



‘Clean Microfinance, Our Campaign’

Second National Microfinance Members' Summit

December 1-2, 2018

Special Edition

“Microfinance Pivotal in Alleviating Poverty” Applauds Prime Minister Oli



Rt. Hon. P.M. Mr. K.P. Sharma Oli addressing the gathering

The only all-inclusive national level Second National Microfinance Members' Summit was held from December 1 – 2, 2018 in the heart of the capital city Kathmandu. Following the success of the First Summit which was held from May 15 – 16, 2016, this year's Summit witnessed a gathering of over 700 women microfinance members, microfinance practitioners and officials and concerned stakeholders from across the country.

Over 75 'D' class microfinance institutions, Financial Intermediary Non-Government Organizations (FINGOs), Cooperatives, Commercial Banks, Development Banks, Insurance Companies and other institutions took part in the event that took place under the steering of principal microfinance institutions (MFIs) and the coordination of the Centre for Self-help Development (CSD). This year the Summit adopted the campaign of **‘Clean Microfinance, Our Campaign’** with the intent of resolving the deviations and distortions in the Nepalese microfinance sector.

Rt. Honorable Prime Minister Mr. K.P. Sharma Oli inaugurated the Summit amid a ceremony that started with a **‘Satya Bandhana’** – a pledge to remain true to oneself and follow the path of truth in the journey of life.

Welcoming the distinguished guests,

Chairman of the Steering Committee and CSD, Mr. Shankar Man Shrestha reminisced, “In its initial days, microfinance was hailed as **‘the rising moon on a dark night’**. It was a ray of hope and opportunity for those who could never imagine themselves out of the vicious circle of poverty. Soon it turned into a revolution, providing the ultra-poor, the disadvantaged and overlooked population access to finance, training for skill development, an honest way of living and the overall development of the disadvantaged and deprived communities in the country.”

“Microfinance is recognized worldwide as an effective tool of poverty alleviation. However, in Nepal, a dark shadow has been cast over this sector. Unhealthy competition and the rush for profit maximization has clouded the true calling of microfinance practitioners. MFIs are deviating from the basic principles, objectives and practices of microfinance,” shared Mr. Shrestha.

“But it is not too late. We can still reevaluate and correct ourselves before we do more damage to the sector. Therefore, this year we have adopted the slogan of **‘Clean Microfinance, Our Campaign’** and will redress the issues arising in the sector. The Summit is a unique platform for the participants to share their experiences and we can learn from one another and together

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move forward in creating a clean microfinance,” said Mr. Shrestha. He ended sharing that it is a matter of great pride and honor that the Summit is being convened with the resources and expertise of the country's microfinance sector and related institutions.

Speaking at the inaugural ceremony the speakers highlighted the importance of microfinance in the rural development of the country and in alleviating poverty.

P.M. Oli expressed his immense pleasure in being able to attend the Summit for the second time as Chief Guest. He expressed the commitment of the Government to support the microfinance sector through appropriate programs and policies. Addressing the microfinance members, he urged, “You should take loans according to your capacity to repay. Else you will be over burdened with loans.” He lauded the MFIs in lifting families out of the poverty line and remarked that the interest charged by MFIs in Nepal was lower than its counterparts in other countries. However, he cautioned that microfinance should not be profit oriented and in this, MFIs should make better strategies in reaching the target groups left out in the remote areas.

Special Guest, Minister of Land Management, Cooperatives and



A view of the Summit audience

Poverty Alleviation, Ms. Padma Aryal, acknowledged the role of microfinance in reducing poverty. She said, "The sector has successfully created numerous entrepreneurs, thereby creating self-reliant people. The Government is ready to work together to reach the deepest of Hills and Terai region to empower women, uplift the poor and create a prosperous Nepal."

Speaking at the Summit, Special Guest, Mr. Chinta Mani Siwakoti, Acting Governor of Nepal Rastra Bank (NRB) shared that around 2.7 million clients were served by MFIs and that approximately Rs. 300 billion was invested in the deprived sector with a loan outstanding amount of Rs. 150 billion with the microfinance borrowers. He expressed, "Lack of exchange of credit information between MFIs has been a grave cause of duplication and has become a matter of concern for me and NRB. The continuous rise in the number of MFIs has made supervision difficult and in the coming days we will go in for mergers and acquisitions. NRB has also considered creating a second tier organization that will supervise the MFIs. A directive has already been issued by NRB that states zero tolerance towards MFIs involved in duplication and increasing credit risk. Therefore, we will now stop providing license to MFIs in already crowded areas."

