

Glimpse



A Newsletter of CSD – September 2021, Issue 35

CSD Celebrates 30th Anniversary



Chairman of CSD Mr. Shankar Man Shrestha Delivering his Speech

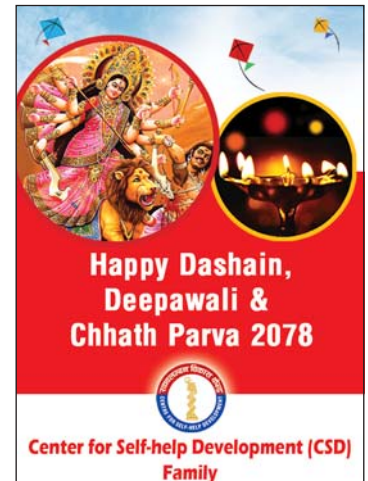
The Centre for Self-help Development (CSD) established in 1991 with the objectives of creating poverty free self-help society through awareness raising of the masses and mobilization of the resources in productive activities. It has completed 30 year of its operation on August 12, 2021. On the occasion the Center organized a discussion program for feedback from the members for reshaping the future course of actions in the changing context of rural scenario of Nepal.

The virtual discussion was attended by the CSD founders, Governing Board Members, individual members and representatives of the institutional members, resource

persons and other well wishers of CSD, who have played some role in the process of CSD development.

Speaking on the occasion, Chairman of CSD, Mr. Shankar Man Shrestha said that the discussion organized on the date of completion of 30-year journey; was a family gathering for sharing happiness among the family members. "At the initial days of CSD it was a tough task to put it on track. It was a great challenge to mobilize people as well as the resources. We feel proud today that we could contribute to the task of poverty alleviation." Mr. Shrestha said. He also

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MFIs and Cooperatives Commenced Implementation of the Two Year Action Plan Passed by the 11th Social Business Day, Country Forum of Nepal

The Centre for Self-help Development (CSD) and RMDC Laghubitta Bittiya Sanstha Ltd. organized separate webinars on the Implementation strategies of the Two Year Action Plan on August 8, 2021 and on August 25, 2021. On the occasion, the webinar focused its discussion on the process of implementation of the Two Year Action Plan.

Speaking during the discussion, Mr. Shankar Man Shrestha, Chairman of the Two-year Action Plan Implementation and Monitoring Committee said that poverty, unemployment and rising carbon emissions are the three biggest common problems faced by humanity. Mr. Shrestha also said, "The 11th Social Business Day has been organized focusing on these challenges and the

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Chairman of CSD Mr. Shankar Man Shrestha Addressing the Review Program

CSD Celebrates ...

opined that the organization is self-reliant and can move forward in a sustainable manner. "In the past, when we were facing financial problems, we created fund which was made of 5 percent contribution out of the salary of the staff. At that time, we saved small amounts as the ants collect and saves ample of food grains to survive in the rainy days. We did the same and now we are in a comfortable situation to sustain. There has been no income since the outbreak of the Corona epidemic. We have been doing most of our programs for free of cost. We have paid the staff and all other overhead expenses from the savings of the past." Shrestha said.

Mr. Shrestha also recalled the days of CSD's initial journey to Jumla and Kalikot districts the most remote area of the country then. "It was not easy to run a program in Karnali region at that time. We have to carry rice, sugar, salt, oil and vegetable while travelling to Jumla from Nepalgunj for ourselves. After CSD started the Community Self-help Project, the locals learned to produce vegetables like Cauliflower, Cabbage, Carrot and other green vegetables. The program of the CSD was well responded by the local people. We facilitated to organize groups of the people to mobilization saving and credit with the concept of self-help and we also launched a sanitation, hygiene and nutrition and forest conservation programs." Mr. Shrestha remembered.

On the occasion, Mr. Shrestha appealed to CSD MFI members to take the initiative to make at least 100 poor families to improve their livelihood and also take an initiative to make 500 children of microfinance members to get self-employed.

Speaking on the occasion, one of the founding members of the CSD Dr. Sumitra Manandhar Gurung remembered, "CSD was established as a non-government, a non-profit organization. There were thousands of NGOs established in Nepal but only a few have survived, CSD is one of them. It has been possible because of an effective leadership, clear vision, good governance, discipline, culture, transparency and commitments." Dr. Sumitra said.

Speaking on the occasion, Mr. Ram Kumar Shrestha, an individual member of the organization said that CSD had been able to set an example on how to work with communities in remote areas and mobilize their own resources for self-help development.

Similarly, other individual and institutional members present in the program also put up their views on how the Center should move forward in the future.

During the last 30 years, CSD had launched various projects and programs to uplift the social and economic status of the deprived and backward communities, especially of the poor and the backward women. The Self-help Banking Program was started in 1993 (2051 BS) in three VDCs each from Siraha, Saptari and Udayapur district of Eastern Terai as a pilot program of microfinance which was subsequently expanded to other districts. In 2009 (2058 BS), it was transformed into the Swabalamban Development Bank (now Swabalamban Laghubitta Bittiya Sansta Ltd.) with more than 35,000 members from 8 districts. About a decade later, CSD transferred the remaining members and the entire assets and liabilities released to its microfinance operations including its 58,441 members from more than 14 districts to the same organization. CSD is the first



Participants of the Ceremony

institution in Nepal to get license of microfinance operation from the Nepal Rastra Bank as an NGO.

Thereafter CSD has reset its objectives and strategies to evolve itself as a national institute of microfinance and cooperatives. It conducts trainings, workshops, meetings, seminars and national and international study and exposure visits of microfinance institutions at home and abroad to enhance the knowledge and skills of the officials and the employees of microfinance institutions and cooperatives. Similarly, meetings and conferences have been organized at national and regional level on the issues and problems related to MFIs and cooperatives. CSD is today moving forward with the concept of establishing clean microfinance in the country by eliminating the evils emerged during the course of operations of the MFIs by way of sensitization among the stakeholders including the target groups.

To this effect, CSD diversified its membership and included MFIs and Cooperatives as its member along with the founder and other members. CSD's new thrust is to develop second generation of microfinance members through business incubation to their children as a strategy to get them self-employment at their own home towns and debar them from going out of the country in search of jobs and enabling them as job givers than job seekers.

