



## ***Conference Proceedings***

# First Regional Conference on Microfinance in SAARC Countries: Sharing Lessons & Way Forward



Jointly Organized by  
Institute of Microfinance (InM), Bangladesh  
and Rural Microfinance Development Centre (RMDC), Nepal  
in cooperation with  
the SAARC Secretariat

Kathmandu, Nepal  
30 November -1 December 2010



Institute of Microfinance (InM)



Rural Microfinance Development Centre (RMDC)





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**Institute of Microfinance (InM)**



**Rural Microfinance Development Centre (RMDC)**



Published in March 2011

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The organizers would like to thank UKaid, DFID's PROSPER (Promoting Financial Services for Poverty Reduction) Programme for providing funds for the conference and for their support in the production of this publication.

## Acknowledgement

Institute of Microfinance (InM) conducts cutting edge research, feasibility analysis, baseline survey, impact assessment, evaluation etc. with a purpose of providing policymakers with findings and suggestions on different methods of poverty alleviation with special focus on microfinance. InM endeavors to emerge as a Centre of Excellence in the area of microfinance, enterprise development, poverty reduction and allied areas at the national and international levels through collaborative approach to research, knowledge management, training and education, and participation of reputed institutions and scholars in its programmes. Initiated and promoted by Palli Karma-Sahayak Foundation (PKSF) in November 2006, the Institute is principally funded by UKaid, Department for International Development (DFID) through its Promoting Financial Services for Poverty Reduction (PROSPER) Programme.

As a collaborative partner organization, Rural Microfinance Development Centre (RMDC) is an apex microfinance organization in Nepal operating as a wholesale lender for retail microfinance institutions such as microfinance development banks, Financial Intermediary Non-Governmental Organizations (FI-NGOs) and cooperatives. It also works for the promotion and development of the microfinance sector in the country.

“Microfinance in SAARC Countries” is a part of our long term study to publish reports on the state of microfinance in different regions of the world. As South Asia is the origin of microfinance, we chose it as our first area of study.

This conference brought together academicians and practitioners in the region working on and having a keen interest in the microfinance sector. It was a lesson learning forum where we shared our experiences of success and limitations and exchange our ideas regarding the challenges faced by the sector. The inter-country experiences helped to replicate accomplishments and provided an opportunity to think about overcoming the impediments in a new light.

We would like to thank everyone who worked to make this event successful. Our heartiest thanks to the SAARC Secretariat; H. E. Dr. Sheel Kant Sharma, Secretary General, SAARC; Mr. Surendra Pandey, Honorable Minister of Nepal; Dr. Yuba Raj Khatriwada, Governor, Nepal Rastra Bank; Mr. DASHO DAW TENZIN, Governor, Royal Monetary Authority, Bhutan; Professor Wahiduddin Mahmud, Chairman, InM; Mr. Ashoke SJB Rana, Chairman, RMDC; Dr. Amanullah (Mak) Khan, International Team Leader, PROSPER-PCU, DFID; all delegates from the SAARC member countries and other countries; all authors of the country reports; and especially InM Visiting Fellow Dr. Rashid Faruquee. We would also convey special thanks to Mr. M. Riaz Hamidullah, Director Bangladesh, SAARC and Mr. Niranjana Basnyat, Director Nepal, SAARC for their valuable support. We would also like to thank staff of InM and RMDC for their dedicated efforts and devotion in organizing the conference successfully.

**Dr. Md. Mosleh Uddin Sadeque**  
Interim Executive Director  
Institute of Microfinance (InM)

**Mr. Shankar Man Shrestha**  
Chief Executive Officer  
Rural Microfinance Development Centre (RMDC)





*Honourable Minister of Finance, Nepal; Mr. Surendra Pandey inaugurates the Conference*



*H.E. Dr Sheel Kant Sharma, Secretary General of SAARC, releasing the Overview Report 2010 on Microfinance in SAARC Countries*

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## Acronyms

ADB	Asian Development Bank
BDFC	Bhutan Development Finance Corporation
BDI	BRAC Development Institute
BFIA	Bank and Financial Institution Act
BML	Bank of Maldives
CAR	Capital Adequacy Ratio
CBM	Community Banking Model
CBSL	Central Bank of Sri Lanka
CDF	Credit and Development Forum
CGAP	Consultative Group to Assist the Poor
CIB	Credit Information Bureau
CRB	Co-operative Rural Banks
CSD	Centre for Self-help Development
DFID	Department for International Development
DSK	Dushtha Shasthya Kendra
FI-NGOs	Financial Intermediary Non-Governmental Organizations
FSS	Financial Self Sufficiency
GBBs	Grameen Bikas Banks
GDP	Gross Domestic Product
GNI	Gross National Income
H.E.	His/Her Excellency
IBP	Intensive Banking Programme
IFAD	International Fund for Agricultural Development
InM	Institute of Microfinance
KnM	Knowledge Management and Communication
MCGF	Microfinance Credit Guarantee Fund
M-CRIL	Micro-Credit Ratings International Ltd.
MED	Ministry of Economic Development
MFBs	Microfinance Banks
MFIs	Microfinance Institutions
MISFA	Microfinance Investment Support Facility for Afghanistan
MMA	Maldives Monetary Authority
MRA	Microcredit Regulatory Authority
NABARD	National Bank of Agriculture and Rural Development
NBFCs	Non-Banking Financial Companies
NDTF	National Development Trust Fund
NRB	Nepal Rastra Bank
OSS	Operational Self Sufficiency
PAMP	Poverty Alleviation Microfinance Project
PAR	Portfolio at Risk
PCRW	Production Credit for Rural Women
PCU	PROSPER Coordination Unit
PKSF	Palli Karma-Sahayak Foundation
PMFBs	Private Microfinance Banks
PMFF	Pakistan Microfinance Fund
POs	Partner Organizations