A vote of thanks was delivered by Mr. Mahendra Kumar Giri, member of the Steering Committee, who thanked the

distinguished guests for their kind presence and encouraging remarks and to all those who contributed in organizing the Summit.

Following the ceremony, Prime Minister Oli also inaugurated an exhibition that displayed the various handloom, handicraft and organic products of MF women members from different regions of Nepal.



Rt. Hon. P.M. inaugurating the exhibition

Small Loans Facilitate Landmark Changes: *Heartwarming Stories of Sixteen Women Entrepreneurs*

The Second National Microfinance Members' Summit provided a unique platform to share and hear the stories of courageous women who have been through ups and downs in their lives and how a small amount of loan changed their lives dramatically helping them rise out of poverty and live a life of dignity and self-respect. On the first day of the Summit, 16 shortlisted successful women microfinance entrepreneurs shared their journey of life and experience after obtaining initial capital in the form of loan from MFIs.

Ms. Chandra Devi Bhandari's life changed after joining Kisan Bahuudeshiya Sahakari Sanstha Ltd. in 2069 BS. Living in a small rented house in Tikapur, Kailali, she had difficulty in finding the financial resource to educate her children and was further aggravated when she fell ill and was forced to seek medical treatment in India. She was relieved when she got enrolled into the Susashan Kisan Mahila Bikas Kendra of Kisan and received an initial loan amount of Rs. 20,000 and bought 5



piglets. "Hard work and honesty will always lead to success. Now I have taken a loan of Rs. 1,50,000 and have started a small fishery, poultry, raising a few cattle and running a general store. The habit of small savings that Kisan taught us has increased my self-dependency," shared Bhandari.



Coming from an orthodox family of the Dalit community, **Ms. Dev Kumari Bishwokarma** faced numerous challenges in

her early life. Poverty caused her husband to go abroad in search of job opportunities. However, the remuneration from his 12 years of work in Qatar contributed little to the family. She learnt from her neighbors that microfinance groups were being formed by Manushi Laghubitta Bittiya Sanstha Ltd. in her village. In 2066 BS, she joined the Kamal Manushi Mahila Kendra in Bidur, Nuwakot and received a loan amount of Rs. 15,000 to start a small poultry. Over a decade she went from strength to strength and currently is a proud owner of a poultry with over 3,000 chickens. She has also utilized

the liquid soap making training she received from Manushi and currently sells her product among her neighbors. She proudly said, "My husband was earning only Rs. 25,000 – 30,000 a month after working so hard abroad. I told him that I earn a profit of Rs. 1 lakh in just 45 days. Come home and work with me, I will support you. We will be self-employed at home." Bishwokarma currently earns a monthly profit of Rs. 2,50,000.



A resident of Birtamode, Jhapa, **Ms. Nirmala Limbu's** life was full of challenges. Married while studying in class 8, the drinking habit of her husband posed great financial difficulties and family disputes. Seeking financial support, she joined Bikas Mahila Swabalamban Kendra of Karnali SACCOS Ltd. in 2064 BS. Her initial loan request of Rs. 5,000 was denied due to her family and financial situation. Instead the group approved Rs. 3,000 only. She opened a small tea stall and bought a few piglets. Once her business grew, her group members started believing in her and increased her second loan amount. Seeing her struggle, even her husband's behavior improved and he started helping out at the tea stall. Motivated, she soon started a poultry farm. Currently she is eligible to take up to Rs. 5 lakhs loan against collateral. She says, "Microfinance not only changed my economic situation. It helped bring about positive changes in my family and social life. One must utilize the loan provided and work hard to become an entrepreneur." Nirmala now makes a yearly profit of Rs. 3-4 lakhs.



Ms. Rupa Kumari Mehta's story is one of triumph despite being tied down in child marriage at the tender age of 12 while studying in class 7. Her desire to continue her education against the in-laws wish led the couple to be ousted from the family and forced to undertake manual labor. She continued her education while learning tailoring. During that period, the couple heard of the Community Women Development Centre (CWDEC), which provided financial access to the disadvantaged. Ms. Rupa joined the Suryamukhi Mahila Bikas Kendra in Chhinmasta, Saptari and took an initial loan of Rs. 10,000 which they used to purchase a sewing machine. They used the income from tailoring, her husband's daily wage and vegetable farming to pay off the first loan and went on to take more loans. Today they also own a city rickshaw that they rent out. The couple earns a yearly income of Rs. 5,40,000 and for them, CWDEC became a boon from God.



