

# Glimpse



A Newsletter of CSD – March 2023, Issue 41

## CSD Hosts Workshop on Self-help Eco-village Development Initiatives of MFIs

The Centre for Self-help Development (CSD) organized a 4 day field based Self-help Eco-village Development workshop from January 29 to February 1, 2023 at Dhulikhel Lodge Resort, Kavrepalanchok District. The main objectives of this residential workshop was to familiarize the participants with concept and components of Self-help Eco-village Development Program and find ways to integrate and start up the same in their operational area. The workshop aimed to give them first-hand experience on various facets of eco-village system.

In the first day, the participants after their registration at CSD office proceeded to event venue at Dhulikhel and attended the opening program in the evening. They were welcomed by the Director of CSD Mr. Satish Shrestha. He highlighted on the objective of the workshop and role of MFIs in eco-village development, and how the workshop would help them understand the concept as well as the practical application of its component along with microfinance operation.

It was followed by a technical session delivered by Mr. Sanu Babu Pandit and Mr. Farsa Bahadur Tandan, Technical Officers of the Center for Rural Technology, Nepal (CRT/N). They highlighted on the environment and biodiversity conservation of the target village, sanitation and hygiene, and problems of climate change, climate smart activities and also potential components and features of eco-village.

In the second day, the participants visited Dharpa village of the Barhabise Municipality ward 3, Sindhupalanchok, which is the first experimental eco-village implemented jointly by CSD, CRT/N and Manushi Laghubitta Bittiya Sanstha Ltd. The participants



Participants after Visiting Different Components of EVD in Bethanchowk

interacted with the members of the Manushi, who are also participants of the self-help eco-village program. They discussed on the needs as well as the interventions and its relevancy to the local households and the community. They were familiarized with tunnel farming, vermin compost making, use of organic liquid manure and fertilizer, use of improved cook stoves, plastic water ponds for irrigation as well as impact brought out by these interventions. An interaction program was also organized in the Chhyamadevi Higher Secondary School, especially with the 3 zero club members, students and teachers. Manushi has formed six 3 zero clubs among the students of the school.

The third day of the workshop comprise of a field visit to Bethanchowk Rural Municipality 5 of Kavrepalanchok district, the first area of eco-village launched by CRT/N with 100 participating households. The visiting team interacted with the village committee of the eco-village named Nawa Urjashil Krishi Samuha in their community hall. All the participating households of this village have been adopting clean and renewal energy, sustainable agriculture

practices and following environment friendly and sustainable way of living with positive effects on their income sources as well. After interaction, the participants were divided into four groups and visited different households and project sites along with the committee members to observe and learn from their practices. The participants observed improved water mill (panighatta), biogas plant, chilling vat, tunnel farming, drip irrigation, solar dryer, improved cook stoves, induction stove etc. which were promoted for livelihood improvement. The team members also get acquainted with the improved cattle shed and organic fertilizer practiced by the farmers to discourage the use of chemical fertilizer in their farm.

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# Leaders are Unanimous on the Effective Implementation of the Eleven Point Declaration of 3<sup>rd</sup> NMMS to Resolve the Current Crisis in MFIs



**CSD Chairman Mr. Shankar Man Shrestha Addressing the Webinar**

A review program was conducted on February 27, 2023 with the participation of the heads of MFIs to discuss the latest status and progress on the implementation of 11-point declaration of the Third National Microfinance Members' Summit (3<sup>rd</sup> NMMS) held on April 11-12, 2023.

Addressing the participants, Chairman of the Summit Organizing Committee Mr. Shankar Man Shrestha stressed that it is now a high time to focus on the purification, strengthening and refining of microfinance practices. He further said "The understanding of the declaration has not been widened among those working in the field. We have to discuss it and make entrepreneurship development an integral part of microfinance practice to raise the living standards of the poor and disadvantaged groups. The spirit of the slogan of 3<sup>rd</sup> NMMS 'Expand Enterprise to Each Household and Reduce Poverty to Zero' has to reach every household of the members. No matter how many problems there are now and the news that has come out we have to focus on our duty. It has been clear that so far microfinance has focused on only loans to members and has not taken initiative to make members entrepreneur and productive citizen. The utilization of loan and its impact on the members' lives have not been properly monitored. We should not force the members for repayment specially who have no income to repay at the present situation. Employees should also be taught better about how to behave with members and how to be concerned with raising their income. CEOs should visit the branches once a month and observe the real condition of the members and the

working modality of the staffs. We should regain the image of microfinance. For this, we should go through the declaration of 3<sup>rd</sup> NMMS and its spirit" He further added.

