



Enabling Holistic Dignified Living

Microfinance Pricing Policy
[formerly known INTEREST RATE
POLICY
[Version: 2.0]

Version History			
Versi	Amendments	Date	Meeting in which adopted
1.0	First release	25.05.2016	Board Meeting
2.0	Second release	07.04.2022	Circular resolution

❖ DETAILS OF CHANGES

Sr. no.	Old Clause	New Clause
1	Version 1.0	Version 2.0
2	-	<p>RBI GUIDELINES</p> <p>This Policy is based on the requirements mentioned in RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 and as amended from time to time and Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022</p>
3	<p>POLICY OBJECTIVE</p> <p>The interest rates for the “Qualifying Assets” charged by Light Microfinance Pvt. Ltd. are based on the extant RBI guidelines as applicable to NBFC-MFIs.</p>	<p>POLICY OBJECTIVE</p> <p>The interest rates for the “Qualifying Assets” charged by Light Microfinance Pvt. Ltd. are based on the extant RBI guidelines as applicable to NBFC-MFIs.</p> <p><i>Further, in this policy Light Microfinance Private Limited will be referred as “LIGHT” or “the Company”.</i></p>
4		<p>DEFINITIONS</p> <p>1. Microfinance Loans:</p> <p>Microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.</p> <p>2. Borrower:</p> <p>For the purpose of this Policy, Borrower is defined as a person who is interested in availing the loan and who approaches the</p>

		<p>Company or who had availed at least one of the loan products of the Company.</p> <p>3. Qualifying Assets:</p> <p>The definition of 'Qualifying Assets' of NBFC-MFIs is aligned with the definition of 'Microfinance Loans' given above. The minimum requirement of microfinance loans for NBFC-MFIs also stands revised to 75 per cent of the total assets.</p>														
5	<p>The interest rate charged by Light to its borrowers is the lower of the following)</p> <p>The cost of fund plus applicable margin; or</p> <p><i>(The Cost of Fund as calculated according to RBI & MFIN guidelines – Interest accrued on Qualifying Assets is divided by the fortnightly average of the outstanding of the assets, is compared with the Interest Cost Borne plus the amortization of Processing Fees & Stamp Duty paid as reduced by the accrued interest on Cash Collateral as divided by the fortnightly average of the debt outstanding and the same reduced by Cash Collateral.)</i></p> <p>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 as advised by the Reserve Bank on the last working day of the previous quarter, which determines the interest rates for the ensuing quarter.</p>	<p>The pricing of loans extended by the Company shall be as below:</p> <table border="1" data-bbox="862 772 1511 972"> <thead> <tr> <th></th> <th>Cost of Funds</th> <th>Opex Cost</th> <th>Risk Premium</th> <th>Margin</th> <th>Net Price Range</th> <th>Processing fees</th> </tr> </thead> <tbody> <tr> <td>Range</td> <td>11% to 15 %</td> <td>8% to 10 %</td> <td>3% to 5%</td> <td>1.50% to 3%</td> <td>23.50% to 33%</td> <td>1.50% to 3%</td> </tr> </tbody> </table> <p>Each client will be categorized into risk grades based on their credit behaviour. Lower risk clients will be given benefits of pricing including interest rate and processing fee.</p>		Cost of Funds	Opex Cost	Risk Premium	Margin	Net Price Range	Processing fees	Range	11% to 15 %	8% to 10 %	3% to 5%	1.50% to 3%	23.50% to 33%	1.50% to 3%
	Cost of Funds	Opex Cost	Risk Premium	Margin	Net Price Range	Processing fees										
Range	11% to 15 %	8% to 10 %	3% to 5%	1.50% to 3%	23.50% to 33%	1.50% to 3%										
6	<p>All applications received post the applicability of the rate change (as per extant guidelines, typically the first day of the quarter) will attract the revised interest rate).</p>	-														