Ms. Dev Maya Bishwokarma, of Kankai, Jhapa faced various ill treatment and misbehavior as she belonged to a Dalit family. Unable to bear the atrocities, she searched for various opportunities and came across Sahara Nepal SACCOS Ltd. Her life took a positive turn after she joined center no. 12, Prithvi Sahara Mahila Samuha of Sahara in 2069 BS. With the initial loan of Rs. 5,000 she purchased a small wood cutting machine and gradually over the years increased the capacity of the business. "Today my furniture business is worth Rs. 30 lakhs. I have also employed 7-8 workers in my shop. People respect me and my family now after seeing our progress. I am eternally grateful to Sahara," said Dev Maya. She earns a yearly income of Rs. 10,20,000 and also runs a tailor shop and a small silver and gold jewelry store.



The daughter of a modest family, **Ms. Ganga Sigdel** was married off at an early age. Living in Surkhet, she faced many difficulties due to lack of source of income. After hearing of Batabaran Sudhar Bahuuddeshiya Sahakari Sanstha Ltd., she brought together a group of women and formed the Basanta Ritu Batabaran Mahila Kendra in Panchpuri in 2068 BS. She used her first loan of Rs. 8,000 to set up a small general store and started raising chickens. She said, "My experience has taught me to remain loyal to a single MFI and build and win their trust. We must not look for various sources of finance. MFIs should also thoroughly check the loan utilization and progress record of the clients before giving loans." She earns a yearly income of Rs. 3 lakhs from her business.



Living in Krishnapur, Kanchanpur, **Ms. Lalita Bhatt** was forced to think of ways to earn an income. Working in India, the meager amount of Rs. 4,000-5,000 her husband sent home monthly was not enough to sustain the family. When Lalita heard about Shree Udayadev Bahuuddeshiya Sahakari Sanstha Ltd. and its savings and credit facilities, she consulted her husband and joined the Gyanjyoti Udayadev Mahila Kendra in 2068 BS. With her first loan of Rs. 10,000 she purchased a jersey cow. Gradually, she repaid her loan from the money received from selling milk. Soon she started vegetable farming as well along with her husband and currently earns Rs. 2,80,000 annually. "I was surprised to see the savings I had accumulated over the

years. After Udayadev came to our village, I have noticed an overall improvement in the lives of all the members. Earlier almost all the members' husbands used to go to India in search of work. Now, most of them have returned to open a small business at home itself," shared Lalita.



Ms. Sushila Pun is an active member of Jijubaje Swabalamban Mahila Kendra in Birbas, Gulmi. Her drive to improve her household situation and undertake productive activities made her search for opportunities nearby. She joined Swabalamban Laghubitta Bittiya Sanstha Ltd. in 2069 BS after hearing about the credit facilities and skill development training it provided to its members. She setup a tea stall with her initial loan of Rs. 10,000 and gradually started rearing goats and chicken with every savings she made. As her business grew, she expanded the tea stall into a small restaurant and now earns an annual income of Rs. 6 lakhs. She encourages her fellow center members to engage in income generating activities and to take loans as per their capacity. Sushila credits Swabalamban for the positive changes it has brought in the community and in developing empowered and enterprising women.



Coming from a Dalit family in Pandit Pauwa, Dhading, **Ms. Rita Pariyar** had the desire to improve her economic condition. As she belonged to a Dalit family, her group members approved her membership only after great difficulty and in 2069 BS she joined the Pandit Pauwa Mahila Kendra of WoMi Microfinance Bittiya Sanstha Ltd. From her initial loan of Rs. 20,000, she bought two goats and simultaneously started growing seasonal vegetables. Overtime the returns from vegetable farming prospered and the number of goats increased to 14. She also expanded her business to start a cloth and tailor shop and has utilized over Rs. 3 lakhs in loan amount. Sharing her story at the Summit, she said, "Seeing my business, numerous newer MFIs have approached me luring me with larger loan amounts, but I have sent them away as what I need is provided to me by WoMi. We must take loans only as per our capacity and must remain loyal to the initial MFI which trusted and invested in us."



Ms. Gita Chaudhary has overcome many adversities to reach where she is today. Living in Lamahi, Dang, her in-laws ousted the

couple after they discovered that the husband was suffering from the sickle cell disease. Made to fend for themselves, they lived in a shanty hut and faced many days when they ate only rice, salt and chilly and not have enough money for even a teaspoon of sugar. Encouraged by the staff of Grameen Mahila Utthan Kendra, she joined the Rapti Mahila Utthan Kendra, centre no. 97, in 2070 BS and was provided Rs. 1,500 as her first loan. She started a small general store from her hut itself and within a few days sold all her items as theirs was the only store in the village. Motivated, she took out subsequent loans to purchase more items and started rearing wild boars on the side. Today, she also has a poultry with over 300 ducks and chicken and makes an annual income of Rs. 8 lakhs. Gita is thankful for the opportunity she received and says, "Thanks to microfinance, underprivileged women like us have received financial assistance at our doorsteps and have their support at all times of need."



