

Glimpse



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Mankind is Certain to Face a Serious Crisis if Ignored the Concept of Three Zeros – Nobel Laureate Prof. Muhammad Yunus

Professor Muhammad Yunus, the winner of the 2006 Nobel Prize, believes that mankind faces a major crisis if it does not follow the path of zero poverty, zero unemployment, and zero carbon gas emissions. For this, it is necessary to restructure the current capital-oriented economic system and implement a socially responsible economic system, which is to move forward in line with the concept of social business, he said.

This was stated by Prof. Yunus while addressing the Nepal Forum organized through online zoom on the occasion of 11th Social Business Day on 30th June 2021.

The main theme of this 11th Social Business Day is “No Going Back”, to create zero unemployment, zero poverty and zero carbon gas emission.

Prof. Muhammad Yunus, who was invited as the Keynote Speaker of the Nepal Forum, said that zero poverty, zero unemployment, and zero carbon gas emissions are the inevitability of today's world, and its implementation should be started from one's end without delay.

Prof. Yunus believed that the Corona epidemic was an important opportunity to restructure yesterday's



Prof. Muhammad Yunus Addressing the Country Forum of Nepal

economic system, which created discrimination and threats. "We must work to make the world free of poverty, unemployment, and carbon. The journey should start from today. Everyone needs to move forward on their own to this direction. Let us move forward with what we have and there is no time to wait for others," Prof. Yunus said.

At the same time, Prof. Yunus has launched the Three Zero Club to make the younger generation aware of such inequalities and big problems in the

world. According to Prof. Yunus, the concept of the Three Zero Club is to put the youth in the age group of 12 to 35 years in the leadership ranks and use their energy and technical abilities to make the world prosperous.

Speaking on the occasion, Mr. Shankar Man Shrestha, Chairman of the Centre for Self-help Development and Chairperson of the program, said, "We have to manage problems around us. Poverty and unemployment are two pressing problems that we have to address urgently. They are created by our economic system. We have to change it. If we have will power and have the 'we can do' attitude and conviction to do, we can do away with them. We have no constraint of resources and should channelize our resource towards the needy people for the necessary tasks."

The forum discussed the world's three biggest problems: poverty, unemployment, and carbon gas emissions, under 10 sub-headings. After the discussion, an action plan has been made to be implemented within the next two years. The same action plan will also be presented at the International Forum organized by the Yunus Center, Bangladesh on July 2, 2021.

The program was attended by 256 people from economic, social, education, and environmental sectors, women, NGOs, youths, and students.



Participants of the Country Forum of Nepal

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11th Social Business Day, Country Forum of Nepal Prepared Two Year Action Plan

The Country forum of Nepal was organized on 30th June, 2021 on the occasion of the 11th Social Business Day. The virtually organized Country Forum of Nepal has also conducted group discussion on global issues: Zero Poverty, Zero Unemployment and Zero Net Carbon Emission. Finally, the Forum unanimously approved following two year action plan to dilute the alarming situation with the help of the concerning organizations.

ACTION PLAN

Social Business and Entrepreneurship Development Program

1. MFIs will collaborate with rural high schools for establishing 20 enterprise incubation centers for students.
2. Prepare 20 stories of successful micro-entrepreneurs to educate potential micro-entrepreneurs.
3. Organize 25 exchange visit programs for potential micro-entrepreneurs to successful enterprises.
4. Promote one thousand high school graduate children of MFIs members for entrepreneurship development.
5. MFIs and Academic institutions will jointly create skill development fund for entrepreneurship development.
6. Prepare inventory of returnee migrants and their skills for

encouraging them to undertake micro-enterprises for self-employment.

Poverty Alleviation through Microfinance Institutions Program

7. Each MFI will create a hardcore poor cell to oversee the inclusion of the hardcore poor and marginalized families under its service.
8. Each MFI will conduct survey to identify the most deprived families under their jurisdiction within six months and conduct training and organize them into groups and provide package of required services.
9. MFIs will initiate 20 green shops under the ownership of the members as social business to support the marketing of members' products.

Carbon (Greenhouse Gases) Reduction Program

10. MFIs will establish 20 Eco Villages in rural areas in collaboration with local governments.
11. MFIs will motivate local youths to form 100 Three Zero Clubs and connect them with national and international networks.
12. CSD and RMDC will collaborate with 4 local municipalities for promoting the concept of Three Zeroes in their program planning and implementation.
13. Introduce Rural Energy Technology Education at 10 rural schools in collaboration with Centre for Rural Technology/Nepal.
14. Each MFI will launch campaign of fruit trees plantations through its rural members who own some land.

Four Institutional Members of CSD Accredited by International Smart Campaign, Client Protection Certification

Four institutional members of the Centre for Self-help Development (CSD) have been accredited by the international "Smart Campaign, Client Protection Certification." The awardees are the Sahara Nepal SACCOS, Charpane-3, Jhapa, the Unique Nepal Laghubitta Bittiya Sanstha Ltd, Kohalpur, Banke, the Kisan Bahuuddehiya Sahakari Sanstha Ltd, Lamki, Kailali and the Chhimek Laghubitta Bittiya Sanstha Ltd, Baneshwor, Kathmandu.

Client Protection Certification is an international certificate provided on the basis of an independent and third-party evaluation. The Smart Campaign, Client Protection Certification is a highly valued mark of commitment by an organization. Achieving the Smart Campaign, client

protection certification allows financial services providers to improve their systems, practices and services by aligning to a set of standardized and globally accepted standards and keeping clients at the center of the decision-making process. All financial service providers engaged in financial inclusion, irrespective of their legal status and size, and interested in demonstrating their commitment to client protection. The certification agency reviews the financial service provider's policies, procedures, management systems, training and marketing practices against the seven areas of client protection. The new certification includes a process of recognizing financial institutions based on their performance and advancement towards implementing favorable client protection policies and practices.



The Smart Campaign, Client Protection Certificates Received by the Organizations

Fostering Entrepreneurship Development and Self-employment among Nepali Youths

✍ Shankar Man Shrestha



The Corona virus pandemic has changed the world as we know it. Economies across the globe has come to a standstill and its impact can be felt by all sectors, except perhaps the environmental sector which has thrived as the world grapples with the pandemic. As the country endured a series of lockdowns, no sector remains immune to this crisis with the unemployment rate growing by the day.

Nepal started to face a new wave of challenges in the guise of migrant workers returning to their homes. With over 5 million of Nepalese youths working abroad, this rampant inflow of worker is posing a serious challenge to the government, the economy, the societies and the families. Their return will also mark decline in the remittance inflow which has been crucial in keeping the economy afloat and contributing towards an upward trend in the growth rate. Though the Nepal Rastra Bank declared no changes in the remittance inflow, one must make note that this money must have been sent from the workers' past savings or as emergency relief to their families and the decrease in Hundi operation (illegal channels of remittance). Remittance inflow has often resulted in a rise in unproductive consumption, unscrupulous expenses, diminished self-help and self-dependent culture and has increased import of goods.

