

RMDC in collaboration with (Nepal Microfinance Bankers' Association (NMBA) Micro Finance Association of Nepal (MIFAN) and Nepal Federation of Saving & Credit Cooperation Union Ltd. (NEFSCUN) organized a national conference, **Revisiting Nepal Microfinance Vision 2015**, on December 20-21, 2012 in Kathmandu. The main objective of the national conference was to revisit the goal set by the national conference **Nepal Microfinance Vision 2015** held on October 28-29, 2010 in Kathmandu.



Revisiting Nepal Microfinance Vision 2015 Convened Successfully

Two years ago on October 28-29, 2010, RMDC convened the national conference "Nepal Microfinance Vision 2015", which was participated by over 160 microfinance practitioners, bankers, regulators and policy makers. The conference set vision, mission and goal for 2015 for the Nepal microfinance sector. The set vision is "building inclusive, destitution-free prosperous Nepal", mission "qualitative, diversified and responsive microfinance services based on modern technology with priority accorded to the poor and the disadvantaged" and the goal "reaching out to 3.22 million households with microfinance services by the end of 2015". At the end of the conference, the participants had agreed to review the set goal after two years.

Following the action plan, RMDC organized the national conference **Revisiting Nepal Microfinance Vision 2015** on Dec 20-21, 2012, which was inaugurated by Mr. Deependra Bahadur Kshetry, Hon. Vice Chairman of National Planning Commission. The inaugural ceremony was chaired by Mr. Ashoke SJB Rana, Chairman of RMDC. Deputy Governor of Nepal Rastra Bank Mr. Gopal Prasad Kaphle and Executive Director of Nirdhan Utthan Bank Ltd, Dr. Harihar Dev Pant were present on the occasion as special guests.

The conference was participated by around 200 microfinance practitioners operating all over the country. There were bankers, regulators, planners and policy makers also among the participants.

Addressing the inaugural ceremony Mr. Kshetry praised the role of micro-finance institutions in empowerment and social upliftment of the poorest segment of the population, especially the women. He said "MFIs have helped the government to a great extent in the task of poverty alleviation".

On the occasion delivering opening remarks, Mr. Shankar Man Shrestha, CEO of RMDC highlighted the role of microfinance in building inclusive, poverty free and prosperous Nepal. He said "Micro-finance sector has been able to make a lot of achievements, but there are also many problems in the way". He said that there are 112 institutions affiliated with RMDC which could reach 1.3 million households across





the nation. He further stated that majority of these partner organizations have achieved professionalism and could gather enough resources internally as well.

Deputy Governor of Nepal Rastra Bank Mr. Gopal Prasad Kaphle stated that no other government program had been so effective as micro-finance in creating rural awareness & assisting in socio-economic progress of the poor. "Nepal Rastra Bank is ready to take up additional role if necessary for the development of the sector", he said. However, he insisted that micro-finance institutions should curb the prevailing malpractices such as duplication of clients and over crowdedness in accessible areas and the increasing operational and staff costs.

Dr. Harihar Dev Pant lauded the progress of micro-finance reaching out to 1.8 million households in Nepal. He recalled to the days he started micro-finance with just 10 people in 1992. He said things have been much easier in these days. He urged MFIs to focus on creating entrepreneurial culture and increase productivity of the poor people. "Without employment creation and entrepreneurship development, poverty will not go away, MFIs need to think beyond the subsistence of the poor people", he added.

Speaking from the chair, Mr. Ashoke SJB Rana chairman of RMDC stated that micro-finance sector had been facing many challenges due to the changing environment. He urged the participants not to let the efforts of past 15 years go in vain. "Micro-finance institutions should adopt new technologies and become more efficient to face the newer challenges", he suggested.

After the formal opening ceremony, the first day of the conference witnessed four paper presentations on private microfinance banks, Grameen Bikas Banks, Financial Intermediary NGOs (FINGOs) and microfinance cooperatives. The papers were presented by Mr. Ram Chandra Joshi, Mr. Dharma Raj Pandey, Mr. Pitambar Acharya and Mr. Mahendra Giri respectively. The presentations were focused on the progress, issues and strategies of the each category of microfinance institutions.