Overcoming her health issues and the demise of her father due to the shock from her inter-caste marriage **Ms. Paniya Devi Chaudhary** of Damak

found refuge and respite after joining Juntara Navodaya Mahila Kendra of Shree Navodaya Bahuuddeshiya Sahakari Sanstha Ltd. She bought a sewing machine with her first loan of Rs. 10,000 in 2064 BS. Developing her skills from various training she received from Navodaya, she invested Rs. 9 lakhs in the Nishan Tailoring Training Centre where she provides training to other aspiring women. Her husband oversees their piggery which is worth Rs. 10 lakhs and from their joint efforts they earn an annual revenue of Rs. 6 lakhs. Paniya Devi is an inspiration for her fellow members and has participated in national and international exposure visits and also won accolades for her work.

Ms. Thag Maya Bhattarai of Itahari, Sunsari faced various problems at home as her mother-in-law was suffering from paralysis and her husband was working in Dubai due to lack of job opportunities in the country. After hearing about Chhimek Laghubitta Bittiya Sanstha Ltd. from the locals, she joined the center no. 1813 in Hawaichowk in the year 2064 BS. Despite the challenges at home, she summed up the courage to request a loan of Rs. 10,000 to start a furniture shop. With her hard-work and determination her shop flourished and soon her husband returned to help her. Currently, they provide employment to 14 other local youth and have started rearing goats



and growing paddy also. With an annual income of Rs. 6 lakhs Thag Maya suggests, "One should remain loyal to their parent organization. I am a Gold Member of Chhimek as I have not taken membership in any other MFI. During the initial days my group members used to hesitate approving even Rs. 5,000 but today they granted me Rs. 5 lakhs without hesitation."



The inter-caste marriage of **Ms. Tara Devi Bista** of Bhojpur posed many challenges to her. She lost her husband at a young age and as a single mother faced further difficulties. However, she was fortunate to come across Mahuli Laghubitta Bittiya Sanstha Ltd., which believed in her capability. She joined Sangam Mahila Bikas Kendra in 2068 BS and started a general store with the initial loan of Rs. 20,000. Overtime, with the support of her brother she started growing oranges and expanded her store into a local restaurant and lodge. Today, she earns Rs. 5.5 lakhs annually and is able to provide good education for her two children. She reiterates, "Stay loyal to your parent organization. Do not fall into the trap of over-indebtedness by being lured by multiple MFIs."

The earnings from the daily wages of her husband was not sufficient to feed the family of **Ms. Santu Gharti**. A resident of Bandipur, her husband soon left for Qatar in search of better job. Left to provide support for her family, she heard of Shreejana Bikas Kendra from her neighbors and soon became a member of the Garibi Nivaran Shreejana Mahila Bikas Kendra in 2067 BS. She started rearing goats with her first loan of Rs. 20,000 and later took out a second loan to open a small general store. Her husband returned to help her in the growing business and later the couple started rearing cattle as well. The couple has also provided employment to others in their village. "One should invest the loan received in productive activities. This way, the loan will turn into a boon rather than becoming a burden on the family," suggests Santu. Currently, they earn a yearly income of Rs. 18 lakhs from their various businesses.



Ms. Nanila Chaudhary's journey with Nerude Laghubitta Bittiya Sanstha Ltd. spans over two decades. Coming from a humble family, Nanila was fortunate to have the support of her family, especially her husband. With a drive to do well, she joined Laxmi Nerude Mahila Kendra in Chimdi, Sunsari in the



year 2056 BS. With her first loan of Rs. 3,000, she started rearing goats and growing vegetables. Soon she opened a general store from her subsequent loans. After receiving a training on Rural Animal Health, her interest in the topic increased and she started rearing pigs and providing animal health service in the area. Today, she is a proud owner of Bibek Veterinary Store and has a yearly income of Rs. 5 lakhs. With the earnings from the veterinary Nanila enrolled her husband in an 18 months JTA course. "Through the support of Nerude's microfinance program, I have made landmark improvements in my life. I am able to educate my two children and even send my son to study engineering in Bangalore, India," says Nanila.



From the young age of 11, **Ms. Puja Kumari Chaudhari** grew up helping her mother with household chores after the death of her father.

