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Microfinance Members' Conference in Three Development Regions of Nepal

Microfinance has already established itself as an effective tool in the fight against poverty. The success of microfinance operations depends on both, the MFIs and the members (clients) of microfinance, in carrying out their roles equally and responsibly. Sustainable development of microfinance largely depends upon mutual trust, commitment, discipline and understanding between the stakeholders.

The Rural Microfinance Development Centre Ltd. (RMDC), a pioneer wholesale lending institution for MFIs in Nepal, has been organizing conferences, workshops, trainings and interaction programs for its partner organizations. However, these programs were more focused on MFIs and the important stakeholder of the microfinance program - members were found overlooked. Hence, RMDC organized three microfinance members conferences in the fiscal year 2010-11 and another one is planned to be held in near future.

The Eastern Regional Microfinance Members' Conference, the first in the row, was held in Biratnagar on April 8-9, 2011 and the Western Regional Microfinance Members' Conference was held in Pokhara, on May 13-14, 2011. Similarly, the Mid Regional Microfinance Members' Conference was conducted in Kathmandu on June 13-14, 2011.



The main objectives of these conferences were to share the experiences and views of the microfinance clients among themselves and with the MFIs' executives to build a common understanding of problems and issues and come up with a way forward for mutually enforcing sustainable development of the clients and the serving MFIs.

The Eastern Regional Members' Conference was attended by 133 participants with 80 microfinance members and 35 executives from

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MoU signed between InM and ICDDR,B on Micro Health Insurance

Institute of Microfinance (InM) and International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) signed a Memorandum of Understanding (MoU) on mutual collaboration in research regarding piloting of micro health insurance on March 27, 2011 at ICDDR,B office, Dhaka, Bangladesh.

The MoU provides a framework to facilitate and guide collaborative research and piloting microinsurance activities between InM and ICDDR,B. Under this MoU, the following primary public health issues will be focused: widening access to quality health care, making treatment available at affordable costs to the insured, and improving health status. New areas of research are going to be identified and presented as per proposals before collaborative projects are initiated.

After signing, both parties expressed that the MoU would provide ample opportunities for future development in the field of micro health insurance. They also said that collaboration between ICDDR,B and InM would help microinsurance activities for functioning effectively throughout the country.

**Impact of PRIME Interventions on Monga Mitigation in Greater Rangpur Region of Bangladesh**

Palli Karma-Sahayak Foundation (PKSF), the apex wholesale lending organization in Bangladesh, has been implementing "Programmed Initiatives for Monga Eradication (PRIME)" in Greater Rangpur region with a view to eradicating monga permanently. Monga is a phenomenon of seasonal crisis which has been perpetuating over the years in greater Rangpur region of Bangladesh. The major objective of PRIME is to prevent the consequences of monga and monga-like situation by generating income through wage employment and self-employment opportunities for the Monga-affected people throughout the year.

The regular interventions include provision of flexible microcredit for undertaking income generating activities (IGAs), technical assistance to create and increase agricultural and livestock activities, primary health care support to reduce health risks of beneficiaries. In addition, PRIME disburses emergency loans to affected households during monga, engages members of these households in temporary public works such as infrastructure development, imparts training for skill development of potential beneficiaries and extends livestock breeding facilities.

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InM conducted study entitled “Access to Financial Services: Phase-I”

InM has conducted a household survey and/or study entitled “Access to Financial Services: Phase-I”, a longitudinal study which is a comprehensive national household survey of all the main financial services (transaction banking, savings, credit, and insurance), needs, and usage among consumers, in both the formal and informal sectors. The survey was conducted during October 2009 to April 2010.

The basic objective of this comprehensive survey is to understand the structure and behavior of financial markets, and access of the households to different financial services. More specifically, the objectives are as follows:

1. To assess intensity of access to different financial services;
2. To understand behavior of the households having access or no access to financial services;
3. To understand the nature and extent of access to bank deposit and credit;
4. To understand the nature and extent of access to quasi-formal savings and credit;
5. To assess and understand impact of access to finance on savings, SME financing, migration, poverty and different household welfare outcomes, and
6. Finally, to develop a framework for developing financial markets in Bangladesh.