During the presentations, numerous participants expressed their queries and comments and suggestions on the presented papers making the discussions vibrant and informative. The

concern for quantitative growth was being shifted to quality growth, and several problems and issues were identified and they were mainly increasing rate of member dropouts, increasing orientation of Microfinance Institutions (MFIs) towards profit maximization, failure to reach out the poorest of the poor, over indebtedness of clients, deterioration of values and principles of microfinance, unhealthy competition among MFIs, degradation of loan quality, mission drift, deterioration in quality of service provided by MFIs, lack of professionalism among staff, lack of financial literacy among clients, decreasing productivity among staff, diminishing prestige of microfinance, inadequate number of female staffs in MFIs etc.

The second day was started with participants discussing in groups to analyze the challenges and problems faced by the micro-finance sector in Nepal and the possible measures to resolve them. The problems and challenges, which were identified in the previous day were divided among the participants in four groups and the group members in each group extensively discussed on each problem, its causes and possible solutions along with identifying individuals or institutions responsible for implementing the solutions. After the group discussions, all the four groups made their presentations on the findings.

The program was ended with closing session, chaired by Mr. Ashoke SJB Rana, Chairperson of RMDC. In the session Governor of the Nepal Rastra Bank Dr. Yubraj Khatiwada was the chief guest and Mr. Mahesh Prasad Dahal, Joint Secretary, Ministry of Finance, was the special guest. On the occasion, Mr. Shankar Man Shrestha, CEO of RMDC, welcomed the dignitaries.

Welcoming the dignitaries, Mr. Shrestha said that the conference was able to achieve its objective. He said that, although the initial goal of reaching out to 3.2 million had been readjusted, the vision



Revised 2015 Goal of MFIs

Particulars	2015 Target (set by 2010 conference)	Present Status (Mid July 2012)	Progress on the Target (%)	Revised Target for 2015
Members #	3.2 million	1.56 million	55.81%	2.5 million
Loan Outstanding (Rs.)	47 billion	20 billion	43.11%	41 billion
Saving Balance (Rs.)	22 billion	9 billion	43.15%	22 billion

Total No. of Institutions : 105

and mission of microfinance is still kept intact. "I believe after this conference, we shall be able to effectively overcome our challenges", he said. "It is a matter of pride that MFIs are running in profit but we need to ensure that our clients also are prospering equally". He implored that the MFIs should be more self-disciplined and solve the problems by themselves as more of the problems had been created by the MFIs themselves. Joint Secretary Mr. Mahesh Prasad Dahal congratulated the stakeholders of microfinance for coming up with the resolutions and said that government too had prioritized micro finance as the most effective instrument of poverty alleviation. He also pointed out the fact that over 65 percent of the poor are still out of the reach of financial services and expressed his belief that microfinance could be the best mechanism to reach out to them. He praised the conference for initiating a revisit to the goals and vision set earlier. "Financial markets are dynamic, not static. So, there is a need for revisiting goals, strategies and making necessary adjustments", he said.

Dr. Yubraj Khatiwada, Chief Guest of the event sharing his experiences of the microfinance sector said that access to credit is pivotal for development of the poor. He said "The major intervention for poverty alleviation can be done through micro-credit only, I am happy to see MFIs growing quantitatively and qualitatively". However, he also expressed his concerns that MFIs have not been able to reach out to the real poor people and people in remote areas. He further pointed out that micro-insurance also had to be combined with credit and urged MFIs to adopt newer, more efficient and innovative technologies. He also warned that if the economic growth of the poor is not taken into consideration by MFIs, they might end up being "tokenist and symbolic".

Dr. Rabindra Kumar Shakya, former secretary of Nepal Government presented conference findings as the rapporteur of the conference. The revised goal for the Nepal Microfinance vision 2015 is to outreach 2.5 million households by the end of 2015. It was based on the tabulation made by each group of presenters during the first day of the event, whereas previously set vision and mission for 2015 were kept intact as set by 2010 conference.



