**MICROFINANCE LOAN AGREEMENT**

**By and Between**

**<<>>**

**(“the Lender”)**

**And**

**<<>>**

**(“the Borrower”)**

**MICROFINANCE LOAN AGREEMENT**

This Microfinance Loan Agreement (this “**Agreement**”) is being entered into on this <<date>> day of <<month>>, <<year>> (“**Effective Date**”);

**BETWEEN:**

1. **<<company name>>**,having its registered address at <<address>> (hereinafter referred to as “**the Lender**” which expression, shall unless it be repugnant to the subject or context thereof, be deemed to mean and include its successors, nominee and permitted assigns); and
2. **<<Borrower’s name>>,** son/ daughter of <<name>>, resident of <<address>> (hereinafter referred to as “**the Borrower**”).

The Lender and the Borrower shall individually be referred to as a “**Party**” and collectively be referred to as the “**Parties**”.

**RECITALS**

1. The Lender is engaged in the business of providing microfinance loans in compliance with Applicable Laws.
2. The Borrower has applied to the Lender for a collateral‑free microfinance loan for the Purpose stated in the Borrower’s loan application form (“**Loan Application Form**”) attached as **Schedule-1** to this Agreement.
3. The Lender, being satisfied with the Borrower’s eligibility and repayment capacity, has agreed to sanction and disburse the Loan to the Borrower on the terms and conditions set out in this Agreement and the KFS acknowledged by the Borrower.

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions set forth herein, the Parties hereby agree as follows:

1. **DEFINITIONS**
   1. In this Agreement, unless the context otherwise requires, the following words and phrases have the following meanings:

**“Agreement”** means this Microfinance Loan Agreement along with the Schedules, as amended or supplemented from time to time.

**“Applicable Laws”** means all laws, statutes, regulations, rules, ordinances, guidelines, circulars, notifications, directions, and orders of any governmental, statutory, regulatory, or judicial authority in force and applicable to the Parties or this Agreement;

**“Business Day”** means a day (other than a Sunday or a public holiday) on which scheduled commercial banks are open for business in New Delhi;

**“Disbursement Date”** means the date on which the Loan amount is actually disbursed to the Borrower.

**“Interest Rate”** means the rate of interest applicable on the Loan, as specified in the KFS, determined in accordance with the Lender’s Interest Policy.

**“Interest Rate Policy”** means the policy formulated by the Lendor regarding pricing of microfinance loans for fixing and revising the interest rate chargeable on loans.

**“Key Facts Sheet”** or **“KFS”** means the summary of loan terms provided to and acknowledged by the Borrower in the form prescribed under Applicable Law.

**“Loan”** means the collateral‑free microfinance loan sanctioned to the Borrower under this Agreement.

**“Loan Application Form**” means the application submitted by the Borrower to the Lender for sanction of the Loan, including any supporting documents and declarations.

**“Outstanding Amount”** means all amounts due and payable by the Borrower to the Lender under this Agreement at any given time, including principal, interest, charges, and any other amounts lawfully payable.

**“Overdue Interest”** means the additional interest, if any, payable by the Borrower on delayed instalments, charged only on the overdue portion in accordance with applicable law.

**“RBI”** means the Reserve Bank of India.

**“Repayment Schedule”** means the schedule setting out the amount and due dates of the instalments for repayment of the Loan, as provided to the Borrower and forming part of this Agreement.

