



SHARE
MICROFIN LIMITED

**SHARE MICRO FIN
LIMITED**

PRICING POLICY



1-224/58, Rajeev Nagar, Nacharam, Hyderabad, Telangana-500076

1. INTRODUCTION

SHARE Microfin Limited (THE COMPANY¹) has been set up with the objective of providing financial services exclusively to poor women, creating opportunities for self employment for the underprivileged and training rural poor in simple skills enabling them to utilize the available resources and contribute to employment & income generation in rural areas.

2. SCOPE AND OBJECTIVE

2.1 PRICING VISION

The vision implicates the serving of the poor clients by providing them financial assistance through micro lending at affordable price.

2.2 OBJECTIVES OF PRICING

The Objectives are to:

- The company primary objective of pricing is for Long term survival
- Set interest rates based on the interest rate model mandated by the regulator
- It necessitates the company to adjust price levels with a view to generate revenue to match expense.
- Pricing is instrumental in generating customer satisfaction.
- To be consistent with the objectives of other elements of marketing mix.
- Enlarging the market share can also be an objective of the pricing as the price facilitates an increase in the sale of financial products.
- To adjust price levels relative to its competitors so as to increase its market share.



2.3 FACTORS THAT INFLUENCE PRICING

- The scope of this policy extends to various factors such as cost, competitor's price, income size of the target customers etc., are considered in determining the price of the financial products.
- The income size of the target customers should be considered while determining the price. Even the customer's sentiments, favourable feelings about the service offerings, company image etc., cannot be overlooked in pricing decisions.
- The Competitors' prices as well as the customers' psychology are the other factors influencing the price.
- In case of pricing of new financial services it is more complex and challenging as cost, demand, competitive response etc., are relatively unfamiliar.

3. REGULATORY GUIDELINES

Non-Banking Financial Company - Microfinance Institutions (NBFC-MFI) - Directions dated 1st September, 2016 regulates pricing as given below:

- a) **Pricing of Credit:**
- i. Margin Cap, cap on the difference between the amount charged to the borrower and the cost of funds to the NBFC-MFI, shall not exceed 10 percent for large MFIs (loans portfolios exceeding Rs.100 crore) and 12 percent for the others.
 - ii. The interest rates charged by an NBFC-MFI to its borrowers shall be the lower of the following:
 - a) The cost of funds plus margin as indicated in para (i) above; or
 - b) The average base rate of the five largest commercial banks by assets multiplied by 2.75. The average of the base rates of the five largest commercial banks shall be advised by the Bank on the last working day of the previous quarter, which shall determine interest rates for the ensuing quarter.



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- iii. NBFC-MFIs shall ensure that the average interest rate on loans sanctioned during a quarter does not exceed the average borrowing cost during the preceding quarter plus the margin, within the prescribed cap.
- iv. The maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 percent.
- v. The average interest rate paid on borrowings and charged by the MFI are to be calculated on average monthly balances of outstanding borrowings and loan portfolio respectively. The figures shall be certified annually by statutory auditors and also disclosed in the balance sheet.
- vi. Processing charges shall not be more than 1% of gross loan amount. Processing charges need not be included in the margin cap or the interest cap.
- vii. NBFC-MFIs shall recover only the actual cost of Insurance for group, or live stock, life, health for borrower and spouse. Administrative charges where recovered, shall be as per IRDA guidelines.

b) Transparency in Interest Rates:

There shall be only three components in the pricing of the loan viz., the interest charges, the process charge and the Insurance Premium (which includes the administrative charges in respect thereof).

- There will be no penalty charged on delayed payment.
- NBFC-MFI shall not collect any Security Deposit/ Margin from the borrower
- There should be a standard form of loan agreement
- Every NBFC-MFI should provide to the borrower a loan card reflecting the effective rate of interest charged, all other terms and conditions attached to the loan, information which adequately identifies the borrower, acknowledgements by the NBFC-MFI of all repayments including instalments received and the final discharge
- The effective rate of interest charged by the NBFC-MFI should be prominently displayed in all its offices and in the literature issued by it and on its website.
- All entries in the Loan card should be in the vernacular language.



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4. POLICY MAINTAINED BY SHARE

SML has been following the pricing as per RBI Master Directions dated 1st September, 2016 as amended from time to time as detailed in Point No.3 above.