On the occasion, the representatives of the participating organizations shared the progress made on the implementation of the declaration. Speaking on the occasion, Executive Director of the Unique Nepal Laghubitta Bittiya Sanstha Ltd. (UNLBSL) Dr. Gopal Dahit said that the 11-point declaration was passed by the Board of Directors of his organization and the main slogan of the conference was given priority in every program of UNLBSL. He further informed that the activities related to entrepreneurship development has been included in UNLBSL's five-year plan and its implementation has been already started. He also informed that the regional Microfinance Members' Summit will be organized within the month of May, 2023 in partnership with MFIs of Lumbini and Karnali provinces.

Mr. Dambar Bahadur Shah, General Manager of the Kisan Multi-Purpose Cooperative Limited (KMCL) informed that KMCL is working with 3 Zero clubs and Self-help Eco-village development, and promoting entrepreneurship among school going children. He also informed that they have organized a cooperative education program recently with the aim of sharing the importance and impact of microfinance among approximately 73,000 women members.

Mr. Sanjay Kumar Mandal, CEO of the Jeevan Bikas Laghubitta Bittiya Sanstha

Ltd. informed that the first Regional Microfinance Members' Summit of Koshi Province has been successfully conducted with a 14-point declaration and an action plan has been formulated in line with this. He further added that the microfinance institutions should now find out the condition of all the members, classify them and treat them according to their needs.

Similarly, Ms. Bimala Yogi, CEO of the Jalpa Samudayik Laghubitta Bittiya Sanstha Ltd. said that the message of the 3<sup>rd</sup> NMMS had a positive impact on the members, society, work of the employees and also social and institutional governance. She further added that according to the purpose of the Summit, Jalpa Samudayik has started to provide entrepreneurship development services and financial literacy training to all of its members and currently focusing on promotion of their production like honey, milk, mustard and local rice.

Ms. Sharda Pokharel, CEO of the Upakar Laghubitta Bittiya Sanstha Ltd. informed that her organization has started collaboration with the schools for entrepreneurship development among the students, formation of 3 Zero clubs and has started a self-help eco-village development program. In addition, she said that details of each member and their concerned enterprises are being prepared in each branch to identify the condition of member clients.

There were 48 representatives from microfinance institutions participated in the review program.



**Participants of the Program**



# West Meets East

## A Practice of Learning from Each Other

In the last two decades microfinance in Nepal has taken a big leap forward in terms of the number of institutions providing loans, volume of loan transactions and the number of client members. In the beginning, microfinance practitioners in Nepal had learned from Bangladesh but now microfinance institutions can learn new innovative

business practices, client friendly schemes, and other credit plus activities from one another within the country. Observing clients' enterprises and practices, they can learn new tools and techniques of financing. Towards this end, the Centre for Self-help Development (CSD) has been organizing in country visits regularly.

This year, CSD organized a high level MFIs officials' study/exposure visit "West Meets East" Program from January 22 to 28, 2023 to observe the good practices of the microfinance members and microfinance institutions of Eastern Nepal and learn from their experiences. A total of 13 representatives of 8 microfinance and cooperative organizations of western part of Nepal including some representatives from Bagmati and Madhesh Province had participated in the visit.

They had begun the visit program from the Mahuli Laghubitta Bittiya Sanstha Ltd. and the Shrijanshil Laghubitta Bittiya Sanstha Ltd. of Madhesh Province. During the visit, the team also observed the clients' businesses of the Nerude Laghubitta Bittiya Sanstha Ltd., the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd., the Navodaya Multipurpose Cooperative Ltd. and the Sahara Nepal Bachat Tatha Rin Sahakari Sanstha Ltd.



Visiting Team at Dhanpalthan Branch of JBLBSL

In Jhapa the Sahara Nepal SACCOS has been instrumental in developing pocket area for raising enterprises such as livestock, dairy, bee-keeping and providing not only financial support but also technical services through its own technical staff. It has also made arrangement for the marketing of the products so that

members could get fair price for their products. Sahara has aimed to make Jhapa district self-reliant in meat, dairy and honey production.

