

RMDC Convened its Eleventh Annual General Meeting

The Eleventh Annual General Meeting of RMDC was held smoothly and successfully on December 4, 2009 at the Everest Hotel, New Baneshwor, Kathmandu. The meeting approved the report of the Board of Directors presented by the Chairman Mr. Ashoke Shumsher Rana and the financial statements of the fiscal year 2008-09. In the fiscal year 2008-09, the Centre earned an operating profit of Rs. 92.97 million. RMDC has been able to raise its capital fund to Rs. 716.8 million, including reserve and surplus. The AGM decided to increase the authorized capital of Rs.640 million to Rs. 1,000 million and issued & paid up capital of Rs. 320 million to Rs. 520 million by issuing share to general public and domestic and foreign institutional investors. With the increment in the issued & paid up capital, the Centre's total capital fund including reserves and surplus will reach around 917 million.

Till the end of the fiscal year 2008-09, the Centre approved loan amounting of Rs. 4,032.2 million and disbursed Rs. 3,313.9 to 79 MFIs. The Centre could maintain 100% repayment of its loan dues (both principal and interest) from its partner organizations. In eleven years of its operation, it has remained free of overdue loans and has also been able to earn profit from the first year. Till mid July 2009, its Partner Organizations have provided microfinance services to 800 thousand poor & deprived families. On the occasion the Board Chairman Mr. Rana said that the Centre had targeted to reach out additional 150,000 poor & deprived families in the current fiscal year.

The Centre had also initiated micro enterprise loans for the graduated clients of MFIs and to other individual micro entrepreneur clients of savings and credit cooperatives.

Besides wholesale funds, the Centre had provided training to 11,835 staff and officials of microfinance institutions on microfinance operation, accounting, financial analysis, delinquency management, credit appraisal, organization management etc. It had also provided training support to 424,258 clients of its partner organizations with a view to enhance their organizational, leadership and income generating capacity. The microfinance operators are helping the borrowers to generate self-employment to the poor & deprived families by providing loan without collateral. The repayment rate of the Centre's partner organization is maintained around 99%. This shows that the poor are trustworthy and bankable.

Speaking on the occasion, Mr. Shankar Man Shrestha, the Chief Executive Officer, RMDC said that although there was noticed high growth in the number of microfinance Institutions in Nepal in the decade of 2000, the access of microfinance services in the hills and remote areas of the country is very limited. Towards this, he said RMDC has started sending field teams to identify launched potential MFIs in those areas and appraise & approve loans onsite.



RMDC Board Members in the Annual General Meeting



A view of RMDC Annual General Meeting

RMDC offers Soft Loans to Mountains MFIs

In view of the very limited access of microfinance services to remote hills and mountain areas of the country, RMDC has launched new incentive scheme for nineteen mountain districts namely Achham, Bajhang, Bajura, Bhojpur, Darchula, Dolpa, Humla, Jajarkot, Jumla, kalikot, khotang, Manang, Mugu, Mustang, Okhaldhunga, Sankhuwasabha, Solukhumbu, Taplejung and Tehrathum. Under the scheme, it provides loans to local microfinance cooperatives or the branches of the MFIs at 2% interest rate per annum up to one million rupees. It is hoped that this will facilitate them to keep at least 2 local staff with the margin income. Besides, RMDC also has initiated to deploy field teams to these districts to identify potential microfinance cooperatives, collect and appraise loan applications from them and approve loan up to a certain limit onsite. This will help them reduce their borrowing cost. RMDC plans to outreach all the 75 districts by the next fiscal year.

