

Glimpse



A Newsletter of CSD – December 2019, Issue 28

CSD Convenes the 28th Annual General Meeting



Executive Chief Mr. Bechan Giri Welcoming the Guests of the AGM

The Centre for Self-help Development (CSD), which is one of the pioneer institutions to launch microfinance in Nepal, convened its 28th Annual General Meeting on December 13, 2019. The Executive Chief of CSD, Mr. Bechan Giri welcomed the esteemed members and guests of the AGM.

On the occasion, preceding the meeting, the Chairman of the Governing Board, Mr. Shankar Man Shrestha, presented the annual report of the F.Y. 2075/76 on behalf of the Governing Board which was

unanimously passed by the members. Similarly, the members unanimously approved the Balance Sheet and the Profit and Loss Accounts of F.Y. 2075/76.

Mr. Shrestha said, "Although the objective of microfinance is to alleviate poverty, it is now getting more concerned on profit maximization. Due to liberal policy of the Nepal Rastra Bank in licensing, there has been rapid quantitative growth of microfinance institutions but very little attention is given to quality of their service." The report mentioned that in the F.Y.

2075/76, CSD organized 11 training programs in Kathmandu and 9 at the regional level totaling 20 training programs which were attended by 'D' class MFIs, FINGOs, cooperatives and the children of microfinance members. A total of 455 participants were trained, of which 308 were male and 147 female. Similarly, there were 4 workshops benefitting 115 male and 18 female officials totaling 133 in all. CSD also organized 9 exposure visits to a total of 87 officials and staff of

(contd. on page 3)

In this Issue

Micro Entrepreneurship ...	p. 2
CSD Chairman's Interaction ...	p. 3
CSD Chairman Holds ...	p. 4
CSD Chairman's Face ...	p. 5
SHG Movement for ...	p. 6
CSD Chairman's Candid ...	p. 7
Uncovering the Practices ...	p. 8
Learning from the Mecca ...	p. 9
Nepalese MFIs Grabbed ...	p. 10
Upcoming Events	p. 10
In Memory of Late Sir Fazle ...	p. 11
Filipino MFIs are More ...	p. 12

CSD Organizes Symposium on Fraud Control and Management

The Centre for Self-help Development (CSD) organized a Symposium on Fraud Control and Management on December 14, 2019.

Opening the forum Chairman of the CSD, Mr. Shankar Man Shrestha, said that fraud has increased in microfinance institutions due to weak monitoring and internal control practice. He added, "Fraud was unheard in microfinance till a couple of years back but risen to epidemic level in recent years. MFI leaders should be vigilant and make regular interaction with the clients and field staff."

The program started with a session of panel discussions of experienced CEOs of microfinance institutions who shared various events of frauds and explained how the cases of fraud took place in their respective organization and what weakness of them led to the situations.



Group Photo of Participants

It was a session to learn from the mistakes in the past. The panelist outlined that effective monitoring and supervision system is a key to eradicating fraud. The panelist assured that both Know Your Customer (KYC) and Know Your Staff (KYS)

(contd. on page 12)

Micro Entrepreneurship Development

-A Way Forward to Creating Sustainable Microfinance



Chairman of CSD Mr Shankar Man Shrestha Briefing the Participants about the Program

The Centre for Self-help Development (CSD) organized a two day Interaction program on 'Entrepreneurship Development' in Birtamod, Jhapa from December 25-26, 2019 (Poush 9-10, 2076). The program was attended by 24 participants comprising of (Chairpersons, Vice Chairpersons, CEOs and Department heads) from the institutional members of CSD operating in Province 1 and 2.

The program was chaired by the Chairman of CSD Mr. Shankar Man Shrestha who briefed them about the program objectives and said, "The main motive of microfinance is to empower poor families to become entrepreneurs raising from the position of subsistence level. It is a process of socio-economic transformation and generating employment opportunities at the local level. To this effect organizations involved in microfinance should work for developing entrepreneurship skills of their clients not just focus on credit disbursement"

On the first day the participants were taken to site visits of the enterprises of the clients of Sahara Nepal Saving and Credit Cooperative Ltd and Shree Navodaya Multipurpose Cooperative Ltd. and observed and analyzed their progress and achievements. The enterprises observed were vegetable farm of Ms. Tika Devi Rai, the goat farm of Ms. Tanka Maya Dhungel and donut factory of Ms. Sharada Rai, who are the members of Sahara Nepal and the fish farm of Ms. Sangeeta Limbu, member of Shree Navodaya. The members shared how productive use of small loans from the cooperatives gradually improved their lives and expressed their gratitude towards the organization for transforming their

lives from poverty to prosperity.

Each of the participants was impressed by observing the micro enterprise projects operated by the members of the two cooperatives. They were able to take valuable learning that will be useful to improve the enterprises of the clients of their respective MFIs and cooperatives. They were touched by the loyalty shown by the members towards their affiliated cooperatives and had successfully generated self-employment opportunities through their enterprises. They felt that what they had seen could be replicated in their own institutions.

The second day of the program began with the review of the previous day visits and they suggested some ways to improve the visited enterprises. Sharing their field experience they emphasized on the need to develop a market linkage to sell the products of the members. One of the ways to set up could be subsidiary marketing company by the MFIs to augment the productions and price incentives to the producers.

They reiterated that it is not only enough to provide loans to the clients to operate their enterprises but should also provide the needed technical support and one should also teach the members to maintain their cash flow so that they will be able to assess financial position of their enterprises. It was also noted that MFIs should keep the data of the productions of the members so that

they will be able to determine their contributions in the national economy. They also seconded the idea of setting up an entrepreneurship department or a unit and appointing an entrepreneurship officer in their respective organizations, who would oversee promotion, and development of enterprises of members. Above all they unanimously agreed upon the need to address the issue of the middle men operating in the sector due to which the members have failed to get the true value of their products and has hampered their progress.

