed. The Borrower may designate the Guarantor for making such repayments on his behalf.

6. REPRESENTATIONS : 6.1 Each of the Borrower and the Guarantor individually represent and warrant to the Social Investor that as of the date of signing of this Agreement and at all times, the execution, delivery and performance of this Agreement by he/ it shall not contravene any provision of any law, permit, license, governmental order or direction, judicial order or judgment, any terms or provisions of any instrument to which he/ it is a party or by which he/ it or his/ its assets are bound.

6.2 Each of the Borrower and the Guarantor individually represent and warrant that he/ it has not withheld or misrepresented any material information which could have an adverse effect on the repayment of the Principal and Interest repayable hereunder to the Social Investor.

6.3 The Guarantor represents and warrants that it has the power to, and has taken all actions required to enable it to, enter into, perform and comply with its obligations contained in this Agreement and to ensure that those obligations are legally binding and enforceable. The Guarantor further represents and warrants that the guarantee provided by it under the terms hereof constitutes its legal, valid and binding obligations enforceable in accordance with its terms.

7. REPRESENTATION AND WARRANTY OF THE SOCIAL INVESTOR: The Social Investor represents and warrants that by accepting the terms of this Agreement in the manner provided in Clause 11.1 he shall enter into a legally valid and binding contract with the Borrower and the Guarantor and the stipulation for extension of the Principal to the Social Investor, in accordance with the terms of this Agreement, shall, inter alia, constitute a legal, valid and binding obligation enforceable under law.

8. EVENTS OF DEFAULT AND CONSEQUENCES: 8.1 Upon the occurrence of any of the following events, the Social Investor may declare, either directly or through an agent, the Principal and Interest, to the extent such amounts have not been repaid to the Social Investor, by notice to the Borrower and Guarantor and such outstanding amounts shall thereupon forthwith become, due and payable, without demand, protest or other notice of any kind to the Borrower or the Guarantor:

(i) any representation or warranty made or deemed to be made by the Borrower or the Guarantor under or in connection with this Agreement or any certification or document delivered, shall prove to have been incorrect in any material respect when made;

(ii) the Borrower or the Guarantor, as the case may be (a) fails to pay the Principal and Interest when due hereunder or under the promissory note issued under Clause 3.6, or (b) fails to perform or observe any other term, covenant or agreement contained in this Agreement;

(iii) the Borrower or the Guarantor, as the case may be, admits in writing its inability to pay the Principal and/ or Interest as they become due or makes a general assignment for the benefit of creditors; or any proceeding is instituted by or against the Borrower or the Guarantor seeking to adjudicate it as bankrupt or insolvent or seeking reorganisation, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganisation or relief of debtors, or seeking appointment of a receiver, trustee or other similar official for it or for any substantial part of its property, or the Borrower or Guarantor takes any action to authorise any such actions;

(iv) any governmental authority or any person acting or proposing to act under governmental authority takes any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the properties of the Borrower or the Guarantor, takes any action against the Borrower or the Guarantor or takes any action to displace the management of the Guarantor or to curtail his/ its/ their authority in the conduct of his/ its/ their business; and

any default of the Borrower or Guarantor in respect of any agreement/ contract with any other party of its indebtedness and/or borrowings and/or potential acceleration of repayment there under.

9. DEMANDS: 9.1 The Social Investor may exercise any of its rights, powers or remedies under the guarantee provided by the Guarantor hereof or by law without any requirement to first make any demand or take any action or obtain judgment in any court against the Borrower, or attempt to enforce any other security or guarantee it may hold for the repayment of the Principal and Interest.

9.2 The Social Investor may make multiple demands under the guarantee provided by the Guarantor hereof.

10. NOTICES: 10.1 All notices, replies, requests, reports, or other communications under this Agreement shall be in writing (including by way of electronic mail), effective upon receipt, on the address notified by the Parties under this Agreement.