After her marriage, the meagre daily wages earned by her husband was insufficient to meet the family's expenses. With the consent of her husband, she joined Parbati Mahila Bachat Samuha of Forward Community Microfinance Bittiya Sanstha Ltd. in 2065 BS. She opened a small tea stall with her first loan of Rs. 5,000. Over time, she mustered the courage to do better. She paid a local sweet vendor Rs. 2,500 to teach her how to make sweets. "Initially, no one would buy from us. I remember during my early days, Forward used to buy sweets from my shop for their programs to encourage me as we didn't have customers. Later on, people around us started buying sweets from us too. Today all the financial needs of my family is fulfilled from my sweet shop. I am so grateful to Forward for the opportunity that I have been given," shares Puja. She now has an annual income of Rs. 5 lakhs from her sweet shop and supplies sweets at various functions that take place in her area.

The success stories of these sixteen microfinance women entrepreneurs created an ambience of motivation and enthusiasm among the participants to do better. Suggestions from the speakers to productively utilize the loan amount, to refrain from taking membership with multiple MFIs, to remain loyal to the parent organization and to avoid over-indebtedness by taking loan as per one's capacity to repay were duly noted by the audience. Encouraged and empowered that a small amount of loan, if properly utilized, can bring about remarkable changes in the lives of the poor, the Summit was successful in highlighting the contributions of the microfinance sector in alleviating poverty and augmenting self-help development of the target group.

Summit Participants Engage in Group Discussions on Various Issues

On the second day, the participants were divided into five groups to discuss, at length, the burning issues of microfinance and make recommendations to improve its management and ways to overcome the various problems faced by the sector. The topics were; 1) Entrepreneurship Development of Members through Microfinance

(Why & How), 2) Financial Literacy and Client Protection in Microfinance (Why & How), 3) Microfinance Outreach to the Ultra-Poor (Why & How), 4) Negative Impact of Multiple Financing and Over-indebtedness & Ways to Overcome it and 5) Social Development through Microfinance (Why & How).

The group discussions witnessed active participation, especially from microfinance women members who put across their queries, shared their experiences and made suggestions to the floor. The recommendations that were put forth during the discussions formed the basis of the 15 point Declaration that was unanimously accepted by the forum.

Group Recommendations

Group 1: Entrepreneurship Development of Members through Microfinance

1. Every MFI will prepare the business details of their members.
2. Study the market for the business products.
3. Prepare the skills and competences required (according to members) for the business.
4. Prepare a list of potential members (along with their capabilities) who can be developed as trainers to conduct business training programs.
5. Identify efficient Government or freelance trainers in the respective areas.
6. Contact and collaborate with related line agencies.
7. Every MFI will put aside a certain percentage of their profit for skill development training programs.
8. Establish an Entrepreneurship Development Unit within the organization.
9. Prepare a growth card to measure the entrepreneurship development level of all the members and appraise them every 3 months.
10. Disburse loans with priority to the agricultural and animal husbandry sector. For the purpose, provide technical support service by employing local J.T.A.s or if the organization is self-sufficient, to employ their own technical staff.
11. MFIs should collaborate with local cottage industry development committees or institutions like MEDPA for entrepreneurship development procedures.
12. Organizations will organize Credit Plus Programs to encourage entrepreneurship among members.
13. Be well informed about the production of the respective areas and support in the information sharing of its correct market.

6. Encourage the members to remain loyal to their parent organization and to give up the membership of other duplicated MFIs within a year.
7. Motivate members to develop their skills and business.
8. Inform the members about the importance of loan and life insurances.
9. Sensitize the members on the risk involved in over-indebtedness and loan misutilization.
10. Stimulate the members during center meetings to strengthen the unity among the groups and centers, to discourage members from recommending loans in haphazard manner and to keep an eye on the loan utilization of one another.
11. Modify and update the curriculum of Pre-Group Training, Center Chief Workshop and Refresher Training as per the changing situation.
12. MFIs will make provisions for client grievance hearing unit and educate them on how, where and whom to share their grievances with.

Group 3: Microfinance Outreach to the Ultra-Poor

1. Every organization will conduct an in-depth study and prepare a list of the Dalit, deprived and ultra-poor families who have been left out from the outreach of microfinance in their respective working areas.
2. Take help from learned members for the above study.
3. After the study, prepare a detailed list of the potential members and their status including their prospective business.
4. Visit every ultra-poor household to contact them to partake in the group and savings and credit program.
5. Conduct a weeklong financial literacy training for them.
6. Provide small loans after discussing their needs and capacities. Once the loan is disbursed, immediately inform other MFIs working in the area and provide a copy of the letter to Nepal Rastra Bank to avoid duplication of loans.
7. Evaluate the business and income growth of the loanees every 3 months. Provide them with the necessary skill and efficiency development training and raise their self-confidence.
8. Initiate the provision of fortnightly center meetings for newly formed centers.
9. Loans should be disbursed following the principles, objectives and fundamentals of microfinance.
10. Make provisions for periodical entrepreneurship development training programs to develop members' capacities.