Mr. Bhag Narayan Sahu from Nerude Laghubitta Bittiya Sanstha Ltd said, "Agricultural insurance should be introduced and the MFIs should appoint JTAs that would benefit the clients. The MFIs should also work towards establishing a market linkage which will create a positive impact towards sustaining their business in the long run."

During the program, Mr. Gokul Pyakurel, an expert who has been active in Nepal for a long time in the development of microenterprises, gave a presentation on the status, problems and possibilities of micro entrepreneurship in Nepal.

The interaction program was an eye opener and an opportunity to learn from the own experiences of the participating organizations. They agreed upon the urgent need to entrepreneurship development as the way forward creating sustainable development of microfinance clients and own development of MFIs in the future. The interaction program ended after the gathering passed a way forward for creating conducive environment for developing entrepreneurship among their clients.



Participants Observing the Enterprise of Clients

CSD Chairman's Interaction with Youths in Damak, Jhapa

As part of a new initiative to engage the young generation in microenterprise and turn unemployment into self-sustaining employment opportunity, the Centre for Self-help Development (CSD) organized an interaction program with the children of the members of Shree Navodaya Bahuuddeshiya Sahakari Sanstha Ltd., Jhapa, to enlighten them on the concept of microfinance and the role and importance of youth in entrepreneurship development.

The program held on December 28, 2019 (Poush 12, 2076) at Damak, Jhapa, was attended by 56 children (46 female and 10 male) of the members of Shree Navodaya. This is first of such type of program initiated to aware young boys and girls of MFI members.

Initiating interaction with the youths, the Chairman of CSD Mr. Shankar Man Shrestha briefly highlighted the philosophy, objective and principles of microfinance and some worrying parts of microfinance operations in Nepal such as multiple lending and borrowing beyond the capacity of a client that has led them to falling into loan trap. He urged them to educate their parents to refrain from multiple borrowing and overburdening themselves with too many loans beyond their needs and capacities.

He appreciated the microfinance members who rising up from very hard days to be able to educate their children to over high school level of education. He said to them, "Now it is your turn to work hard to raise social and economic status of your family by transforming the livelihood level to micro-enterprise and go up further to medium enterprise gradually instead of going abroad for employment.



Member's Children Interacting with the Chairman of CSD

He further said, "This is not possible with only efforts of your parents but you should acquire entrepreneurship skills to scale up your livelihood activity to build an enterprise."

Among the youth, Ms. Alisha Punjaria, said, "After I complete my studies I would like to enroll into a bank. Work for few years and develop skills and save money to start an enterprise of my own."

Mr. Shrestha was elated to witness the participation of the members' children and expressed his delight on how the members have been able to educate them.

In the meantime he expressed his displeasure on how the able bodied populations of Nepal are forced out of the country in search of employment. Many of them got cheated, yet they continue going abroad for foreign employment. He urged the future generation to explore opportunities of self-employment in the their homestead itself specially engaging in agro farming, livestock and poultry and fish raising which have great potential in the district of Jhapa.

He also added that youth are the greatest asset of the country that can bring about socio-economic changes. The first step toward this is to change the mindset of the youth to go abroad for job. He also urged the youth to first internalize the feeling of patriotism then only be able to contribute to the development of the country. Speaking in the program the Chairman of Shree Navodaya Multipurpose Cooperative Ltd. Mr. Saran Kumar Parajuli said, "Since the past few years there has been a trend of youth migration for foreign labor works. But Nepal has abundance of resources that can be utilized. It is up to the younger generation to explore the possibilities as an alternative to working abroad. You do not have to be worried about the lack of funds. Navodaya will be providing you with the needed funds if you come to us with a business plan". The interaction with the children of the members ended with an appeal by Mr. Shrestha who said, "Change the mindset of going abroad for work and explore the possibilities of self-employment in the home ground in Nepal."

(... contd. from page 1)

CSD Convenes

which 64 were male and 23 were female. The Chairman of the Governing Board of CSD was also invited to moderate a session at the 9th Social Business Day organized in Bangkok, Thailand from June 28-29, 2019. 24 Board Officials and CEOs representing different MFIs under the leadership of Mr. Shankar Man Shrestha participated at the Summit. Under the coordination of CSD and the initiative of the principal microfinance institutions in the country, the Second National Microfinance Members' Summit was

held in Kahtmandu from December 1-2, 2018 with a slogan of 'Clean Microfinance, Our Campaign'.

He also highlighted that CSD in collaboration with the Centre for Rural Technology, Nepal (CRT/N) initiated programs to create environmental friendly self-help villages in the areas covered by microfinance operators. The meeting decided to establish a "Self-employment Training Center" to develop entrepreneurship among the youth in partnership with its institutional members. Similarly, it also unanimously agreed to establish "Yunus Social Business Centre" to promote social business concept in Nepal.

The meeting also endorsed the proposal of Mrs. Shanti Shrestha to contribute Rs. 10 lakh to establish a fund to provide an award of Rs. 1 lakh to an individual or institution that makes outstanding contribution to the upliftment of socio-economic condition of the poorest or the disadvantaged community named after Mr. Shankar Man Shrestha who has devoted major part of his life for the upliftment of the lives of the poor through the campaign of microfinance. Similarly, CSD and Mr. Lumin Kumar Shrestha declared to contribute Rs. 10 lakh and Rs. 5 lakh respectively to the fund.

CSD Chairman Holds a Dialogue Program with the Officials of Sahara Nepal SACCOS, Jhapa



Chairman of CSD Mr. Shankar Man Shrestha interacting with the Officials of Sahara Nepal

Against the backdrop of happenings such as: multiple financing, over indebtedness of clients, misutilization of loan, availing loan by dummy members, increasing trend of loan default etc in microfinance industry, Sahara Nepal organized a dialogue program with CSD Chairman Mr. Shankar Man Shrestha in the presence of its board members, senior officials and branch managers to look for appropriate solution/measures to overcome such problems on Poush 8, 2076 (December 24, 2019). On this special occasion Mr. Shankar Man Shrestha who has been campaigning for the clean and healthy microfinance in Nepal first listened to the views and observations of its board members, officials of head office and branch managers about the current situation of microfinance in its area of operation.