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RMDC Launched New Loan Products for Partner MFIs

RMDC has introduced two new loan products for its existing partner MFIs namely Bridge loan and Special loan. These loan facilities are approved and disbursed with quick and simple procedure even without conducting field appraisals.

i. Bridge loan: This is a short term loan, which aims to fulfill the immediate fund requirement of MFIs for continuation of the new loan demands of their clients, during the period when their loan application is under scrutiny. The term for this loan is maximum six months and once the regular loan is approved this loan is adjusted with

that. To avail this loan facility the partner MFIs have to fulfill following requirements:

1. Have utilized at least three loan facilities from RMDC.
2. Have submitted loan application for the new loan.
3. Have enough net worth for additional loan.
4. Have maintained good track record by repaying loan installments and interest on time.
5. Have operated on profit.

ii. Special loan: This loan has been introduced to solve the immediate liquidity problem of the MFIs. In case of this loan MFIs can take and repay the loan at any time as per their requirement within the approved credit limit. The term of this loan is one year but each loan should be repaid within three months and can be drawn again for another three months. It can be used four times in a year. The facility can be renewed on the request of MFIs. To avail this facility, the partner MFIs have to fulfill those requirements set for Bridge loan and also the MFIs should have utilized at least five loan facilities from the Centre.

EVENTS: Eastern Regional Microfinance Conference



MFI borrowers inaugurating the conference by lighting the lamp

of the conference was its inauguration by four microfinance clients who have climbed up from extreme poverty to a comfortable socio-economic status in their respective groups. This has broken the tradition of inaugurating such occasions by some prominent political figures.

The conference made the observations that in the decade of 2000, microfinance has made an outstanding achievement in Nepal. There are a large number of MFIs emerged in this period and a huge number of the poor households have developed access to the microfinance services. There has also been a huge augmentation in the capacity building of MFIs and its staffs. However, there are noticed many problems and challenges during the execution of microfinance programs.

The conference mainly focused on four issues, "Overlapped Finance", "Reaching to the Ultimate Poor", "Supervision, Inspection and Internal Audit" and "Role of Board Members". Duplication is a major problem experiencing by microfinance institutions in recent world. It has occurred mainly due to the excessive amount of MFIs in the market and its concentration on urban areas. Due to the overlapping, the clients are being forced to degrade their living standards as they do not have the capacity to repay their loans to the various MFIs from where they were offered loans.

The conference was concluded with the declaration signed by all the participants.

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RMDC organized 2 day long "Eastern Regional Microfinance Conference" from January 10-11, 2010 at Biratnagar. The conference aimed to ignite discussion on various problems confronting the microfinance programs in the region and find solution for overcoming them. It also ushered sharing of experience among the microfinance practitioners operating in the region. It held specific discussion on challenges such as deepening services to the poorest, curtailing overlapped financing by various MFIs, strengthening supervision and auditing of MFI branches and their clients, enhancing the role of MFI board members on good governance and designing appropriate policies to suit local needs. The first day program was chaired by RMDC Chief Executive Officer, Mr. Shankar Man Shrestha. The unique feature

The Declaration

1. Each participating MFI shall prepare the list of the poor and the deprived families in their respective areas and prioritize them in providing microfinance services.
2. The earlier commitment made about not overlapping each other's clients shall be fully executed. MFI shall not accept membership of the clients of other MFIs. Each MFI shall warn its staff that they should not overlap clients with each other MFIs and actions will be taken to those not heeding to the directive.
3. Inspection, supervision and auditing arrangement will be made effective and up to the mark.
4. Board of Directors of MFIs would be more vigilant and attentive in persuing good governance and effective administration in the organization.
5. Efforts shall be made to involve youth in microfinance as a strategy to develop second generation of clients in microfinance.
6. Each MFI shall prepare vision 2020 B.S. by the end of Chaitra 2066 B.S.

RMDC plans the Regional Conferences in various regions

Keeping in the view of the grand success of the Eastern Regional Conference held in Biratnagar and a very warm response of the microfinance institutions (MFIs) to this effect, RMDC has planned to organize a conference in the Western, the Mid-Western & Far-Western and the Mid Region of the country targeting at the MFIs of the respective regions. The objective of the conference is to bring together all the Board Members of the MFIs located in the respective region to facilitate sharing of the progresses and the experiences of the MFIs and generate positive competition to enlarge their outreach services to the poor and improve quality of operations. They are also aimed at discussing on the problems and issues that are being faced by MFIs and discussing the possible solutions to them. It also aims to let the MFIs share the new innovations they have applied to enhance the microfinance programs. Last but not least, it also envisages to initiate discussions on the role of the Board members for the good governance and efficient and effective management of their respective MFIs.