1. **INTERPRETATION** 
   1. The paragraph headings are for guidance only and shall not be taken into account in the interpretation of this Agreement and any references to clauses or Annexures are to clauses or Annexures in this Agreement.
   2. Except where the context otherwise requires, a reference to:
      1. a statutory provision includes a reference:
2. the statutory provision as modified or re-enacted (or both) from time to time (whether before or after the date of this Agreement); and
3. any subordinate legislation made under the statutory provision (whether before or after the date of this Agreement);
   * 1. words denoting the singular include the plural and vice versa and words denoting a gender include every gender.
4. **PURPOSE** 
   1. The Loan is sanctioned for the purpose stated by the Borrower in the Loan Application and as specified in the Sanction Letter (“**Purpose**”) attached as **Schedule-2** to this Agreement. The Borrower shall utilise the Loan strictly for such Purpose and not for any unlawful, speculative, or prohibited activities under Applicable Laws.
   2. Any use of the Loan proceeds for Purposes other than as sanctioned shall constitute an Event of Default under this Agreement.
5. **LOAN SANCTION** 
   1. Subject to the terms and conditions of this Agreement, the Borrower’s acknowledgment of the KFS attached as **Schedule-3** to this Agreement, and the sanction terms contained in the Sanction Letter issued by the Lender to the Borrower, the Lender agrees to grant to the Borrower a collateral‑free loan in the principal sum of INR <<amount>> (Rupees <<>> only) (“**Loan**”). The KFS and the Sanction Letter, duly accepted by the Borrower, shall form an integral part of this Agreement.
   2. The Loan amount shall be disbursed by the Lender to the Borrower by way of bank transfer to the Borrower’s account or any other permissible mode, on or after the Disbursement Date, upon satisfaction of all conditions precedent specified in this Agreement and in the Sanction Letter.
6. **CONDITIONS PRECEDENT TO DISBURSEMENT**
   1. The obligation of the Lender to disburse the Loan, whether in whole or in part, shall be subject to the prior fulfilment, to the satisfaction of the Lender, of the following conditions precedent (each of which is material and time‑sensitive):
      1. The Borrower has duly executed and delivered this Agreement, the Sanction Letter, the KFS, and any other ancillary or security documents (if applicable) in the form and substance satisfactory to the Lender.
      2. The Borrower has provided to the Lender all documents, identity proofs, address proofs, income proofs, declarations, and any other information or evidence as may be required by the Lender under its internal policies, Applicable Laws, and Know‑Your‑Customer (KYC) requirements.
      3. The Lender has completed verification of the Borrower’s identity, eligibility, repayment capacity, and creditworthiness in accordance with its internal credit assessment procedures and has found the same to be satisfactory.
      4. All information, representations, and warranties provided by the Borrower in connection with the Loan Application, Sanction Letter, or this Agreement are true, correct, and complete in all material respects and no material fact has been withheld.
      5. No Event of Default or Potential Event of Default (as defined herein) has occurred or is continuing, and no material adverse change has occurred in the Borrower’s financial condition or circumstances which, in the sole discretion of the Lender, may affect the Borrower’s ability to meet repayment obligations.
      6. All other pre‑disbursement formalities and conditions prescribed by the Lender under its internal policies and the Sanction Letter have been duly complied with by the Borrower.
7. **INTEREST**
   1. The Loan shall carry interest at the rate specified in the Sanction Letter and the KFS, determined in accordance with the Lender’s prevailing Interest Rate Policy and in compliance with Applicable Laws.
   2. Unless otherwise specified in the Sanction Letter, interest shall accrue from the Disbursement Date on the outstanding principal balance of the Loan and shall be calculated on a reducing balance basis, using a 365‑day year for actual days elapsed.
   3. Interest shall be debited to the Loan account at such intervals as may be specified in the Sanction Letter and shall form part of the Borrower’s repayment obligations under the Repayment Schedule attached as **Schedule-4** to this Agreement.
   4. Any change in the Interest Rate shall be made only in accordance with the Lender’s Interest Policy and Applicable Laws, and shall be communicated to the Borrower in writing or in such manner as may be agreed between the Borrower and the Lender.
   5. If the Borrower fails to pay any interest on the due date, the Lender may, without prejudice to any of its rights, capitalise such unpaid interest (to the extent permitted under Applicable Laws), which shall thereafter carry interest at the rate applicable to the Loan.