It also has been encouraging in MFIs and cooperatives to target youths to bring them under their purview to encourage and assist them to initiate micro enterprises to get self-employment at their home by supporting them with credit and skills endowment.

The Center has recently launched the Zero Poverty, Zero Unemployment and Zero Carbon Emissions Campaign in collaboration with its member organizations to address the world's biggest problems of poverty, unemployment and rising carbon emissions. For this, a 14-point action plan has been prepared to be implemented within the next two years by organizing Nepal Forum on the occasion of the 11th Social Business Day.

Similarly, it has been also announcing and recognizing the best women entrepreneurs from among the members of its member organizations who have been performing best among their fellow entrepreneurs. It also has been awarding "Best Micro-entrepreneurship Development Award" to one of the best microfinance organization from among its member organizations which provided financial as well as technical and training support to foster entrepreneurship among their members. The Center is determined to move forward in coordination with the member organizations in the coming days to alleviate poverty and create employment opportunities among the deprived and underprivileged community.

It is High Time for MFIs to Move Ahead with the Digital Services to Their Members.



Speakers and Moderator of the Webinar

The leaders in the field of microfinance are of the view that a time has come for all microfinance institutions to digitize microfinance services to provide easy access to the deprived and marginalized community. They urged that the use of digital technology can bring a lot of returns, more achievements with less time, less cost, and less effort. This is the conclusion of the speakers of the webinar on Digitalization in Microfinance: Challenges and Opportunities organized by the Centre for Self-help Development (CSD) under the 10th Webinar Talk Series held on July 4, 2021.

Addressing the webinar, Mr. Shankar Man Shrestha, Chairman of the CSD, said that the microfinance sector could not stay away from the digital world in the current scenario. However, he opined that the use of digital technology should also be pro-poor and the use of technology should not harm the essence and purpose of microfinance. "We are in the age of technology. Technology has revolutionized in every walk of life. Now it is also a time for the microfinance sector to change and make its services better. However, we must be cautious. It should be used in right manner. Along with technology, MFIs should ensure quality of microfinance and taking services to the doorstep of the poorest. It should not be the end but tool to raise efficiency and quality of operation."

Mr. Shrestha also mentioned that microfinance is a system that is intertwined with human relations, and it is essential to focus on how digitalization maintains the foundations and strengths of physically interconnected relationship between members and staff.

In their presentations, the speakers argued that digital microfinance services are indispensable in the present context of changing needs and expectations of the people. There are both opportunities and challenges. It is also important to be aware of the risks posed by digitalization.

Speaking on the occasion, Mr. Dambar Bahadur Shah, General Manager of the Kisan Multipurpose Cooperative Ltd. said that the use of digital technology in microfinance services made it easier for the employees to work and for the members to get services in prompt manner. Earlier, Mr. Shah informed that the Kisan Multipurpose Cooperative Limited has used digital facilities and technologies such as tablet banking, mobile miscall service, QR code service, e-service, and about 57,000 microfinance members have received daily payment services and all banking facilities. He also informed that the use of digital technology has made it possible for the business of each branch to be available within 7 seconds and also helped

smooth operation of administrative work and manpower management in the organization.

Another speaker at the Webinar, Mr. Govinda Bahadur Raut, Assistant Chief Executive Officer of Muktinath Development Bank, said that the use of digital technology had made the service faster, more effective, less expensive, and more transparent. He also mentioned that digital services would be effective also in curbing fraud and irregularities in financial transactions at various levels of microfinance operations. He said that it has eased understanding the status of each activity and conduct loan analysis of microfinance members. Mr. Raut also informed that more than half of the 140,000 microfinance members of Muktinath Development Bank are using mobile banking services as well.

In his presentation, Mr. Sanjay Kumar Mandal, Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. Morang said, "The use of digital technology is essential for the smooth and effective delivery of microfinance services to the target group. At present, Jeevan Bikas has provided services to its members through its app including cash transactions, bill payment services, and important information, and 72,000 members have benefited from this service". He further added, "The Jeevan Bikas has also created a digital member in each of the villages where digital transaction service is not available to the member. The digital member conducts transactions on their behalf and Rs. 1 billion has been transacted online so far. This way we have also been providing through online service such as e-sewa, khalti, knowledge of the entire area of work through GPS technology and about 1,000 centers have been able to conduct cashless transactions."

He added digitization has also eased manpower management and mobilization, staff record keeping and other information collection and updating. He said that where there is no internet service and members do not have smart phone and no idea to operate mobile, the digital members provided services in center meeting operations.

Mr. Satish Shrestha, the moderator of the webinar and Director of CSD, said that the use of digital technology by microfinance institutions should not only be seen as an opportunity to cater services during the corona epidemic and lockdown but also be seen as a mechanism to improve the flow of microfinance services and increase the efficiency and productivity of work.

The webinar was attended by 157 officials and staffs from banks and the financial sectors.



Participants of the Webinar

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MFI and Cooperatives ...

Nepal Forum has formulated 14-point two year action plan that can be easily implemented. The goals that we have set are meager in terms of our capability. Therefore, it is not necessary to remain only within this limit and can move beyond it. The main thing is to start the work with quality not quantity. We should do exemplary work. He emphasized on creating enterprise incubation centers in rural high schools and building self-reliant eco villages and forming and expanding 3 Zero Clubs as youth forums to discuss on issues related to carbon emissions, self-employment creation and poverty reduction."

During the interaction program, Mr. Jyoti Chandra Ojha, Chief Executive Officer of RMDC briefed about the situation of Nepal in terms of poverty, unemployment and carbon emissions and highlighted on the relevance of 14 point targets set by the 11th Social Business Day, Country Forum of Nepal.

In the first webinar, Mr. Sanjay Mandal, Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. (JBLBS), Morang, shared its institutional action plan in line with the 14 point action plan.

Mr. Mandal said that JBLBS would establish Enterprise Incubation Center in 5 rural high schools, prepare and disseminate success stories of 5 best members, conduct 20 enterprise exposure study tours for members, develop 200 second generation entrepreneurs from among the children of the members, establish skill development fund to support the skills building training to the youths, create self-employment for youths

who have returned from abroad. He said JBLB also aimed to develop 3 self-reliant eco villages and build 10 three zero clubs.

On the same occasion, Executive Director of the Unique Nepal Laghubitta Bittiya Sanstha Ltd. Dr. Gopal Dahit informed that his organization has decided to implement the 14 point two year action plan and the budget provisioning has been already made by Board of Directors.