11. MISCELLANEOUS

11.1 CONCLUSION OF THE AGREEMENT. THIS AGREEMENT SHALL BE CONCLUDED BY THE BORROWER AND GUARANTOR BY WAY OF PHYSICAL EXECUTION HEREOF AND BY THE SOCIAL INVESTOR BY EXPRESSING CONSENT TO THE TERMS OF THIS AGREEMENT, AFTER PERUSAL, IN ANY MANNER WHATSOEVER WHICH SHALL GIVE A CLEAR INDICATION OF HIS CONSENT, EITHER DIRECTLY OR THROUGH AN AGENT. THE DATE ON WHICH THIS AGREEMENT SHALL COME INTO EFFECT SHALL BE THE DATE ON WHICH THE SOCIAL INVESTOR CONSENTS TO THE TERMS OF THIS AGREEMENT.

11.2 BEST EFFORTS. SUBJECT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT, EACH PARTY WILL USE ITS BEST EFFORTS TO TAKE, OR CAUSE TO BE TAKEN, ALL ACTIONS AND TO DO, OR CAUSE TO BE DONE, ALL THINGS NECESSARY OR DESIRABLE UNDER APPLICABLE LAWS AND REGULATIONS TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED HEREIN.

EACH PARTY AGREES TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS, CERTIFICATES, AGREEMENTS AND OTHER WRITINGS AND TO TAKE SUCH OTHER ACTIONS AS MAY BE NECESSARY OR DESIRABLE IN ORDER TO CONSUMMATE OR IMPLEMENT EXPEDITIOUSLY SUCH TRANSACTIONS.

11.3 GOVERNING LAW; JURISDICTION. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL, BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF INDIA. ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL BE SUBJECT TO THE JURISDICTION OF THE COURTS HAVING TERRITORIAL JURISDICTION OVER THE PLACE OF BUSINESS OF THE BORROWER.

11.4 ENTIRE AGREEMENT. THIS AGREEMENT CONTAINS THE ENTIRE UNDERSTANDING OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER CONTAINED HEREIN AND SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS BOTH ORAL AND WRITTEN BETWEEN THE PARTIES WITH RESPECT TO SUCH SUBJECT MATTER.

11.5 AMENDMENT; WAIVER. NO MODIFICATION OR AMENDMENT OF THIS AGREEMENT SHALL BE VALID OR BINDING UNLESS MADE IN WRITING AND AGREED TO BY THE PARTIES. IT IS CLARIFIED THAT NO FAILURE OR DELAY OF SOCIAL INVESTOR TO INSIST UPON THE STRICT PERFORMANCE OF ANY OF THE TERMS, CONDITIONS AND PROVISIONS OF THIS AGREEMENT SHALL BE CONSTRUED AS A WAIVER OR RELINQUISHMENT OF FUTURE COMPLIANCE THEREWITH.

11.6 Assignment: (i) The Borrower expressly agrees that prior to the repayment of the Principal and/ or Interest in full to the Social Investor, the Social Investor may, without prior consent of the Borrower, assign, novate or sub-participate, from time to time a part or entire outstanding Principal and/ or Interest. The Social Investor agrees that all the expenses in relation to such assignment shall be borne by the Social Investor.

(ii) The Borrower and/ or the Guarantor shall not transfer or assign all or any of its rights and/or obligations under this Agreement to any person and any such transfer or assignment shall be void.

11.7 Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and permitted assigns (as per Clause 11.6 above) except to the extent stated in Clause 12 hereof. No other persons shall have any rights under this Agreement.