Resolution of Revisiting Nepal Microfinance Vision 2015

We microfinance practitioners take a vow to carry out following activities for the social and economic transformation of target community by implementing quality microfinance services.

1. Identify the left out deprived families of own's operation area and include them into microfinance program with first priority.
2. Provide microfinance services in the remote districts. Each MFI having more than 25000 members, shall include one unserved remote district under its area of operation from the year 2013 to deliver microfinance services.
3. Regularly measure income level of members, who have completed five years as borrowers and promote them as entrepreneurs.
4. Sensitize and train staff and clients on cons of multiple lending to reduce (multiple financing) the problem.
5. Spend a certain portion of profit of MFIs for capacity building and other welfare program of clients.
6. Give emphasis on financial literacy of the clients.
7. Build up coordination and cooperation between MFIs.
8. Provide financial services to the unemployed youth and create self employment for them.
9. Initiate self evaluation process by MFIs.
10. Emphasize on internal resource mobilization.
11. Organize public audit in the VDCs under MFIs jurisdiction to get feedback from local communities, beneficiaries and other concerned on the products and services provided to clients, and educate them on organization's policy, procedures and achievement.
12. Reduce multiple lending and unhealthy competitions through effective credit reporting system among MFIs.
13. Develop and implement proper action plan to increase borrowers to members ratio.
14. Develop effective communication mechanism and build enhanced relationship and trust between management and operation staff.
15. Improve the products and services regularly on the basis of feedback from clients.
16. Develop and implement proper working strategy for improvement in quality of centers and groups.
17. Provide loan to clients only after making appraisal of their loan requirement, capacity and track record to avoid overindebtedness of clients.
18. Ensure effective and regular monitoring and follow up of clients.
19. Top management to act as a role model to inculcate culture to staff suited to the values and principles of microfinance.
20. Prepare career development plan of employees.
21. Establish a separate training department to provide required training to staff and clients in the MFIs having more than ten thousand clients.
22. Conduct a study on client drop out by each MFI and share information with other MFIs.



Nobel Laureate Prof. Muhammad Yunus Offered Felicitations in

Nobel Laureate Prof. Muhammad Yunus, the founder of Grameen Bank, Bangladesh was felicitated by the fraternity of microfinance in Nepal on December 21, 2012 in Kathmandu, during a seminar on Microfinance and Social Business.

The felicitations inscribed in a brass plate within magnificent wooden frame were offered to Prof. Yunus by Right Honorable Prime Minister Dr. Baburam Bhattarai in the gorgeous function right after his keynote speech. Prof. Yunus was given a standing ovation by the audience after his heart-touching thoughtful speech on microfinance and social business. The felicitations addressed Prof. Yunus as the pioneer of microcredit and social business, and loudly appreciated his efforts to bring socio-economic improvement in the lives of the poor and the deprived women all over the world.

The seminar on "Microfinance and Social Business" was jointly organized by the Rural Microfinance Development Centre Ltd. (RMDC) and the Confederation of Nepalese Industries (CNI) in collaboration with Microfinance Association of Nepal (MIFAN) and Nepal Microfinance Bankers Association (NMBA) on December 21, 2012. It was inaugurated by Right Honorable Prime Minister Dr. Baburam Bhattarai. The seminar was graced by Nobel Laureate Prof.

Muhammad Yunus as the guest of honor. The program was participated by other personalities such as Mr. Dipendra Bahadur Kshetry, Vice-Chairman of National Planning Commission, Dr. Yubraj Khatiwada, Governor of Nepal Rastra Bank, Prof. H.I. Latifee, Managing Director of Grameen Trust, Bangladesh, Mr. Ashoke SJB Rana, Chairperson of RMDC, Mr. Shankar Man Shrestha, CEO of RMDC and Mr. Binod Chaudhari, President of CNI.