Similarly, in the second webinar Kisan Multi-Purpose Cooperative Society Limited of Kailali and Nawa Pratibha Savings and Credit Cooperative Society Limited of Nawalparasi also presented their two year action plans.

According to Mr. Dambar Bahadur Shah, General Manager of the Kisan Bahuudeshiya Sahakari Sanstha Ltd. his organization would establish one Enterprise Incubation Center in rural high school, publish stories of 10 successful entrepreneurs, conduct 3 study visits for members, groom 50 children of microfinance members in entrepreneurship development programs, establish a joint entrepreneurship skill development fund in one of the schools, prepare a profile of youths returning from abroad and provide loan assistance to them for self-employment, establish a separate cell to support hardcore poor, establish a member owned green shop, build one self-reliant eco village and organize 5 three zero clubs of youths.



Presentation of Internal Action Plan

Similarly, Mr. Ram Prasad Kafle, Chief Executive Director of the Nawa Pratibha Savings and Credit Cooperative Limited, also presented his organization's two-year action plans. According to him his organization plans to establish Enterprise Incubation Centre in 3 schools, prepare stories of 5 successful entrepreneurs, conduct 10 study/observation visits for potential entrepreneurs to best micro-entrepreneurs, and engage 180 children of its members in entrepreneurship development program. He further said that he would establish one skill development fund in partnership with a rural school, prepare skill profiles of youths returning from abroad and assist them for self-employment according to their interest and capacity, and also create a hardcore poor cell in the head office to oversee the duplication and enrollment of the extremely poor families in the microfinance program. He also pledged to build one environment friendly self-reliant eco village, form five 3 Zero Clubs and establish one member owned green shop for the marketing of the products of the members.



A Glimpse of Participants of the Review Program

Three Decades of Microfinance: A Phase of Women Empowerment and Social Transformation



Speakers and Moderator of the Webinar

Microfinance has completed a three-decade long journey in Nepal. With continuous campaigns, it had brought awareness among the poor women in rural Nepal. The Microfinance practitioners have been motivating women to run micro businesses by engaging them with saving and credit operations. The loans availed by the members are fully utilizing in their dream projects/businesses which have benefited the entire family and the loan repayment rate was almost 100 percent.

The women involved in microfinance have made remarkable progress in their social, economic, educational, and even political fields. The speaker present in the webinar organized by CSD on July 18, 2021 (Shrawan 03, 2078) opined that microfinance has played an important role in the empowerment and transformation of the bottom level poor women in rural Nepal.

Addressing the webinar, Mr. Shankar Man Shrestha, Chairman of CSD, said "Microfinance has brought an immense change in the living standards of women and raised their level of consciousness and self-confidence. It has created an environment for the women to come out of the four walls of their houses and get together to discuss on their social and economic matters. Microfinance has led a way for women to become micro entrepreneurs and freed them from depending on their spouse for a small amount of money."

Mr. Shrestha added that microfinance provided them access to money which is used to start a micro-business. Credit facilitated them to become entrepreneurs. They are more disciplined than their male partners so far repayment is concerned. However, many women have been fallen into loan traps of irresponsible microfinance practitioners. He further said, "In a country like ours, microfinance plays a pivotal role in poverty alleviation and social change. So, Microfinance was initiated as a social business, but it is moving towards commercialization. Making profit is a must for the sustainability of a business operation, but must not get too commercialized. Its prime concern should be the socio-economic uplift of the poor and marginalized segment of the people."

One of the speakers of the webinar, Ms. Shova Bajracharya, the Chief Executive Officer of Manushi Laghubitta Bittiya Sanstha Ltd. said "Microfinance has made women financially strong and respectful in the society. They have become in charge of the financial matter in the family. Microfinance has made it possible for the women to break the chain of social taboo within the family where they had to seek permission of their male partner in every small thing; now they could make their own decisions."

Ms. Bajracharya also added "However, lately it seems we have drifted from the principle of microfinance. The poor and the disadvantaged segment of the society are getting excluded from the state services, this should not happen."

Another speaker of the webinar, Ms. Asmani Chaudhary, Chairman of the Grameen Mahila Utthan Kendra, said "Due to microfinance women have achieved immense success in their social and family life. Numbers of poor women who were earlier confined to their homes have been able to be actively involved in organizing into groups and meet through their fortnightly or monthly center meetings where they share their knowledge and business experiences. Through this process, they could raise their economic condition and confidence level and has cultivated their saving habit. Most of them have also developed leadership capacity. Nowadays about 50 members of the Grameen Mahila Utthan Kendra are also representing in the local government. Many women have succeeded in engaging their husbands in self-employment through running their own enterprises. Gradually microfinance members are getting self-reliant in a number of matters. There is a great reduction in the incidence of domestic violence against women."

Another speaker of the webinar, Ms. Maiya Rai, District Chief of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. said "Initially the women were shy and scared to talk with outsiders but after the numbers of visit to their home; they gather courage to talk and share their thoughts. Microfinance service has reached out to poor families and improved their confidence level, education, and health. Families conditions also have improved a lot after they were oriented on health, sanitation, and hygiene matters. Once in our branch in Bhadrapur, Jhapa district default had reached an extreme level due to multiple financing. There was a revolt by the borrowers. However, we were able to convince them and bring to right path. We resolved the problem by sensitizing the members that they should not misuse loans and borrow loans only according to the needs and ability to pay. We learned a great lesson that the MFIs sector should not trap them into over indebtedness. Now the people perceive MFIs as change agents and have become friendly with us."

Moderator of the webinar Ms. Sharada Pokhrel, Chief Executive Officer of the Upakar Laghubitta Bittiya Sanstha Ltd. said, "MFIs had been instrumental in empowering the rural women in Nepal. It transforms them into entrepreneurs from housewives. There is seen a remarkable change in the status of the women now." The webinar recorded the participation of 110 officials from the microfinance and banking sectors.



Participants of the Webinar

Mission Drift is a Common Drawback among the MFIs in Nepal

Expressing concern over the growing discrepancies and deviations in microfinance, experts have warned microfinance practitioners and stakeholders to be vigilant in time. In the webinar organized by the Centre for Self-help Development (CSD) on 'Mission Drift in Microfinance and its Implications', they concluded that the microfinance system practicing for three decades with the main objective of alleviating poverty and reducing unemployment by providing financial access to the poor and deprived communities have been found indulged in maximizing profit rather than serving the poor and deprived families for raising their socio-economic status.