During the discussion with the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. (JBLBSL), the participants got acquainted with the use of digital technology in microfinance. In the presentation Mr. Sanjay Kumar Mandal, CEO of JBLBSL explained that JBLBSL has been conducting major official work such as reporting, record keeping, documentation, monitoring of staff and centres through digitalized system. JBLBSL has online customer care, real time grievance handling mechanism and digital technologies like Jeevan Bikas Digital App, GPS, Human ATM etc.

The visiting team also got information on Human ATM under Biratnagar Rani Centre of JBLBSL. Under this project JBLBSL has formed a digital member who can provide loan, collect installments and savings as well as provide utility payment services digitally like an ATM with the account code that members have. The members also can do all their debit and credit transaction physically with the digital members via their own account. All records of Human ATM

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### Way Forward of the West Meets East Program

- 1) Keep updated profiles of employees in every branch with photos.
- 2) Create a PDF file of the organization's policies and procedures and keep them in Core Banking System (CBS).
- 3) Arrange CCTV cameras and Biometric Attendance in all branches.
- 4) Implement Progress Out of Poverty Index (PPI) process to measure the state of clients.
- 5) Start evaluation of employees in the Core Banking System and reward 3 employees in every 3 month.
- 6) Pinpoint center meeting place in GPS system and upload it in the Core Banking System.
- 7) Educate the staff on the formation of Three Zero Club among students and children of the members.
- 8) Implement entrepreneurship development program as a campaign.
- 9) Encourage to form group based enterprises and support them technically and financially.
- 10) Set up a grievance hearing unit and make necessary arrangements for its free and fair operation.
- 11) Implement Environment Friendly Self-reliance Village Development program with priority.
- 12) Conduct loan appraisal and utilization checks effectively through online system or manually.
- 13) Address in time the relevant issues raised by the Struggle Committee of the clients.

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## West Meets East ...

will be processed at real time and all of the transaction by the digital member has been tracked in the digital system. The digital member who use his/her money and account for this service get paid 0.5 percent of every transaction.

Mr. Mandal express that the digitalization has brought transparency, effectiveness of the services, and efficiency of the resources. He also said that JBLBSL has started Progress Out of Poverty Index (PPI) to know the status of the members and provide better services.

The visiting team was also acquainted with the programs such as energy loans, self-employment loans, and technology loan as per the needs of the target group. Besides that the team was observed and informed about the credit plus program for the members and supports under the corporate social responsibility requirement of the MFIs and Cooperatives in the eastern Nepal. They are supporting on health, education, settlement of the poor families and other social activities for the senior citizens, cultural preservation, and disaster management, for which

they are collaborating with INGOs, NGOs and Community Based Organizations along with local governments.

During the review program, the team members said that the visit helped them a lot to learn about the innovative program of the MFIs and Cooperatives. In addition, the team decided to follow a 13-point way forward for their actions.



Visiting Team Interacting with the Members of Mahuli LBSL at Agnisair Krishnasavarn, Saptari

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## CSD Hosts Workshop on ...

An open discussion session was organized in the last day of the workshop on the findings and learnings of the participants. It was chaired by the Chairman of CSD Mr. Shankar Man Shrestha. It mainly focused on the learning from two field visits and possibilities to replicate the same back home in their own organization. The participants also unanimously agreed to implement such self-help eco-village program at their working area of microfinance program and also agreed to submit the action plans prepared in consultation with their board and management within a time frame of 15 days.

In the closing session Chairman of CSD, Mr. Shankar Man Shrestha said that developing self-help eco-village is a process to make our villages culturally rich, ecologically sound, environmentally sustainable, financially self-sufficient, and live with social harmony.

On the occasion the CEO of the Manushi Laghubitta Bittiya Sanstha Ltd. Ms. Shova Bajracharya a partner of the self-help eco-village development program in Dharpa, shared her experience that the Manushi Laghubitta has been able to build goodwill among the microfinance members, local community and local government

after working on the self- help eco-village in Dharpa.