Prof. Yunus delivered a keynote speech on microfinance & social business in the gathering of more than 300 participants consisting of diplomats, microfinance practitioners, bankers, professionals, policy makers and business communities.

Prof. Yunus in his keynote speech congratulated Nepal saying that crossing a million members of micro-credit was a fantastic achievement. According to him, people regardless of their financial status have tremendous potentials, but many of them are never given a chance to unleash their potentials. He urged everyone to undo this cruel system that has left out billions of people out of the system. "We need to build a system that builds opportunity after opportunity for everyone", he said.

Prof. Yunus stressed the need of social business. According to him, social business

means a business for the benefit of the society, to transform the lives of the people and to give back its return to the people by revolving the investment. It is a business which is not for making money for oneself. He said "Making money from business gives happiness but making other people happy gives super happiness". According to him the happiness we can get from making 10 families happy, cannot be matched with happiness from making millions and billions of money. "Charity money has one life cycle once it goes, does not come back again" he said" but if we invest in social business, it comes back and it revolves and revolves". He said that no government can do it as they do not have such mechanism.

Presenting his opening remarks Mr. Shankar Man Shrestha pointed out that it was the first time in the history of micro credit in Nepal that an incumbent Prime Minister had been present in a microfinance seminar. He highlighted the history of micro finance in Nepal and the multiple challenges the sector had faced before reaching the current stage. He said that RMDC trained over 15000 staffs that can carry out micro finance programs effectively.

Mr. H.I. Latifee expressed his happiness over the popularity micro-credit has gained worldwide. He said the reason behind the



success of micro-credit is not only because they help the poor but also because the concept is based on market principles of competition, innovation and sustainability. "Micro-credit is about democratizing the financial sector and ensuring that poor have the same access and choices that the non poor have", he said. He also expressed his pleasure on seeing the progress of microfinance in Nepal and hoped that Microfinance leaders in Nepal would remain committed in fulfilling their social mission and not just become profit maximizers.

Mr. Ashoke Sumsher Rana thanked Prof. Yunus for his moral support to RMDC and said that the challenges being faced by all developing countries are of similar nature. He stressed that most important consideration of microfinance practitioners currently is the overindebtedness of clients due to supply of credit by many MFIs. He cautioned all microfinance practitioners to learn from the lessons of Andhra Pradesh microfinance crisis.

Dr. Yubraj Khatriwada said that sustainability is one of the major concerns of microfinance institutions. "We cannot always rely on donors or other people for our sustainability", he said. "Nepal needs to adapt the model of micro-credit as it is different from that of Bangladesh because it is sparsely populated, lacks concentrated markets and proper transportation facilities."

a Grand Function in Kathmandu



Mr. Dipendra Bahadur Kshetry in his remarks said that microfinance had boosted up the empowerment of women but cautioned that confusion had been created by unhealthy competition of the microfinance practitioners.

Right honorable Prime Minister Dr. Baburam Bhattarai expressed his gratitude to Professor Yunus for innovating microfinance and helping millions of poor people around the world. He said "You have enlightened us and the entrepreneurs of Nepal with the concept of social business. Social business is better than charity. Charity often destroys poor people's dignity and hence, we should focus on helping them help themselves".

Mr. Binod Chaudhari in his closing remarks, pointed out that half a million Nepalese are going abroad every year due to lack of employment opportunities and microfinance can be the best tool to help them stay in the country and escape from poverty.



RMDC Completed Four Regional Annual Review Workshops of Partner MFIs

RMDC organized four regional annual review workshops for its partner MFIs, in four different development regions. The main objective of the workshops was to review the progress of partner MFIs of FY 2068-69, give them an opportunity to share good and bad experiences with each other and jointly sketching out better strategies and approaches to solve problems, enhance quality of microfinance and make remarkable progress in the current year.