PPAF	Pakistan Poverty Alleviation Fund
PPI	Progress out of Poverty Index
PROSPER	Promoting Financial Services for Poverty Reduction
RBI	Reserve Bank of India
RMA	Royal Monetary Authority
RMDC	Rural Microfinance Development Centre
ROA	Return on Asset
ROE	Return on Equity
RSP	Rural Support Programmes
RSRF	Rural Self-Reliance Fund
SAARC	South Asian Association for Regional Cooperation
SAMN	South Asian Microfinance Network
SBLP	Self-Help Group Bank Linkage Programme
SBP	State Bank of Pakistan
SFDP	Small Farmers Development Programme
SHG	Self-Help Groups
SKBL	Sana Kisan Bikas Bank Ltd.
SLSB	Sri Lanka Savings Bank
SMDP	Small Farmer Development Project
SPM	Social Performance Management
STI	Second Tier Institutions
UNCDP	United Nations Committee for Development Policy
UNDP	United Nations Development Programme
UNICEF	The United Nations Children's Fund
USD	United States Dollar
VB	Village Bank



## 1.0 Introduction

Microfinance originated in the countries of South Asia at different points of time and in different forms such as Grameen Bank Project, Small Farmer Development Project, Self-Help Groups (SHGs) etc. The overall aim of the initiatives was to fight against the poverty encircling the masses in the countries. In the SAARC<sup>1</sup> countries, microfinance programmes started with various patterns of evolution that have not been uniformed. There are some common features with some differences in models and approaches.

Modern microfinance system was first started in Bangladesh where it has grown at an astonishing speed. Nepal also initiated microfinance as Small Farmer Development Project (SFDP) almost at the same time when Grameen Bank was initiated in Bangladesh. In India, SHG based microfinance programmes have taken wide scale application while the other SAARC countries started microfinance much later. At present, most of the countries have active microfinance programmes, though they vary in nature and depth of outreach. The varied experiences of these countries provide an opportunity to review progress and achievements and to learn from each other's experiences.

The Institute of Microfinance (InM), Bangladesh and Rural Microfinance Development Centre (RMDC), Nepal, jointly organized a Regional Conference on "Microfinance in SAARC Countries: Sharing Lessons & Way Forward" in association with the SAARC Secretariat, Nepal, at Hotel Yak & Yeti, Kathmandu, Nepal from November 30 to December 01, 2010.

The conference aimed at disseminating the findings of InM governed research study on "Microfinance in SAARC Countries" among the stakeholders in microfinance sector throughout the region. Hence, the conference brought together eminent people from microfinance sector consisting of policymakers, renowned academicians, practitioners, stakeholders and representatives from SAARC member countries to appraise the successes and challenges of the sector.

"Microfinance in SAARC Countries" is a part of InM's long term study to publish reports on the state of microfinance in different regions of the world. South Asia was the first region selected for this purpose. In this regard, an Overview Report on the evolution and challenges of microfinance in this region has been coordinated by Dr. Rashid Faruquee, Visiting Fellow, InM; based on individual Country Reports.

In this conference, key issues like sustainability and regulations of the Microfinance Institutions (MFIs) came to the fore. The conference acted as a Lesson Learning Forum where inter-country experience sharing helped policymakers and practitioners recognize and think about significant policy guidelines for the sector.

The conference was participatory and interactive. More than 270 participants attended the conference from different microfinance, mass media, research, educational and government institutions of SAARC region.

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<sup>1</sup> The South Asian Association for Regional Cooperation (SAARC) is an organization of mainly South Asian nations, founded in 1985 and dedicated to economic, technological, social, and cultural development emphasizing collective self-reliance. Its seven founding members are Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined the organization in 2007.

## Objective

The main objective of the conference was to disseminate the findings of the study and enable the participants, including policymakers, practitioners, and academicians to derive lessons towards future policy and practice orientations. Through sharing information and by seeking measures, the existing challenges in microfinance sector can be dealt and addressed.

## About the Organizers



The ***Institute of Microfinance (InM)*** is an independent non-profit organization established primarily to meet the research and training needs of national as well as global microcredit programmes. InM was initiated and promoted by Palli Karma-Sahayak Foundation (PKSF) in November 2006. It is principally funded by UKaid, Department for International Development (DFID) through its Promoting Financial Services for Poverty Reduction (PROSPER) Programme.

InM has an excellent team of professionals in research, training and knowledge management. The regular core research group comprises of well coordinated and dedicated researchers with extraordinary expertise. Besides, InM draws research scholars from reputed universities across the world.

The major services that InM provides are research on poverty, microfinance, enterprise development, livelihood promotion, climate change, impact assessment, evaluation as well as training on capacity building, training of trainers (ToT), scheduled and tailor-made courses, training evaluation, training need assessment, curriculum and module development, consultancy and programme management.



The ***Rural Microfinance Development Centre (RMDC)*** is an apex microfinance organization in Nepal operating as a wholesale lender for retail microfinance institutions such as microfinance development banks, Financial Intermediary NGOs (FI-NGOs) and cooperatives. It also works for the promotion and development of the microfinance sector in the country. It was registered on October 30, 1998 as a public limited company under the then Companies Act, 1996 with a mandate to operate as a development bank within the framework of the then Development Bank Act, 1995. RMDC commenced its lending operation in January 2000 and re-registered under the new unified banking law titled the Bank and Financial Institution Act (BFIA).