   6. If the Borrower defaults in payment of any instalment or part thereof on the due date, the Borrower shall be liable to pay Overdue Interest or penal charges, calculated only on the overdue amount, at the rate specified in the Sanction Letter and the KFS, from the date of default until the date of actual payment.
8. **REPAYMENT**
   1. The Borrower shall repay the Loan, together with all interest, charges, and other amounts payable under this Agreement, in the instalments and on the due dates specified in the Repayment Schedule. The Repayment Schedule shall form an integral part of this Agreement.
   2. All repayments shall be made by the Borrower by bank transfer to the Lendor’s account or any other permissible mode, in immediately available and freely transferable funds, without any set‑off or counterclaim. The Borrower shall ensure that payments are received by the Lender on or before the relevant due dates.
   3. Unless otherwise agreed, payments received from the Borrower shall be appropriated in the following order:
      1. costs, expenses, and other charges (if any);
      2. Overdue Interest or penal charges;
      3. accrued interest; and
      4. principal outstanding.
   4. The Borrower may, at any time during the tenure of the Loan, prepay the whole or any part of the outstanding principal amount, together with interest accrued thereon, without any prepayment penalty. Upon such prepayment, the Repayment Schedule shall be revised accordingly and communicated to the Borrower.
   5. Any payment made by the Borrower prior to the relevant due date shall first be appropriated towards amounts already due and payable, and any surplus may, at the Lender’s discretion, be applied towards future instalments, in which case the Lender may revise the Repayment Schedule.
   6. If the Borrower fails to pay any instalment in full on its due date:
   7. the Borrower shall be liable to pay Overdue Interest or penal charges calculated only on the overdue amount, from the date of default until payment; and
   8. such default shall constitute an Event of Default under this Agreement.
   9. Where the Borrower makes a partial prepayment, the Lender may, in consultation with the Borrower, either reduce the amount of future instalments or shorten the remaining loan tenure, as per the Borrower’s preference and in accordance with the Lender’s policy.
9. **EVENTS OF DEFAULT**
   1. Each of the following shall constitute an “**Event of Default**” under this Agreement:
   2. Failure by the Borrower to pay any instalment of principal, interest, Overdue Interest, or any other amount payable under this Agreement on its due date and such failure continues for a period of <<days>> days.
   3. The Borrower utilises the Loan or any part thereof for Purposes other than those stated in the Loan Application and/or specified in the Sanction Letter, including for any unlawful, speculative, or prohibited activities under Applicable Laws.
   4. Failure by the Borrower to observe or perform any term, covenant, condition, representation, or warranty contained in this Agreement, the Sanction Letter, or the KFS, and such failure is not cured within <<days>> days after written notice from the Lender.
   5. Any representation, warranty, statement, or information given by the Borrower in connection with the Loan Application, the Sanction Letter, this Agreement, or the KFS is found to be incorrect, misleading, or materially incomplete when made or deemed to have been made.
   6. A material adverse change has occurred in the Borrower’s financial condition, livelihood, or ability to meet repayment obligations.
   7. The Borrower defaults in payment of any indebtedness to any other lender or financial institution, or commits a breach of the terms of any other loan agreement, which in the opinion of the Lender may affect the Borrower’s repayment capacity under this Loan.
   8. The Borrower becomes insolvent, bankrupt, or is unable to pay debts as they fall due.
   9. In case of the Borrower’s death, where the Outstanding Amounts are not settled by the Borrower’s legal heirs or estate within <<days>> days of such occurrence.
   10. The Borrower changes residence, place of business, employment, or contact details without promptly notifying the Lender, and remains untraceable for a continuous period of <<days>> days.
   11. Upon the occurrence of any Event of Default, the Lender may, without prejudice to any other rights or remedies available under Applicable Laws:
   12. declare the entire Outstanding Amounts under the Loan, including accrued interest and charges, to be immediately due and payable;
   13. suspend further disbursement (if any portion remains undisbursed);
   14. recover the outstanding dues in accordance with its Fair Practices Code and RBI’s guidelines on recovery;