Dr. Purushottam Shrestha Executive Director of CRT/Nepal, which is a technical partner in implementing this program said, "As the program goes hand in hand with microfinance program, it has become a good platform to develop entrepreneurship among the local women. It will also ensure the security, effective utilization and repayment of loan provided to them."

The workshop was participated by the 25 individuals including, Chairmen, Board Members, CEOs, and senior officials of the 15 MFIs.



Participants with the Beneficiary Members of Self-help Eco-village Program in Dharpa.



CSD Chairman Mr. Shankar Man Shrestha Addressing the Interaction Session after Field Work



# The First Provincial Microfinance Members' Summit of Koshi Province Concluded with 14-point Declaration

The First Provincial Microfinance Members' Summit of the Koshi Province was concluded with the vow to make microfinance services civilized, dignified and effective and also decided to dedicate it to its target groups for raising their living standards. The Summit was held on February 12, 2023 in Biratnagar, the capital of Koshi Province. It passed 14-point Declarations unanimously.

The Summit resounded the slogan "Expand Enterprise to Each Household and Reduce Poverty to Zero". The representatives of the participating organizations discussed on the different dimensions of the microfinance including the present situation of the microfinance. They agreed to act together to overcome the current crisis by eradicating the weaknesses seen in the MFIs and cooperatives in the process of the implementation of microfinance service delivery and act urgently to increase the entrepreneurship among the members. The declaration of the summit has stated to formulate a clear action plan and implement with concrete programs to protect the members from the excessive burden of loans. Similarly, the declaration has urged MFIs and cooperatives and their employees to increase contact with their members, award employees who have good performance and build relation with members regularly and establish an effective mechanism to listen the grievances of clients. The summit also decided to encourage youths to become self-employed, empower the members by providing financial literacy and skill development training in addition to financial services, ensure the effective utilization of the loans by the members.

The one-day Summit was held under the chairmanship of Mr. Sanjay Kumar Mandal, Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. The summit was inaugurated by Honorable Minister for Women, Children and Senior Citizens, Ms. Bhagawati Chaudhary.

Addressing the opening session, Minister Chaudhary said, "Microfinance program is a campaign against poverty alleviation started for the poor and underprivileged women. They can take credit services and become entrepreneurs to raise their living standard. However, the loan should be used for the purpose for which the loan is taken. Microfinance program has played an incomparable role for the empowerment of the deprived women in Nepal and it should be further developed as a clean and service-oriented business for social transformation."

Speaking at the closing ceremony of the conference, Member of Federal Parliament Mr. Yogendra Mandal said, "Microfinance is an effective program of Nepal for



CSD Chairman Mr. Shankar Man Shrestha Addressing the Summit as a Guest Speaker

poverty alleviation and upliftment of disadvantaged groups specially the women. For this, microfinance institutions and their members should be able to benefit by working together in accordance with the spirit and fundamentals of Microfinance."

While addressing the conference, Guest Speaker Mr. Shankar

Man Shrestha, Chairman of the Center for Self-help Development (CSD) said, "There is a mission drift in microfinance and many organizations not working in accordance with microfinance norms, ethics and values and focusing on profit making without being responsible to the members. The regulatory body Nepal Rastra Bank is also guilty of not taking the right policy." He suggested that in order to solve the current disruptions and the problems among the members, microfinance practitioners should move ahead with the principles and spirit of microfinance and regulating authority should diligence the wrong doings.

Mr. Bam Bahadur Mishra, Deputy Governor of the Nepal Rastra Bank, stated that the problem arose because of the number of microfinance institutions which is more than the requirement of the country and promised to bring microfinance institutions to the right number in the near future.

Mr. Sanjay Kumar Mandal, Chairman of the Summit Organizing Committee and Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. stated that the microfinance is the best program, in which poorest of the poor can have an opportunity to thrive their living standard. He mentioned that recently some vested interest groups have tried to misinterpret this sector for their own benefits. In addition, he said that the Summit has been organized to gear up the microfinance movement with purification and making it more accessible to the poorest and most deprived group of the country.

On the same occasion, six of the participating members shared their experience on how could they upgrade themselves into entrepreneurs from the daily wage earning and changed their socio-economic status after taking loan from microfinance institution.