Addressing the webinar, the Chairman of CSD Mr. Shankar Man Shrestha said "MFIs have disregarded the main objectives of microfinance to improve the living standard of the poor and reduce unemployment. MFIs have forgotten the objectives written in their article of association approved by the Nepal Rastra Bank. They are found focusing more on well off families rather than the poor. Now the gap between the rich and the poor is widening. The richest one percent of the world has control over 90 percent of financial resources. Poverty and inequality among the people cannot be wiped-out without improving the lives of the poor. Against this backdrop, Prof. Mohammed Yunus has put forward the concept of Social Business. Microfinance is a social business brought out for the social transformation of the poor and deprived people." Shrestha said.

Mr. Shrestha further added "Poverty is widespread in Nepal; we can do away with it in a short period of five years if we have will power and strong determination. Even if you invest only two percent of your profit in the poor, they can rise above extreme poverty. Currently, about 1.2 million families in Nepal are still below the poverty line. When calculating the number of MFIs and cooperatives engaged in microfinance, there are 6,000 poor people to be served by each of these organizations and 60 poor families to be served by per staff. We can easily eradicate poverty and upgrade the lives of the poor if we are determined."

Mr. Ram Prasad Gautam, Director of the Microfinance Inspection Department, Nepal Rastra Bank said, "Although some deviations are natural in the flow of microfinance services, they should have reached the area of



Speakers of the Webinar

the entire local bodies but the poorest areas are not yet reached by them. Microfinance should pay attention to self-regulation and self-discipline. They should not deviate from their goal and objectives. If that doesn't happen NRB will intervene and put them on track. Also, we have been repeatedly saying that they should reach out the poor and the poorest. At one time, the interest rate was 24 percent, but now it is not allowed to take more than 15 percent." Mr. Gautam also said that the NPL of microfinance institutions was increasing and the quality of the loans degrading.

Another Speaker of the webinar, Mr. Bhuvan Dahal, Chief Executive Officer of the Sanima Bank Limited and Chairman of the Nepal Baker's Association said that microfinance has become a profitable business. "Commercial banks are also accused of raising interest rates; even though we charge a maximum of 15 percent. But microfinance charges more. It is not right to say that commercial banks which were established for the purpose of making profit have about 14-15 percent Return on Equity (RoE) but in microfinance, RoE is 30 to 40 percent as these are established for the purpose of providing financial service for poverty alleviation. That is why microfinance has been accused of being profit-oriented." Mr. Dahal said.

On the same occasion Mr. Basanta Lamsal, President of the Nepal Microfinance Bankers Association and Chief Executive Officer of the Vijaya Laghubitta Bittiya Sanstha Limited said that the goals and objectives of microfinance should be modified from time to time. Mr. Lamsal was of the opinion that it was necessary as the time and institutional structure had been changed a lot in the

last three decades. He said, "Nepal Rastra Bank and the Company Registrar Office have defined microfinance institutions as financial institutions. But the goal and objectives are set to be serving the poor. NRB forced MFIs to go to remote areas, work with the poor, and at the same time, it has capped the interest rate. What kind of policy is this? It had to be clear." He also said that all microfinance institutions had been lending in an aggressive manner even in the pandemic period and this had increased the risk of credit.

During the discussion, one of the Speakers the Executive Director of the Unique Nepal Laghubitta Bittiya Sanstha Ltd. Dr. Gopal Dahit had agreed that there is mission drift in microfinance. Dr. Dahit said, "All institutions should not be blamed and to be put in the same basket. Some are doing a good. Till date, the majority of the organizations is in the mainstream and has not basically drifted from their missions. Some loan disbursements are also being made to the well off class and this has become the main problem. It seems that the microfinance institution has gone out of its way due to neglecting the fundamental process of identification of target group, group formation, credit appraisal, credit disbursement and utilization check."

The moderator of the webinar Executive Director of the Centre for Empowerment and Development, Dr. Narahari Dhakal said that microfinance has three main goals a financial goal, a social goal, and an environmental goal, and should maintain the balance among the three goals. "It can easily be seen that only our economic indicators have improved. But the social contribution has not been visible. We have not reached the poor; we have been providing financial services only to affluent people of the accessible areas. Is this a theoretical deviation or not? Microfinance

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A Glimpse of the Participants

Vaccination is better than the Treatment: Combating the COVID-19 Pandemic

Two virtual Master Training of Trainers (ToT) to educate communities on COVID-19 were jointly organized by the Centre for Self-help Development (CSD) and RMDC Laghubitta Bittiya Sanstha Ltd. with the technical support from Opportunity International Australia to create awareness among the community through the microfinance officials.

The first training was held on August 15 (Shrawan 31, 2078), which was attended by 25 high officials of the 25 Microfinance Institutions and the second one attended by the 25 high officials of the 25 Co-operative Organizations was held on September 16, 2021 (Bhadra 31, 2078).

The resource persons in the programs were Dr. D.S.K. Rao, Dr. Soumitra Dutta and Mr. Alope Chakraborty of India and the event was facilitated by Ms. Annie Wang of the Opportunity International Australia. In the training the resource persons introduced the nature of the Covid-19, discussed the background of the present crisis and including the techniques to fight it to overcome. The training highlighted that safety measures and taking vaccine should be prime concern for combating the COVID-19 Pandemic.

The main motive of this training was to bust myths and misconceptions regarding COVID-19 and providing practical solutions that will help in lowering the contact rate in Nepalese communities. The ToTs focused on the need for awareness raising among the staffs of MFIs and Cooperatives operating microfinance programs. The areas of learning covered in this training provided good opportunities to the participants to identify the issues related to the COVID-19 pandemic and methods to bring changes in the behaviour of the community people and their families to face the challenges and mitigate impacts.

Each of the trainers graduated from this training will provide such training to 25 to 30 branch managers of

their respective organization at the minimum. Similarly, the branch managers will also provide such training to 5 to 7 employees under their branch. In this way, the trained field staffs will educate their centre chiefs or client leaders of the 10 centers who in turn will transfer the covid-19 prevention message to at least 30 families and will sensitize entire villages on safety measures to be followed to remain safe from covid-19. In that way the aim of this ToT is to educate about 2.5 million people in the communities to save their lives from being victim of COVID-19.