The vision of RMDC is to emerge as a financially viable, operationally sustainable, and professionally efficient apex institution of microfinance in Nepal, while the mission is to reach out to the largest number of the poor and deprived households with appropriate microfinance services to enable them to realize their untapped potentials of development through the network of partner MFIs. RMDC has been collaborating and partnering with various national and international agencies for the promotion and development of microfinance.

## 2.0 Conference Highlights

### Day -1 (30 November 2010, Tuesday)

#### 2.1 Inaugural Session

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Opening	<i>Dr. Md. Mosleh Uddin Sadeque</i>
Remarks	Interim Executive Director, Institute of Microfinance (InM), Bangladesh <i>Mr. Shankar Man Shrestha</i> Chief Executive Officer, RMDC, Nepal
Chair:	<i>Dr. Wahiduddin Mahmud</i> Professor of Economics, University of Dhaka Former Minister to the Caretaker Government, Bangladesh, Member of the UN Committee for Development Policy (UN CDP), and Chairman, InM
Chief Guest:	<i>Mr. Surendra Pandey</i> Honourable Minister, Ministry of Finance, Nepal
Guest(s) of Honour:	<i>H.E. Dr. Sheel Kant Sharma</i> Secretary General, SAARC <i>Dr. Yuba Raj Khatiwada</i> Governor, Nepal Rastra Bank

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The inaugural session commenced with the national anthem of Nepal. Dr. Wahiduddin Mahmud, Professor of Economics, University of Dhaka and Chairman, Institute of Microfinance (InM) chaired the session. Mr. Surendra Pandey, Honourable Minister, Ministry of Finance, Government of Nepal adorned the position of Chief Guest. H.E. Dr. Sheel Kant Sharma, Secretary General of SAARC and Dr. Yuba Raj Khatriwada, Governor, Nepal Rastra Bank were present as Guests of Honour. Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM and Mr. Shankar Man Shrestha, CEO, RMDC delivered their opening remarks.

### Opening Remarks

#### **Dr. Md. Mosleh Uddin Sadeque**

##### **Interim Executive Director, Institute of Microfinance (InM), Bangladesh**

In his opening remarks, Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director of InM welcomed all to the conference and introduced the Institute of Microfinance (InM) to guests. He then shared a few words about the InM project on “Microfinance in SAARC Countries”. Dr. Sadeque stressed on the need to forge collective effort among MFIs of SAARC region to overcome the challenges existing in the sector. He also expected sharing experience among the audiences for the development of microfinance activities towards poverty alleviation in the region. “We have gathered here for common learning through our experiences and share innovative ideas to deal with the challenges seen in the sector and seek practical point for departure”, said Dr. Sadeque. Stating the fact that SAARC region is the home to microfinance, he also urged the policymakers to facilitate the sector in reducing poverty in the region. He concluded hoping success for the ceremony.

#### **Mr. Shankar Man Shrestha**

##### **Chief Executive Officer, RMDC, Nepal**

Delivering his remarks on the occasion, Mr. Shankar Man Shrestha, CEO of RMDC, stressed the fact that microfinance, if used properly and effectively, can bring meaningful changes in the lives of poor and destitute; the region’s economy can’t move ahead without improving the lives of the millions of poor people.

Mr. Shrestha said access to finance for poor people has increased manifold with the tremendous progress and achievements in the field of microfinance in the decade of 2000 across the SAARC region. Lauding the success of MFIs, Mr. Shrestha stated that MFIs had been able to maintain very good recovery rate of over 98% and were on the way to achieving self-sufficiency in the next 2-3 years time and financial sufficiency in 5-6 years.

However, he expressed concerns over the growing ill-practices that have been bringing distortion in the microfinance sector. “Against the back drops of many positive developments in microfinance, lately some MFIs are drifting away from their very mission to serve the poor and the destitute. Following their initial successes, some of them are found inclined to go with the less poor or not poor. A tendency is found to have developed among MFIs to lend larger size loans to less poor or middle level clients,” said Mr. Shrestha.

He also highlighted the increasing trend of seeking more profit by MFIs by engaging in unhealthy competition that would threaten the sustainability of the MFIs. He expressed dissatisfaction over the trend of MFIs preferring to base themselves on only well-off areas leaving the people in remote areas without access to finance.

On the occasion, he read out the message for the conference from Nobel Peace Laureate and the founder and Managing Director of Grameen Bank, Professor Muhammad Yunus, who pioneered the concept of microfinance. In his message, Professor Yunus apologized for not being present at the

auspicious event. He also commented that, Nepal was one of the countries that moved ahead in microcredit with a successful wholesale fund for microfinance like RMDC that had helped the sector grow. Professor Yunus expressed his concern over the crisis that was being witnessed in various countries, which was mainly due to a wrong turn taken in some microcredit programmes in their process of commercialization with the objective of 'profiting' from the poor. Lastly, he expected the success of this important and timely conference and wished best success to all.

### Chief Guest

**Mr. Surendra Pandey**

**Honourable Minister, Ministry of Finance, Nepal**

The Chief Guest of the opening session, Finance Minister Mr. Pandey appreciated the progress by Bangladesh in microfinance sector and urged Nepalese to take advantage from the experience of Bangladesh. "Bangladesh is globally considered as a pioneer in the field of microfinance. I urged upon Nepalese delegates to take the maximum benefit from Bangladesh's rich experience," Mr. Pandey said.