The major policy implications of this study will have on financial policies of the central bank, expansion of banking network and services, innovations on financial instrument and financial intermediation in order to effectively linking finance to growth and in turn, to poverty alleviation. In addition, it will also have implications for the development of risk coping mechanism.

InM Research Study on Micro Health Insurance

A longitudinal research study entitled ‘Microinsurance and Vulnerability’ launched by the Institute of Microfinance (InM) in January 2009 is the first of its kind on Micro Health Insurance (MHI) research (1st round) in Bangladesh. As research on MHI is at a very early stage in Bangladesh, there are scopes to extend the survey on a national scale for the research findings and policy implications to be general. Thus, the 2nd round of the study, covering all the administrative divisions of the country, is going on (started in June 2011).

The research project will primarily provide data on - incidence of illness, cost of illness, impact of health and related indicators on poverty and expected future poverty (vulnerability), and demand for health insurance. Though focused on health, the study has sufficient material on crop, livestock, flood and other natural hazards to exercise a variety of additional risk shifting mechanisms. In this regard, the study is in the process of designing credible microinsurance products/packages for pilot experimentation.

Primarily the study is being supported by DFID. However, for the significance and prominence of the study, InM has been successful in receiving additional development assistance/funds and recognition from several accredited organizations like UNDP. Hopefully, such action research would lead to large-scale implementation of health interventions so that quality health care reaches the poor people in Bangladesh.

InM organized a workshop for the Media Personnel

Institute of Microfinance (InM) organized a daylong training workshop for the media personnel on “Poverty Alleviation Strategies and Microfinance” at BRAC Center Inn, Dhaka, Bangladesh, on February 10, 2011.

The training workshop was aimed at deepening the understanding of the media personnel on microfinance and poverty alleviation. The main objective of the workshop was to bridge the gap between media personnel and microfinance lending and research organizations while reporting any issue related to microfinance as a pro-poor financial service.

The workshop focused on poverty alleviation strategies, migration, savings, remittance and microinsurance for better understanding of the media personnel and journalists for writing precise reports with authentic information on microfinance and related issues.



Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM welcomed all to the training workshop. The workshop was chaired by Professor Wahiduddin Mahmud, Chairman, InM, and moderated by Mr. Monjurul Ahsan Bulbul, Editor-in-Chief and CEO, Boishakhi TV.

Professor S. R. Osmani, Department of Development Economics, University of Ulster, UK and Visiting Fellow, InM; Professor Syed M. Ahsan, Department of Economics, Concordia University, Canada and Visiting Fellow, InM; Mr. Fazlul Kader, General Manager (Operations), Palli Karma-Sahayak Foundation (PKSF); Dr. M. Amanullah (Mak) Khan, International Team Leader, PROSPER PCU, DFID; and Mr. Dewan A. H. Alamgir, Microfinance Specialist were present as discussants at the workshop.

The key resource personnel of the workshop mentioned the importance of this training workshop, described various analytical issues, encouraged the journalists to come up with challenging work proposals and case studies on success stories of microfinance which would enrich the field of business journalism in media.

Interventions on ...

Assessing the impact of this intervention is a regular activity of PRIME. Institute of Microfinance (InM) and PKSF jointly have carried out first and second round impact assessment to evaluate the outcomes. In continuation of the process, InM has undertaken the third round impact assessment study. The main objectives of third round impact study are to -

- assess the impact of the project interventions on the life and livelihood of the monga affected households, in both social and economic terms
- compare the current year impact of the project intervention with that of the previous rounds
- assess the impact on institutional capacity strengthening initiatives for Partner Organizations
- assess the potential sustainability of prime branches and suggest possible way to attain operational sustainability.