11.8 TAX GROSS-UP. ALL PAYMENTS TO BE MADE BY THE BORROWER DIRECTLY OR THROUGH THE GUARANTOR OR THE GUARANTOR ITSELF ON INVOCATION OF THE GUARANTEE, HEREUNDER SHALL BE MADE FREE AND CLEAR OF AND WITHOUT DEDUCTION FOR OR ON ACCOUNT OF TAX UNLESS THE GUARANTOR IS REQUIRED TO MAKE SUCH A PAYMENT PURSUANT TO THE TAX DEDUCTION AT SOURCE UNDER THE INCOME TAX ACT, 1961, IN WHICH CASE THE SUM PAYABLE BY THE GUARANTOR, IN RESPECT OF WHICH SUCH DEDUCTION IS REQUIRED TO BE MADE, SHALL BE INCREASED TO THE EXTENT NECESSARY TO ENSURE THAT AFTER THE MAKING OF THE REQUIRED DEDUCTION, THE AMOUNT RECEIVED (FREE FROM ANY LIABILITY IN RESPECT OF ANY SUCH DEDUCTION OR WITHHOLDING) IS EQUAL TO THE SUM WHICH WOULD HAVE BEEN RECEIVED HAD NO SUCH DEDUCTION BEEN MADE OR REQUIRED TO BE MADE.

11.9 Termination of the Agreement. This Agreement may be terminated:

(i) by mutual written agreement of the Parties,

(ii) by any Party if any condition to such Party's obligations hereunder becomes incapable of fulfillment through no fault of such Party and is not waived;

(iii) if there shall be any law or regulation (including any change therein) that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any non-appealable final order, decree or judgement of any court or governmental body having competent jurisdiction,

(iv) by the Social Investor, if there has been a material misrepresentation or breach of a warranty or breach of covenant on the part of the Borrower and/ or the Guarantor, in the representations and warranties or covenants contained herein; or

(v) by the Social Investor, if any event or circumstance shall have occurred which has had, or could reasonably be expected to have in the opinion of the Social Investor, a material adverse effect on the fulfillment of the obligations of the Borrower and/ or the Guarantor under this Agreement.

Upon the occurrence of any of the abovementioned termination events, the Social Investor may declare, either directly or through an agent, the Principal and Interest, to the extent such amounts have not been repaid to the Social Investor, by notice to the Borrower and Guarantor and such outstanding amounts shall thereupon forthwith become, due and payable, without demand, protest or other notice of any kind to the Borrower or the Guarantor

11.10 No Fiduciary Duty. The Parties agree and acknowledge that under no circumstances will either of the Parties be deemed to be any other Party's fiduciary or a fiduciary of any other person, under this Agreement.

12. DISCHARGE: 12.1 Notwithstanding anything to the contrary contained in this Agreement, the Borrower shall stand discharged of its obligation to repay the whole or any portion of the Principal and/ or Interest as may be outstanding and such sums shall not be recoverable from the Borrower, on the occurrence of any of the following events:

(i) if the Borrower is a woman, the death or Critical Illness (as defined hereinbelow) of an earning male family member during the Term; the death or Critical Illness of the Borrower during the Term;

For the purposes of this Clause the meaning of Critical Illness is limited to the following: heart attack, stroke, cancer, kidney failure (end stage renal disease), heart valve surgery, paraplegia, blindness, benign brain tumour, motor neurone disease, multiple sclerosis, coma, end stage liver disease, end-stage lung disease, aplastic anaemia.

the complete destruction of the means of livelihood (including total failure of crops) of the Borrower due to a natural calamity such as flood, drought, accidental fire, earthquake during the Term.

12.2 In the event the Borrower stands discharged of its obligations under Clause 12.1, the Guarantor shall be liable to immediately pay to the Social Investor, or any agent appointed by the Social Investor, all such amounts as may have been paid by the Borrower to the Guarantor for the repayment of the Principal and Interest hereunder, in the manner provided for in Clause 5. Provided, that on making such payment to the Social Investor, or any agent appointed by the Social Investor, as the case may be, the Guarantor shall stand discharged of all its obligations hereunder. Provided further that in the event more than one Social Investor lends a portion of the Loan Amount to the Borrower, the repayment by the Guarantor to each Social Investor under this Clause 12.2, shall be pro rata on the basis of the portion of the Loan Amount lent by each such Social Investor.

The Social Investor, Borrower and the Guarantor accept and acknowledge that they fully understand the terms of this Agreement including their respective obligations hereunder.

[Signature of Borrower]

Name: _____

[Signature of Guarantor]

Name: _____