

## **Service Fee Policy**

### **Turkish Grameen Microfinance Program**

Service fee policy is a central issue in microfinance program design. Effective pricing of financial services may to a great extent determine the short and long-term success of a microfinance institution (MFI).

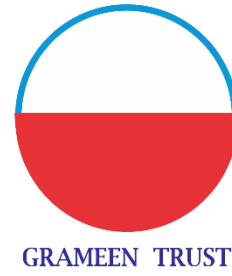
Turkish Grameen Microfinance Program (TGMP) is a sustainable organization which charges a service fee to the micro-entrepreneurs in order to compensate the inevitable expenses of the organization. An essential requirement for financial viability is that service fee charged for financial services are high enough to cover all of operational and financial costs. The purpose of the service fee is never to earn profit at the expense of the micro-entrepreneurs. On the other hand, the purpose of the service fee is to provide a convenient service to the micro-entrepreneurs.

TGMP has received a Fetwa from the Directorate of High Commission on Religious Affairs of the Republic of Turkey which gives the permission to TGMP to collect the service fee from the micro-entrepreneurs and the collected service fee is not considered as interest.

TGMP provides microcredit to Syrian refugees with zero service fee with regard to their difficult financial statuses. This facilitation is provided only within the framework of the collaboration of TGMP with Cooperative for Assistance and Relief Everywhere (CARE).

Some experts have criticized that MFIs charge higher service fees as compared to other financial institutions like banks and local lenders. Usually, MFI's do not charge high service fees because they are providing financial services to financially challenged clientele which carries inherently higher risk. However, MFIs charge high service fees as compared to its competitors because of the greater delivery costs of minute transactions that require face-to-face interaction and because MFIs use personal contact as a substitute for formal collateral or computerized credit scoring. The costs of disbursing loans of smaller amounts will always be higher in percentage terms than the cost of loans of larger amounts. The types of costs that need to be covered by interest rates are the cost of funds, the cost of risk (loan loss), operating and administrative costs.

TGMP examines the ability of its potential micro-entrepreneurs to pay for financial services. The senior management of TGMP also considers the total repayment period while a-making a decision regarding the service fee in order to ensure that the micro-entrepreneurs can repay the loan and the service fee in a convenient manner. In addition, it is important for a MFI to investigate the other financial options available to its client base. TGMP has differing service fee on the different products. The service fee differs depending on the number of repayment weeks and the credit limits.



Category	Loan Name	Credit Limit (TRY)	Rate of Service Fee	BSMV Rate	Repayment Weeks
<b>Introductory Loan</b>		1.000 - 1.500	5%	5%	33
<b>Fundamental Loans</b>	<b>Business Loan</b>	1.000 - 5.000	10%	5%	40
	<b>Basic Loan</b>	1.000 - 7.000	15%	5%	48
	<b>Development Loan</b>	5.000 - 7.000	10%	5%	46
<b>Business Loans</b>	<b>Entrepreneur Loan</b>	1.000 - 7.000	15%	5%	48
	<b>Growth / Happytalist Loan</b>	10.000 - 15.000	15%	5%	60
<b>Social Business</b>	<b>Social Development Loan</b>	Price of Products	10%	5%	46
	<b>Technology Loan</b>	Price of Products	10%	5%	46

**TURKISH FOUNDATION FOR WASTE REDUCTION  
MICROCREDIT CENTER**

(Turkish Grameen Microfinance Program)

Bademlidere Mahallesi 265 Sokak Ulusoy Apartmanı No:4/9 06670 Kırkkonaklar/Çankaya/ANKARA

Website: [www.tgmp.net](http://www.tgmp.net), [www.israf.org](http://www.israf.org) E-mail: [bilgisistemleri@tgmp.net](mailto:bilgisistemleri@tgmp.net)

Tel: +90 (312) 436 90 90 • Fax : +90 (312) 436 90 24