Interaction Program on Microfinance for Commercial Bank and Finance Company Officers in Nepal

The Rural Microfinance Development Centre Ltd. (RMDC) organized interaction programs for the high level officials of the commercial banks and the finance companies in Nepal. The program titled - Microfinance in Nepal: Opportunities and Challenges was the first of its kind organized by RMDC. The first program was organized for the commercial banks and second one was for the finance companies.

The representatives from nineteen commercial banks had participated in the program organized on 15 March, 2011. Similarly, senior executives of the finance companies had attended the interaction program organized on 4 April, 2011.

The objective of the program was to acquaint the officials of the commercial banks and the finance companies with the concept of microfinance and the recent developments and challenges in the microfinance sector. The commercial banks and the finance companies have been providing loan facilities to MFIs to comply with the mandatory deprived sector lending requirements prescribed by the central bank.

During the program the participants shared their views and experiences in microfinance lending. Most of the participating banks and finance companies have experience of wholesale lending to MFIs and they expressed satisfaction in their operation. Meanwhile, some banks and finance companies, which were also involved in direct lending to the poor households, have been facing problems in repayment. It came to light that some of the commercial banks were preparing to establish subsidiary MFI for retail lending. However, most of them were not enthusiastic about the mandatory deprived sector lending.

In a question asked about their continuation of the wholesale lending without the mandatory requirement, almost all of the representatives expressed that they would discontinue it, if it was not mandatory.

After the experience sharing session, Mr. Megh Raj Gajurel, Microfinance Department Chief of RMDC, gave a presentation on the opportunities and challenges in the Nepalese microfinance sector. His presentation was based on the findings of the recent study conducted by RMDC. The presentation highlighted the alarming situation of multiple financing in urban and semi-urban areas in the Western Region of Nepal. Similarly, other problems facing the program such as quality deterioration, mission drift, profit-orientation, and cultural distortions in MFIs were also discussed.

The program concluded with closing remarks from the CEO of RMDC Mr. Shankar Man Shrestha. In his remarks, Mr. Shrestha highlighted on the opportunities that prevail in far flung areas of the rural Nepal. He urged the commercial banks and the finance companies to assess the microfinance institution's performance and field operations critically before approving any loan to them to reduce the credit risk and make a positive impact on the microfinance sector.

Being an institution working for the promotion of healthy microfinance system in the country, RMDC has been organizing various workshops, interaction programs and conferences for all the stakeholders of microfinance in Nepal. This initiative is a new one which proved to be successful to enlighten the officials of the commercial banks and finance companies which have to lend 3 percent and 1.5 percent of their portfolio on deprived sector respectively. RMDC is planning to organize similar program for the development banks also in near future.



Microfinance Members' Conference ...

12 MFIs and the Western Regional Members' Conference witnessed over 150 participants comprising of 101 members and 37 executives from 11 MFIs and RMDC. More than 150 participants with 105 members attended the Mid-Regional Members' Conference. It was inaugurated by Honorable Deputy Prime Minister and Finance Minister Bharat Mohan Adhikari who admired this new initiative and pledged support for MF program through special provisions in annual budget of fiscal year 2011/12.

In the conferences, the entire participating microfinance members were given opportunity to express their views on microfinance operation and story of their struggles and successes. It was remarkable to learn how these women had to face difficulties in managing two square meals for their families and how microfinance helped them to get out of the poverty trap.

Similarly, discussions on various issues of microfinance such as the impact, disadvantages of multiple borrowing and over-borrowing, the responsibilities of a microfinance member, the role of field officers, the process of interest rate setting, etc. were also held. This has helped them to come out from their prejudice and misconception of the various facets of microfinance. The CEO of RMDC, Mr. Shankar Man Shrestha actively engaged in interaction with members in all of the conferences.

Each conference concluded with 'The Way Forward'. The participants vowed to share the knowledge gained during the conference with their peers, become responsible microfinance members and not to indulge in multiple borrowing and over indebtedness. All the conferences were successful and the women members left the venue enlightened, sensitized and invigorated.