Mr. Mahendra Kumar Giri, Chief Executive Officer of Sahara Nepal began the program highlighting the progress, achievements and the strategies of the organization. He said, "Sahara is improving its skills and efficiency by using modern technologies, and reviewed interest rate on deposit and lending to address the changing conditions. We are trying to graft same understanding at all levels of our offices about vision, mission and goal of the organization. We are currently focusing on transforming all our members into micro entrepreneurs."

Some of the Sewa Kendra managers and area managers also shared their field experiences and impressions of the program. They were so happy to share that majority of the members have been graduated from poverty level and have become micro entrepreneurs raising their credit level from Rs. 5000 in its initial stage to Rs. 700,000 at present. They could build their own houses and send their children to college level. However, they said that as there are huge number of microfinance organizations operating in the districts and reckless financing are made by new comers without assessing the clients' need and capacity, credit discipline among the clients is declining day by day and loan delinquency is also on increasing trend due to rampant misuse of credit. They said, "There are mission drifts and distortions in the market. The loans from MFIs have been found intercepted by loan mafia and vested interest groups by using proxy members."

In his address Mr. Shankar Man Shrestha said, "The first and foremost thing a microfinance organization should do to stop clients poaching is retain their members and refrain them to borrow from multiple institutions by building close rapport and contact with them and educate them on the evils of over borrowing beyond their need and capacity. You should gain their confidence and loyalty by serving them with required amount of credit and other technical

support to grow as an entrepreneur and keep visiting them at their households regularly and understand their problems if any."

He further said, "There are many poor people left out by the services of MFIs in your areas of jurisdiction. You have to go in search of such people and bring them to the fold of your services, not just emphasize on the increasing number of clients that has led to duplications. You have to compete in quality and not in number of clients. If you could give better service you can realize better amount of gains from the same clients at low cost." He also advised them to activate the huge number of dormant members in their portfolio and increase their volume of business without adding any new cost.

Mr. Shrestha opined in the program that every organization should develop a system to make a list of graduated members, intensify public audit and interaction with local community every year to educate them on what contribution it has made to poverty reduction, employment generation and productivity increment of the members. He further added that microfinance is a tool for socio-economic transformation and also competition is a way that creates an opportunity to develop and modify oneself to be better. Mr. Shrestha also advised the participants to identify and prepare unserved poor families, members borrowing from more than two institutions and also to conduct an awareness program for members on the negative effects of multiple borrowing and benefits in sticking to one organization.

The dialogue program was attended by 50 (40 male and 10 female) participants comprising of board members, CEO, head office officials, area managers and branch (Sewa Kendra) managers.

The program concluded with a consensus that Sahara Nepal

- will build its operating area free of poverty and unemployment by the end of 2025
- develop each member as an entrepreneur
- create common understanding on institution's mission, vision and goals and objectives among its staff
- intensify public audit and interaction
- design and implement branch and clients evaluation indicators
- construct its own branch office buildings
- prepare job profile of each of its clients' children and
- will maintain 'Zero unemployment' in its area of operation

CSD Chairman's Face to Face with the Board Officials and Management Team of Navodaya Cooperative in Jhapa

In view of the various problems persisting in the microfinance sector Shree Navodaya Multipurpose Cooperative Ltd. Jhapa organized a face to face discussion with Mr. Shankar Man Shrestha, Chairman of CSD on December 28, 2019 (Poush 12, 2076) at Damak, Jhapa. It was attended by 23 participants comprising of Governing Board Members, CEO, Department Heads and Branch Managers of the organization.



Chairman of CSD Interacting with the Officials of Navodaya Multipurpose Cooperative Ltd.

During the program the manager of the cooperative Mr. Phanendra Bahadur Karki welcomed Mr. Shrestha and highlighted the progress and the financial status of the cooperative till the month of Mangsir 2076.

Mr. Shrestha firstly listened to the current problems faced by the field staff in their branches while performing their day to day operations. The branch managers said that they had been facing problems like unhealthy competition, clients' duplication, misutilization of loans by clients, clients migrating out of their places and loan defaults and this has adversely affected the portfolio quality of the cooperative.

Speaking during the discussion, the members of the Audit Committee Mr. Dambar Kumar Poudel said, "All the problems that have been discussed in the interaction have been created by ourselves. It is our duty to solve them. The new staff that are recruited in the organization have not received proper guidance from the concerned authorities. Instead they are sent to the field with targets. This is a wrong practice that has sparked more problems."

Expressing his concern towards the grave situation indicated by the portfolio of the organization and the problems raised by the audit committee members and the managers Mr. Shankar Man Shrestha suggested some mitigating measures to address them. He said, "We should know all our members and their potentials. Knowing the character and the capacity of the client is the most important while disbursing loan. We should keep the record of the number of MFIs the members are associated with and make them aware about the evils of over borrowing from multiple sources. We should build up cordial and close relation with them and provide loans as per their needs and capacities. We should not get involved in clients poaching and unhealthy completion. Rather we should activate the huge chunk of dormant members and try to facilitate them to grow big as entrepreneurs. Do not keep them bonsai. You have to take care of your members as a gardener takes

care of his plants in his garden. These days, your contact with the members is very rare. This makes others to snatch your members from you by giving them false assurances. Build intimate relation with your members and gain their confidence and loyalty to your organization. Just blaming others will not serve the purpose.

Another way to solve the problems is activating the inactive members and strengthening the monitoring and evaluation mechanism of the organization. We should educate the members to make the right use of the loans. Loans to the new members should be granted only after receiving a business plan."