A view of Eastern Regional Conference in Biratnagar

Overlapped Financing leads to Devastation (A Case Story)

Kari Devi Sahani is a prime example on how overlapped financing leads to client devastation. Kari Devi Sahani, was a good client of Jeevan Bikas Samaj. She used to be an active member of Centre No.18 at Kathahari VDC of Morang district. She joined the group, 5 years ago on 17 September, 2004. At the initial point of time, she borrowed loans from Jeevan Bikas Samaj and had invested it in the papad business at Kathahari chowk. Besides that, she had also invested in the tea shop and was also actively involved in other economic activities. Along with her business, she used to be actively involved in the Centre's activities. She had maintained rules in the Centre. If she found out any member of the group not following the rules, she would council them to behave properly. Whenever any member of the group had problem in repayment, she would remind them to pay off the money and sometimes she is offered than required money to pay off the installments.

Towards expanding her business activities, Kari Devi took a VDC contract of collecting tax money from shopkeepers in the market at Rs. 100,000. She also opened a shop there. She used to collect money from all the shopkeepers who kept their shops at the place. In the mean-time, she came across other microfinance institutions offering her bigger size loans. She was tempted to expand her business faster while there were many to offer her loans.

But she had no accounting and records of the money collected from the shopkeepers in the area. Anyone from her family could go and collect the money and use it as one liked. Her daughter, sister and sister in laws all used to sell the products from her shop and keep the money with themselves without reporting her. Due to this haphazardness, she began to incur losses in her

businesses. Her sons had taken eighty thousand rupees from her and had invested in the fish pond. They also did not bother to return any money to her from the sale of fish. They used the money as they liked. This resulted in the huge loss to her business and she could not repay the loans she had taken from Jeevan Bikas. For the first and second time, she was helped by the other members of her group. She was advised to do her business properly. But she went in her own way. Later on when the situation turned worse, she was investigated to find out why she was having so much trouble in spite of her big business. It was found out that she used to collect money from the other group members as well and used it for her own needs. After further investigation, it came out that she had also taken loans from other three banks. Her financial position got more critical. She has not only to repay loans to those four banks, but also to local money lenders whom she had borrowed money to fill up her deficits. Time and again she had borrowed from the money lenders of her village to pay off loans to MFIs at the rate of 10 percent per month.

Her financial situation worsened further. She had to use all her investment in the business for the repayment. She took Rs. 20,000 from Panna Lal Mandal of Kathahari No.5 in exchange of her buffalos, her sister Samo Sahani's 10 dhur land, and sister in law's 7 dhur land. Her financial condition got further deteriorated due to her huge loan burden. Everyday her house was filled with the people from banks to collect the loan money, she had borrowed from them. Sometimes all the representatives of the four banks used to be at her home the same hour. She had also borrowed money from her relatives, the people she knew and money lenders to repay her loans to various microfinance banks. Slowly when she could not repay their money, they also sensed



A picture of Kari Devi Sahani

some smog in her. They became suspicious of her. Slowly her family began to quarrel amongst themselves. Due to her excessive debts, Jeevan Bikas Samaj got startled. They organized a meeting of women members' spouses for resolving the loan problem of her loan default to Jeevan Bikas. After analyzing her situation, Jeevan Bikas decided to give her sister-in-law, Rs. 4000, so that she can invest the money to her existing business and make earning out of it. Instead of using that money for business, she paid the amount to an MFI called Deprosc to pay off her installment with the aim of getting bigger size loan of Rs. 20,000 from it. Unfortunately, after the payment, the bank stopped providing her new loans. Jeevan Bikas tried its best to help her get out of the trap, even in a situation of its loan delinquency. However, she did not use the money to do business to earn money. Rather she used it for repayment to other MFIs.