In the summit, three thematic sessions on Impact of Microfinance on Women and Rural Areas, Meaning of Microfinance, Financial Literacy and Customer Protection as well as the Importance of Microfinance in Nepalese context were discussed. A total of 515 participants including Board Directors, Chief Executive Officers, employees, experts, members of microfinance institutions and other stakeholders of about 21 microfinance and microfinance cooperatives had participated in the Summit.

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# CSD Initiates Two-year Entrepreneurship Development Program for Microfinance Institutions

The Centre for Self-help Development (CSD) has initiated an entrepreneurship development program with the aim of developing about 5,000 entrepreneur women among microfinance members within a period of two years. This program has been started in coordination with 18 microfinance institutions considering the fact that there are currently a large number of passive members in the microfinance sector and even the members who have taken loans have not been able to embrace enterprises sustainably.

The program will go through the three-tier training process. In the first tier, at least 20 senior officials of MFIs and cooperatives organizations will be provided Training of Trainers (TOT) to groom them as an entrepreneurship development trainers. In the second tier each of the 20 trainers will develop again at least 20 branch manager and field staff of their respective organization as an entrepreneurship development trainers. In the third tier, each of the branch managers and field staffs will identify 20 potentials members to undertake locally potential enterprises and become self-employed entrepreneurs. They will also prepare a 2-year plan to execute in their own branch. This entire process will be facilitated by the senior officials who has had TOT and monitored by assigned officials of CSD.

To this effects, a first tier 4-day residential Entrepreneurship Development Training of Trainers (TOT) has been completed on March 14-17, 2023 at Yellow Pagoda Hotel, Kathmandu. In total 24 senior officials from 18 microfinance institutions and microfinance cooperative organizations and 4 officials from CSD have been provided with TOT training.

In the opening ceremony of the TOT Program, Mr. Shankar Man Shrestha, Chairman of CSD said that keeping in view the current state of microfinance members, it is a high time for MFIs and cooperatives to be seriously concerned about the micro-



Participants of the TOT Program

entrepreneurship development of each of their members by enhancing their business skills and restore the lost goodwill of micro-finance. "Initially, microfinance practitioners had laid the foundation for the transformation of socio-economic status of vulnerable and destitute families, but now change are moving in an opposite way. Newspapers and social media are filled with negative views about microfinance. Now the time has come to be ashamed to even be introduced as a microfinance practitioner." He further said, "What we have been doing now is not right. MFIs are providing loans more than the capacity and needs of members. No attention has been given to imparting skills to the members and seen how the loans are being used. We have not checked what and how the members are doing with money we lent. We focused on only more and more disbursement of loans. Now the members are in a loan trap and running away from their houses for fear of encountering with MFIs staffs. Besides, MFIs lending deviated from the poor to the rich. This current situation is due to our own evil deeds. So, what to do now? Stop all the wrong doings we have been and do business in right manners. To this effect, we should reach each and every client and serve their needs. Still more than 1 million families are below the poverty line. We must focus the downtrodden. Looking at their needs and capabilities, we don't need to make big investment. Locally available resources and means should be mobilized to make them prosperous." Shrestha said.

The TOT was facilitated by Mr. Gokul Pyakurel and Mr. Rajan K.C. They

taught on the learning of identifying right enterprise and process to develop entrepreneurship, marketing skill and also the enterprises and entrepreneur's classification, calculation of Return on Investment (ROI), Break Even Point (BEP), Portfolio at Risk (PAR), Business Selection, and preparation of a Business Plan etc.

The first day classes were based on theoretical and practical knowledge. In the second day, the participants were divided into four groups and observed and studied project of four different branches and members of the Swabalamban Laghubitta Bittiya Sanstha Ltd. and the Manushi Laghubitta Bittiya Sanstha Ltd. in Kavrepalanchowk district. In the field work, the participants had collected data and information as per provided guidelines. In the third and fourth day of the training all the participants of the four groups analyzed and prepared business plan on the basis of collected data. The instructors also guided them to postulate data and calculate different indicators. Lastly, in the fourth day each group has presented their business plan with the facts and figure.

This program at the end will help microfinance members to become entrepreneurs, explain business conditions of their ventures, help in business promotion, suggest potential and sustainable businesses/enterprises, develop professionalism in existing enterprise, increase production, ensure marketing and get higher price of the product.