Speaking at the end of the program the Chairman of Shree Navodaya Bahuudeshiya Sahakari Sanstha Ltd. Mr. Saran Kumar Parajuli said, "We have not kept the record of the number of entrepreneurs that we have created. There is no official statistics of how many members have been graduated from poverty level. I would like to request the management to step up and create an entrepreneurship department that will oversee all issues related to entrepreneurship development of our clients." The interaction program concluded declaring a way forward that would help to address the problems faced by the organization.

Way Forward

- Work for transforming the members into entrepreneurs
- Organize center chief workshops regularly and the Chairman and Chief Manager would participate in all such workshops
- Strengthen Monitoring and Supervision system
- Prepare a record of the number of family members working abroad in the area of operation
- Conduct proper appraisal before disbursing loans to the members and make timely check up of loan utilization
- Activate the inactive members to undertake income raising activities
- Build close relationship with all clients by making frequent visits to their households
- Initiate programs to enroll members' children as micro entrepreneur borrowers

SHG Movement for Building a Healthy Society

- An Example of Dedication and Devotion



Participants Pictured Outside the Exhibition Hall

Shri Kshetra Dharmasthala Rural Development Project (SKRDP) organized an International Conference from October 30- November 3, 2019 at Bangalore, Karnataka (India). More than 500 delegates of different countries took part in this gathering.

The theme of the convention was 'SHG Movement – a step forward for building a healthy society' by creation of healthy farming community, improved health and risk mitigation. Towards this, the conference conducted a plenary discussions on 'healthy enterprise creation, healthy farming community, health and risk mitigation, access to finance, cashless economy, building healthy community institutions, towards building healthy families. The panel discussions mainly focused on the areas to make poor people/families entrepreneur and drive them to develop and create sustainable enterprises. The conference also addressed on prevention of alcoholism and drug abuse, social transformation, creating required human resources for community organization. In the meantime, it was also followed by very thrilling session with Dr. D. Veerendra Heggade Dharmadhikari of Manjunath Trust and the Chairman of SKRDP, and Dr. Harish Hande on "Blending of Policies and Beliefs, and on issues related to Dharma, Divinity and Development". Issues discussed included secularism, religion, nationalism, role of parents in guiding their children etc.

Dr. Chakravarthi Rangarajan, Former Governor of the Reserve Bank of India (RBI) in a fireside interview said that in initial days of microfinance much more credit delivery were consumer credit that later focused on entrepreneurship and enterprise development. He further added that it is perceived there are two types of lending i.e. demand based and supply based. Nowadays, microfinance institutions are concentrated on supply based credit delivery.

On the second day in the plenary session on 'Self-help Movement Towards Healthy Enterprise Creation' Chairman of the Centre for Self-help Development (CSD), Mr. Shankar Man Shrestha along with other panelists of the session shared their views on the creation of healthy enterprises. Mr. Shrestha opined "Entrepreneurs are made, they are not born'. He added that in the early days of microfinance it was started as social business to serve poor. But since couple years things are changing and microfinance sector is becoming a mini bank. It became a money distribution business rather than better serve their clients. The rapidly growing microfinance institutions especially of new entrants

are profit oriented and more commercialized." The panelists agreed that creation of an enterprise is a source of income generation, self-employment and entrepreneurship development but due to lack of skill and proper knowledge in micro finance income generation often become a part time and casual job. Thus, training intervention is essential to empower the microfinance borrowers to become an entrepreneur. All the dignitaries of the panel discussion unanimously agreed on it. The panel concluded that entrepreneurship development is a joint effort of self-help group, banks and technical support providers.

Former Deputy Governor of the Reserve Bank of India Mr. HR Khan in an interview session said that the SHG movement enhanced the credit delivery to poor. He also shared his views on the areas relating to social transformation through technical and physical touch with the clients. In the closing session of the program Prof. D.S.K. Rao summarized the achievements of the conference as SHGs could be a vehicle for improving entrepreneurship, agriculture practice, access to health and finance and for eradicating social evil such as alcoholism. All the dignitaries unanimously agreed that the success of SKDRDP is the result of prudent leadership, enthusiasm, dedication and devotion of Dr. D. Veerendra Heggade and Dr. Manjunath and his team.

The conference was attended by 16 Nepalese microfinance officials under the coordination of CSD Chairman Mr. Shankar Man Shrestha. The officials that joined the conference were Mr. Bechan Giri from the Centre for Self help Development, Mr. Jyoti Chandra Ojha from the RMDC Laghubitta Bittiya Sanstha Ltd., Mr. Bhes Raj Panthi from the First Microfinance Laghubitta Bittiya Sanstha Ltd., Mr. Bhoj Raj Bashyal from the Swablamban Laghubitta Bittiya Sanstha Ltd., Dr. Sumitra Manandhar Gurung from the Mahila Sahayatra Microfinance Bittiya Sanstha Ltd., Ms. Shova Bajracharya from the Manushi Laghubitta Bittiya Sanstha Ltd., Mr. Sanjay Mandal from the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd, Mr. Roshan Kumar Mandar from the Mahuli Laghubitta Bittiya Sanstha Ltd., Mr. Batuk Sumsher Shrestha from the Srijanshil Laghubitta Bittiya Sanstha Ltd., Mr. Ram Prasad Kafle from the Nawprativa Bachat Tatha Rina Sahakari Sanstha Ltd., Ms. Sharada Kumari Khatri from the Upakar Laghubitta Bittiya Sanstha Ltd. and Mr. Janardan Dev Panta, Mr. Shambhu Prasad Neupane and Mr. Shankar Prasad Neupane from the Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd. and Ms. Anju Pandey from the Nirdhan NGO.