   15. report the default to Credit Information Companies as per Applicable Laws; and/ or
   16. require the Borrower to indemnify and keep indemnified the Lender in accordance with the Indemnity Clause of this Agreement.
10. **REPRESENTATIONS AND WARRANTIES** 
    1. The Borrower hereby represents and warrants to the Lender that, on the date of execution of this Agreement and on each date on which any amount remains outstanding under the Loan:
    2. The Borrower is legally competent, of sound mind, not disqualified under any Applicable Laws, and has full legal capacity to enter into and perform this Agreement.
    3. All information, declarations, and documents provided by the Borrower in the Loan Application, the Sanction Letter, the KFS, or otherwise to the Lender are true, correct, and complete in all material respects and do not omit any fact which may be material to the Lender’s decision to sanction or continue the Loan.
    4. The Borrower is not in default of any borrowing or financial obligation to any lender, and is not subject to any insolvency, bankruptcy, or similar proceedings.
    5. The Loan proceeds will be used solely for lawful purposes and in accordance with the Purpose specified in the Sanction Letter and the Loan Application.
    6. There are no legal proceedings, investigations, or claims pending or threatened against the Borrower which could adversely affect the Borrower’s obligations under this Agreement.
    7. The Borrower covenants and agrees that, until all amounts payable under this Agreement have been repaid in full:
    8. The Borrower shall utilise the Loan strictly for the sanctioned Purpose and provide reasonable proof of such utilisation to the Lender if requested.
    9. The Borrower shall promptly notify the Lender in writing of any change in name, address, employment, income source, contact details, or financial condition.
    10. The Borrower shall remain reachable at the address, phone number, and/or other contact details last provided to the Lender and shall respond to any lawful communication from the Lender within a reasonable period.
    11. The Borrower shall inform the Lender of any additional borrowing taken from other lenders during the tenure of this Loan, including details of such borrowing.
    12. The Borrower shall provide updated KYC documents and other information as may be required by the Lender from time to time in compliance with Applicable Laws.
    13. The Borrower shall ensure timely repayment of all amounts due under this Agreement without requiring any demand or reminder from the Lender.
    14. The Borrower agrees not to, without the prior written consent of the Lender:
    15. use the Loan proceeds for any purpose other than as sanctioned;
    16. engage in any unlawful, speculative, or high‑risk financial activity using the Loan proceeds;
    17. create or permit to exist any lien, charge, or encumbrance on any asset in favour of a third party that would materially affect repayment ability;
    18. transfer, assign, or otherwise dispose of any rights or obligations under this Agreement.
11. **INDEMNITY** 
    1. The Borrower shall, at all times and on demand, fully indemnify and keep indemnified the Lender, its directors, officers, employees, representatives, and agents (“**Indemnified Parties**”) from and against any and all losses, damages, liabilities, claims, demands, actions, proceedings, judgments, penalties, costs, charges, and expenses (including reasonable legal fees and enforcement costs) which the Indemnified Parties may suffer, incur, or be subjected to, directly or indirectly, as a result of:
    2. any breach, non‑performance, or non‑observance by the Borrower of its obligations, covenants, representations, or warranties under this Agreement, the Sanction Letter, or the KFS;
    3. any inaccuracy, untruth, or material omission in any information or document furnished by the Borrower;
    4. the misuse, misapplication, or diversion of the Loan proceeds or any part thereof for purposes other than the sanctioned Purpose; or
    5. any non‑compliance by the Borrower with Applicable Laws, including but not limited to RBI guidelines.
    6. The indemnity obligations of the Borrower shall survive the repayment of the Loan and termination of this Agreement, and shall be enforceable independently of and in addition to any other rights or remedies of the Lender, including those available upon the occurrence of an Event of Default.
12. **NOTICES**
    1. Any notices, demands or other communications given under or made pursuant to this Agreement must be in writing and shall be validly made if sent by:
       1. personal delivery against written acknowledgement of receipt;
       2. courier;
       3. registered mail with acknowledgement of receipt; or
       4. shall be validly made if sent by electronic mail with a copy by registered mail no later than the second Business Day following the date of the fax or electronic mail,

