



SHARE MICROFIN LIMITED

Lr. No: 2d/2006-07

Date: January 25, 2007

To,

The Deputy General Manager
Department of Non-Banking Supervision
Hyderabad – 500 004

Dear Sir,

Sub: Acceptance for the Guidelines on Fair Practices Code for Non-Banking Financial Companies- Reg.,

Ref: DNBS (PD) CC No: 80/03.10.042/2005-06 Dated September 28, 2006

Greetings to you from Share Microfin Limited.

Thank you for your letter dated November 27, 2006 with the above reference regarding the Guidelines on Fair Practices Code for Non-Banking Financial Companies.

With regard to the captioned subject we would like to inform you that the company has prepared its code of conduct for fair practices as per the guidelines issued by Reserve Bank of India for Non Banking Financial Companies as per the circular No. DNBS (PD) CC No: 80/03.10.042/2005-06 dated September 28, 2006 and it has been placed in the board of directors meeting held on 21st November 2006 and the same has been approved. The approved copy has been enclosed as an Annexure.

We would like to intimate that though the Fair Practices Code is being adopted and practiced the emphasis on strict implementation will be followed from April 2007.

Thanking you,

Yours sincerely,


M. Udaia Kumar
Managing Director



Encl: **Annexure**





SHARE MICROFIN LIMITED

Annexure

FAIR PRACTICES CODE OF SHARE MICROFIN LIMITED

Share Microfin Limited (SML) is a Micro Finance Institution with the main objective of providing financial and support facilities to the rural poor women so as to enable them to use their skills and employ resources in some income generating activity. The program focuses on poverty alleviation. SML upholds and commits itself for implementing Fair Practices Code in all its relationships with its stakeholders.

VISION

- To improve the quality of life of the poor by providing access to financial and support services
- To be a viable financial institution developing sustainable communities.

MISSION

- The mission of SHARE MICROFIN LIMITED is to mobilize resources in order to provide Financial & Support Services to poor, particularly women, for viable productive income generation enterprises enabling them to reduce their poverty.

OBJECTIVES

- To provide credit facility to the rural poor, particularly women, enabling them to improve their standard of living and reduce their poverty in turn.
- To create opportunities for self-employment for the underprivileged.
- To train rural poor in simple skills and enable them to utilize the available resources and contribute to employment and income generation in rural areas.

Fair Practices Code

Share Microfin Limited commits itself for implementing and adopting fair practices in all its activities and transactions with its members while providing microfinance loans.

Methodology of extending credit

- * Public Orientation Meeting
- * Motivation
- * Group Formation and Training
- * Group Recognition Test
- * Center and Center Meetings
- * Loan Approval, Disbursements, and Repayments
- * Loan Monitoring
- * Training programs, Workshops & Exposure visits.



Contd.. 2

The Methodology of loan delivery is initiated by an Orientation meeting organized in villages where women are briefed on the loan disbursements and procedures. Women are then asked to form into groups of five members of their choice and 7 to 8 such groups form a Center/SHG. The company does not influence the selection of group members nor the decision regarding the income generation activity nor the loan amount they intend to take. This is then followed by 5 to 7 days group training on the procedures, methodology, calculation of interest rates and business development skills. The purpose of this training is to assist the members in identifying an income generation activity they propose to take up and equip them with the knowledge about project related issues such as pricing, marketing, and quality management. The SHG members are taught to sign their names. The groups meet weekly in their village at a place and time convenient to them. Once the initial group training is complete and enrolled into a group, the members undertake the responsibility of approving, disbursing and repaying the loans. A staggered disbursement ratio is maintained in order to build up discipline and promote proper loan utilization. The field staff of SML facilitates the loan utilization, repayments and credit discipline of the groups.

Loan Proposals and their Processing

- a) In the first step, every member who intends to access credit from the company has to complete the compulsory group training programme and Group reorganization test organized by the company. This programme shall be conducted by the Field Credit Assistant (FCA) or any designated staff, who was authorised by Share Microfin Limited (the Company).
- b) Primary data would be taken from borrower/member along with KYC (Know your Customer) norms as per the company guidelines in a prescribed format.
- c) The loan application form includes necessary information including that, which affects the interest of the borrower.
- d) FCA should verify the loan application and completely fill the following information:
 - * Date of application
 - * Borrower identification particulars
 - * Loan product details
 - * Loan amount
 - * Need for Loan
 - * Applicable interest rates
 - * Term of the Loan
 - * Repayment particulars
 - * Acceptance by the borrower's family member / the relevant SHG members
- e) The expected date of loan disbursement should be mentioned on the loan application form and to be intimated to the borrower / member.



Loan appraisal and Terms & conditions

FCA or designated staff of the Company should convey to the borrower/member the amount of loan sanctioned along with the terms and conditions including the annualized rate of interest and method of repayment of the loan.

Disbursement procedure of loans

- a) Authorized staff of the SML should verify the Loan application along with all securities, sureties and approvals, which is applicable as per the applicable policy of the company.
- b) The Company should complete the following documentation at the time of disbursement of the loan wherever applicable:
 - * Demand promissory Note
 - * Surety or guaranty
 - * SHG members/Group acceptance
 - * Family members acceptance
 - * The acceptance of the terms and conditions by the borrower/member, rate of interest, processing charges if any and repayment terms
 - * Documentation for Hypothecation or charge creation or any security or surety/guarantee
- c) The Company will keep all the documents in the safe custody in the respective premises by the authorized persons.
- d) Loan passbook has to be given to every borrower/member for each loan. The loan passbook would contain the repayment schedule, effective interest rate and other processing charges etc.
- e) The company will give prior notice of any change in the interest rate and other charges to the borrower / member.
- f) The company will take decision whether to recall / accelerate the payment or performance under the loan agreement / Promissory Note as agreed with the borrower/member under intimation.

Release of Security

- a) The Company will release all the documents /securities on repayment of all dues or on realization of the outstanding amount of the loan / loans subject to any legitimate right or lien for any other claim from the company.
- b) If the company has any claims against borrower in respect of the loan outstanding and repayment of all dues or on realization of the outstanding amount of loan, the company has to give prior notice about the same with full particulars about the remaining claims and the conditions under which the company is entitled to retain the securities till the relevant claim is settled/paid.