Group 2: Financial Literacy and Client protection in Microfinance

1. Inform the members about the philosophy of microfinance, the objective and types of loan and loan utilization process.
2. Generate awareness among the members to take loans as per their need and capacity and make proper utilization of loans.
3. Inform the members about the consequences of over-indebtedness and loan misutilization.
4. Inform the members about the disadvantages of multiple borrowing and encourage them to remain in one organization only.
5. Alert both the field staff and the members to take and provide loans only as per the members' need and capacity.

Group 4: Negative Impact of Multiple Financing and Over-indebtedness & Ways to Overcome it

1. Prepare a list of loanees who have taken loans over and above their requirement and those involved in multiple borrowing.
2. Educate such loanees about the risk that can arise to the MFI and the loanee and maintain a record.
3. Organize meetings with those MFIs involved in multiple financing and discuss the loanee's situation and the possible consequences. Jointly discuss the above with other organizations who have also provided such loans.
4. Encourage multiple borrowers to remain in one or upto two organizations, if the loan provided by the parent organization is not sufficient to expand her business, and to repay the loans of the remaining MFIs.
5. From now onwards, organizations will provide loans only to the target group.
6. MFIs will not include the rich and well-to-do families.
7. MFIs will provide training to the target group for developing their capacity and while doing so one door channel will be used to provide loan as per their need and capacity.
8. Provide updates on the details of the loanees to the Credit Information Centre (CIC) and disburse loans only after receiving credit information.
9. Loans will be disbursed following the policies of microfinance principles and fundamentals.
10. Every organization will develop and implement a Code of Conduct for both the staff and members.
11. Educate the staff and members about the negative impact of multiple borrowing and over-indebtedness.
12. Immediately take action against those staff who provide loans over and above the need and capacity of the member and those members who misuse loans.
13. Loan utilization check will be made regular and well managed.
14. Expand the working area and loan size while remaining within the resource and capacity of the organization.

15. New branches will be opened only in those areas unreached by roads and un-served by other organizations.

Group 5: Social Development through Microfinance

1. Prepare a report on the status of social evils prevalent in the concerned areas where microfinance members reside.
2. Provide timely training to the members regarding social values and discipline.
3. Spread awareness among members through Adult Literacy Programs.
4. Train the members on child and maternity health with the help of health staff.
5. Financially self-sufficient organizations shall employ health staff and provide health services to their members.
6. MFIs shall provide sugar and blood pressure test machines in every branch and train their staff accordingly.
7. Organize timely health camps.
8. Mobilize youth groups to safeguard the local culture.
9. Conduct awareness programs to dissuade youths from going abroad.
10. Organize youth self-employment programs.
11. Financially self-sufficient organizations shall support in providing pre-school classes to members' children as part of their Corporate Social Responsibility (C.S.R.)
12. Start a campaign to achieve fully literate villages/ lanes.
13. Carryout community work to help the ultra-poor communities together with the members.
14. Cooperate with the locals and organizations to establish environment-friendly villages/ lanes.
15. Educate the members and build their capacities to enhance their access to the local administration and participate in decision making.

Panelists Highlight the Current Scenario & Challenges under Different Institutional Framework

On the first day of the Second National Microfinance Members' Summit a Panel Discussion on 'The Current State of Microfinance and its Challenges and Prospects' was held. Three panelists, Mr. Ram Chandra Joshee, Ms. Padmasana Shakya and Mr. Dambar Bahadur Shah presented the perspective of microfinance from the standpoint of the 'D' class MFIs, FINGOs and Cooperatives respectively. The session was moderated by Acting Governor of NRB, Mr. Chinta Mani Siwakoti.

Representing the Nepal Microfinance Bankers Association (NMBA), panelist Mr. Joshee, shared that currently 68 'D' class MFIs are serving 2.95 million members and 1.88 million loanees with total loan outstanding amount of Rs. 149 billion. He said, "Nowadays, the microfinance program is crowded near highways and the Terai region and is



Acting Governor of NRB, Mr. Siwakoti summing up the Panel Discussion

yet to reach the far-flung regions. Newer MFIs provide an initial loan of Rs. 2-3 lakhs to the loanee. If loan is given without proper analysis of the loanee's capacity, then there will be serious problem in loan repayment. As unhealthy competition is rising in the sector the Nepal Rastra Bank (NRB) must pay attention to this."