Recently, she has sent her youngest daughter in law to attend a Pre Group Training (PGT) in Chhimek Bikas Bank. She is in a very critical condition due to her over indebtedness. She used whatever assets she owned to repay her installments and now she lives in a dilapidated house.

RMDC's Loan disbursement reaches 3.79 billion

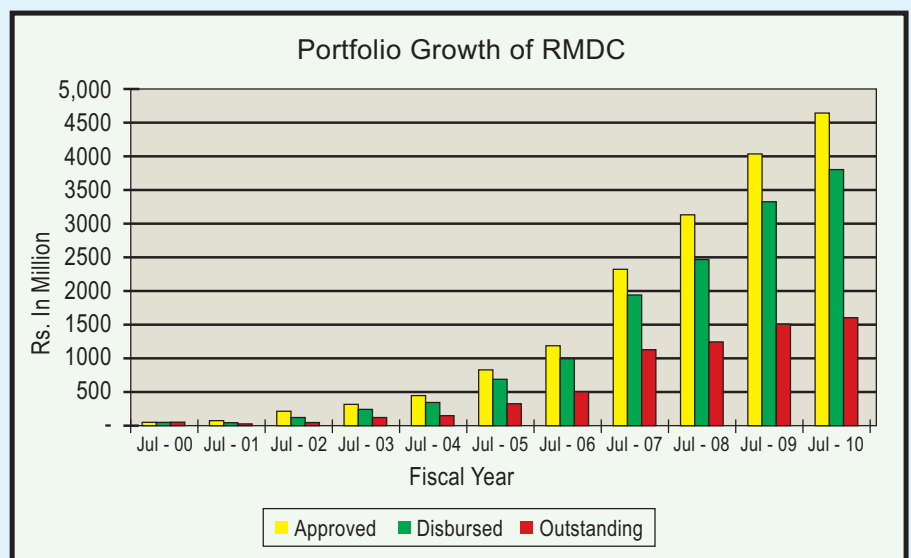
The Rural Microfinance Development Centre Ltd (RMDC) established in the year 1998 is a wholesale lending institution for microfinance in Nepal. It started its operation from January 2000. It has not only been acting as a wholesale lending agency for the microfinance sector, but also has been actively involved in the capacity building and institutional strengthening of RMDC. Besides providing loans, RMDC organizes various training programs, seminars and conferences and conducts supervision and follow up of MFIs.

As of January 2010, RMDC has been able to enroll 80 Partner Organizations (POs). The POs comprise 7 microfinance banks (MFDBs), 9 development banks, 40 savings and credit cooperatives (SCCs) and 24 financial intermediary NGOs.

RMDC approved total loans amounting Rs. 4652.5 million for 80 MFIs as of January 14, 2010. Out of which Rs. 3795.1 million have been disbursed which comprised Rs. 157.7 million to development banks; Rs. 1210.5 million to microfinance banks; Rs. 647.1 million to cooperatives; Rs. 1699.6 million to FINGOs. RMDC has recovered all due amounts (i.e. Rs. 2188.9 million) on time from its partner

and the total outstanding loan amount stood at Rs. 1606.22 million. Thus, RMDC has been able to maintain 100% repayment from its partners. In other words, there have been no

non-performing assets (NPAs) with RMDC till the date. The POs of RMDC have served 850 thousands poor households in 52 districts of the country as of January 2010.



RMDC Organized Various Training Programs

RMDC's Senior Officers as the resource persons for the Branch Management Training

Branch Managers have key role in shaping the productivity, efficiency, quality and viability of the branches of MFIs. In Nepal most of the branch managers of MFIs are either untrained or undertrained. They are not fully aware of the principles and practices of branch management and their role and responsibilities are not well defined. Unless each branch is viable and sustainable and managed efficiently, an MFI cannot be viable and sustainable and microfinance services would not reach to the desired section of the rural populace.