The Honourable Minister said that, given the multiplicity of institutions engaged in microfinance sector, the government was working on setting up a Second Tier Institutions (STI) to regulate all sorts of MFIs. MFIs can play crucial role for the implementation of inclusive development on the back of widespread poverty, growing inequality across different geographic regions, communities and gender.

On the occasion he also called for effective utilization of remittance for the development of recipient countries. "I call upon this conference to find out modalities on how we can effectively channelize remittances to the overall development of our countries including through microfinance," he added.

The Chief Guest, Mr. Surendra Pandey inaugurated the ceremony lighting the *panas* a traditional Nepalese lamp. Mr. Surendra Pandey thanked the organizers for choosing Nepal for the grand conference. He also encouraged the brotherhood between countries that would become stronger by such an occasion.

### Guests of Honour

**H.E. Dr. Sheel Kant Sharma, Secretary General, SAARC**

Dr. Sheel Kant Sharma, in his speech, expressed that microfinance has changed lives beyond South Asia. He compared poor people with an atom; tiny but powerful. If they can be treated appropriately, they can generate huge transformation for the society. On the other hand, badly treating them can make massive destruction.

Delivering his speech on the occasion, the Secretary General of SAARC highlighted the growing role of MFIs to uplift the lives of poor people in the task of alleviating poverty in the region. He also expressed readiness to extend cooperation from the SAARC Secretariat for the development of MFIs in the region in the days to come. He further hoped that all the governments in SAARC countries would come to form a group to become the first that could successfully eradicate poverty. SAARC Secretary General Dr. Sharma later released the Overview Report 2010 entitled 'Microfinance in SAARC Countries'.

**Dr. Yuba Raj Khatiwada**

**Governor, Nepal Rastra Bank**

Dr. Yuba Raj Khatiwada, Governor of Nepal Rastra Bank (the Central Bank of Nepal), stressed on the need for holistic mobilization of MFIs in micro-insurance targeting the poor people, in addition to the financial use of MFIs. "It is challenging and necessary that integrating programmes of microfinance sector with government agencies for the repackaging of government initiated

programmes in crucial sectors such as education, health and infrastructure”, said Dr. Khatiwada. He also opined that growth of MFIs should not be limited but they should be properly regulated through effective regulations for their sustainability. Lauding the proliferation of MFIs in the SAARC region, Dr. Khatiwada stated his view of not to replicate the MFI programmes; and the programmes should be customized and fine-tuned taking into account the situation of the recipient countries. He concluded pointing out several issues of interest. He expected those issues to come fore in the discussion sessions. These issues included use of microfinance in poverty alleviation, outreach, sustainability, inter-institutional integration and regulation of microfinance.

### Chair

**Dr. Wahiduddin Mahmud**

**Professor of Economics, University of Dhaka**

**Former Minister to Caretaker Government, Bangladesh,**

**Member of the UN Committee for Development Policy (UN CDP),  
and Chairman, InM.**

Dr. Wahiduddin Mahmud, in his speech, categorized the conference as a unique and happy occasion for sharing the different modalities, experiences and lessons throughout the South Asia. He lauded the idea of microfinance for which we, in South Asia, can deservedly claim the intellectual property right. Since microfinance is an evolving thing, it will be *learning by doing* process for all and also *learning by seeing others doing*. He said there are 20-30 million borrowers taking advantage of microfinance in Bangladesh. “USD 3 billion worth of money revolves annually which is higher than our government development spending. Of this amount, one-third constitutes the savings of the poor women borrowers. Many people are not aware of this unique contribution of microcredit that not only that they use credit for their family welfare but poor people can also save, if they have the access to savings instruments”, he said. “We are holding this conference at a time when we are aware of that the system is under scrutiny at least in one part of South Asia which is Andhra Pradesh. But microcredit system and movement is mature enough to survive and come out of any such debacle with more ability to help the poor”, he added.

There are many subjects of intense debate about microfinance but one meticulous source of debate regarding microfinance is because of its dual role: as a banking operation, its purpose is to channel funds to the poor through innovation, and as a poverty alleviation programme just like any other safety-net programmes of the government. “If we judge it only by its financial viability, then we can go too far like the South American model of microfinance which is now connected to the commercial banks and floats share in the stock market, very successful financially but forgetting the main objective of poverty alleviation; and charging the poor borrowers with about 100% interest rate. We don’t follow it here in South Asia”, he said. Dr. Mahmud expressed that, of course, microfinance institutions have to be financially viable but since the main objective is to help the poor; then it is extremely important that we need to enhance the image and the human face of microcredit by gaining efficiency for helping the poor and by converting the efficiency gains into lower interest rate. “We can be socially more sensitive in terms of collecting repayment; we have to recognize the hardships of individual borrowers and can be more flexible in the way we do our microcredit operations”, he said. Microfinance institutions are now capable to face the second generation types of challenges like credit from multiple sources and extension of microcredit for agriculture, health and education; and also regulation of microfinance. However, these issues must be taken into account for further accomplishment of the sector. He urged that MFIs have to concentrate on their effort to serve the grass-root level people to bring the millions of poor people out of the poverty in the region.