It is hoped that the Corona virus has taught everybody an important lesson. The youth force is the greatest strength of a nation. People have come to realize that during the times of unforeseen crisis such as this pandemic, at the end of the day, everybody wants to return to their own country and their own home to be among their own people. People are willing to forsake the luxuries of another country, their job and the people they served to return to the safety of their homes. As a majority of the returnees hail from rural areas of the country, an important challenge will be to manage this human resource effectively and turn this challenge into an opportunity.

Now is the time to welcome back the migrant workers and youths who left the country in search of job opportunities abroad. The nation should come up with a blueprint to make the best use of youth skills and capacity to build our own country. Action plans should be in place to reorient each one of them and encourage them to remain in the country and start locally feasible and potential businesses. They can be effectively engaged in the agricultural sector and

start farming on deserted lands which have remained barren for many years. These empty lands can be made green and vibrant again with new ideas and vigor of the youth. The youths need to be reeducated to enjoy working on their own land boosting agriculture and livelihoods which will pave the way to prosperity and food security in the country in due course of time. Their experience of working abroad for another country might open their eyes to the reality of employing the same energy and vigor in working in their home country among their families and friends. The local government and agencies should create conducive environment and encourage them to undertake feasible and potential enterprises.

If we look at the history of development of any country, we will notice that every country was built upon the strength of its citizens.

Till the 1980s Nepal used to export its food grains to India and other countries like Singapore and Mauritius. But today, we are importing almost all food items from India and other countries. With seven provincial governments and local governments currently working in the country, Nepal should adopt a national slogan of going back to the hometowns and villages and develop their home base through various rural based enterprises and agro-based activities with the goal of reducing all agricultural imports by half and creating an atmosphere of self-employment. To this effect, the Ministry of Agriculture and its departments which have been defunct organization need to be re-energize and revitalized to address the situation.

The government should devise a pragmatic solution

The current and past governments have often made empty promises of creating job opportunities within the country. None so far has delivered on their promises and has been making futile and empty promises. The government should come up with practical solution for the work force to be able to start their own micro business, no matter the scale of operation.

During the lockdown period and even earlier in some occasions we have witnessed local governments employing daily wage workers in menial jobs in the name of employment creation. There were also allegations that most of those employed were aligned with the party workers. This, though a feeble effort on

the government's behalf, is only a s h o r t - t e r m solution to cloud the general public.

In the current scenario, the best way forward would be to provide the work force the skills and technical support to start their own business and become self-employed. The government should create an environment that is conducive and encouraging the youth to remain in their home towns and villages and develop their local areas by engaging in agricultural and rural enterprises that generate jobs for others as well.

If the people can work together and devise the right mechanism to utilize these returnee migrant workers, then this labor force can be transformed into a productive force. The initiations made by the government so far has failed to bring any tangible result in youths' employment as they are mostly politically motivated and lacked vision and sincerity in execution.

Equity finance as a solution

Rather than making promises of cheap loans from banks and capital funding for start-ups, the government or the central bank should institute a revolving fund with substantial amount to provide equity finance to the promising youth who are interested to initiate a locally viable micro-enterprises. The fund can be used to finance up to 90% of the enterprise's fixed capital amount on equity funding basis. This will generate feeling of joint ownership between the entrepreneur and the funding organization and ensure close monitoring and supervision of the enterprise. The MFIs must consider it as a social business.

The revolving fund can be managed by an apex level wholesale lending organization and channelized through microfinance institutions (MFIs) at the local level in the form of loans at two percent interest rate for a period of 10 years to be repaid on annual installments. This resource will then be utilized by the MFIs to finance the micro businesses of young entrepreneurs as equity which would be repayable in 3 years' time, in quarterly installments with a service charge of 5%. This service charge would cover the cost of providing technical support, consultancy, monitoring and supervision, record keeping and financial management orientation, loan utilization check and so forth. The remainder sum

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Neutralizing Corona Impact on Microfinance: Panel Discussion

A webinar on Neutralizing Corona Impact on Microfinance was organized by the Centre for Self-help Development (CSD) on May 13, 2021. The second wave of COVID-19 in Nepal is more lethal and devastating. An effect was also felt in the microfinance sector. The webinar was organized to discuss on the overall scenario of second wave of COVID-19 and its effect on microfinance sector as well as to determine future

course of actions to be taken by the microfinance institutions (MFIs) and microfinance cooperatives (MCs). Seven panelists from MFIs and MCoops representing each of the seven provinces of Nepal were invited as the panelists. They comprised of Mr. Sanjay Kumar Mandal Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd representing province 1, Mr. Prabhu Narayan Chaudhary, Chairman of the Mahuli Laghubitta Bittiya Sanstha Ltd representing province 2, Mr. Uday Raj Khatiwada, Chief Executive Officer of the Swabalamban Laghubitta Bittiya Sanstha Ltd representing Bagmati Province, Ms. Bimala Yogi, Chief Executive Officer of the Jalpa Samudayik Laghubitta Bittiya Sanstha Ltd, representing Gandaki Province, Ms. Sharada Kumari Khatri, Chief Executive Officer of the Upakar Laghubitta Bittiya Sanstha Ltd, representing Lumbini Province, Mr. Bishal KC, Chief Executive Officer of the Bauddha Grameen Multipurpose Cooperative Ltd representing Karnali Province and Mr. Ganesh Bahadur Chand, Chief Executive Officer of the Udayadev Multipurpose Cooperative Ltd representing Sudur Paschim Province. The webinar panel discussion was moderated by Mr. Shankar Man Shrestha, Chairman of CSD.

Opening the discussion, Mr. Shankar Man Shrestha said, "The major challenge of MFIs currently is how to keep their staff and members safe from infection of corona. Most have overlooked the menace of COVID-19 and continued their business as usual. They should stop their movement to hotspot areas and stop their operation therein. Some have been reported to have practiced forced repayment in even this juncture. Coercive repayment



Moderator Mr. Shankar Man Shrestha with Panelists

practice should not be followed when the borrowers' businesses are crippled." He added, "Now is the time to keep oneself safe and sensitize members to remain safe following safety measures. Genuine members who have taken right amount of loan will repay their loan installments when the situation becomes favorable to run their enterprises/businesses. Similarly, the staff should not indulge in activities that may infect other staff members. They should make regular contact with their members by telephone to enquire about their safety, health conditions and availability of food stuff."

In the panel discussion, while speaking of overall scenario of microfinance, current activities that are being implemented as well as future course of actions after the advent of the second wave of COVID-19, Mr. Sanjay Kumar Mandal, CEO of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd (JBLBSL) said, "During the second wave of COVID-19, 9 staff and 64 clients of JBLBSL are currently infected and two have died. In the meantime, 88 family members of clients have been infected and 4 of them have died due to the complications." He also said, "The infection rate is less in rural areas in comparison to urban areas. We have been supporting the local people and creating awareness campaign in partnership with local government. In order to minimize the impact of COVID-19, digital transactions have been massively exercised. The digital transaction is promoted so that those members who have the capacity and means to pay will be able to repay their loan amount with minimal social contact with the outsiders. JBLBSL has developed special apps for this. The Centre Chiefs are supporting the clients in operating the apps while repaying

loan. Consequently, center meetings are not conducted at present." He added, "JBLBSL is providing medical aids like chawanprash, thermometer and providing infected members with cash worth of Rs 2000 and also supporting non-members with cash assistance of Rs. 500. The doctors from Jeevan Bikas Samaj's staff also visit the infected members." He also spoke about the modality of communication between

the staff members where he said, "Front line staff makes daily communications with the clients by telephone. Similarly, the branches make daily communications with the district level offices and the district level offices with the head office to apprise on the latest developments."

