

# EMPLOYEE LOAN AND ADVANCE POLICY

This Policy establish a sustainable and all-inclusive procedure for the application of loans to employee from the company and for the payments of Salary Advances to employee

*Geecon System Pvt.  
Ltd.* Loan and  
Advance policy

Document ID: GSPL – HR/06

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## DOCUMENT HISTORY

Version	Date	Author	Content/Changes
1.0	January 01, 2017	Nagendra Mishra	Initial Draft

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## **SCOPE/OBJECTIVE**

The scope of this policy applies to all Full time employees of Geecon and its objective is to establish a sustainable and all-inclusive procedure for the application of loans to employee from the company and for the payments of Salary Advances to employee.

## **DISCLAIMERS**

Loans / Salary Advances will only be granted where there is a serious need or where emergency financial relief is required due to circumstances that could not have been foreseen by the employee or where emergency relief is required. Geecon reserves the right to refuse any loan application either in full or part thereof if it is deemed that the Loan amount falls outside of the employee's reasonable affordability and policy criteria.

It is also made clear here that at no time should any employee hold any expectation that it is in fact the Employers responsibility or a contractual requirement to grant or award any Loan or Advance to the employee.

Geecon Systems Pvt Ltd is not a financial institution and does not market itself or its representatives as a port of call for financial assistance or services. Any and all financial aid or process that is granted to an employee also does not in any way guarantee any future assistance.

## **EMPLOYEE LOANS**

Loans may never exceed the 60% of employee's Annual gross salary or Maximum up-to ₹ 3 Lac whichever is less. Application for a higher amount will be subject to approval from the Managing Director. The sanction will depend on the sole discretion of the Managing Director.

A loan agreement will be drawn up and repayment terms will be stipulated therein. Repayments are to be deducted in accordance with the loan agreement from the employees' monthly salary and must be repayable within a maximum of 24 months from the start of the agreement.

Repayments should never exceed 60% of the employee's monthly net remuneration.

All approved Loans will be paid out to the employee within 4 days.

All applications must reach the HR Department timely to ensure that this process is not delayed unnecessarily.

No loans will be available to any employee within their initial probationary period (normally 3 months), any exception to this constraint would be solely at the discretion of the HR department and Senior Management

An Application fee of 1% will be levied on all loan agreements.

Annual Interest rate of 10% will be applicable on the Sanctioned Amount.

No Loan will be granted if there is a balance outstanding on a previous personal loan or advance.

All Loans must be settled in full, including costs on termination of employment.

Any deviation on any of the statutes above needs to be approved by Managing Director or his duly authorized representative.

If an employee wants to repay the balance amount in a single installment within 24 months employee can inform HR about his intent and HR shall facilitate the repayment. The mode of payment will be only by cheque. For Employees who have been in the organization for more than 4 years, loan requests higher than the eligibility have to be recommended by the Reporting Head and have to be approved by the Head of Finance / Head of HR / Managing Director.

## **SALARY ADVANCES**

A Salary Advance may not exceed the two month net salary or ₹ 75000 whichever is less, which includes remuneration to date of loan, plus unpaid leave, less any outstanding training related expenditure linked to employment contract and or acknowledgement form.

Application for a higher amount will be subject to approval from the Managing Director. The sanction will depend on the sole discretion of the Managing Director.

Any advance will be loaded for full recovery at the end of the month in which the moneys are advanced.

No Advance will be available to any employee within their initial probationary period (3 months), any exception to this constraint would be solely at the discretion of the HR department and Senior Management

A 10% administration fee would be included and recovered in any advance given.

No interest rates will be applicable on Advances

No advance will be granted if there is a balance outstanding on a previous loan or advance.

All advances must be paid in full, including costs on termination of employment.

Any deviation on any of the statutes above needs to be approved by Managing Director or his duly authorized representative.

## **ELIGIBILITY OF LOANS AND ADVANCES**

All full time employees who have completed two year of service in the organization are eligible for a loan subject to availability of funds. Any kind of tax liability and interest applicable on the loan amount will be borne by the employee.

The basic criterion for eligibility is a genuine verifiable purpose for which the employee has applied for a loan

## **PROCEDURES AND CONDITIONS**

1. Prospective Loan/Advance Applicants must firstly notify their direct Line Manager of the intention to apply for a Loan or Advance from the Employer.

2. An email/personal request must then be made by the Line Manager for a Loan Interview with the Finance/HR office for the specific employee. The employee's Line Manager can attend this interview but it is not a specific requirement within this process. In cases where a personal interview is not possible for any reason a telephonic interview will be facilitated.
3. At the aforementioned interview the initial validity and employee affordability of the request will be established.
4. Loan / Advance Application is processed only when approval to continue with the process has been awarded to the employee will a Loan/Advance agreement be drafted.
5. This Agreement will be forwarded to the employee's Line Manager. All applications must be signed by the applicant and Co-signed (as witness only) by the applicants relevant Line Manager.
6. The signed agreement must then be returned to the Finance Office for final processing and approval before any payments will be made.
7. It is the responsibility of the employee to provide any and all requested proof / supporting documentation to substantiate the loan application.
8. Finance / HR will ensure that all loans repayments MUST be processed on the Payroll system to ensure that salary deductions are made and that the correct fringe benefit tax entries are raised.
9. A monthly reconciliation will be conducted by the Human Resources Department to ensure that loans are recovered as per loan agreement.
10. If an Employee leaves the organization before the repayment of the full loan amount, the employee is liable to pay the balance of the loan amount before being relieved.
11. Employee cannot Leaves the organization till one year from the sanction date of the loan.
12. If employee abscond from employment services without returning the Loan or Advance dues than Legal action may be taken against employee.