## 2.2 Country Presentations

### Day -1 (30 November 2010)

#### 2.2.1 Afghanistan




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Speaker:	<i>Dr. Atonu Rabbani</i> Assistant Professor, University of Dhaka, and Visiting Fellow, InM, Bangladesh <i>Mr. Fazlul Hoque</i> Country Head, BRAC Afghanistan
Chair:	<i>Dr. Rashid Faruquee</i> Visiting Fellow, InM, Bangladesh
Discussants:	<i>Dr. Saeed Ahmed</i> Head of Microfinance, State Bank of Pakistan, Pakistan <i>Ms. Kanwal Bokharey</i> Consultant, SDC, Pakistan <i>Mr. Nara Hari Dhakal</i> Microfinance Consultant, ADB

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## Keynote Presenters

**Dr. Atonu Rabbani**

**Assistant Professor, Department of Economics, University of Dhaka, and Visiting Fellow, InM, Bangladesh**

Afghanistan, a landlocked developing country marred by conflicts for years, has significant geo-strategic advantage, benefit of which perhaps still unrealized. Recent reconstruction efforts resulted from influx of development assistance, which resulted in high growth rates (11.4% per annum since 2002). Per capita GDP has jumped from USD 124 in 2001 to USD 466 in 2008, where the agriculture sector had the highest contribution (53% as of 2007).

After 2001, Da Afghanistan Bank (Central Bank of Afghanistan) was strengthened for monetary control and banking supervision. As of 2008, there are 15 licensed banks, 3 state-owned banks, 7 private banks and 5 foreign banks. Afghanistan Banking Association was established in 2004. In addition, 1 leasing company and 2 insurance companies are present there. However, informal sector plays the major role, which is “justified” by existence of a large informal economy. Prevailing agricultural credit arrangements includes (1) *Anawat* (short selling of commodities for cash loans, sometimes used by the shopkeepers) (2) Commodity credit (3) Family credit and (4) *Salaam* (advance sell of products). Major source of non-agricultural credit is *Hawala*.

In the early years, NGOs (out of 500 working in 2002) provided credit services. Later, Microfinance Investment Support Facility for Afghanistan (MISFA) was established in 2003 as an apex body to co-ordinate donor funds, to help MFIs to scale-up rapidly and to build systems of transparent and accountable reporting.

The delivery methodologies in Afghanistan microcredit market are two: (1) individual loans and (2) group loans that include (a) village organizations (b) solidarity groups (c) self-help groups (d) credit unions and (e) seed banks. Most of the MFIs use the group lending approach and offer credit services in Afghanistan.

The microfinance sector grew at a very high rate; the number of active clients and active borrowers grew at an average rate of 30-35% per annum, between 2005 and 2008. Between the same time span, loan outstanding per branch, portfolio per staff and cost per active clients have been increased, though active borrowers per staff remained almost the same. Trade and service stand on the top in stated use of funds.

Government of Afghanistan has been very supportive of microfinance sector. MISFA has played important roles by providing subsidized loans and channeling donor funds. Afghanistan central bank provides the regulatory background. In general, specialized banking act permits microfinance institutions to graduate as a commercial bank, if they wish.

Around 70% of the microfinance programme beneficiaries are women in Afghanistan. 40% of clients are located in rural areas. More than 80% of the loans were used for setting up business or expanding them. 47% of urban clients and 39% of rural clients generated employment opportunities for others. 72% of clients reported an improvement in their economic situation. 44% women clients reported absolute control over their money. 80% women clients reported ‘improved attitude’ of their husband and other relatives, both male and female.

The challenges for the microfinance community is to find ways to offer more effective microfinance services that will gain confidence in the community and change some traditional societal norms

restricting development process. Challenges for the microfinance sector in Afghanistan also include weak management and implementation capacity, limited source of financing, narrow product range, limited geographical outreach, sustainability issues etc.

**Mr. Fazlul Hoque**

**Country Head, BRAC Afghanistan**

**Presentation on BRAC Afghanistan Micro-Finance Programme**

BRAC was established in 1972, transformed from a relief organization to a multifaceted development organization. It works with dual mission: poverty alleviation, and empowering the poor, especially women and children.

BRAC started to work in Afghanistan in May 2002, with the experience of more than 30 years in Bangladesh. Work in post conflict setting is not new to BRAC. BRAC understands the challenges and the need to build on from humanitarian relief and assistance towards programmes that support sustainable human development. BRAC believes that with its long and proven record of rebuilding a war-ravaged country, BRAC can contribute significantly to the Afghan people and the government to rebuild their country. In the beginning, BRAC started its work in two provinces to learn. BRAC eventually integrated all its development programmes and scaled up in Afghanistan.

BRAC Afghanistan has a Holistic Approach. It covers health programme, education programme, national solidarity programme (NSP), agriculture and livestock development programme, capacity building and microfinance programme.

Historically, Afghans are famous for their indomitable entrepreneurial spirit. In most cases, it was found that at least one member of an Afghan family had been operating a micro-enterprise for a significant period. These relatively mature enterprises represent a sizable market for microcredit. Besides, for centuries in Afghanistan, traders have been engaged in commerce among regions. Entrepreneurs are highly regarded in the local community.

The purpose of BRAC Afghanistan Microfinance Programme includes: make credit available to the poor, especially women; provide credit at a reasonable price; involve the poor, especially women in income generating activities, increase economic development in Afghanistan by increasing the income level of poor women.

As of October 2010, BRAC works in 24 provinces out of 34 provinces in Afghanistan with 173 branch offices. Total numbers of borrowers are 154,704 with women borrowers 85%. Total loan portfolio - USD 39 million, total amount of loan disbursed (cumulative) - USD 243 million, total security savings - USD 5.0 million (15% of portfolio), and total number of staff - 1,757 (Male 908, Female-849).