Another panelist Mr. Prabhu Narayan Chaudhary, Chairman of the Mahuli Laghubitta Bittiya Sanstha Ltd (MLBSL) highlighted on the latest scenario and future course of actions of his organization. He said, "The situation in Province Number 2 is extremely vulnerable as the 8 districts have open border with India. In the first wave, 8 staff members were infected with COVID-19 but none has been infected in the second wave so far. Due to the statutory notice of the government, Centre Meetings have not been conducted for the time being. Currently head office is running with 20% and branch office with 25% staff of the total staff." While mentioning about the status of loan repayment after the lockdown, he said, "The overdue loan from the first wave has not been recovered yet. We were still working on provisioning and loan detouring policy when the second wave hit. The situation in our organization is in dire condition because it is estimated that there is 32.6% clients duplication. Local businesses, shops and construction sector have also been closed which are major income sources of majority of our clients. This will negatively affect our loan repayment. Our agony has been further aggravated after this lockdown." On positive note he said, "Since MLBSL operates in rural areas, the impact of COVID-19 is not that severe."

Mr. Uday Raj Khatiwada, CEO of the Swabalamban Laghubitta Bittiya

Sanstha Ltd (SLBSL) said, "After the first lockdown we developed a directive which focused on client sensitization process, staff safety plan which included insurance as well as code of conduct, providing masks, sanitizers and other materials. It also dealt with office safety measures to be taken by head office, area offices and branch offices." In context of the spread of COVID-19 in his organization, he said, "In the first wave, 80 staff members were infected and in the second wave there is 124 staff members infected. The situation in some branches is so dire that all the staff members are infected by COVID-19." He said that the non-performing loan (NPL) of SLBSL has increased as a result of COVID-19. He said further, "The infected clients and the families will get Rs. 1500 and if the client is hospitalized she will get Rs 10,000 from the Client Protection Fund. All the 251,000 members have access to Covid Helpline Number. The clients will be able to communicate with specialist doctors without any charge. The clients can also withdraw their savings if they need. The organization has planned to disburse business revival loan without service charge and without incorporating insurance scheme. A zoom meeting with Dr. Rabindra Pandey, Infectious Disease and Corona Specialist, was organized to acquaint the staff with COVID-19 symptoms and remedial measures. A total of 100 staff members, including those infected participated in this interaction meeting."

Ms. Bimala Yogi, CEO of the Jalpa Samudayik Laghubitta Bittiya Sanstha Ltd (JSLBSL), also highlighted on the status as well as further course of actions of her organization after the advent of COVID-19. She said, "Currently 15 staff and 54 clients are infected by COVID-19." Regarding the activities carried out to cope with the COVID-19, she said, "Sensitization of staff and clients on safety measures as well as distribution of masks and sanitizers to clients are continuing in the same way as it was carried out during the first wave of COVID-19. If a client is hospitalized due to COVID-19, a support of Rs. 10,000 is provided. Similarly, oximeters and thermometers have also been distributed to the clients. The organization has also facilitated clients and their neighbors in taking PCR test. The Centre Chiefs are currently working as the focal point of the centers. Green Shop, a subsidiary of the organization, has been used to make doorstep supply of food grains to the clients. The Centre Chiefs have been actively participating in supply of food grains, dairy products and

vegetables to the clients at fair price. The organization has facilitated in arranging beds and oxygen cylinders to severe case patients of COVID-19. The shop also made and distributes PPE and masks worth Rs. 17,000. The masks produced by the members have also been exported to the United States of America. Similarly, psychological counseling is also provided to the clients in depression." Regarding the work plan ahead, she said, "Since Dang has five hospitals but lacks ICUs, the organization is collaborating with locals to construct 50 bed hospitals with oxygen facilities in Dang. With regard to creating youth employment, technical supports are provided to the potential entrepreneurs and marketing services for the meat and milk products of the members are provided through the branch offices at this juncture."

Ms. Sharada Kumari Khatri, CEO of the Upakar Laghubitta Bittiya Sanstha Ltd (ULBSL), also highlighted on the activities carried out by her organization after the advent of second wave of COVID-19. She said, "Ministry of Land Management's notice to landless families to fill up a form created rush which also increased infection rate of corona. As Banke district is hotspot of corona, 20 staff have been affected and 10 clients have died of COVID-19." She said, "Last year we had provided COVID Loan with maximum limit of Rs. 10,000 for emergency purpose. The situation this time is graver than before. We are also working to provide higher package of Covid Loan and also work on digital banking as this has become necessity in Nepalgunj since clients of Upakar are afraid of leaving their houses." She also said, "From May 15, 2021 we will contact all the Centre Chiefs and update clients on their health as well as economic conditions."

Mr. Bishal KC, CEO of the Baudha Grameen Multipurpose Cooperative Ltd (BGMCLL) highlighting on the current situation of his organization said, "We have not prioritized loan collection but focused on the welfare of the clients as well as the staff members. The subsidiary of the BGMCL, Mineral Water Enterprise, is closed due to lockdown but Dairy Enterprise is carrying out its services. BGMCL is planning to establish an Oxygen Plant in collaboration with local municipality which will help in supply of oxygen to hospital for critical patients. Loan collection has also been halted for the time being keeping in view of the probable health hazards to the staff and the members."

Similarly, Mr. Ganesh Bahadur Chand,

CEO of the Udayadev Multipurpose Cooperative Ltd (UMCL), briefed on the ground realities of COVID-19 and the activities carried out by his organization in Kanchanpur district after the advent of the second wave of COVID-19 and subsequent lockdown. He said, "UMCL has contributed Rs. 1 lakh to Mahakali Hospital for corona related activities and also contributed Rs. 10 lakh for oxygen cylinder management to Cooperative Campaign Fund. The objective of the fund is to support Mahakali Hospital for the treatment of corona patients. Currently 4 staff members have been infected and in the meantime 4 clients have also died due to COVID-19. The situation in Kanchanpur is grave because the infection rate is above 50% of PCR test cases. Regarding the financial support, Rs. 5000 will be given to COVID-19 infected clients. Similarly for staff members who have been infected by COVID-19, the organization will reimburse the payments incurred during the treatment. A total of Rs. 10 crore is set aside for business revival loan. The loan has a reduced interest rate of 13%. Previously, to increase the level of income of clients, Agriculture Loan was disbursed to 2500 members and 3 Junior Technical Assistants (JTAs) were also hired for providing technical supports. Currently 1500 members have taken loan and 2 additional JTAs have been recruited." With regard to marketing of agriculture products he said, "We are arranging marketing of vegetables directly to consumers avoiding involvement of middle-men so that producers are able to get fair price of their products." He said, "Mobile banking has been promoted and loan up to Rs. 30,000 is given to the clients at their doorsteps."