The View of the Participants

CSD Chairman's Candid Talk with the Officials of Karnali Saving and Credit Cooperative Ltd., Jhapa



Chairman of CSD Mr. Shankar Man Shrestha Addressing the Participants

The Karnali Saving and Credit Cooperative Ltd. organized an interaction program on December 28, 2019 (Poush 11, 2076) in Jhapa. Mr. Shankar Man Shrestha was the Chief Guest of the program. There were 42 participants (36 male and 6 female) comprising of newly formed governing board and senior staff of the cooperative.

On the occasion Mr. Shankar Man Shrestha was welcomed by the Chairman of Karnali Cooperative Mr. Tas Bahadur Shrestha. He also briefed about the overall progress, problems and roadmap of the cooperative.

The branch or the service center managers of the cooperative present in the interaction program also highlighted their achievements and the problems and challenges faced by them in their respective situations in the branches. The major problems highlighted were unhealthy competition, clients duplication, loan delinquency, misuse of loans, interception of loans by fraudulent members and lack of entrepreneurship among members. They also pointed out that the yearly targets assigned by the organization have forced them to duplicate clients which has increased risk of credit.

After listening to the various problems raised by the managers and officials, Mr. Shrestha suggested possible mitigating measures. He said, "The staff should follow the fundamentals of microfinance. They should mainly focus on the poor and try to raise each client to be entrepreneur by giving them entrepreneurship skills and technical support instead of poaching others' clients. He also urged them to activate the inactive members and retain them with proper care and support. For this, the staff of all levels should visit the clients in their door

steps, understand their needs and problems and develop a close relationship with members to gain their confidence and loyalty."

During the program, the representatives of the newly formed governing board and the audit committee members shared their thoughts on driving the organization forward.

Speaking in the program Mr. Santosh Dhital said, "The main problem in the microfinance sector is duplication. Therefore, while drafting the policies for the future, the organization should mainly study the geography of service area, its competitors and create specific kind of action plan based on the location."

Similarly, Mr. Shankar Man Shrestha advised them, "The first requirement

of a member of the governing body is to be selfless. Everyone should work for the betterment of the organization and the members. It is the duty of the members of the board to establish policies that would be helpful to create a better working environment for the staff, that would bring out the best in them and be able to make positive contributions to the organization." He further said that the organization should not give targets that force the staff to poach others' clients, rather they should conduct survey to find out the poor families left out by other organizations and bring to their fold and develop them as such that they would be loyal to you all the time. He urged, "You should direct your staff not to poach others' clients at all and spend their energy to activate the dormant clients."

Speaking in the closing session the Chairman of the Karnali Saving and Credit Cooperative Ltd. said, "We must move forward with a fresh start. We should work towards making all our members capable entrepreneurs and keep the record of their productions." He further requested the staff to make a complete profile of the members that will be useful in future loan disbursements.

The interaction program concluded by approving a way forward



Group Photo of Participants

Way Forward

- Follow the fundamentals of microfinance
- Keep the record of the graduated members
- Visit the doorsteps of the members and know the clients well
- Prepare a profile of each member
- Encourage the members to be associated with only one MFI
- Develop the skills of the members and provide the needed technical support
- Convert all members into micro entrepreneurs

Uncovering the Practices of Microfinance in Bangladesh and Implications in Nepalese Context



Team Members in Grameen Bank

CSD organized an exposure visit of a team of microfinance practitioners to Bangladesh from November 2-9, 2019. The purpose of the visit was to observe, understand as well as replicate the best practices followed by the microfinance institutions in Bangladesh as solution to the endemic problems and prevalent issues in microfinance sector in Nepal.

The team visited International Program Department of Grameen Bank where they met Mr. Md. Ansaruzzaman, General Manager, International Program Department and Mr. Golam Morshed Mohammed, Assistant General Manager and Faculty Chief, International Program Department. Grameen Bank has been debunking some of its earlier practices which has been less relevant in current context of microfinance. It was said that while disbursing loan group liability is no more practiced in Grameen Bank. Group liability is prevalent more in the context of social issues such as when a member is sick and it is the obligation of other members to support her and her family. Similarly, apart from willful defaulters, 2.78% of total borrowers have received flexi loan. In this kind of loan the loan package is re-adjusted for borrowers who were unable to repay the loan amount either due to natural calamities or health issues of their families.

There is no ceiling for the maximum amount of loan in Grameen Bank. Loan amount is gradually increased. In Nepal some microfinance institutions disburse Rs. 300,000 to their new clients without analyzing their credit worthiness. This kind of practice prevalent in Nepal usually used by fledgling microfinance institutions in order to poach clients

from other microfinance institutions will ultimately instigate delinquency in microfinance.

Grameen Bank stopped accepting new foreign grants and loans since 1995. One of the reasons is that

foreign grants may induce undue encroachment in its policies and working modalities. In Grameen Bank 1731 branches out of 2568 branches have more savings than loan outstanding. Similarly, saving to loan outstanding ratio is 1.47. This means that it will act as a buffer due to vulnerabilities arising as a result of lack of external funding or extremities arising due to liquidity crisis in wholesale lenders.

In Grameen Bank, Agriculture/forestry represents 25% of loan, trading represents 23% and livestock represents 20% of loan. The preponderance of loans are disbursed for agriculture, trading and livestock, which are the back bone of rural economy.

The Nepalese microfinance institutions can also learn from the credit plus programs of IDF and replicate them in their respective organization. There are doctors and health paramedics who provide health services to the clients. Similarly, there are educational instructors who support students in doing their homework. This program is intended to reduce the student dropout in government schools.

ASA, the other microfinance institution visited by the team, has extensive use of tablets in the center meetings. It has managed to reach break-even-point after 3 years of operation in Bangladesh and one of the reasons is due to curtailment in operating cost. In ASA loan mobilization is through 44% members saving and 56% through its own fund. ASA mobilizes all its financial resources through

internal resources. This is a very significant thing for the Nepalese MFIs to learn to sustain their program.