Speaking at the opening of the first training program, Chairman of the Centre for Self-help Development (CSD) Mr. Shankar Man Shrestha said that the objective of the training was not only to train the participants but also to spread awareness about Covid-19 in the community through branch managers, field officers and microfinance members. Shrestha also suggested the trainees to organize training for the branch managers of their organization within a week. "If you complete the training on time, it will go a long way in reducing the worse impact and incidences of Covid-19. Again, the Covid-19 epidemic is on the rise. Even today, many people do not know about the basic preventive measures and many people are careless as well. Even-though the vaccine is available, they are reluctant to get vaccinated. Our goal is to improve this situation. If microfinance members are safe, their businesses are also safe and only if their businesses are safe, our loans are safe. After the training, no microfinance member should lose her life due to Corona. So let's monitor the



A Glimpse of the Training

progress regularly." Shrestha said.

Speaking at the opening of the second ToT, Mr. Shrestha said "First ToT held to educate the communities on COVID-19 was well received by the participants and was a grand success. Applauding as it sounds; the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. one of the participating MFIs has done a spectacular job by training their 138 branch managers, 700 field staffs and over 70,000 client leaders in the first phase. After the dissemination of the messages through the training, most of the staffs and client members who were reluctant to take vaccine have now been ready to be vaccinated. The center meetings of the clients which were closed for many months have now reopened following the protocol set by the health advisory of the Government of Nepal". He also thanked Ms. Annie Wang, Health Director from Opportunity International Australia for her kind support during the training and Dr. D.S.K. Rao for being a catalyst for arranging this training.

In the closing session, Mr. Jyoti Chandra Ojha, Chief Executive Officer of the RMDC Laghubitta Bittiya Sanstha Ltd extended vote of thanks to the resource personals and the Opportunity International Australia, especially to Ms. Annie Wang for her generous support and the participants of the programs for their dedication and active involvement.

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Mission Drift is ...

practitioners need to do self-evaluation." Dr. Dhakal asked.

Speaking during the open discussion, Mr. Ram Chandra Joshi, the former Chief Executive Officer of the Chhimek Laghubitta Bittiya Sanstha Ltd said, "Loans alone are not enough for the

poor. As it is important to see that they are also provided with knowledge and skills related to enterprises' operation, health, and market management. Both the MFIs workers and the regulatory body should pay attention to this aspect as well."

Similarly, Mr. Pritha Thapa Deputy Chief Executive Officer of RMDC opined that there is no need for the

definition of poor for extending the outreach of microfinance services to the poor. Anybody, even a layman can distinguish who is poor and who is not. Thus, we should not entangle with the definition of the poor.

The discussion program was organized through online zoom which was attended by 133 officials from the microfinance and financial institutions.

Sharing of Microfinance Policies, Practices and Problems in Sri Lanka with Nepalese MFI Officials

A webinar talk series (Episode 14) on “Microfinance Policies, Practices and Problems in Sri Lanka” was organized by the Centre for Self-help Development (CSD) on September 6, 2021 with the aim to discuss on the policies, general practices, working mechanism as well as prevalent issues seen in microfinance sector in Sri Lanka. Mr. Anura Atapattu, Honorary President of the Lanka Microfinance Practitioners’ Association (LMFPA) was the Keynote Speaker and Dr. Sumitra Manandhar Gurung, Governing Board Member of CSD was the moderator.

In the presentation on the current economy, practices and the latest trend of microfinance in Sri Lanka, Mr. Anura Atapattu said, “The economic growth rate of Sri Lanka is currently negative. There is high inflation due to the effect of Covid-19. We are currently in the third week of lockdown. We had similar lockdowns in March 2020 and April 2021 also and have been having lockdown in the month of September also. Due to the lockdown, the Covid-19 cases have gradually declined in the last couple of days.” He added, “In 2019 there were 2.3 million microfinance borrowers but the number of borrowers have been steadily declining in the last two years. Similarly the Portfolio at Risk (PAR) in 2019 was 6% and in 2021 it has risen to 40% due to the Covid-19.”

With regard to various types of MFIs providing microfinance loans and their operating modality in Sri Lanka, he said, “In Sri Lanka both registered and non-registered MFIs are catering microfinance services to the people. In 2008, NGOs also started providing microfinance services but their numbers have started to dwindle.” With regard to regulatory framework, he said, “The Parliament passed the

Microfinance Act in 2016, which came into effect on July 15, 2016. The Act provides for the licensing, regulation and supervision of the companies carrying on microfinance business, which are called licensed microfinance companies (LMFCs). LMFCs are directly regulated by the Monetary Board of the Central Bank of Sri Lanka. There is a provision for the registration of Microfinance Non-Governmental Organizations (MNGOs) under the Voluntary Social Services Organizations (Registration and Supervision) Act, No. 31 of 1980 (VSSO Act), by the Registrar of Voluntary Social Service Organizations. There are currently 4 LMFCs and 23 NGOs providing microfinance services. Other NGOs not registered under the Act also provide credit but do not take deposits.” He further added, “From 2008 there was paradigm shift. The earlier practice was based on community based organizations (CBOs) model and now it is based on Grameen and ASA models.”

He also spoke on interest rate cap in Sri Lanka where he said, “Interest rate cap regulated by the central bank for LMFCs is 35% and 42% for NGOs capped by Lanka Microfinance Practitioners’ Association (LMFPA).” He also said, “Business development practices like enterprise based support and training on agriculture and livestock is not effectively done by NGOs and private sectors because they do not have coordination among themselves and try to go independently which is also the cause of program duplications. Therefore government service is more reliable in comparison to private sectors and NGOs.”

In context to issues in microfinance, Mr. Atapattu said, “Problems like multiple borrowing and over

indebtedness are common among clients. To minimize loan delinquency the parliament brought out the practice of loan write-off. The parliament also devised various criteria to be eligible for this which includes loans less than Sri Lankan Rupees



Mr. Anura Atapattu Addressing the Webinar

hundred thousand and borrowers not been involved in multiple financing. The government would pay the principal of delinquent loans and the particular financial institution had to cover the unpaid interest by themselves.”