During his presentation he listed the challenges as staff poaching by newer MFIs entering the market; lack of client protection, financial literacy, skill and entrepreneurship development training programs; loose credit analysis and loan utilization check; lack of prior discussion with members while designing microfinance products; inferior

software and lack of financial discipline among the members.

Ms. Padmasana Shakya, representing the FINGOs through the Microfinance Association of Nepal (MIFAN), stated that as of Bhadra 2075, the number of FINGOs had reduced from 24 to 12 organizations as per NRB directive to convert into 'D' class MFIs with a total of 425 branches and savings of Rs. 12 billion from their 755,000 members.

"Microfinance has been successfully operating in Nepal for three decades, carrying the mission of poverty alleviation and women empowerment. It has reached the doorsteps of the target group and supported in mobilizing savings, reducing unnecessary expenses and developing entrepreneurs through collateral free loans. Instilling self-employment and self-confidence among these women, it has played a significant role in raising social awareness and increasing the participation of women in policy

making," summed Ms. Shakya. She suggested the microfinance members to make use of the local resources available and engage in micro-enterprise program.

Representing the Cooperatives sector engaged in microfinance, Mr. Dambar Bahadur Shah said, "Currently, there are 33,599 Cooperatives in the country serving over 60 lakh members. As members themselves are shareholders, there is a feeling of ownership among them and a limited working area makes client identification easier. This makes Cooperatives undertaking microfinance program sustainable and community driven. As Cooperatives are allowed to accept deposits from members, there is no dearth of fund for loans in this sector. Apart from loan disbursements, we also provide remittance services, financial literacy programs, skill development training and technology friendly products such as the introduction of tablet banking."

"Despite the Cooperatives Act, 2074, there are no well-defined rules nor regulations for this sector. There is still confusion regarding the working areas under the federal structure. Well informed officers should be deputed to the Cooperative desk at the local levels. There are numerous sections under the Cooperatives Act that can be interpreted through dual meaning. Thus, this sector needs proper regulation at the earliest," voiced Mr. Shah.

Several questions were posed from the audience regarding issues such as the interest rate on loans, technical support to the clients, loan size, multiple financing and so forth.

In his concluding remarks, Act. Governor Mr. Siwakoti urged the MFIs to end the unhealthy competition in loan disbursements and clients poaching. He said, "Your current activities will do more harm to the clients and MFIs themselves. All MFIs should work for 'Clean Microfinance' in the country."

Second National Microfinance Members' Summit Declarations

1. The participants will work as an ambassador of the campaign **"Clean Microfinance, Our Campaign"** and will spread the message in their respective areas.
2. All microfinance institutions (MFIs) will give priority to Financial Literacy Program and take it forward to successfully implement and achieve the **"Clean Microfinance, Our Campaign"** slogan.
3. Microfinance services will be taken to the doorsteps of the hitherto overlooked ultra-poor living in inaccessible and far-flung areas.
4. All MFIs pledge to implement microfinance programs under good governance and as per objectives, principles and values of microfinance.
5. All MFIs ensure to provide life and loan insurance schemes to the benefit and security of their members and their families.
6. All MFIs and Cooperatives providing microfinance services will exchange credit information of their client members following the rules and regulations set by the Credit Information Centre (CIC) and will introduce policies in line with the **"Clean Microfinance, Our Campaign"** to encourage members to follow one member, one organization practice and provide loans only after scrutinizing the requirement and capacity of the member so as to prevent them from the risk of over indebtedness.
7. The policy makers (including the Board Directors) are urged to be responsible towards the clients and adopt policies that will help enhance their business or enterprise and also protect their interest, and develop the skill and capacity of clients for fostering entrepreneurship. Also, request the Government of Nepal to extend support and facilitate the marketing of products of the microfinance clients.
8. Every MFI will prepare required strategy to collaborate with local level entrepreneurship development organizations to channelize locally available entrepreneurship development training to their members to develop them and undertake potential local enterprises that are based on locally available skill, material and resource.
9. Every MFI will establish a Unit that will oversee the regular recording and monitoring of the growth of its members by maintaining a Growth Record Card of every member.
10. Contrary to the provision of 5%, 7% and 10% rate of income tax provision made for the Cooperatives providing microfinance services under the amended Cooperatives Act 2074, the Cooperatives are made liable to pay 20% income tax. Hence, a request is made to the Tax Office, Ministry of Finance and the Department of Cooperatives, the Government of Nepal, to enact the implementation of the amended Cooperatives Act 2074 in actual practice.
11. It is requested to the Ministry of Industry, Government of Nepal, to revoke the directive issued by the Company Registrar Office that requires Financial Intermediary Non-Government Organizations (FINGOs) to divest their promoter shareholding in the Financial Institution that they promoted and played a significant role in instituting and developing them into MFIs by charging them as artificial institutions contrary to the provision in the Company Act.
12. Take forward microfinance as a campaign to eradicate poverty by the year 2030 keeping in mind the sustainability of microfinance and its goal of poverty alleviation.
13. In recent years, MFIs have been facing liquidity problem to meet their increasing credit requirement of the target clients. Hence, as a long-term solution, the Nepal Rastra Bank is requested to allow MFIs to accept public deposits as well.
14. With a view to cultivate the feeling of ownership among the microfinance members, the Nepal Rastra Bank and the Securities Board of Nepal are requested to make a provision for divesting general and promoter shares to the member clients in IPOs and divestment of promoter shares.
15. The Nepal Rastra Bank is requested to stop the registration of new microfinance institutions with the exception of FINGOs which have been providing microfinance services for the past several years.