In the valedictory meeting at IDF, Mr. Jawher Lal Das, Director (in-charge), Human Resource Department and Treasurer, said that center discipline is better in Nepal. The participants said that there are many things that can be learned from MFIs in Bangladesh. Grameen Bank does not have to rely on external financial resource to run its organization. Likewise, IDF is extensively involved in credit plus activities like health and education program. Similarly, ASA uses tablets in center meetings to collect savings and disburse loan so that staff members may have extra time for other activities like client interaction and household visit or to build rapport with the families and understand their problem. Mr. Lava Sudan Singh from Muktinath Bikas Bank Ltd. said that he was particularly impressed with insurance practices of visited microfinance organizations where health insurance, project risk insurance and livestock insurance were carried out efficiently without relying on third party insurance as in the case of Nepal.

The exposure visit to Bangladesh consisted of 10 participants from 6 different organizations which included two participants each from Muktinath Bikas Bank Ltd., Kisan Bahuudeshiya Sahakari Sanstha Ltd., Solve Laghubitta Bittiya Sanstha Ltd., Mirmire Laghubitta Bittiya Sanstha Ltd as well as one participant from Womi Microfinance Bittiya Sanstha Ltd. and CSD who coordinated the visit from Nepal. Similarly, representative from Integrated Development Foundation coordinated the visit from Bangladesh.



Members Visiting IDF Enrich Program in Satkanya

Learning from the Mecca of Microfinance

The Centre for Self-help Development (CSD) under its "Program of Learning from Best Practices" organized a study/exposure visit to Bangladesh, the birth place of microfinance from December 7-14, 2019 (Mangshir 21-28, 2076). The main objective of the program was to provide learning opportunities to the participants to learn from three well known MFIs of Bangladesh which are Grameen Bank, IDF and ASA.



The Nepali Delegates Pictured at IDF Head Office

During the visit to the Grameen Bank, the participants were told by the Grameen Managers, "If the demands of the clients are not fulfilled they look for other alternatives. Offering products cheaper to one's competitors helps build a strong hold in the market." Accordingly it has been charging its clients an interest rate of 20% which is 6% lower than the market interest rate." He also revealed that the best way to address the issue of delinquency is through persistent motivation to the clients and support by credit plus activities. This will help maintain the members' loyalty towards the organization.

The participants were amazed to witness the clients association with the Grameen Bank for over 30 years using meager loan amount of Tk 95000. Although there is no upper limit on loan size the clients demand loans only according to their need and capacity. They were found to be investing in productive activities. This has helped the members to gradually raise their socioeconomic status and give their children a prosperous life unlike in Nepal where the members have been pushed towards the vicious cycle of poverty through overburdening of loans beyond their capacity.

The clients spoke of high regards to the MFIs which have still been embracing the fundamentals of microfinance conducting weekly meetings through which they have been able to establish a cordial relationship with their clients serving them at their doorsteps at the time of their need. The continuous efforts of the MFIs have been rewarded with members' loyalty. The centers are well managed and the center houses are constructed by themselves.

Another MFI visited was the Integrated Development Foundation (IDF) whose credit plus program was noteworthy. They have been operating an integrated project in Satkanriya operating program of health, education, sanitation and infrastructure development known as the 'Samridhhi Program' that has contributed towards the healthy growth of the community.

One of the most interesting observations by the participants was that if the clients are unable to pay their installments

due to illness they wait for them to recover and then collect the installments with a short gap. As health is one of the major issues due to which members fail to pay their installments IDF has appointed paramedics who visit the door steps of the clients to provide health service. IDF has also started a Tele Health Service which provides necessary health suggestions to the clients living in far off places through the use of tablets.

Similarly, the major highlight of the third MFI visited in Bangladesh, ASA the largest microfinance operating in 14 countries has demonstrated the most cost effective methods of office operation where two branch office and one area office are being operating from the same building. This innovative approach has helped their branches to gain sustainability within 11 months of its operation. They have also been operating tablet banking as part of the paper saving strategy.

The participants also noted that the MFIs are mainly funded by the Palli Karma Sahayak Foundation (PKSF) a not for profit organization which provides funds to the MFIs registered with it. Moreover, the Microcredit Regulatory Authority (MRA) was established by the government under the 'Microcredit Regulatory Authority Act 2006' to regulate the MFI activities of Bangladesh. There are currently 724 MFIs registered with the MRA providing microfinance services to the poor.

The delegates comprised of 10 participants from three of the prominent MFIs operating in Nepal. They were Mr Suresh Bahadur Khadka, Mr. Ravi Mallah and Mr. Bam Bahadur Chaudhary from Mirmire Laghubitta Bittiya Sanstha Ltd., Mr. Ramesh Kumar Chaudhary, Mr. Tej Narayan Chaudhary, Mr. Tak Bahadur Rai, Mr. Gopal Prasad Sah, Mr. Santosh Kumar Yadav and Ms. Rita Kumari Poudel from Mahuli Laghubitta Bittiya Sanstha Ltd and Ms. Tirsana Chaudhary from Aatmanirbhar Laghubitta Bittiya Sanstha Ltd. The program from CSD was coordinated by Mr. Prajwal Tuladhar.



Participants Observing the Centre Meeting of ASA

Nepalese MFIs Grabbed the Attention of Bangladesh Microfinance Officials



CSD Chairman with the Delegates

The Centre for Self-help Development (CSD) organized an exposure visit for the officials of the Integrated Development Foundation (IDF) and the Centre for Development innovation and Practices (CDIP), renowned MFIs of Bangladesh from October 19-26, 2019. The team was welcomed at CSD office, Maitighar Height by the Executive Chief of CSD, Mr. Bechan Giri and briefed them on the progress and achievement of microfinance sector in Nepal.

During their stay the officials observed the center meeting of Manushi Laghubitta Bittiya Sanstha Ltd. (MLBSL) in Lamatar, Kavre and got acquainted with their clients who are involved in micro enterprises. On the same day they visited branch office and head office of MLBSL and Mirmire Laghubitta Bittiya Sanstha Ltd. where they were briefed on their activities and operational modalities.