BOC Sri Lanka Team in Nepal for Exposure Visit

A team comprising six officials of the Bank of Ceylon (BOC) - Chief Manager of the bank Mr. W.A.C. Tissera, and Managers of the Bank, Mr. M.J. Prabaharahan, Mr. B.M. Gunasekara, Mr. T. Puwanedran, Mr. R.G. Gunapala and Mr. D.L.A. Madugalla - came to Nepal for exposure visit from 21 to 27 August, 2011. The program was coordinated by Managers duo Ms. Annapurna Shrestha and Mr. Roop Bahadur Khadka of RMDC.

During the first day, the team visited RMDC office and discussed about various aspects of the Nepalese microfinance sector with CEO of RMDC Mr. Shankar Man Shrestha and other officials. RMDC organized a special session for the team where Mr. Megh Raj Gajurel, Senior Manager of RMDC made presentation on status of microfinance sector in Nepal and role of RMDC. In the later days, the team visited the

Western Nepal to observe the operations of the MFIs namely Shreejana Vikas Kendra and Muktinath Bikas Bank, Pokhara; Nirdhan Utthan Bank, Bhairahawa and Nawa Prativa Saving and Credit Cooperative Ltd, Arunkhola, Nawalparasi. Similarly, they also observed the center meetings of these MFIs. While visiting the MFIs they interacted with the branch staffs and senior officers in the head offices to understand the operational modality and practice of microfinance in Nepal.

The exposure visit concluded with a presentation on the visit program and sharing of observations and experiences by the delegates with RMDC officials. All the delegates lauded RMDC's role in developing the MF sector in Nepal. According to them, hadn't it been RMDC, Nepalese MF sector might not witness the outstanding achievement made as of today.

"We are planning to introduce system of collecting deposits and a loan installment on site in center meetings which we have not been doing in our bank", said Chief Manager of BOC and the Coordinator of the visiting team, Mr. W.A.C. Tissera. "Similarly, we have also thought about emphasizing the role of field officer as they are currently underutilized in our case", he added. Mr. Tissera said that they would revise their prevailing season based loan repayment system.

Mr. R.G. Gunapala, Manager of the bank overseeing north central province said, "I am highly impressed by Nepalese culture and the attitude of the peoples." According to him, MF sector is helpful for poverty reduction in Nepal. He also urged to implement MF program, which has been instrumental for rural poverty reduction, in other un-served areas, too. Mr. Gunapala tagged RMDC's role as instrumental and commendable.



RMDC Board Members Exposer Visit to Sri Lanka MFIs

An exposure visit program to Sri Lanka for the Board of Directors (BoD) of RMDC was organized from May 29 to June 5, 2011 to get them acquainted with the Sri Lankan microfinance system. The visit was undertaken on the invitation of the Lanka Microfinance Practitioner's Association (LMFPA).

The Chairman of BoD Mr. Ashoke Shumsher Rana, Directors Mr. Manamohan Kumar Shrestha, Mr. Amrit Charan Shrestha, Mr. Anil Kumar Shrestha, Mr. Rajan Kumar Amatya, Mr. Kiran Kumar Shrestha, Ms. Sadhana Upadhyay; Chief Executive Officer, Mr. Shankar Man Shrestha, and Company Secretary Mr. Anil Krishna Joshi visited Sri Lankan MFIs viz. Sri Lanka Savings Bank, Lak Jaya Microfinance Ltd., Hatton National Bank, Lanka Orix Microfinance Company (LOMC), Sarvodaya Economic Enterprise Development Services (SEEDS), Sanasa Development Bank and Silverreen Microfinance. During the visit, the team was briefed on the policies and the procedures of microfinance operations of each of the organizations. Likewise, the team also met with the officials of the Ministry of Finance and the Central Bank of Sri Lanka to learn about the status of microfinance program, legal framework for MF operation and the policies of the government on MF programs.