7	The revised interest rate becomes applicable from the first day of the quarter. The MIS is updated with the applicable interest rate within couple of hours from the announcement of the base rate by RBI. Basis the new applicable interest rate the revised repayment schedules are communicated to the all the branches	-
8	The Revised Rates are displayed on the website and in the Offices of Light Microfinance within 7 days of the notification for such rate change.	Light shall display the interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website, in accordance with the aforementioned RBI circular and as updated from time to time.
9	-	Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
10	-	Light shall disclose pricing related information to a prospective borrower in a standardized simplified factsheet. Light will share the factsheet with the client along with loan card. The illustration of the factsheet is given in Annex-I of the policy.
11	-	ANNEXURE-I Illustrative Factsheet on Pricing of Microfinance Loans

1. RBI GUIDELINES

This Policy is based on the requirements mentioned in RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 and as amended from time to time and Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022

2. POLICY OBJECTIVE

The interest rates for the “Qualifying Assets” charged by Light Microfinance Pvt. Ltd. are based on the extant RBI guidelines as applicable to NBFC-MFIs.

Further, in this policy Light Microfinance Private Limited will be referred as “LIGHT” or “the Company”.

3. DEFINITIONS

1. Microfinance Loans:

Microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.

2. Borrower:

For the purpose of this Policy, Borrower is defined as a person who is interested in availing the loan and who approaches the Company or who had availed at least one of the loan products of the Company.

3. Qualifying Assets:

The definition of ‘Qualifying Assets’ of NBFC-MFIs is aligned with the definition of ‘Microfinance Loans’ given above. The minimum requirement of microfinance loans for NBFC-MFIs also stands revised to 75 per cent of the total assets.

4. FRAMEWORK

- The pricing of loans extended by the Company shall be as below:

	Cost of Funds	Opex Cost	Risk Premium	Margin	Net Price Range	Processing fees
Range	11% to 15 %	8% to 10 %	3% to 5%	1.50% to 3%	23.50% to 33%	1.50% to 3%

Each client will be categorized into risk grades based on their credit behaviour. Lower risk clients will be given benefits of pricing including interest rate and processing fees.

- Light shall display the interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website, in accordance with the aforementioned RBI circular and as updated from time to time.
- Any change in interest rate or any other charge shall be informed to the borrower well in advance and

these changes shall be effective only prospectively.

- Light shall disclose pricing related information to a prospective borrower in a standardized simplified factsheet. Light will share the factsheet with the client along with loan card. The illustration of the factsheet is given in Annexure-I of the policy.

ANNEXURE-I

Illustrative Factsheet on Pricing of Microfinance Loans

(to be provided in a language understood by the borrower)

Date: XXX	Lender's Name: XXX	Applicant Name: XXX
Sr. No.	Parameter	Details
(i)	Loan amount (amount disbursed to the borrower) (in Rupees)	60,000
(ii)	Total interest charge during the entire tenure of the loan (in Rupees)	17,124
(iii)	Other up-front charges (break-up of each component to be given below) (in Rupees)	3,096
(a)	Processing fees (in Rupees)	1,200
(b)	Insurance charges (in Rupees)	1,896
(c)	Others (if any) (in Rupees)	0
(iv)	Net disbursed amount ((i)-(iii)) (in Rupees)	56,904
(v)	Total amount to be paid by the borrower (sum of (i), (ii) and (iii)) (in Rupees)	80,220
(vi)	Effective annualized interest rate (in percentage) (computed on net disbursed amount using IRR approach and reducing balance method)	31.42%
(vii)	Loan term (in months)	24
(viii)	Repayment frequency by the borrower	Monthly
(ix)	Number of instalments of repayment	24
(x)	Amount of each instalment of repayment (in Rupees)	3,250
Details about Contingent Charges		
(xi)	Borrower shall not be charged any penalty on prepayment of loan at any time.	
(xii)	Penal charges in case of delayed payments (if any)	
(xiii)	Other charges (if any)	