The evaluation of the training shows that the participants learned the skills and knowledge to know the microfinance members and their enterprises, businesses, understand their conditions and assess the possibilities and challenges seen in the business. This also enable MFIs and their staff to develop their members as an entrepreneur in an organized way that endeavor to secure microfinance investments.



# CSD Conducted a Training of Trainers (TOT) on Progress Out of Poverty Index (PPI)

The Center for Self- help Development (CSD) organized a 3 day PPI Training of Trainers (TOT) to 23 senior officials and branch managers of microfinance institutions in Biratnagar in coordination with the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. (JBLBSL). The objective of the program was to familiarize microfinance officials with the importance of PPI and acquaint them about the use of format and calculation of different parameters of the PPI to measure the living standard of microfinance members.

Progress Out of Poverty Index (PPI) is an internationally recognized tool to use to gauge the poverty level of the poor. It estimates the livelihood of an individual falling below poverty line by the use of this tool. It helps government and socially affiliated institutions to prepare strategies and programs to support the people living below poverty line. In this training, participants were able to understand the purpose, objectives, features, development and implementation of PPI. They also learned more through their experience sharing, group discussions, lectures and demonstrations using multimedia, power point and field exercises.

The TOT was facilitated by Mr. Sanjay Kumar Mandal, CEO, Mr. Sudip Kumar Mandal, HR Department Chief and Mr. Ramesh Ray, MIS & IT Department Chief of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd.

In the opening of the training program, on behalf of CSD Ms. Renu Prajapati welcomed all the participants and highlighted on the importance and modalities of the training. In the meantime, she also shared that CSD is playing its role as an umbrella organization to build and strengthen the capacity of member and non-member MFIs and Cooperative Organizations. She also urged all participants to take this opportunity of learning to broaden their knowledge.



Participants of the TOT Program

Mr. Sudip Kumar Mandal, one of the training facilitators, imparted on the importance of the PPI and encouraged the participants to learn from the training and implement the learnings in their respective organizations.

To make the learning of the training more effective, a field visit of members' households and enterprises had also been carried out at the Rani branch of JBLBSL. The participants were divided into four groups to collect data as per PPI format. The participants also tabulated their collected data in excel sheet for PPI report preparation. Mr. Sudip Kumar Mandal facilitated the PPI report verification and reporting process to the participants.

The closing session was chaired by Mr. Sanjay Kumar Mandal, CEO of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. He also urged all the participants to use the skills and knowledge acquired in the training in their work. All the participants appreciated the training and committed to roll out the learnings of the training in their respective institutions.

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## The First Provincial ...

### Declaration of the 1<sup>st</sup> Provincial Microfinance Members' Summit of Koshi Province -2023

1. To execute the slogan of the 3<sup>rd</sup> National Microfinance Members' Summit and then First Provincial Microfinance Members' Summit "Expand Enterprise to Each Household and Reduce Poverty to Zero"
2. As microfinance program is a tool for socio-economic transformation, the flaws and weaknesses of the micro financing organizations should be corrected and protected from future crisis.
3. MFIs should make a well spelled out action plan to enhance the entrepreneurship of the members.
4. In order to protect microfinance members from over-indebtedness, both the institutions and the members should be cautious to refrain from likely problems.
5. The employees of microfinance and cooperative organizations should frequently visit their members and have regular interaction with them. Also, every organization should develop an annual reward system for the outstanding employees to boost up their morale.
6. Establish grievance handing cells in each organization and handle them effectively.
7. The employees of every microfinance and cooperative organization should treat the member well and not behave them badly.
8. MFIs and Cooperatives should motivate children of their members to become self-employed in their homestead rather than encourage them for foreign employment.
9. Organizations should support to empower members by providing financial literacy and skill development trainings in addition to the financial services.
10. Members should make proper utilization of the loans and the concerning organizations should make timely monitoring of their members.
11. Organization will provide required financial information to the members regularly and members should repay their loans on time.
12. As per the principles of microfinance, members should be given initially small loan amount and gradually increase the size of the loan after they get required experience.
13. Members will not be limited to one business. Helps them to diversify to increase their source of income by involving in multiple potential enterprises in their area.
14. Members will be encouraged to build their own capital through regular savings and become financially sustainable.