They also visited the field operations of the Swabalamban Laghubitta Bittiya Sanstha Ltd. (SLBSL) at Lampata

and the branch office of Putali Bazar, Syangja and interacted with the members and the staff.

At the end of the visit, the team visited Jalpa Laghubitta Bittiya Sanstha Ltd. and its members micro enterprises at Chautha, Pokhara and attended the center meeting of the members in Jumleti, Mahendra Cave and observed the modern banking practice of the Muktinath Bikas Bank Ltd. in Chipledhunga, Pokhara. They were very much touched by the credit discipline of microfinance clients and unique beauty of the Pokhara Valley.

Appreciating the visit program Mr. Md. Nizam Uddin from IDF, Bangladesh said "The Operational Modality in Nepal is 70-80% similar to Bangladesh. I am impressed with the performance of MFIs specially to see the 100% repayment of the members". He thanked CSD for the efficient management and warm hospitality shown to the delegates.

Another member of the delegation

Ms. Rekha Akter expressed her gratitude to CSD for making them feel at home and acquainting them with the operations of microfinance institutions in Nepal. She said, "I am very much touched by the cordiality and hospitality of the Nepalese people. I am impressed to see the empowerment of Nepalese women. They are more articulate and active than Bangladesh women."

The Chairman of CSD, Mr. Shankar Man Shrestha distributed certificate of participation to the visiting delegates. Addressing on the occasion he said that microfinance was started in Bangladesh and Nepal almost in the same time in 1975-76 and the relation between the two countries flourished after the visit of Prof. Muhammad Yunus to Nepal in 1980. He further said "Poverty in the both countries has been reduced significantly after the intervention of microfinance as an instrument to serve the poor to augment their socio-economic conditions. Nepal has learnt a lot from the experience of the Grameen Bank as the best practice of microfinance in the world."

The delegation comprised of 8 participants from IDF, Bangladesh; Mr. Md. Nizam Uddin, Mr. Md. Shahidul Islam, Mr. Karna Joy Tripura, Ms. Rekha Akter, Ms. Shammi Marzia Khatun, Mr. Jasim Uddin, Mr. Md. Abdul Karim, and Mr. Md. Rafiqul Islam and 3 participants from CDIP, Bangladesh; Mr. Md. Sirajur Rahman, Mr. Md. Aminul Islam, and Mr. Md. Zahidul Islam.



Delegates with the Members of the Swabalamban Laghubitta Bittiya Sanstha Ltd.

UPCOMING EVENTS >

1. Exposure Visit to Bangladesh from January 4-11, 2020 (Poush 19-26, 2076)
2. Exposure Visit to the Philippines from January 26-February 02, 2020 (Magh 12-19, 2076).
3. Exposure Visit to Bangladesh (Third week of Magh 2076).
4. Domestic Visit – West meet East (Second week of Falgun 2076).
5. Domestic Visit – East meet West (Second week of Chaitra 2076).

You Will Remain Our Companion Forever

Muhammad Yunus

Abed has left. But it is not possible to bid farewell to him. He remains with us as our companion forever. Since the Liberation War he is in the very grain of our society. There is no layer and sub-layer of our societal make up which has not been touched by Abed's work. He is the principal architect of the massive transformation that has taken place in Bangladesh society since liberation.

Abed made skillful steps to walk through every dilapidated gully, every sink-hole, and overturn strange beliefs and norms set by an age of ignorance, re-worked patiently with talent and creativity to undo the past and lay a solid foundation of the future. He helped Bangladesh to change forever.

It is certainly not an exaggeration to say that there is hardly anyone among the 170 million people of Bangladesh who do not benefit in some way from Abed's programs or enjoy products and services provided by his organizations. If she is a poor person or a village woman, then she is in contact with Abed's activities at every step of her life -- in education, health, income generation, self-awareness and many more.

How can we say goodbye to Abed, who had quietly, even without us realizing it, become such an inseparable part of our daily life.

Abed was an extraordinary craftsman of the social and economic emancipation of the poor of Bangladesh. He liberated the common Bangladeshi from economic misery.

He carried out his variety of enormous and widespread activities quietly. He did not wait for anyone's response to his examples; he marched forward alone, undeterred and

focussed, taking the responsibility of doing the entire task on his own shoulders, without complaint.

Abed changed the concept of 'NGO' for the whole world. He provided the example of an NGO that does not shy away from national scale responsibility for every single social and economic issue, with a mission of completing the task, not just create islands of success. Abed gave NGO a new identity – one that works nationwide, even globally and multi-dimensionally, without falling victim to its own bureaucracy.

Abed perfected the management of multi-dimensional and nationwide NGOs into a new science. For this alone he shall be remembered for ever.

Economists and researchers from India, Pakistan, Sri Lanka and Nepal always pose a question to me. "How is it that in Bangladesh whatever starts in one location is soon scaled up as a nationwide program? Why does it not happen in our country?"

I give them a standard answer "Because an Abed is yet to be born in your country."

Abed has left behind a self-confident Bangladesh. The story of his immense courage, vision and creativity will continue to empower all generations to come. Abed will remain the image of Bangladesh that inspires them.

Abed, it will be easy for the coming generations to take on the responsibility of building the Bangladesh of their dreams, on the foundation that you have built.

Abed, the nation will remain indebted to you forever.