In his closing remarks, moderator Mr. Shankar Man Shrestha said, "Among the problems MFIs have been facing, 95% have been created by the institutions and the staff themselves and 5% related to regulatory arrangements that may require review of concerned regulatory agencies. The CEOs should have to update on number of clients infected, those who have mild symptoms and others who need critical care as well as those who have died due to COVID-19. Similarly, they should also update data on the clients who can survive in the current situation and those who need immediate support. Timely and appropriate information helps in formulation of proper policy, strategy and working mechanism. In the current situation, the hard core poor who cannot survive on their own and need immediate financial support

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Micro-financing by Cooperatives:

Prospects, Problems and Way Forward

The Centre for Self-help Development (CSD) organized a webinar talk on April 16, 2021 to sensitize microfinance practitioners and other stakeholders on policy level as well as practical problems and issues related to micro-financing by cooperatives.

Mr. Mahendra Kumar Giri, Chief Executive Officer of Sahara Nepal SACCOS was the key speaker of the program which was moderated by General Manager of Kisan Bahuudeshiya Sahakari Sanstha Ltd, Mr. Dambar Bahadur Shah.

Mr. Giri said, "Cooperatives are one of the three pillars of the economy and the Constitution of Nepal, 2015 has also acknowledged the role of cooperatives in our economy. Currently there are 29,886 cooperatives in the country and the sector has been mobilizing over Rs. 70 billion as paid up capital. It has also mobilized a total saving of Rs. 300 billion from its members and has employed 64,440 individuals as regular staff and contributed 5% of the total GDP of Nepal." He also added that there are currently 65 microfinance financial institutions in Nepal and more than 100 cooperative model microfinance institutions are operating in Nepal.

Highlighting on his own cooperative, the Sahara Nepal SACCOS, Mr. Giri said, "Currently, Sahara has 148,978 members under 73 service centers. Its paid-up-capital is Rs. 1430 million and has been mobilizing savings of Rs. 7.69 billion from its members and has disbursed a total loan of Rs. 9 billion." He further added, "Sahara has been involved in credit plus programs such as health, education, renewable energy, agriculture, livestock, youth employment program, corona relief program as well as contributed in other social programs like drinking water and housing for deprived families." He said that Sahara has launched health insurance for its members and their family members affected by special diseases and accidents. He said that lately his organization has given priority on value chain for which they established agro business unit, tunnel farming and market linkage to increase yield as well as provide technical support for their businesses. He said among employment for the

youth we have provided loan for auto rickshaw for those who returned from abroad. In context to corona relief program, he said, "We have run public sensitization program through brochures and

pamphlets highlighting correct procedures of washing hands and also distributed masks and sanitizers, emergency loans and also goods and food grains in coordination with local government." He said that during the corona pandemic 10% interest had been waived and loan period of affected members have been extended by 6 months.

Highlighting the special features of the cooperatives, Mr. Giri said, "Anyone can be the owner of a cooperative after investing Rs.100. There are no promoters in a cooperative and there is no pressure for dividend from general shareholders. The dividend is capped at 18%. Similarly the saving of members is used for credit mobilization as well as social causes such as education, health and entrepreneurship promotion. Since all the members of cooperatives are shareholders, they have ownership of their cooperative and think for the long term sustainability of the cooperative they do not put pressure on the CEO for profit maximization." He also said in comparison to microfinance institutions cooperatives have higher savings and do not have to rely on external funds for credit mobilization. He also added, "Low saving could bring vulnerability to the organization during policy change by the government and NRB as well as when there is liquidity crisis in the banking sector."

Mr. Shankar Man Shrestha, Chairman of CSD, said, "Cooperatives have more than 60 year history in Nepal. The saving and credit cooperatives are based on Raiffeisen Cooperative Model. Those who are deprived, economically weak and vulnerable are organized for self-help



Participants in the Webinar

development by mobilizing their own meager resources and capacitate to access external resources. One of the trademarks of cooperatives is also based on the concept of 'One Man One Vote'. In banks the shareholders have a voting right based on share numbers. The more number of share one has, the more control one will have over the decisions." He said, "However board members have exercised control over the operation and have taken undue advantages and making organizations insolvent." He also said that credit plus programs can be enhanced and promoted by cooperatives where in case of microfinance institutions such practices have been curtailed by NRB." He suggested, "The members should be classified and categorized based on the economic status and should work for developing and upgrading members from lower to upper category and ultimately to make entire members free of poverty trap, having decent income and adequate property through entrepreneurship activities." He also said, "Over-indebtedness due to policy of microfinance institution to increase profit at any cost has also increased loan delinquency. Over-indebtedness among the members will bring loan default and poverty. The focus should not be overburdening members with heavy loans pushing to loan trap rather should be encouraged therefor on entrepreneurship development and building good client staff relationship and developing good rapport with all relevant stakeholders." He further added, "CEO should play a dynamic role to enhance discipline, good governance and proper compliance system among its staff."

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Role of Wholesale Lending Organizations should not be Marginalized

A webinar talk on Vitality and Vulnerability of Wholesale Lending Organizations in the Present Niche Market of Microfinance was organized by the Centre for Self-help Development (CSD) on May 3, 2021. The webinar talk dealt with the rationality of wholesale lending microfinance institutions which cater funding needs of retail microfinance institutions (MFIs) and provides backstopping support in areas such as capacity development and monitoring and supervision of their partner institutions. As currently, the roles and responsibilities of the wholesale lending organizations have been confined to loan operations only, they have to lobby for broadening their scope of activities in areas such as monitoring & supervision, overseeing the regulatory compliances and governance of MFIs.

Mr. Jyoti Chandra Ojha, Chief Executive Officer of The RMDC Laghubitta Bittiya Sanstha Ltd was the key speaker of the program which was moderated by Dr. Bhesha Prasad Dhamala, Chairman of the Nerude Laghubitta Bittiya Sanstha Ltd.

Highlighting the current status of the microfinance sector, Mr. Ojha said, "As of mid-December 2020, there are currently 76 microfinance financial institutions and out of which 4 are wholesale lenders to microfinance institutions (MFIs) and cooperatives. The MFIs have a total of 4,128 branches, 19,788 staff and are providing microfinance services to 4.9 million of their members. In aggregate total loan outstanding is Rs. 281.47 billion, borrowing Rs. 141.06 billion and saving is Rs. 120.06 billion." He added, "The MFIs generate 42.65% of their total fund through savings mobilization of their members, 6.91% through their paid-up-capital and 50.12% through borrowing from commercial banks, wholesale microfinance institutions and other sources." He further added, "Although the scope of wholesale microfinance institutions is vast, the commercial banks have been financing directly to the retail MFIs that has narrowed down the market of the wholesale lending organizations."

Speaking on the rationale of the establishment of RMDC, Mr. Ojha said, "RMDC was established with the mandate of wholesale lending, capacity development and monitoring & supervision catering the microfinance sector. Sana Kisan Bikas Bank Limited (SKBBL), First Microfinance Development Bank Limited (FMDB) and RSDC Laghubitta Bittiya Sanstha Ltd. were established subsequently as wholesale lenders."