# Eight Point Directives of NRB for Solving the Current Crisis in Microfinance Sector

Experts are of the view that the 8-point directive of the Nepal Rastra Bank (NRB) will help to improve the quality as well as the strength of the microfinance sector in long term and bring them back to follow the principles, values and culture of microfinance. It will also lead the microfinance sector to the right path. In an online webinar organized by the Centre for Self-help Development (CSD) under the 20th web-talk series, they concluded that although the 8-point directives seem to have tightened the operation of microfinance institutions in the short term, it will help to restore the image of microfinance in the long run.

The webinar was organized to clarify the main objectives and spirit of the directives. The key note speaker of the webinar, Executive Director of Microfinance Institutions Supervision Department of the Nepal Rastra Bank Mr. Revati Prasad Nepal highlighted that the directives are very necessary to guide microfinance on the right path and it is expected to help build sustainable development of microfinance in long run. "Recently, there have been many distortions and wrong doings in microfinance. On seeing the weakness, some vested interest groups started an anti MFI movement and the achievements made by the MFIs in the last four decades was ruined instantly. There is an urgency to address the major issues confronting MFIs which have led to this crisis. I hope you all understand and move forward with the values and principle of microfinance and its goal to achieve poverty alleviation. As of now, CEOs are not tired saying that we have worked on poverty alleviating but knowingly they are focusing for their own betterment and not for the client members. If what is said differs from what is done, NRB will not tolerate and will bring tighter regulations to control the misdeeds of MFIs," Mr. Nepal said.

On the occasion Mr. Shankar Man Shrestha, Chairman of CSD remarked, "There is a need for strengthening, purifying and refining microfinance operations to bring it back to right track and the eight-point directives of the Nepal Rastra Bank will help in this regard. Should this directive have come much earlier, the distortions currently faced by microfinance sector would be avoided. We all know that microfinance has become profit focused and employees and promoters friendly instead of becoming members friendly. The present crisis needs to end." Mr. Shrestha further added, "NRB seems determined to control wrong practices through this directive such as duplication of clients or multiple and over financing, pushing the clients to loan trap and excessively dividend oriented culture forgetting the objectives and principles of microfinance. It is said that Nepali MFIs have followed the Grameen Model, but in practice we have perverted and distorted this model. NRB must ensure that all the MFIs should go through the principles, values and spirit of microfinance."

Chairman Shrestha also emphasized that MFIs should work on entrepreneurship development of the target group. He cautioned that MFIs should not be involved in the clients



A Glimpse of the Webinar

poaching game to earn more profit because it will give them short term benefit only and will weaken the clients and the microfinance sector.

Speaking on the occasion, Chairman of the Chhimek Laghubitta Bittiya Sanstha Ltd., Mr. Ram Chandra Joshi said that the microfinance sector did not require any regulation in the past but now needs to be strictly regulated due to their deviations from the principles of microfinance. He also said that the current 8-point directive is very positive and urgent, and it will help to regain the strength of the microfinance sector.

Another speaker of the webinar, Mr. Sanjay Kumar Mandal, Chief Executive Officer of the Jeevan Bikas Laghubitta Bittiya Sanstha Ltd. opined, "There is no need to regulate many things that are in conformity with the principles and not deviating from the basic fundamentals of microfinance. The main problem now is that we have not practiced the Grameen Model as it was envisaged. We have forgotten the spirit of the model we learnt and practiced on the start of the program. We have not been able to move ahead keeping in mind the poor and the disadvantaged communities and work towards their upliftment. Now MFIs have faced more problems in the urban areas. This means that we have forgotten our target group who live in the villages. So we have to focus on the villages, and the poor and the disadvantaged group."

Another speaker of the webinar, Ms. Bimala Yogi, Chief Executive Officer of the Jalpa Samudayik Laghubitta Bittiya Sanstha Ltd. said that the directives of NRB are positive for employees who believe in and adhering to the principles and mission of microfinance. She also added that the directive reminds us of complying with the fundamentals of microfinance while discharging our duty.

After the presentation, Mr. Rajan Bhattarai, Dr. Purushottam Shrestha, Mr. Ram Chandra Rupakheti and other participants raised their queries in the open discussion. A total 260 participants from various microfinance and financial Institutions had attended the webinar.



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