to the addresses at the top of this Agreement (or such other address as may be notified to the other Party in writing), and in each Party’s case, with copies via email to, if available:

In the case of the Lender: <<insert email address>>

In the case of the Borrower: <<insert email address>>

1. **MISCELLANEOUS**
2. 1. **Assignment**

The Lender may, without the consent of the Borrower, assign, transfer, securitize, or otherwise deal with all or any of its rights, benefits, and obligations under this Agreement to any third party, including under any loan portfolio sale or securitization arrangement, in accordance with Applicable Laws. The Borrower shall not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lender.

* 1. **Disclosures to Credit Information Companies**

The Borrower expressly consents to the Lender furnishing to credit information companies, credit bureaus, regulatory authorities, or any other person authorized by law, the Borrower’s credit data, repayment record, and details of any default, in accordance with Applicable Laws.

* 1. **Fair Practice and Recovery**

The Lender shall, in the event of any default by the Borrower, follow its Fair Practices Code and the RBI’s guidelines on recovery of loans, as amended from time to time.

* 1. **Counterparts**

This Agreement may be executed in any number of counterparts each of which when executed and delivered shall be an original, but all the counterparts together shall constitute one and the same instrument.

* 1. **Variations**

No variation of this Agreement shall be valid unless it is made in writing and signed by or on behalf of each of the parties. The foregoing provisions shall also apply with respect to a waiver of the requirement of the written form pursuant to this clause.

* 1. **No Waiver**

The failure to exercise or delay in exercising a right or remedy under this Agreement shall not constitute a waiver of the right or remedy or a waiver of any other rights or remedies and no single or partial exercise of any right or remedy under this Agreement shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy.

* 1. **Rights Cumulative**

The rights and remedies contained in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

* 1. **Invalidity**

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement. The parties shall negotiate in good faith to replace such illegal, invalid or unenforceable provision with a valid provision which, as far as possible, has the same legal and commercial effect as that which it replaces.

* 1. **Entire Agreement**

This Agreement, together with the Schedules, Sanction Letter and the KFS, constitutes the entire agreement between the Parties in relation to the Loan and supersedes all prior understandings or arrangements, whether oral or written. In the event of any conflict between this Agreement and the Sanction Letter or KFS, the terms of the Sanction Letter and KFS shall prevail for commercial matters, and this Agreement shall prevail for all other matters.

* 1. **Clauses surviving termination or expiration**

The provisions of this Agreement which expressly or by implication are intended to survive its expiration, including but not limited to Clause 10 (Indemnity), Clause 11 (Notices), Clause 12 (Miscellaneous), and Clause 13 (Governing Law and Dispute Resolution), shall continue to remain in full force and effect notwithstanding such expiration or termination.

1. **GOVERNING LAW AND DISPUTE RESOLUTION**
   1. This Agreement shall be governed by and construed in accordance with the laws of India. Subject to Applicable Laws, the courts at New Delhi shall have exclusive jurisdiction over all matters arising out of or relating to this Agreement.
   2. In the event of any dispute, difference, or claim arising out of or in connection with this Agreement, the Parties shall first make all reasonable efforts to resolve the matter amicably, in accordance with the Lender’s grievance redressal mechanism and the RBI’s Fair Practices Code.

**IN WITNESS** whereof the Parties have executed this Agreement on the date stated above.

**FOR AND ON BEHALF OF THE PARTIES**

|  |  |
| --- | --- |
| **<<company name>>**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [name]  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [title]  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [date]  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [signature] | **<<Borrower’s name>>**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [date]  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [signature] |