While speaking on the vulnerability of the wholesale lending organizations, Mr. Ojha said, "The sources of fund for the wholesale lending organizations comprise 84% borrowing from commercial banks and the remaining 16% through their own capitals and reserves. Currently, the commercial banks have the same lending rate to both the wholesale and the retailers. This has badly constrained the operations of the wholesale lending organizations. In the total supply of wholesale loans to the retail MFIs, only 7% is channelized

through RMDC and three other organizations. The retail MFIs are currently opting commercial banks for funding as their rates are cheaper and they do not require to meet prudential norms. There is now total lack of monitoring and supervision of the retail MFIs. This has led to oversupply of fund on the market resulting in multiple financing to their clients. There are rampant violations of financial norms. Their sole objective has been maximizing profits by a king bigger loans to the clients.

Speaking on the issues of wholesale lending, Dr. Bhesha Prasad Dhamala, said, "Since the commercial banks are making direct loans to the retail MFIs, the roles and responsibilities of wholesale lenders have constricted. They have become too much dependent on the commercial banks for their resources. To minimize this dependency, they should also lobby to the government for soft loans and subsidies." On this Mr. Ojha said, "Deprived sector lending and agriculture loans should be channelized through wholesale lending MFIs to increase the quality of retail loans and to get better results. Wholesale lenders should advocate and lobby to multinational donors like IFC and ADB as well as Ministry of Finance for long term loans. The short term borrowings are hampered by erratic interest rate changes and this has also created problem for capital budgeting." Mr. Ojha was against subsidy for individual borrowers and said, "Subsidy without commercial viability will hamper sustainability, degrade banking habit and it breaks banking norms and ultimately create breeding ground for delinquency."

In context of microfinance and its overarching goal of poverty alleviation, Dr. Dhamala said, "The role of microfinance for poverty alleviation cannot be ignored. MFIs should promote entrepreneurship, develop market access and minimize the role of middlemen in market linkage. Wholesale organizations should play a proactive role on this issue." Mr. Ojha on the role of microfinance for poverty alleviation said, "The MFIs have evolved strong financially but the economic condition of the clients have not been uplifted simultaneously. They are focused more on loan disbursement and repayment. They should also concentrate on entrepreneurship development of their clients in developing access to market linkage that ensures fair price to their products. Currently there is undue pressure on CEOs from their shareholders and board to increase profit. This has led to disbursing bigger size loans to their clients resulting in over-indebtedness."

Dr. Dhamala also raised the issue of COVID-19 on microfinance institutions and its effects on loan disbursement and on loan delinquency. In response to this Mr. Ojha said, "Before COVID-19 the situation of Nepal was satisfactory in comparison to other countries in South Asia. COVID-19 has largely affected loan disbursement of MFIs and loan repayment due to the shutdown of the economic activities of the clients."

Mr. Shankar Man Shrestha, Chairman of CSD, who was also present in the occasion said, "There are changes in the priorities



Speaker of the Webinar Mr. Jyoti Chandra Ojha



The Discussion Session

of MFIs from its earlier days. MFIs should stick to the mission of 'poverty free community'. Currently there is a huge gap between the rich and the poor in Nepal. The rich are getting richer and the poor are getting poorer. To address this issue RMDC should develop a special program for the hardcore poor. Currently in terai regions there is reported number of cases where the poor people have been the victims of loan sharks who not only charge exorbitant interest rate but are also taking possession of their meager land and houses throwing them out to the street by false means. RMDC's programs should focus on identifying the suppressed groups and help them to get out of poverty. Similarly, it should also launch programs for self-employment programs for the youth. A large number of youths have returned from abroad during the corona pandemic and it is right time to develop and groom them so that they can initiate micro-enterprise in their own homesteads. RMDC should work through its partner organizations for this endeavor."

One of the participants, Mr. Mani Kumar Arjyal, Chairman of Nepal Rural Development Society Centre (NRDSC) said, "Since commercial banks have aggressively disbursed loans to retail MFIs the role of wholesale organizations have shrunk. Commercial banks provide loans to wholesale and retail MFIs at same interest rate. He advised that the wholesale lenders should lobby government and NRB so that commercial banks are liable to provide loans to wholesale lenders at the base rate. Similarly, they should also focus more on conducting training and workshops for for the staff and capacity development of clients."

Dr. Pursottam Shrestha, Executive Director of the Centre for Rural Technology/Nepal said," Various studies show that there is positive correlation between skill development training and profit in enterprises. MFIs should provide skill development training to their clients."

(... contd. from page 3)

Fostering Entrepreneurship....

of working capital for the enterprises can be self-financed by the entrepreneur or through regular general loan funds of the MFIs. As a revolving fund, the amount returned will always go into supporting the next entrepreneur. This way the fund will have a multiplier effect in inducting new entrepreneurs. MFIs are currently the best delivery mechanism as they already have direct access to the target group and a well-placed monitoring and supervision mechanism. This cannot be achieved by any other financial institution as they neither have the required human resource to track the target group nor the experience. MFIs can ensure to make the best use of the returnee youth and create a massive boost in local economic activities. All the stakeholders should consider this as a social business.

Unite agricultural producers into cooperatives

In Nepal a majority of agricultural activities is undertaken in small farm holdings. Each farmer tills on his/her own land or rented land and the surplus produce is sold to the middlemen. This also means that each one has to rely on their individual capacity in terms of human resources and machinery. However, if farmers producing similar products come together to form cooperatives, the same human resource and machines can be shared between them. They can also purchase power tillers,

tractors, quality seeds, fertilizers and so forth by pooling in funds. This will in return increase their capacities for production. United they will also have a better bargaining power against middlemen and can find a better price for their products. Hence the MFIs would play a role of harbinger in organizing the producers into a local cooperative and help them build linkage to markets, avoiding the exploitation of the middlemen.

Avoiding the exploitation of the Middlemen

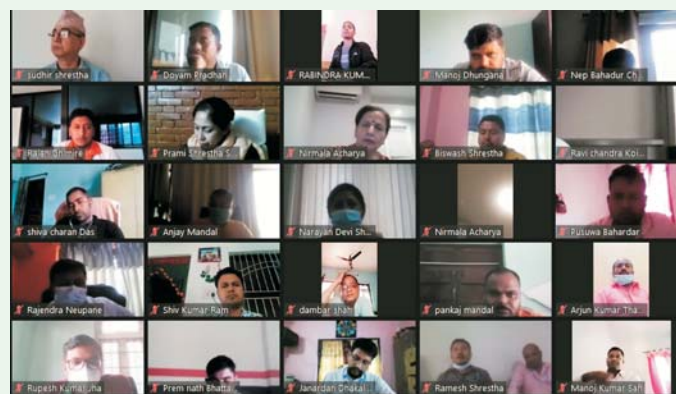
The cooperatives can create backward and forward market linkages. It can help the producers to find quality seeds, fertilizers, machinery and also improve their packaging, branding and marketing of products. Efforts need to be made to ensure that the farmers and agricultural producers are not exploited. It is a known fact that middlemen engage in malpractices reaping maximum benefit from sales while the farmers continue to be deprived of their fair share of profit. Initiatives must be taken to protect the rights of the farmers so that they are encouraged to engage in agricultural enterprises.

As the Founding Father of Singapore Lee Kuan Yew said, "Welfare undermines self-reliance" – we too must teach and help our people to stand on their own feet and prevent ourselves from becoming a dependent state. If the government does not capitalize on this situation, we will have once again missed a golden opportunity and commit a great disservice to our youth and future generations. We must act now.