The Eastern Regional Annual Review Workshop was held in Biratnagar during November 9-10, 2012. The workshop was attended by 42 participants from 12 partner MFIs from Eastern Development Region. The Central Regional Review Workshop was held in Kathmandu during November 22-23, 2012 and had witnessed 26 participants from 10 partner MFIs of the Central Development Region. Similarly the Western Regional Annual Review Workshop was organized in Pokhara during September 14-15, 2012, which was participated by 35 participants from 13 MFIs of Western Development Region. Similarly, the Regional Annual Review Workshop for the Mid & Far Western Region was held in Nepalgunj on September 27- 28, 2012, which was attended by 46 participants from 18 partner MFIs.

The workshops were attended by Board Members and CEO's of the partner MFIs. There was also made identifications of problems and issues by the participants, which were discussed in groups and each group made recommendations for resolving the problems and fixed responsible authority for the same. At the end, each of the workshops came up with a pledge to improve the system of microfinance and deliver quality services to the target families.

This time, the workshops had followed new approach of progress presentations. Each of the participating MFI team had visited a peer MFI and studied its operations critically. The team had reviewed the progress and achievements of the concerned MFI and also identified innovations and strategies and presented their findings in the forum. This approach had been widely hailed by the participants and opined that it had opened their inner eyes and helped to realize their own shortcomings and weaknesses. In the presentations, they had highlighted the strengths and weakness of each of the MFIs visited by the teams and presented the lessons they learnt from the visits. The participants of the MFIs which had been assessed by the peers also had been motivated and had realized their short comings and vowed to take corrective measures.

All the workshops had been chaired by Mr. Shankar Man Shrestha, Chief Executive Officer of RMDC. Senior officials of RMDC participated as the facilitators. The RMDC officials had led them to widely discuss on the issues of microfinance and sensitized them to avoid multiple financing and over indebtedness of clients. Mr. Shrestha had emphasized on the need for lending to the poorest, lending right amount of loan based on clients' need and capacity, and avoid clients poaching and multiple lending resulting in over indebtedness of clients. He also urged the MFIs to ensure that the clients' socio economic conditions are being improved.

The workshops concluded with a way forward to be followed by all participating MFIs. All the participating MFIs vowed to bind by the jointly outlined way forward and contribute for the safe, sensible and sustainable microfinance operation in Nepal.

Way Forward of Annual Review Workshops

1. Accord top priority to unserved destitute families in the extension of microfinance services,
2. Formulate and implement graduation strategy of micro credit clients to promote them as entrepreneurs.
3. Initiate microfinance expansion in new areas only after market survey.
4. Educate employees and members on disadvantages of multiple lending.
5. Spend a certain portion of profit of MFIs for capacity building and other welfare program of clients.
6. Upgrade products and services to clients regularly on the basis of feedback from them.
7. Develop and implement proper working strategy for improvement in quality of centers/ units/ groups.
8. Develop and implement proper action plan to increase borrowers to members ratio.
9. Organize public audit in the VDCs under MFIs jurisdiction to get feedback from local communities, beneficiaries and other concerned on the products and services provided to clients and educate them on organization's policy, procedures and progress.
10. Reduce multiple lending and unhealthy competitions through effective credit reporting system among MFIs.
11. Provide loan to a client only after making appraisal of his/ her loan requirement, capacity and track record to avoid overindebtedness.
12. Ensure effective and regular monitoring and follow up of clients.
13. Develop effective communication mechanism and build enhanced relationship and trust between management and operation staff.
14. Establish a separate training department to provide required training to staff and clients in the MFIs having more than ten thousand clients.
15. Conduct pre-group training (PGT) and refresher trainings to clients regularly to upgrade their knowledge of microfinance operation.





RMDC's Board of Directors visited MFIs and Central Bank in Indonesia

In coordination with Microfinance Innovation Center for Resources and Alternatives (MICRA), the members of the Board of Directors of RMDC had made a study visit to Indonesia from September 1 - 8, 2012. The team led by Mr. Ashoke SJB Rana, Chairperson comprised of other board members namely Mr. Manmohan Kumar Shrestha, Mr. Anil Kumar Shrestha, Mr. Rajan Kumar Amatya, Mr. Kiran Kumar Shrestha, Mr. Anil Kumar Khanal and Ms. Sadhana Upadhyay and CEO Mr. Shankar Man Shrestha.