Mr. Atapattu also spoke about the survival strategy where he said, “The government, the central bank and LMFPA have formulated microfinance code of conduct, provided training on responsible financing for MFIs with the support from the government, media coverage to develop goodwill of MFIs as well as microfinance hotline (helpline) to lodge complain on issues like unethical practice and over indebtedness. The lodged complain will be responded within 7 days and within the next 7 days the complaint should be sent to the government in writing for the grievance to be handled. Grievances on unethical practices are negligible which could be due to social media which has widespread mass following.”

Dr. Sumitra raised the issue of interest rate and said 35% and 45% cap for LMFCs and NGOs respectively are very high in comparison to Nepalese standard. In response to this Mr. Atapattu said, “The cost of fund for wholesale loan is 15-20% which is provided by banks. Due to high operational cost as well as mechanism for provisions and write-offs and in order to make small profit, the interest rate is not very high. Earlier when there was no cap, MFIs were charging 60%. We should also consider that the PAR for overall registered MFIs is currently 40% and it is necessary to set interest rate that high to incorporate default risk as well.”

Mr. Shankar Man Shrestha, Chairman of CSD and chairperson of the webinar said, “CSD has developed a good relationship with Lanka Microfinance Practitioners’ Association (LMFPA).

(contd. on page 9)



Participants of the Webinar

Client Protection should be the Prime Concern of MFIs



Speaker Mr. Chola Raj Sharma, Mr. Mahendra Kumar Giri and Moderator Mr. Ram Bahadur Yadav During the Discussion

The experts who had participated in the webinar discussion on the topic “Client Protection Principles and Practices in Nepal” organized by the Centre for Self-help Development (CSD) on August 17, 2021 (Bhadra 1, 2078) opined that microfinance institutions should be responsible for protecting the rights and interests of their members by focusing their services to poor and disadvantaged group. Addressing the webinar, the Chairman of CSD Mr. Shankar Man Shrestha said, “MFIs should focus on the quality loans and the loans should be provided only on the requirements and capacity of the members. Now a bad practice of multiple financing is being practiced to recover delinquency. This is a matter of serious concern. It does not do well to the members. Improper disbursement of loans will affect the organizations as well as the members. If the member is strong than the organization also become strong, and only strong organization can provide good services. Now, microfinance has become more profit-oriented than it should have been. Livelihood

improvement of the members is in less priority.” Shrestha added.

The moderator of the webinar Mr. Ram Bahadur Yadav, Chief Executive Officer of the National Microfinance Laghubitta Bittiya Sanstha Ltd, said that it is unethical and unfair to lend against the standard practice of microfinance.

One of the Speakers of the webinar, Mr. Mahendra Kumar Giri, Chief Executive Officer of the Sahara Nepal Saccos, opined that microfinance should focus on the health, education and other social security aspects of the members as well. He suggested MFIs to provide shares of their organizations to the members even if they require to change the existing provisions of microfinance related Act in Nepal.

Another speaker of the program, Mr. Chola Raj Sharma Joshi, Chief Executive Officer of the Chhimek Laghubitta Bittiya Sanstha Ltd., said that it would be difficult to raise the status of microfinance institutions unless providing the skill and knowledge of enterprise and entrepreneurship development or diversification of skills of the members. The webinar was attended by 150 officials of the MFIs, Cooperatives and banking organizations.



A Glimpse of the Discussion

(... contd. from page 8)

Sharing of Microfinance ...

Nepalese delegates have visited Sri Lanka to learn about the microfinance practice there. Similarly, the Sri Lankan team also visited remote regions of Nepal and observed the microfinance practices in rural settings.” He added, “Nepalese MFIs should learn from Sri Lanka on grievance handling techniques which could be a stepping stone for developing good relationship with clients. Similarly LMFA has developed code of conduct which could also be relevant in Nepal. Similarly, Nepalese MFIs should aggressively promote entrepreneurship development and not be satisfied by meager increment in income of their clients. We should also establish a rational institution which promotes, provides technical assistance and supports in developing market access of finished products of the clients.” With regard to Covid-19 he said, “There has been no major

write-offs in Nepal due to the effect of Covid-19. MFIs have been able to generate profit in Nepal even when the effect of Covid-19 is not fully under control and there is an interest rate cap of 15% for retail MFIs.” He also said that CSD and RMDC Laghubitta Bittiya Sanstha Ltd are jointly organizing Covid-19 education ToT program targeted at awareness raising of the clients of MFIs so that they could follow the safety measures.

One of the participants Mr. Ram Kumar Shrestha, Chairman of the Swabalamban Laghubitta Bittiya Sanstha Ltd remembered, “30 years ago I visited Federation of Thrift and Credit Co-operative Societies in Sri Lanka (SANASA Federation) which was focusing on community based organizations (CBOs) model. The grameen model was not prevalent then.” Mr. Atapattu replied, “SANASA is the umbrella organization or the apex body of primary cooperative societies dealing in microfinance which

represented service organization based on a cooperative philosophy. It was based on principle that a member has to save for at least 1 year before being eligible for a loan. With the new fast track models in place, a client is eligible for loan only after 2 weeks of being a member. So they opted for a new model.” Another participant, Mr. J.B. Panday, queried on the relevance of government’s write-off scheme which was also a breeding ground for delinquency. To this Mr. Atapattu said that this scheme was as a result of UN study report’s prescription which had a distinction of being a negative trendsetter in terms of delinquency. Mr. Pawan Yogi from Jalpa Samudayik Laghubitta Bittiya Sanstha Ltd. spoke of touring Enterprise Development Service (EDS), a concept based on credit plus program in Sri Lanka. He said that similar models had been used to develop programs in his branches located in Dang, Rolpa, Rukum, Salyan and Pyuthan.

Deteriorating State of Good Governance in Microfinance Institutions: Experts Warn to be Vigilant on Time



Speakers and Moderator during the Webinar

Experts have argued that the lack of good governance in Microfinance Institutions (MFIs) had led to deviations from its main mission of serving the lower strata of the population by following fair practice of lending objective. Although it gained popularity in the first two decades by adhering to its philosophy and principles of serving the poor; MFIs failed to perpetuate it into organizational culture in the last one decade. They not only failed to serve the ultra poor but also created many cases of over indebtedness among the clients wherever they operated due to poor governance in MFIs; experts concurred during the panel discussion on CSD's webinar Episode 15.

