

Benevolence Cooperative Society

Loan Policy Agreement Framework

(Shariah-Compliant Loan Management Framework)

1. Introduction

The Benevolence Cooperative Society (BCS) is committed to providing interest-free, Shariah-compliant financial support to its members through structured and ethical financing options. This Loan Policy Agreement Framework ensures that all financial transactions adhere strictly to Islamic principles, particularly avoiding **Riba (interest)**, **Gharar (excessive uncertainty)**, and **Maysir (gambling)** while promoting **fairness, transparency, and social welfare**.

2. Loan Types

BCS offers two main types of loans under this framework:

1. **Qard Hasan (Cash Loan)** – A benevolent (interest-free) loan provided to members for personal, family, or emergency needs.
2. **Murabaha (Asset-Based Financing)** – A structured Islamic financing model used to provide assets, equipment, or facilities instead of cash, ensuring compliance with Shariah principles.

3. Eligibility Criteria

To qualify for any loan, members must meet the following conditions:

1. **Active Membership:** Must be a registered and active member of BCS with at least six (6) months of active participation.
2. **Financial Standing:** Must have a verifiable and consistent savings record with the cooperative.

3. **Purpose of Loan:** The loan must be used for lawful (Halal) purposes that align with Islamic ethics.
4. **Guarantor Requirement:** The applicant must provide one or more guarantors who are also active members of BCS.
5. **Repayment Capacity:** Applicants must demonstrate a reasonable ability to repay the loan based on their savings or salary structure.

4. Loan Terms & Conditions

4.1 Qard Hasan (Cash Loan)

- **Maximum Loan Amount:** Up to **200% of the member's savings balance** or a fixed amount approved by BCS.
- **Repayment Duration:** Maximum of **24 months** (depending on the amount).
- **Processing Fee:** No interest, but a small administrative fee (if necessary) may be charged for documentation.
- **Repayment Method:** Monthly deductions from salary or direct deposit into the cooperative's account.
- **Deferral Policy:** A grace period of up to **3 months** may be granted in case of financial hardship.

4.2 Murabaha (Asset-Based Loan – Property/Facility Financing)

- **Loan Structure:** BCS purchases the asset/property on behalf of the member and resells it to the member at a profit margin agreed upon at the time of the contract.
- **Down Payment:** Minimum **20% of the asset value** must be provided upfront.
- **Ownership Transfer:** The ownership of the asset is **immediately transferred to the member** at the time of purchase.
- **Repayment Period:** Up to **24 months** (depending on asset value and agreement).
- **Usage Restriction:** The property or facility acquired must not be used for unlawful (Haram) activities.

5. Loan Approval & Disbursement Process

1. **Application Submission:** Members submit a duly completed application form with supporting documents (e.g., savings records, guarantor details).
2. **Guarantor Approval:** BCS will proceed once your guarantor(s) have agreed to the contract.
3. **Screening & Review:** The Loan Committee reviews applications based on eligibility criteria and financial assessment.
4. **Approval & Agreement Signing:** Successful applicants sign a loan agreement with clear repayment terms.
5. **Disbursement:**
 - For **Qard Hasan**, cash is transferred to the member's bank account.
 - For **Murabaha**, BCS procures and delivers the asset directly.
6. **Repayment Monitoring:** Monthly tracking of repayments through the cooperative's financial system.

6. Guarantor & Collateral Requirements

- **Qard Hasan:** Requires at least one guarantor (a cooperative member with a strong financial record), but the BCS loan committee has the right to request more than one guarantor, depending on the nature and amount of the loan requested.
- **Murabaha:** May require **two guarantors** or a collateral deposit to ensure commitment.
- **Failure to Repay:** If the borrower defaults, the guarantor(s) will be responsible for repayment.

7. Default & Recovery Policy

- **Grace Period:** A borrower facing financial hardship can apply for an extension (max 3 months).
- **Default Consequences:** After **three consecutive missed payments**, the cooperative may:
 - Deduct repayment from the member's savings.
 - Initiate legal recovery processes.
 - Blacklist the member from future loans.

8. Ethical & Legal Compliance

- **No Riba:** The cooperative shall not charge interest on any loan.
- **Transparency:** Members have the right to full disclosure of terms before agreeing to a loan.
- **Dispute Resolution:** Any disputes will be resolved through Islamic arbitration (Shariah-compliant mediation).

9. Conclusion

This Loan Policy Agreement Framework ensures that all financial dealings of BCS remain **fair, ethical, and compliant with Islamic finance principles**. Members are encouraged to use the facility responsibly, ensuring timely repayment to sustain the financial integrity of the cooperative.