During the visit the team observed prevailing microfinance practices of Indonesia. The team made visit to Rural Banks, Microfinance Cooperatives, Wholesale lending institution - Bank Andara and Central Bank of Indonesia, where the team observed and discussed with senior management & the board of Directors on organizational structure of MFIs, their operating models, monitoring & supervision procedure etc. The team visited the Central Bank of Indonesia and discussed on microfinance policies and practices and regulatory framework and supervision practiced. They also made field visit to some borrowers and groups of MFIs.



RMDC's Interaction with SFCLs

RMDC organized two interaction programs with the officials of the Small Farmer Cooperatives Ltd. (SFCLs), on role of SFCLs on poverty reduction. The main objective of the program was to explore and exchange problems, challenges, experiences and new innovations and to discuss on the contribution and role that can be played further by SFCLs on poverty reduction.

First interaction program was held in Pokhara on 12 September 2012, in which 15 participants from 5 SFCLs attended the program. Second program was organized in Nepalgunj on 24 September 2012, which was attended by 15 participants from 5 SFCLs.

Both the programs were coordinated by Ms. Annanpurna Shrestha, Manager of RMDC and chaired by Mr. Shankar Man Shrestha, CEO of RMDC. Mr. Ram Dayal Rajbanshi, Senior Manager of RMDC and Mr. Pirtha Banadur Thapa, Manager of RMDC were the facilitators of the program.

After the opening session, each of the participating SFCL officials made presentation highlighting its performance status, problems and challenges it has faced, the initiatives it has taken to solve the problem and new innovations it has adopted.

Mr. Ram Dayal Rajbanshi, made presentation about RMDC, whereas Mr. Pirtha Bahadur Thapa presented different financial indicators and its uses. In the interactive session, Mr. Thapa come up with the list of problems identified during individual organization's presentations. Mr. Shankar Man Shrestha, CEO of RMDC discussed with participants on the possible solutions of each of the identified problems. Both programs approved the way forwards which all the participants vowed to follow.

Wrapping up the program, Mr. Shankar Man Shrestha thanked all the participants for their active participation and urged the participating SFCLs to apply all skills and techniques they learned from the program for the better performance in the days to come.



RMDC's Interaction with Prospective Cooperatives under CIP Project

RMDC organized one day interaction program with potential cooperatives under Community Irrigation Project (CIP), in Nepalgunj on 26 September 2012. The event was attended by 57 participants from 21 cooperatives based on Kailali, Kanchanpur, Bajhang, and Doti.

The objective of the program was to interact on the role of cooperatives on poverty alleviation and to achieve the objectives laid by CIP project, highlight the tenets of CIP project, and RMDC, & role identify problems of coops and solution measures to overcome them, share each other's experiences and formulate action plans to be followed.

The program was coordinated by Ms. Annanpurna Shrestha, Manager of RMDC and chaired by Mr. Ram Dayal Rajbanshi, Senior Manager of RMDC. Addressing the opening session, Mr. Rajbanshi explained about CIP project and its functions. He also

described in brief about the role that RMDC can play for the development of cooperatives identified under CIP.

After the opening session each of the participating cooperatives made his/her presentation on progress status, experiences, issues and challenges she/he have faced and ways the problem have been solved.

Mr. Pritha Bahadur Thapa, Manager of RMDC made his presentation about RMDC, its objectives, products and services. Similarly, Mr Roop Bahadur Khadka, Manager of RMDC made presentation on the cooperative standard required to be followed by Cooperatives.

In the concluding session, Mr. Thapa presented the list of problems laid out in the presentations from participating cooperatives while Mr. Rajbanshi discussed about the solution measures related to the problems. The program ended with 16 point way-forward, which was vowed to be followed by all the participants.