Summit Participants Stand Resolute to Achieve “CLEAN MICROFINANCE”



Chief Guest of the Closing Ceremony Hon. F. M. Dr. Yubaraj Khatiwada stimulating the MFIs to work towards realizing the summit theme

The Second National Microfinance Members' Summit heard numerous stories, shared tears and joys, answered queries, created hope and paved a way for a 'Clean Microfinance' in the future.

The Summit concluded with a Closing Ceremony that was graced by Hon. Finance Minister, Dr. Yubaraj Khatiwada as the Chief Guest amidst the presence of Special Guests, Members of Parliament Hon. Mr. Lila Nath Shrestha and Hon. Ms. Tulasa Thapa. The ceremony was chaired by Chairman of the Steering Committee, Mr. Shankar Man Shrestha and welcomed by Steering Committee Member Ms. Padmasana Shakya. Ms. Shakya spoke about the pivotal role of microfinance in uplifting and empowering the deprived families from poverty. She said, "It has lent voices to the voiceless contributing towards their socio-economic change."

Addressing the gathering Hon. Finance Minister Dr. Yubaraj Khatiwada acknowledged the role of microfinance in achieving sustainable development in Nepal. The Finance Minister hailed the theme of the summit **"Clean Microfinance, Our Campaign"** as a step towards the right direction and said, "The Government is committed to support the sector in implementing the fifteen point declaration passed by the Summit that will contribute in achieving the goal of clean microfinance in the future."

M.P. Mr. Lila Nath Shrestha urged the Government to eradicate poverty and illiteracy and that every citizen should be responsible for the prosperity of the country. He pointed out the need to redress the trend of overburdening

the clients with loans above their capacity to utilize and repay and the practice of clients being financed by multiple sources.

"The deprived women are no longer alone. As witnessed in this two-day Summit, microfinance has supported the ultra-poor, especially women in availing the standard of living," said M.P. Ms. Tulasa Thapa.

A brief report of the proceedings of

excluding those who have been operating microfinance as FINGOs for several years.

Representing the participating women microfinance members, Ms. Gita Chaudhary shared, "Over the course of the Summit hearing the success stories of the 16 women from different parts of the country has filled me with optimism and motivated me to try even harder to succeed."

On behalf of the MFIs Officials, Board Member of Kisan Bahuudeshiya Sahakari Sanstha Ltd., Mr. Shubhnath Devkota said, "Microfinance institutions are the only institution that serve the poor and the underprivileged women reaching their doorsteps and has contributed tirelessly towards alleviating poverty in Nepal. I urge all the microfinance practitioners and members to use the learnings of the past and honestly work to make the future of microfinance better."



Participants make a vow to achieve "Clean Microfinance"

the Summit was presented by Steering Committee Member, Mr. Rajendra Bahadur Pradhan while microfinance expert Mr. Uday Raj Khatiwada presented the 15 points declaration.

The Declaration emphasized on maintaining safe, sound and clean microfinance by stopping prevalent deviations and malpractices, prioritizing financial literacy programs, expanding the outreach of microfinance to the ultra-poor, implementing health and credit insurance programs and introducing client protection schemes. It also requested the Nepal Rastra Bank to stop issuing licenses to new MFIs

On the appeal of the Chairman of the Summit, Mr. Shankar Man Shrestha, all 700 plus participants stood up and recited a resolution to work as campaigners of "Clean Microfinance" in their own capacity and respective areas. Mr. Shrestha encouraged the forum to work together in achieving a "Clean Microfinance" sector, devoid of all deviations.

In the end, the vote of thanks was delivered by Dr. Sumitra Manandhar Gurung on behalf of the Steering Committee to all those who contributed in making the event a success.

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