Loan products of BRAC are; Microfinance (MF) Programme, Agriculture & Livestock Development and Credit Support Programme (ALDCSP), and Small Enterprise Programme (SEP). Additionally, there are some Pilot Loan Products. Different loan products are being tested (six months, nine months and seasonal loan with monthly and seasonal loan repayment system) mainly in agriculture. Deposit taking MFIs (DMFIs) is to be piloted soon. *Shariah* Loan product will be tested in 2011.

However, Afghanistan is an extremely challenging environment in which to develop large scale, sustainable microfinance. The traditional view that microfinance services should come after stability is secured is rather simplistic and ineffective. The challenges for the microfinance community, thus,

is to find ways to offer more effective microfinance services that will gain confidence in the community and change some traditional societal norms restricting development process.

### Discussants

**Dr. Saeed Ahmed**

**Head of Microfinance, State Bank of Pakistan, Pakistan**

It is very difficult to change the economic status of poor families in Afghanistan. Many national and international organizations have been gearing up for the microfinance access to poor families in Afghanistan. However, the Afghan government does not have national strategy for Microfinance Institutions. There is an urgent need to improve legal and regulatory framework in the country for reforming financial system.

Cost of delivery is particularly high because of security situation and the cost of delivery is to be reduced which is a big challenge for the country. Most of the MFIs operate in and around Kabul and in other major towns, and the rate of sustainability of the sector is 76% in Afghanistan. The main challenge now is how to reach the underserved poor people in different areas. 90% of the MFIs are financed by the MISFA, so MFIs need to have alternative sources of funding along with the option of deposits. Afghan government needs to make a policy choice to face the challenges and to promote microfinance through commercial banks and/or specialized microfinance banks along with microfinance law, separate legal framework, consultative development, national strategies and delivery strategies.

**Ms. Kanwal Bokhary**

**Consultant, Swiss Agency for Development & Cooperation, Pakistan**

It is needed to strengthen and develop legal and regulatory framework for MFIs and also to develop a national strategy with the consultation of sector stakeholders to avoid the diversification in thoughts. Diversification of financial services is also needed along with savings and microinsurance. Moreover, addressing the challenge of increasing outreach and maintaining operating cost are most important things to do. It is obligatory to maintain security and operate capacity building programmes for borrowers in Afghanistan. Due to the security problem, most of the financial institutions have established in urban areas. Although MISFA has done an impact assessment study and came up with tangible and intangible indicators, there might be a need to come up with the industry-wide common denominators of impact indicators with the development and tracking of the indicators. As 40% of the portfolio is in Kabul, it is needed to avoid overlaps and duplications. Developing the credit information bureau, tackling the consumer protection and handling the strategy engaging social performance are also required. Lastly, models of micro and small-leasing might get room as it has been experimented in some countries within the region and it is considered to be close to the Islamic mode of financing.

**Mr. Nara Hari Dhakal**

**Microfinance Consultant, ADB, Nepal**

Microfinance in Afghanistan is less than a decade old but it had started with a very thorough sector analysis; CGAP (Consultative Group to Assist the Poor) was involved at the very beginning. Best practices of the capitalist modality were added to the Islamic view dominated economy of Afghanistan. MFIs in Afghanistan, though the dominant share goes to BRAC, are mainly backed by international microfinance institutions; which is good for the economy. Due to the political situation and natural condition in Afghanistan, it is challenging for one to get mobility and access to financial services in remote areas. In Taliban-ruled areas, MFI activities are beyond imagination. So, SMS banking could be a solution for the outreach of microfinance in these areas of Afghanistan. On the

other hand, MISFA has been supporting microfinance institutions in Afghanistan which could open a window for the expansion of microfinance in the country.

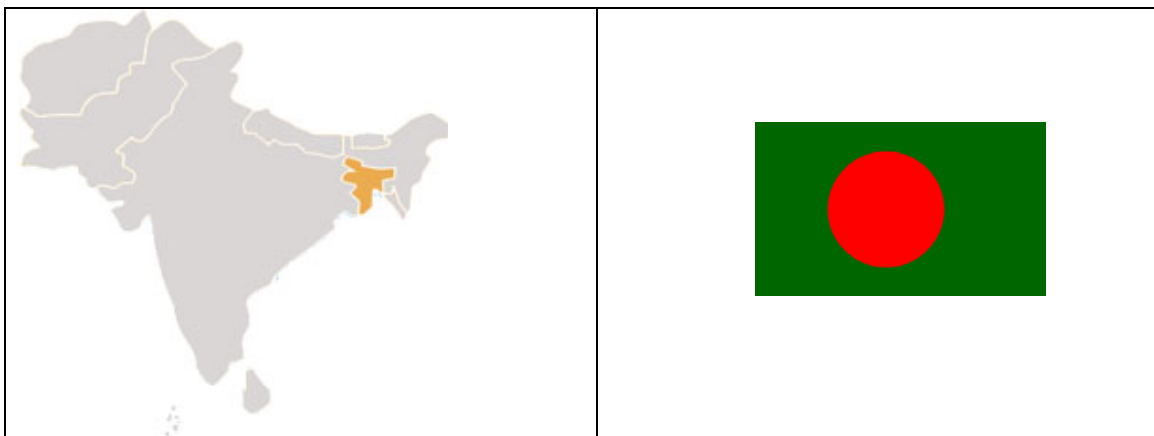
### Chair

***Dr. Rashid Faruquee***

**Visiting Fellow, Institute of Microfinance (InM), Bangladesh**

Microfinance has grown quite rapidly in Afghanistan, although the sustainability of the sector is facing a big challenge which is mainly government initiative and donor-driven. Some organizations; like MISFA; are doing extremely well in the sector. But others are not performing very well because of the country situation. There is de-sustainability issue and the portfolio at a great risk for these organizations. The financing has been always coming from outside and the regulations don't permit the deposit services, so there is not much local mobilization of resources. In most cases, it was found that at least one member of an Afghan family has been operating a micro-enterprise for a significant period. Entrepreneurs are highly regarded in the local community. However, sustainability of microfinance in Afghanistan is very challenging one due to the lack of strong local resources. Microfinance sector expanded under the absence of formal regulatory framework but certain standards and norms were maintained. Microfinance is a key way to bring the poor under formal financial system.