(... contd. from page 5)

Neutralizing Corona ...

should be provided support from Corporate Social Responsibility Fund." He further added, "Information on grassroots situation is necessary in such pandemic. If there is good coordination with the grassroots, effective and timely rules will be developed which will cater the need of the poor." In another context, he said, "The priority of MFIs should be to prevent and control the spread of corona through awareness rising on safety measures on prevention. We should not portray the current condition of loan default as sole corona inflicted problem. The default rate in the MFI sector was 12% before the advent of COVID-19 pandemic and it increased to 17% during the first wave of corona and subsequent lockdown and after the end of first wave the default rate came down to 15%. The default rate of 12% before the first wave of corona was very high in comparison to the trends anywhere else. We have been doing things that are contrary to the best practice tenets of microfinance.



Glimpse of Participants in the Webinar

If we abide by best practice norms of microfinance, we will not face serious problems that acutely hamper the microfinance sector as a whole."

Happy Leaders Can Change the World

A webinar talk program on “Happy Leaders Can Change the World” was organized by the Centre for Self-help Development (CSD) on May 31, 2021 with the aim to discuss on the concept of leadership and its implications on an organization and also in bringing positive vibes and sustainable achievements to the concerned organization. Mr. Shankar Man Shrestha, Chairman of CSD, was on the chair and Mr. Bikal Prasad Sherchan, Life Coach and Co-founder of the National Institute for Leadership Development Pvt Ltd (NILD) was the key speaker of the event.

In his opening remark, Mr. Shankar Man Shrestha said, “The major constraint to change in any organization is lack of dedication and ownership in part of leadership. We may attend various training as well as motivational talk programs and learn good lessons but the commitment and devotion to change wanes immediately after we leave the program. MFIs in Nepal are in a growth stage in terms of market size and outreach. Various data shows that there are over 160 MFIs and cooperatives together providing microfinance service to over 5 million households but due to overlapping in clients, a borrower takes loan from more than one organization. So the number seems inflated and actual number of households currently served by MFIs might be slightly above 1 million only. The concern today is that almost all MFIs are profit oriented and are drifting from their original mission of serving the hardcore poor, the marginalized and those socially excluded from the mainstream development.”

During his deliberation, Mr. Bikal Prasad Shrechan, said, “If leaders are happy and positive, the whole organization will be happy and bring positive vibes to the organization which in turn will bring well-being and prosperity to the whole organization and the people it serves.” He added, “Every staff has capacity to change an organization both individually or through a team effort but the CEOs should have additional vision as well as traits and skills to transform the organization to the next level.” He also said that schools, as part of his practical experience, where teachers instill positive mindset and shower happiness among students, apart from mundane task of involving in preparing daily schedules and regular assignments, will bring impressive results and growth in students.

He talked of conscious mindset and asked the audience to first ask yourself, who am I and what am I for. He shared the examples of enlightened and famous personalities. He said, “Buddha in his life-time preached for developing and transforming into conscious human being. Dalai Lama said that person laboring for life will get paid but the payment is used for his/her treatment later in his life.” He added, “Although most of us work and put in extra effort to reap benefits from our labor and one of the reasons could be to earn money, but it is very important to share what we have with others. It is more relevant in microfinance whose foremost and overarching objective is poverty alleviation.”

He also discussed on the difference between objective and target with particular reference to microfinance sector, where he said, “Overall objective of an organization should not be just to earn profit. Target and milestones can be used to gauge performance as well as amount of revenue generated and profit made by an organization. The people who envisioned the concept of microfinance had set poverty alleviation as its core objective. Although microfinance needs to generate revenue, it should focus on the need and aspiration of its clients in areas like capacity

development activities as well as support when there is natural calamities, pandemics as we are witnessing now and when there is family problems resulting in the need of urgent financial support. Similarly, MFIs should also provide service to economically and socially exclude groups, people of far flung geographical remote areas as well as other excluded groups untouched and unnoticed by the mainstream of development.

He also shared light on the concept of mindful leader where he said, “Such leaders should be conscious about the need and aspiration of clients and devise action-plan to immediately support them.” Similarly, on the concept of servant leadership he said, “The practice is to constantly delve on the concern as well as demand of clients and make them satisfied and happy.”

One of the participants, Mr. Mani Kumar Arjyal, said, “Currently MFIs have become more and more profit oriented and the leadership is also focusing on profit. In the earlier days MFIs were more focused on the concern and needs of their clients.” Mr. Arjyal queried how MFIs could focus on profit by keeping the social orientation essence of MFIs intact. In response to this, Mr Shrechan said, “CEOs should convince the board and devise activities that are client centric in nature, like capacity development through skills and technology transfers, mentoring support and motivation and backstopping assistance through periodic field visits to gauge the progress and latest developments of the target clients. The CEO should initiate activities so that a good portion of revenue earned should also be used for the welfare and benefits of the clients. Ultimately, this is going to have spillover effect on the organization itself.”

Another participant, Mr. Sundhar Shrestha, commented, “Although the concept of mindful leadership is new in Nepal, if this technique is promoted it can be a remedy to some of the endemic and overarching issues in microfinance sector.”

In his closing remarks Mr. Shankar Man Shrestha shared an example of dairy industry established in Bangladesh in partnership with Danone, a leading global food & beverage company of France with dairy as one of its major products. The Bangladeshi dairy believes in social business and its products such as curd is affordable even to low income families. Profit should not be the sole objective of any business. It should move with social mission as well.



Speaker Mr. Bikal Prasad Shrechan



Participants during Webinar

Secrets of Success in Microfinance

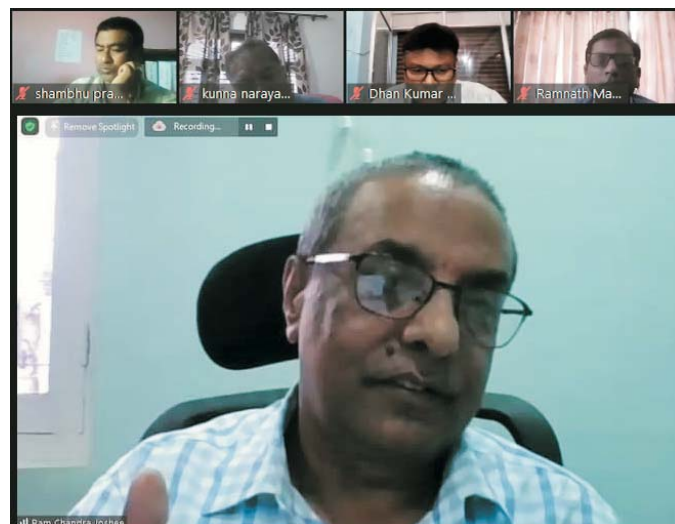
A webinar talk (Series No 9) on Secrets of Success in Microfinance was organized by the Centre for Self-help Development (CSD) on June 16, 2021. The webinar focused on philosophy and objectives as well as factors affecting the success of long term sustainability of microfinance institutions in Nepal.

Mr. Ram Chandra Joshi, Chairman of the Neighborhood Society Service Center (NSSC) and founder CEO of the Chhimek Laghubitta Bittiya Sanstha Ltd (CLBSL), was the keynote speaker of the program and was moderated by Mr. Mani Kumar Arjyal, Chairman of the Nepal Rural Development Society Centre (NRDSC).