(... contd. from page 2)

Micro Entrepreneurship

- All participating institutions would make efforts to transform their members into entrepreneurs.
- Each participating institution shall prepare the financial and business status of each of its microfinance members
- Each microfinance institution will collect the details of the children of microfinance clients of the age group of 18-30 years, and then prepare the report according to the respective branch or service center.
- Each participant who are willing to undertake micro-entrepreneurship with minimum qualification of at least +2 will be chosen one male and one female between the ages of 20-25 years, to participate in the micro-entrepreneurship development training to be coordinated by CSD with technical assistance of MED en Nepal.
- Each participating organization shall

Way Forward

- provide training on micro-entrepreneurship development and promotion for two of its field level staff to be conducted by CSD with technical assistance by MED en Nepal.
- Each participating organization should establish a micro-entrepreneurship development and promotion unit in its organization and arrange for a micro-entrepreneurship development officer to look after entrepreneurship development of client.
- When disbursing a new loan, the loan will be approved only after receiving a business plan.
- Participants will categorize the customer members as follows and submit their status in another review seminar.
(a) Subsistence level member (b) Self-employed income raising member (c) micro-entrepreneurship member
- Each organization shall prepare and provide data on the families of poor and vulnerable population deprived from financial services in their area and serve them.
- The micro finance institutions will conduct exposures visits of their best performing members to visit the enterprises of members of other microfinance institutions.
- Loans will not be disbursed to members who are also engaged in other microfinance Institutions.
- Every organization should be able to contact its customer in 15 days and mobilize branch managers and field staff to explain the evils of multiple borrowing and over indebtedness.
- Another review seminar of participating organizations on micro entrepreneurship development will be conducted after six months in Biratnagar, Morang.

Filipino MFIs are More Concerned with the Growth and Development of their Clients

A delegation of the Nepalese microfinance officials visited the Philippines from October 13-20, 2019 on the invitation of the Microfinance Council of the Philippines Incorporation (MCPI). The delegation comprising of 10 members from 8 MFIs of Nepal was led by the Director of CSD, Mr. Satish Kumar Shrestha. The team visited three prominent microfinance institutions (MFIs) ASA Philippines, Kabalikat Para Sa Maunlad na Buhay, Inc (KMBI) and Ahon sa Hirap Inc (ASHI). They also met with the officials of Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, to discuss about the situation of microfinance and regulatory arrangements in the Philippines. It was observed that the policy of the Central Bank is very positive towards the sustainability, growth and stability of microfinance sector. The MFIs also appreciated the supportive regulation and effective supervision and monitoring of their operations. It is found that loans are disbursed according to the capacity of the clients. MFIs are opened in the areas where it is absolutely necessary to reach the absolute poor. The loyalty of the clients is commendable and there is no discrimination towards the members. All the members of the MFI are borrowers. There is a provision that the branch manager of the MFIs in the Philippines is required to visit 3 centres per day and evaluate their performance themselves.



The Nepalese Delegates Pictured at KMBI

The MFIs are concerned more on the growth and development of their clients and have emphasized more on quality rather than quantity. One of the main features of the microfinance sector of the Philippines is that they are still following the fundamentals of microfinance by conducting weekly meetings and frequent interactions with the members. The meeting of the clients are not only limited to collection of installments but also discuss on topics relating to social issues. The interest rate charged in the Philippines is approximately 3% per month. Although the interest rate is high, the clients do not have any qualms because MFIs are providing various packages of services directly benefiting the clients like health programs and life insurance schemes on their own or in partnership with insurance companies. Some MFIs have employed health practitioners like doctors or nurses as part of plan to associate their clients with timely and superior health access.

The profit earned by the MFIs are not distributed among their promoters but invested for the protection and development of the clients. They have also introduced various credit plus activities such as health and education programs. The MFIs also award scholarship to the children of the staff and the clients.

One of the important aspects of MFIs in the Philippines is that despite so many of them providing services to their clients, they have managed to keep the loan size small in conjunction with their need and capacity and not been tempted to increase loan size as part of activity to poach clients from other competing MFIs. The MFIs do not include non-poor clients and have followed strict set of norms and criteria like background, character and socio-economic conditions before enrolling them.

The team was thoroughly impressed with the client selection process. The MFIs have zero tolerance level for multiple financing which has risen to epidemic level in Nepal. Those members who have been involved in multiple financing are given option to leave or adhere to one particular MFI.

The participants of the visit were Mr. Dipendra Kumar Karki, Mr. Niraj Choudhary, Mr. Yubaraj Sharma, Mr. Jayarup Budha, Mr. Phanendra Raj Karki, Mr. Shiva Prasad Mishra, Mr. Balaram Paudel, Mr. Bijay Kumar Mandal, Mr. Shiva Bahadur Chaudhary and Mr. Birkha Bahadur Bohara.

(... contd. from page 1)

CSD Organizes

should be strengthened to prevent irregularities and fraud in microfinance. They further said CEOs should be aware of the lifestyles of their staff to prevent the fraud.

Mr. Shyam Khatri presented on the process of legal remedies to tackle the problems endemic in microfinance sector. He mentioned that the bank and financial institutions can themselves formulate bylaws in conjunction with relevant acts of the government to tackle banking fraud in their particular organization and such bylaws will have legal repercussions. Resource person Mr. Roop Bahadur Khadka led a discussion on how internal control and effective monitoring and supervision can prevent different kinds of frauds, embezzlements and irregularities by staff. He said research finding has stated that 20% staff are very honest, 20% very doubtful and 60% could be controlled by effective

control system. He urged CEOs to be vigilant and follow precautionary measures.

The symposium passed a five point way forward. It was participated by 45 microfinance officials from 23 MFIs microfinance cooperatives.

WAY FORWARD

- Strictly following the principles, values, ethics and objectives of microfinance
- Making monitoring and supervision regular and effective
- Streamlining internal control system and making it more efficient
- Having zero tolerance policy towards fraud
- Executive Director/Chief Executive Officer setting an example and being a role model in his/her organization



Centre for Self-help Development (CSD)

- Institute of Microfinance & Cooperative Development

P.O. Box 8852, Maitighar Height, Kathmandu, Nepal

Tel.: +977-1-4265635, 4256786, Email: csd@mos.com.np, Web: www.csdnepal.org.np