## 2.2.2 Bangladesh




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Speaker:	<i>Mr. Dewan A. H. Alamgir</i> Microfinance Specialist, Bangladesh
Chair:	<i>Dr. Quazi Mesbahuddin Ahmed</i> Managing Director, PKSF, Bangladesh
Discussants:	<i>Mr. Enamul Hoque</i> Chief Operating Officer, ASA International, Bangladesh <i>Ms. Jannat-E-Quanine</i> General Manager, International Programme, Grameen Bank, Bangladesh <i>Mr. Shameran Abed</i> Programme Manager, Microfinance, BRAC, Bangladesh

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### Keynote Presenter

**Mr. Dewan A. H. Alamgir**

**Microfinance Specialist, Bangladesh**

Bangladesh has the highest population density in the world except a few city states. About 40% of 150 million people are living below poverty line and 13% of total South Asian poor live in Bangladesh. Bangladesh has maintained its GDP growth rate around 5% over the last decade. Currently per capita GDP is USD 750. Poverty declined to some extent, but still remains severe due to population growth, poor governance and socio-economic factors. Life expectancy at birth became more than 59 years. Primary education enrollment touches its pick at 90% plus; where girls' attendance exceeds boys' both in primary and secondary level. Overseas remittance (currently USD 12 billion through official channels), agricultural growth and rural infrastructure development, growth in service and manufacturing (garments) sectors and microfinance are the major contributors to poverty reduction. However, poor are still vulnerable due to natural disaster and climate change factors, sluggish job creating growth, sudden high inflation in 2007-08, poor governance and lack of pro-poor growth.

Escalation of poor from poverty trap requires income generating activities. Poor people also have the idea of the business, product and market, technology (whatever rudimentary) and skills to do the business but lacks business capital. Microfinance institutions supply the most critical input—capital, for micro-business or income generating activities that poor families lack; without demanding collateral.

In Bangladesh, the dominant microfinance model is group-based Grameen model with some operational variations. Small numbers of individual loans or microenterprises are also available. Recovery of loans is generally in weekly and monthly pattern. Groups serve several purposes: low-cost operation, self-selection, information and credit history collection. However, many attempts of self-help group approach failed.

At present, there are 514 licensed MFIs, but three MFIs mainly dominate the market: BRAC, Grameen Bank and ASA. In 2008, MFIs had 33 million members of which 21 million of them were from three large MFIs. Membership has been doubled between 2003 and 2008. MFI industry had around 26 million borrowers in a total of 14,441 branches with USD 2.5 billion loan outstanding.

High expansion of microfinance outreach was fueled by savings mobilization, loan from PKSF and commercial sources, competition for market share between large MFIs. The Grameen model remains robust, though management system may vary among MFIs. Loan products are segmented and expanding through varied ways like mainstream microcredit, microcredit for ultra-poor, credit for farmers, credit for microenterprise etc. Some emerging services involve livestock insurance, domestic remittance, international remittance through partnership with banks etc.

Bangladeshi MFIs have been focusing on financial viability since mid 1990s. In 2008, most MFIs—small, medium and large, were financially viable taking OSS (Operational Self Sufficiency), FSS (Financial Self Sufficiency), ROA (Return on Asset) and ROE (Return on Equity) into account.

In Bangladesh, MFIs receive finance for their activities in several ways; for instance, equity (profit and some donor grants), savings (cheap), loan from apex agencies (subsidized) and loan from commercial banks (most expensive) etc. However, the most desired capital structure policy is to have balance among these sources.

To summarize the impacts of MFIs in Bangladesh, one can find: (1) increased income, and consequently, expenses, (2) increased assets in many forms like savings, land, house, livestock etc., (3) improved social indicators, and (4) enhanced management capacity. All these are impacts on families. Other impacts include (1) incorporating the poor under formal financial system, (2) access to savings and finance, (3) information sharing, technology transfer and access to market, (4) non-financial services are also offered through groups, and finally, (5) networking.

Bangladesh microfinance sector expanded under absence of formal regulatory framework; but certain standards and norms were maintained; PKSF acted as de-facto standard and norm setter. Microcredit act in 2006 allows NGO-MFIs registered under five laws: the social welfare act, cooperative societies act, the trust law, the societies act, and companies act (non-profit section) to offer microfinance services. Microcredit Regulatory Authority (MRA) issues license. MRA is an evolving agency, and it is expected to be more active over time. Body of detail regulations are yet to be published. But certain standards about accounting system, financial reporting and auditing are being enforced by MRA.

PKSF is the apex financing agency in the country. PKSF was established in 1990 for wholesale lending to MFIs; provide technical assistance for capacity building, supervision, setting norms and standards, product development and research. It has more than 250 Partner Organizations (POs). Other smaller financing agencies are; Anukul Foundation, Stromme Foundation and two large MFIs. Wholesale lending by commercial banks is limited to only several MFIs and pretty expensive.