Towards this, RMDC took new initiative to provide technical assistance to train and educate the whole lot of branch managers of selected MFIs, on cost sharing bases. Till date, such trainings have been organized for the branch managers of Nerude Microfinance Bank, FORWARD, Jeevan Bikas Samaj, Sahara Nepal and CSD.

Before the training program, the participants were sent to observe another branch office and evaluate the situation, appraise its operation, staff capacity, branch manager's role and responsibilities, management, leaderships style, etc. In the training, the participants make presentations on the various dimensions of branch management of the branch one has visited. The participants were also examined before and after the training so that the resource persons could assess changes in their perception, knowledge and attitude and locate what they learn from the training programs. In the training, the participants were made aware about system, managing time, practices of branch management, risk management leadership etc. There were altogether 100 participants who benefitted from the training programs.



A group photo of Branch Management Training program

Senior Officers of RMDC, Mr. Pritha Bahadur Thapa and Mr. Roop Bahadur Khadka facilitated the programs as the resources persons. The training programs were organized by different MFIs at different places. From August 30 to September 2, 2009, Jeevan Bikas Samaj organized the training program at Biratnagar with altogether 21 participants. Nerude Laghubitta Bikas Bank organized the program from September 3-6, 2009 at Biratnagar which was attended by 24 managers. Similarly another MFI Forward organized the training to 28 branch managers from September 7-10, 2009. Sahara Nepal Saving and Credit Cooperative Ltd held a training from September 12-15, 2009 at Birtamod with 27 branch managers. Similarly, the Centre For Self-Help Development organized a training from 10-13 October, 2009 in Kharipati Bhaktapur.

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Training of Trainers program organized by RMDC

In order to enhance the training capacity of MFI trainers, RMDC organized a training program on "Training of Trainer's (ToT)" from July 10-13, 2009 for the trainers of RMDC and partner organizations. The training aimed to enhance sensitivity to issues encountered in the adult learning process and to assess learning needs and set learning objectives. The training was designed to help participants use appropriate interactive training methods and materials and to design and facilitate participatory training sessions. For this training, Mr. Uttam Uprety was the resource person and the training was attended by 15 participants. Similarly Two RMDC officials Mr. Bhola Nath Regmi and Mr. Pradeep K. Poudel attended the training program on "Training on Trainers (ToT)" from September 14 – 18, 2009 organized by ELD.



A view of Training on Trainers (ToT) program

Training on Facilitation and Presentation Skills

Two of the RMDC officers Mr. Bhola Nath Regmi and Mr. Basu Dev Lamichhane participated in the training program "Training on Facilitation and Presentation Skills" from April 27 – May 1, 2009 at Kathmandu. The training was organized by Education Language and Development Training Programmes (ELD). The main objective of the training was to develop the participants as a good facilitator by improving their presentation skills.

IFC Appraisal Team visit RMDC

A team of International Finance Corporation (IFC), comprising of Ms. Charu Suri (Investment Officer), Mr. Zakiullah Sayeed Munshi (Financial Markets specialist, SEDF), Mr. Reuben David (Financial Markets, South Asia), Mr. Swapnil K. Neeraj (Microfinance Specialist) visited the Rural Microfinance Development Centre Ltd.(RMDC) from 18-21 January, 2010 for the appraisal of RMDC to explore the possibility of IFC investments in RMDC.

The team held discussions with the Chief Executive Officer and the various department Chiefs of RMDC. It also held meeting with the Nepal Rastra Bank officials and RMDC Board officials specially with Chairman Mr. Ashoke Sumsher Rana. The team evaluated the past performance, and business plan for the next 5 years of RMDC. During the visit, they went through accounting process, loan files, auditing, supervision and followup and reporting procedures of RMDC.



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