The 15th Episode titled "Challenges to Good Governance of MFIs in Nepal" was organized on September 26, 2021 virtually and featured three key microfinance experts from the country- Mr. Bhesha Raj Panthi, Mr. Dharma Raj Pandey, and Mr. Bishnu Prasad Pathak as the panelists. The program was moderated by Mr. Ram Chandra Joshi, Chairman of the Neighbourhood Society Service Center (NSSC).

The Chairman of the Center for Self-help Development (CSD), Mr. Shankar Man Shrestha said that the microfinance sector is becoming aimless due to lack of good governance and microfinance practitioners and regulatory authorities should be aware of this in time. He was of the view that the microfinance sector could not make significant contribution to poverty alleviation in recent times due to lack of discipline among MFIs and indifferent attitude on the part of the regulatory agencies. The purpose of microfinance is to serve the poor is now lost. He said, "Good governance will determine the sustainability of any institution or sector. At present, the microfinance sector looks sound from the outside but from the inside, there

are many problems. Currently issues such as multiple financing and over indebtedness of the clients have posed serious challenge to the microfinance sector. The wrong tradition of giving bigger loans beyond the need and capacity of client will put the clients as well as concerned institution into a dangerous trap. Currently, MFIs are on a competition to harness more and more profit. But the deceitful practices of lending in the long run lead to disaster. NRB should take strong action against the wrong doers."

One of the panelists of the webinar, Mr. Bishnu Pathak, the first President of the Nepal Microfinance Bankers' Association (NMBA) said, "Good corporate governance in microfinance and cooperatives has become a serious challenge. There is nepotism in management and various interest groups are taking advantages and in some cases even reports are found manipulated to show rosy picture of financial performance." He added, "The monitoring of the regulatory body is weak. The prerequisites of good governance are participation, accountability, responsibility, adherence to rules; cooperation, inclusion, effectiveness and efficiency which are found deteriorating gradually." He felt there is strong need on the need of developing internal control system to control deviations in operation.

Another panelist, Mr. Dharmaraj Pandey, former president of the Nepal Microfinance Bankers' Association, also said, "Microfinance in the past did great job to reduce poverty in the country but at present it ignored all the principles and best practices and the motive of officials has been to raise profit. The main problem is the weakness of the regulatory body. It should follow a zero tolerance policy towards those who put the client into loan trap through the practice of multiple lending. The regulatory body needs to get vigilant and watchful of the immoral practices of lending and

issue directives to control wrong practices."

Another panelist Former Chief Executive Officer of the First Microfinance Laghubitta Bittiya Sanstha Ltd, Mr. Bhesha Raj Panthi, opined that wholesale lending institutions should also play a role for good governance of MFIs. "The wholesale lenders should make sure that the MFIs follow good governance norms and also supervise their operations and practices in depth. They should make random check of their clients and see if they do finance right borrowers and right amount of money as per the need and capacity of the borrower." he said.

Mr. Ram Chandra Joshi, Chairman of the Neighbourhood Society Service Center, and the moderator of the program, said that the CEO of MFIs must play a key role in ensuring good governance in the organization. He further said, "Chief Executive must first be disciplined himself and the staff will follow him. He should be responsible to the client members and emphasize on lending practice conducive to the upliftment of the poor. If he is good and effective, good governance just happens without hindrances and the organization will be financially strong and sustainable. There is no need to be afraid of any type of epidemics they come and go."

During the open discussion, Chairman of the Nepal Rural Development Society Center Mr. Mani Kumar Arjyal, Chairman of the Swabalamban Laghubitta Bittiya Sanstha Ltd Mr. Ram Kumar Shrestha, and Chief Executive Officer Mr. Uday Raj Khatiwada and others expressed their views with regard to maintaining good governance in MFIs. There were 125 participants from 31 MFIs, Cooperatives, Banks, and NGOs in the webinar.



Participants of the Webinar

PRA Training for High Officials of CSD, CRT and MSC

The Centre for Self-help Development (CSD) organized a two day long training on Participatory Rural Appraisal (PRA) from August 20-21, 2021 for the 16 high officials of the Centre for Self-help Development (CSD), the Mahila Sahayugi Bachat Tatha Rin Sahakari Sanstha (WSC) and the Centre for Rural Technology Nepal (CRT/N).

The training was facilitated by PRA expert Mr. Rajendra Prasad Sah. On the first day, the participants were acquainted with the various tools of PRA and process of practical application of the tools. The participants were oriented on Social and Resource Mapping, Pair-wise Ranking, Focused Group Discussion, Transect Walk, etc. On the occasion, the eight steps of social and resource mapping were also discussed.

On the second day of the training, on-site exercises were conducted at Masine Village at Ward 3 of Chandragiri Municipality, Kathmandu District. The field exercise started with a Transect

Walk which was followed by the social and resource mapping of the village with the participation of the local women. After the completion of the social and resource mapping, the participants shared their learning experiences in a closing ceremony.

Speaking on the occasion, Mr. Bechan Giri, Executive Chief of the CSD said that the skills and knowledge gained in the training and in the field would help to determine the needs of the community and also enable concerned officials to propagate Self-help Eco-village at Masine and the skills learned from the training would be useful in different parts of the professional career of the participants.

Speaking on the occasion, Executive Director of the Centre for Rural Technology Dr. Purushottam Shrestha opined that Participatory Rural Appraisal method would be useful for analyzing needs of any village or community and the project would be successful if this method is properly used before



Trainee During the Field Work

starting any project.

Facilitator of the training Mr. Rajendra Prasad Sah said that Participatory Rural Appraisal is a reliable method of gathering information and he hoped that the participants in the training would be able to apply PRA method in their professional life.

CSD held Review of Entrepreneurship Development Training

The Centre for Self-help Development (CSD) accomplished two six-month progress review programs of its first and second training on "Identification and Development of Micro-entrepreneurs". The first review was held on August 20, 2021 (Bhadra 4, 2079 BS) and the Second was held on September 12, 2021 (Bhadra 27, 2078 BS).