In his opening remarks, Mr. Shankar Man Shrestha, Chairman of the CSD, said, "The contribution made in the microfinance sector by both the keynote speaker and moderator is noteworthy and both can guide the overall microfinance sector and help uplift it from current position. As Mr. Joshi is not currently involved in any microfinance institution, he is not bounded by these institutions and can freely speak about the best practices, current status and issues endemic to this sector. While working in the CLBSL, Mr. Joshi had good internal communication, transparency, internal control and reporting mechanism. Similarly, he conducted regular field visits and queried about the need, aspiration and demand and had built mechanism to incite timely and periodic feedback that helped him to have fresh updates on maintaining policy level amendments and performance appraisal of staff. It also helped CLBSL to keep free of unionism."

Mr. Ram Chandra Joshi said, "In the earliest days when Chhimek was implementing microfinance service, Mr. Shankar Man Shrestha who was then the CEO of RMDC, had the major role in bringing CLBSL to its current status. The Nepal Rastra Bank (NRB) gave licensing but the concept and operation modality was provided by Mr. Shrestha." He further added, "Microfinance institutions should not be judged by the number of their clients but how they are adhering to the need and aspiration of clients and providing its services to the poor. When CLBSL had just received license from NRB to carry out microfinance service, we briefed the board, promoters and general shareholders that we should not be overly profit motivated. My experience says the staff and even board members must be in touch with clients in order to bring success. Clients' selection should also prioritize economically poor people but at present mostly middle class and in some cases even rich people are enrolled as members by MFIs. If we are in regular touch with members it will help in formulating effective policy in the organizations."

With regard to the importance of clients in microfinance institutions, he said, "Clients must be the number one priority of microfinance institutions. In my tenure as the CEO of Chhimek Laghubitta Bittiya Sanstha Ltd we had practiced Branch Level Meeting of the Center Chiefs, where we had a practice of free and fair discussion with the participants about their problems without keeping any of the staff so that they can speak true things without any fear. This kind of practice made staff members accountable to the clients." Having said that, he shared that staff are also equally important to microfinance institution. He added, "Staff is the major building block of an organization. The organization should develop positive reinforcement towards the staff and foster favorable policies in areas like promotion, salary and transfer. In CLBSL field level, branch level and area level staff will decide where an individual staff should be transferred. There is a formula for salary increment which



Speaker Mr. Ram Chandra Joshi

depends on inflation, performance appraisal and salary structure of similar other microfinance institutions. In other microfinance organizations the process of collective bargaining by unions with management disrupts the very operation and microfinance service to the clients." He further highlighted that CLBSL has developed competitive special formula which is sanctioned by the board with unanimous approval of staff members. Similarly in case of transfer, it is decided by staff members with no interference from the CEO and the management team." He also mentioned the importance of discipline where board and CEO should lead by example.

He also shared his experience on the practice of micro-entrepreneurship development where he said, "The institution provides free training, insurance facility, technical support and market access facilitation. It also operates sales centers and streamline and expedite the selling of goods by the clients. There are 20 staff members of CLBSL who contribute to the promotion and development of micro-entrepreneurship. These staff members visit different parts of the country and carry out briefing on micro-enterprise and share information on progress of micro-entrepreneurship and successful cases through projectors."

Regarding the use of technology, he said, "Tablet Banking and software has increased the productivity and efficiency of staff members. In the initial stage staff were reluctant to adopt tablets but gradually they found it effective to decrease their work load and at the same time enhance their productivity. Now payments are made by clients through the use of online payments system like e-sewa. CLBSL is working on developing e-sewa facilities in all the centers. However, the use of common software in coordination with different microfinance institutions has cost and compatibility issues."

On overarching goal of microfinance with respect to poverty alleviation, he said, "Board Members should focus not on profit but the service rendered to target clients. NRB should also focus on poverty alleviation and not only prioritize on number of borrowers and members served. The microfinance is currently targeting middle class clients who will in the near future be the clients of commercial banks. CLBSL has primarily focused on providing access to livestock facilities to the poor and ultra poor. Ultra poor are also helped in improving their housing."

Mr. Arjyal also raised the issues of informal money lenders like Shyam Pradeshi of Sarlahi District who charged exorbitant interest rate, where Mr. Joshi said, "The informal money lenders were more prevalent when access to microfinance was low. Now informal money lenders are on decrease although they are still prevalent. The government should also be actively involved in eradicating these informal money lenders."

With respect to current issues in microfinance, Mr. Joshi said, "CLBSL was not involved in loan detouring before but after the advent of COVID-19 it has been involved in this process." He also said that loan provisioning should be on actual basis which will help in tax reduction and decrease spending in staff bonus but to get higher bonus the provisioning is minimized so that higher profit is shown on papers which also increases staff bonus. He added, "The amount saved through tax reduction and lower staff bonuses should be spent on various activities that benefit the clients in these difficult times." He added, "There are issues on delinquency during the lockdown period but pressure and forced payment tactics should not be used. When face-to-face contact is not possible regular phone call to each individual client should be made to develop good rapport. Up-to-date records on clients' payment schedule and late arrival log is necessary to bring discipline among clients." He also did not agree with the two-term duration of CEOs of microfinance institutions where he said, "This kind of practice will encourage short term progress like profit maximization over long term sustainability of the organization."

CLBSL is also the recipient of Client Protection Award, national level certification on access to poor through SMART Campaign. The award is judged through various indicators like quality of staff, service to the poor as well as impact of its activities on targeted beneficiaries. This kind of award will help microfinance institutions gain access to international funds.

Mr. Shankar Man Shrestha, Chairman of CSD, said, "MFIs have short term interest and not on long term sustainability of the sector. Now the issue of economic upliftment has been sidestepped. They are extensively focused on profit, bonus and other issues as discussed earlier by our keynote speaker. As in commercial banks MFIs have also focused on manipulation of data to show excess amount of profit and to increase staff bonus. Commercial banks have increased profit due to greening where they provide loans to loan defaulters. This kind of greed has also spread in MFIs where multiple financing, over-indebtedness and proxy borrowings are rampant which leads them to loan trap. On average one MFI will have a share of 7000 clients so one staff has the responsibility to uplift 60 clients from poverty. "In context to upcoming program on Social Business Day, he said, "Top 1% of the rich people are utilizing 90% of overall resource of the

world and bottom 90% of the people are utilizing 1% resource of the world. This also shows that there is disparity in the world. Similarly, unemployment is rampant in the world. Carbon emission is also increasing and if the emission increases at this trend the world will be uninhabitable in 100 years time. The Social Business Day to be held from June 29 to July 2, 2021 will address these issues."

One of the participants, Dr. Pursottam Shrestha, Executive Director of the Centre for Rural Technology/Nepal had queries regarding the roles of change in leadership and its effect on the declining performance of CLBSL. To this Mr. Joshi said, "The 15% default rate is overall microfinance industry average and this cannot be compared with previous delinquency rate of CLBSL and concluded that it has not precipitously risen with the change in leadership. Similarly, CLBSL has made gradual progress from its earlier FINGO status and it is not that there is steep rise in performance immediately after getting license from NRB as a microfinance financial institution."