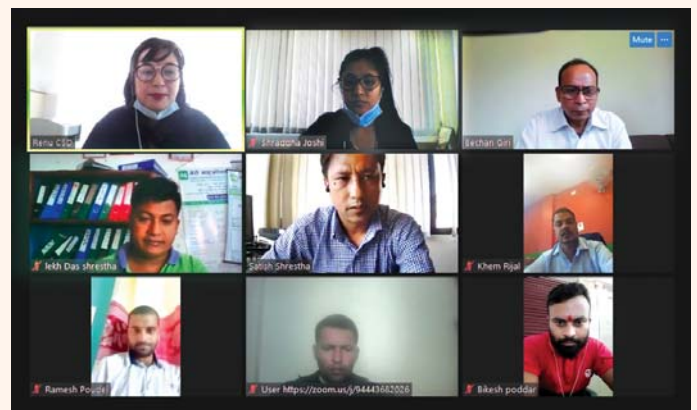
The trainings, which were organized on November and December 2020, was participated by Branch managers of the MFIs and cooperatives.

During the progress review, each participant presented his/her progress made on the action plan formulated after the training envisaging the identification of potential micro-entrepreneur clients and lending them based on their business plan. Each Branch Manager also highlighted and discussed the progress made as well as challenges faced during the implementation of the key learnings of the training into practice.

Fear of uncertainty due to COVID-19 and subsequent lockdown were the major reason for failing to meet the target set by the participants. However they also viewed that enterprises like agricultural farming, animal husbandry, and grocery stores had been doing well even in the Covid situation. Interestingly, there was also good development of new client entrepreneurs reaping the benefits from even this adverse environment.

The program started with, Mr. Satish Shrestha, Director of CSD welcoming all the participants. He then briefly made a presentation on the consolidated action plan and how the progress was intended to be made by all participants after the training.

The review program was moderated by Mr. Bechan Giri, Executive Chief of the Centre for Self-help Development. During the review, Mr. Giri said that the participants had



The Progress Review Program

made good use of their skills and knowledge learnt in the training but they could do more in identification and development of micro enterprises and entrepreneurship skills. "Though the Corona Pandemic hampered every segment of the society and has created many more challenge, but it has also opened an opportunity to boost up the morale of our members through retrieving of their sick businesses. You have to fight against the problems, find solutions rather than escape from it. Coordinate with the top management if doesn't have solution oneself." Giri said. He added that the knowledge and skills learnt from the training and in the review meeting should be imparted to other colleagues and staffs as well as in other branches they have been transferred. Mr. Giri also urged the Branch Managers to be always serious on identification of right member, analyzing the loan need, checking loan utilization in right businesses, and also analyzing not only the loan but also the capacity and need of the member.

Virtual Interaction on Implementation of Way Forward Set by MFIs for Entrepreneurship Development

The Center for Self-help Development (CSD) organized an interaction program with its member organizations of Province no 1 and Province no 2 on September 20, 2021, with the objective of developing, promoting, and expanding micro entrepreneurship among the members of the MFIs and Cooperatives. In the interaction representatives from eight member organizations were present.

The Chairman of CSD, Mr. Shankar Man Shrestha reminded the participants that the main objective of the microfinance is to create employment and attain poverty alleviation by creating employment opportunities. In view of the increasing problems caused by carbon emissions he said, "The industrialized nations are mainly responsible for the production of carbon (greenhouse gases). The contribution of developing countries like Nepal is negligible. However, the impact of climate change occurred more in low-income countries. Experts have pointed out that the danger of drowning in coastal countries. Various other studies, including the International Center for Integrated Mountain Development (ICIMOD), have shown that our mountain region is being severely affected by rising temperature. In the Himalayan region of Nepal, the rate of snow melting has increased and the formation and eruption of glacier lakes have been rapidly increasing. These environmental degradation led to unexpected floods, landslides, and droughts in the country. In view of these problems, we need to increase our access to enhance and buildup economic capacity of our members to develop environment friendly practices. For this, microfinance and cooperative organizations need to play their roles." Mr. Shrestha said.

Considering that many problems can be solved only by developing entrepreneurship, Mr. Shankar Man Shrestha, urged that all microfinance members should be developed as entrepreneurs and also to make inactive members actively engaged in economic activities. For this, he advised to set up a separate Entrepreneurship Development Unit in each organization, appoint agriculture technicians to increase the productivity of the members and provide necessary technical supports.



Mr. Shankar Man Shrestha Addressing the Program

On the occasion, Mr. Rajendra Bahadur Pradhan, Chairman of the Solve Nepal also shared that microfinance practitioners should work to reduce the risk of women as they are the major factor of creating high risk in climate change. He further added to explore the products of microfinance entrepreneurs in international market through Non-Resident Nepalese (NRN) with some branding of their products and they could do so, they would be able to get higher prices.

In the webinar the participants reviewed the 14 point "Way Forward" which was formulated in the interaction program organized at Birtamod, Jhapa on Dec 24-25, 2020, for the development of entrepreneurship. They also exchanged experiences on how to develop entrepreneurship through microfinance programs in the current environment.

Mr. Dinesh Bahadur Niraula, Deputy Director of the Sahara Nepal Savings and Credit Cooperative Society Limited, highlighted in his presentation that Sahara Nepal had been emphasizing

on the promotion of agri-enterprises and had set up an entrepreneurial unit and it had also provided online services during the Corona epidemic.

Similarly, Mr. Tas Bahadur Shrestha, Chairman of the Karnali Savings and Credit Cooperative Society Limited, informed that his organization had facilitated the members in marketing.

Mr. Balaram Gajurel, Vice President of the Navodaya Multi-Purpose Cooperative Society Ltd. said, "His organization in coordination with three other cooperatives has been cultivating paddy in 38 Bigha and from this, improved quality seeds are also being made available to the customer members at fair price."

Similarly, Jeevan Bikash Laghubitta Bittiya Sanstha Ltd. has also set up an Entrepreneurship Development Unit to carry out various activities and aims to make about 10,000 entrepreneurs next year and also to organize study and observation tours of its members, said Senior Officer Mr. Sanjay Kumar Sah.

On the occasion, representatives of the Shrijanshil Laghubitta Bittiya Sanstha Ltd., the Mahuli Laghubitta Bittiya Sanstha Ltd., and the Nerude Laghubitta Bittiya Sanstha Ltd. also presented their progress reports on the Way Forward. The participants opined that due to the Corona epidemic, they could not do much in the development of entrepreneurship. They made a decision that the previous way forward will be implemented with zeal and enthusiasm within the next six month of this fiscal year.



Participants of the Interaction Program



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