Mr. Govind Raut, Assistant CEO of Muktinath Bikas Bank Ltd, said that CLBSL has transformed from NGO driven model to profit oriented organization and queried whether there will be changes in the scope of microfinance institutions in context to transformation in service rendered and increase in financial access in the future. Mr. Joshi said, "30% corporate tax and provisions in Company Act has created all problems and made microfinance institutions profit motivated. The outreach is 4-5 million but this is also due to multiple borrowing. Before, the priority of microfinance institutions was access to finance but now the focus is on competition on types and quality of service and interest rate provided by MFIs. The future focus should also involve activities for ultra-poor where various integrated services like access to finance and capacity development on micro-entrepreneurship activities are provided.



Participants of the Webinar

(... contd. from page 6)

Micro-financing

Moderator of this webinar, Mr. Dambar Bahadur Shah, also raised the issue of dormant members where members attend meetings and keep savings but do not undertake economic activities. There are about 40% of such dormant members in the cooperatives.

One of the participants, Mr. Balram Poudel said, "Cooperatives have been guilty of providing larger loans to

single member which have increased over-indebtedness." Mr. Shah said, "If individual has greater influence over the organization then this problem is prevalent. Similarly, as loan size and amount of transactions increase in cooperatives some skilled human resources like chartered accountant and legal compliance experts should also be hired. The cooperatives should be vigilant about anti money

laundering issues that has been gaining momentum lately after the massive use of digital transactions." Mr. Mahendra Giri added that this kind of practice is widespread in cooperatives which provide loans to individuals based on coercion and unfeasible business practices and therefore do not cater to genuine business plan of subsistence level members.

Rapid Rise in Loan Delinquency: A Matter of Serious Concern for MFIs



Moderator, Panelists and Participants in the Webinar

A webinar was organized by the Centre for Self-help Development (CSD) on March 30, 2021 to apprise microfinance practitioners and other stakeholders on problems and effects caused by alarming rise in loan delinquency in the microfinance sector in Nepal. Loan delinquency is an important indicator of the health of any financial institution. Currently the problem has been cumulating in Nepal and if not addressed diligently it may ruin the microfinance industry as a whole. This issue has become more serious now with the advent of COVID-19 and consequence of lockdown.

Mr. Mani Kumar Arjyal, Chairman of Nepal Rural Development Society Centre (NRDSC) and founding Executive Director and current board member of the Nerude Laghubitta Bittiya Sanstha Ltd moderated the program and introduced Dr. Gopal Dahit, Director of the Unique Nepal Laghubitta Bittiya Sanstha Ltd who was the speaker of the program. Mr. Arjyal said that loan delinquency has been rapidly rising and the issue is aggravated further by COVID-19 and lockdown.

Dr. Gopal Dahit, in his presentation, said that loan delinquency was 2% in mid-October, 2019 which increased to 12.47% in mid-April, 2020 and to 17.14% on mid-July, 2020. He said, "Due to the severity of COVID-19, the government imposed lockdown on March 24, 2020 and in mid-April, 2020 delinquency increased to 12.47%, a precipitous rise from 2% from mid-October, 2019." He further added, "The condition of delinquency was rampant from the month of March, 2020 when the government imposed lockdown to counteract the effects of COVID-19 although 2% delinquency in mid-October, 2019 was still much higher than the industry standard."

On the issue of precipitous rise in loan delinquency, he said, "The delinquency in microfinance had deteriorated even before COVID-19 mainly due to the reasons such as wrong targeting of members, selecting members without assessing their socioeconomic benchmark, staff providing loans without appraising the needs and capacities of members and without checking their background and involvement with other MFIs." Besides, he said, "Due to the erosion on sincerity and dedication of staff, the situation of client duplication and proxy borrowing has worsened."

With regard to the remedial measures, Dr. Dahit said, "The field assistant should visit borrowers and encourage them to repay their overdue amount. They should be given target so that s/he will visit a number of borrowers with overdue amount in a given timeframe. Experience has shown that regular and timely tracking and convincing the borrowers the advantage of timely repayment helped recover large chunk

of unpaid loans. Those loans that could not be recovered by field assistants should be dealt by branch managers directly and similarly those that could not be recovered by branch managers should be handled by area office and ultimate by head office." He added, "Preventive measures like regular monitoring and supervision of borrowers at their doorsteps by field assistants and cross checks by branch managers and other staff members from area office and head office should be made on time. Other than that, maintaining a good rapport with borrowers is vital to discipline the members." He further added, "MFIs should also stop multiple financing as well as over financing the clients beyond the needs and capacities of the clients."

Mr. Khadananda Acharya, Branch Manager from Koteswori of Mahila Sahayogi Bachat Tatha Rin Sakari Sanstha Ltd shared, "NRB has given leeway to different MFIs to open up branches in his locality. My branch will have various targets like members and borrowers formation and loan disbursement. The staff are hapless in discouraging loan duplication although they know that this practices increase loan delinquency."

Mr. Shankar Man Shrestha, Chairman of CSD, in his remarks said, "The problems faced by MFIs including loan delinquency have been the result of short sightedness of CEOs focusing on short term gain to raise profit, pressuring the staff to increase more and more number of clients and disbursing bigger loan irrespective of clients' need and capacity. They should not accuse their staff, the government and NRB for not having strict policies and rules on loan collection." He further said, "Competition in branches to increase borrowers and loan size is due to the pressure of CEOs. The Board Members are also profit motivated and pressurize the CEOs for profit maximization and impact on share price but CEOs should convince them not to be overly profit motivated or else the institution would crash due to bad loans. CEOs should also abide by the basic tenets of microfinance and not indulge in compromising with borrowers and loan quality. The kingpin of any MFI is the CEO and it is his responsibility to act as per the tenets of microfinance and ensure quality of operations. Staff will follow what the CEO directs and CEO should be a role model. He should not have apathy for the well-being of the clients." He further added, "The current trend of loan delinquency will affect the viability and sustainability of microfinance if MFIs continue to be profit motivated only." He also gave an example of Bangladesh where there are over 1000 MFIs but they are not indulging in undue multiple lending to clients leading them to over indebtedness.

Moderator of the webinar, Mr. Mani Kumar Arjyal added, "Senior Managers should be capacitated and updated on the policy formulated by NRB as well as concerned organizations. Similarly, MFIs should also update and upgrade Information Technology (IT) so that they will have regular and timely information like payment pattern, types of enterprises and other vital information that may be beaconing of earlier financial catastrophes. Use of IT may safeguard against loan delinquency"

Mr. Shankar Nath Kapali, former Executive Chief of CSD, said that loan delinquency is not only due to the advent of COVID-19 as the annual trend on loan delinquency has been increasing even before the lockdown.

During the discussion, Dr. Pursottam Shrestha, Executive Director of The Centre for Rural Technology/Nepal, shared that loan delinquency in microfinance can be minimized through periodic monitoring and supervision by concerned MFIs.



Centre for Self-help Development (CSD)

- Institute of Microfinance & Cooperative Development

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

Tel.: +977-1-5365635, 5356786, Email: csd@mos.com.np, Web: www.csdnepal.org.np