Bangladesh has added some lessons to the overall microfinance experience. These can be categorized into (1) targeting the poor—microfinance can reach the poor, (2) group-based lending method remains robust, (3) microfinance has significant impacts on family income, (4) scaling-up and product diversification are important (5) financial viability of MFIs are critical, (6) regulatory, social and political support are also critical, (7) wholesale lending institutions play significant roles.

Nonetheless, there are certain challenges for Bangladesh. One should take into considerations that, (1) poverty still persists and MFIs will be under pressure to contribute more. Additionally, (2) portfolio quality and financial viability of MFIs, (3) regulatory and political support, (4) demand for additional services, (5) resource mobilization for MFIs, (6) competition, (7) need for pro-poor growth policies and support are also important challenges.

So, for a better future, MFIs in Bangladesh must have (1) to maintain portfolio quality, viability of institutions, and in some cases consolidation of operations, (2) more planned management, (3) ensure resource mobilization, (4) institutional and human resources development, (5) stable regulatory environment, (6) product innovation and research, (7) application of ICT for efficiency and product delivery.

## Discussants

**Mr. Enamul Hoque**

**Chief Operating Officer, ASA International, Bangladesh**

Three of the biggest microfinance institutions of the world, Grameen Bank, BRAC and ASA, are located in Bangladesh; the Grameen Bank model is very popular among poor along with the other two. The regulatory body for microfinance, MRA; is operating as a governance system for the MFIs. More involvement of microfinance practitioners is needed to further strengthen this governance system. As other countries having Microfinance Bank (MFB) license; they learned microfinance issues from Bangladesh, and the provision of MFB license should be introduced in Bangladesh also

with the support of the government. Due to the current context it would be well enough to initiate weekly repayment and recovery system as the lending methodology has been changing. Another challenge we are facing for the last couple of years is climate change and other natural calamities that should also be addressed for providing financial services. NGOs should redesign their strategies and products to cope up with these drawbacks.

***Ms. Jannat-E-Quanine***

**General Manager, International Programme, Grameen Bank, Bangladesh**

The Grameen Bank, along with other MFIs; is a perfect example of how we can share experiences and work together to end hunger and poverty in the SAARC region if we focus on fundamental and essential elements of microfinance. Without the donor money, Grameen is a successful model at its initial lending operations. Grameen Bank is concerned more about the growth and development of the poor than the interest rate; even with the lowest interest rate, it is sustainable. With Grameen methodology, it is possible to create and develop a very sustainable and efficient microfinance programme with the concept of savings mobilization. It is needed to build a collaborative effort of both regulatory authority and MFIs to operate sustainable microfinance programmes.

***Mr. Shameran Abed***

**Programme Manager-Microfinance, BRAC, Bangladesh**

Client protection in microfinance sector can be done in more effective ways. Product diversification and targeting the ultra-poor can be useful for this. Sharing information among MFIs is required to face the tendency of multiple borrowing. We need to work more on greater transparency on interest rates and charges, product development and diversification, and market segmentation. Financial needs of micro-borrowers are also revolving; there is not one product kind of people, so we need to go for greater choices of products. Programmes for reaching the ultra poor consist of training and hand-holding programmes by BRAC and graduating them on to microfinance. Also, reducing interest rates is needed to be focused along with focus on issues like overlapping, oversupply issues and natural disasters. Sharing information and experiences among MFIs and establishing a microcredit bureau could help mitigate these problems.

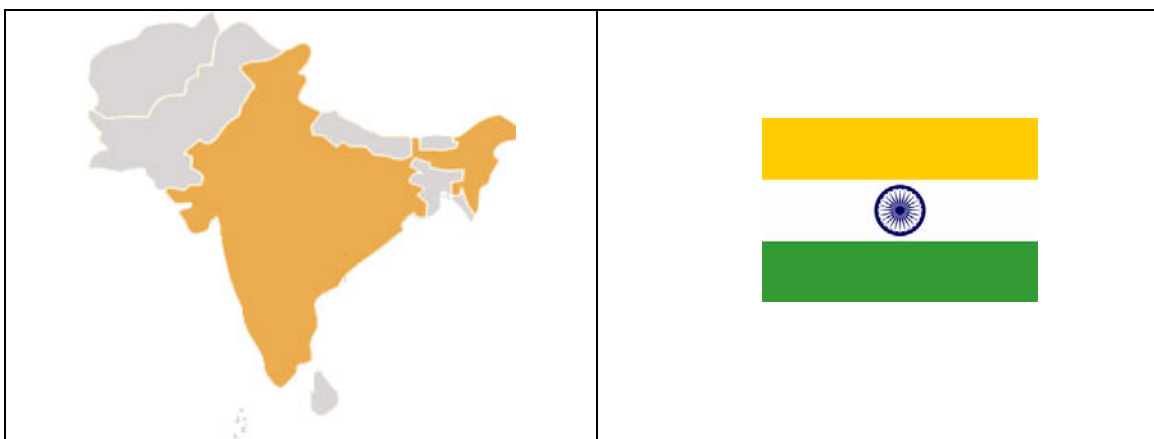
**Chair**

***Dr. Quazi Mesbahuddin Ahmed***

**Managing Director, Palli Karma-Sahayak Foundation (PKSF), Bangladesh**

The bigger MFIs in Bangladesh need to work at the conjunction to their activities. There is no oversupply of fund in the country; but we don't know what the optimum supply of fund is. There is a tendency of service charge or interest rate to rise in some SAARC countries (like Sri Lanka), despite the intense competition of MFIs, the rise of service charge indicates that there is a demand for more service provisions. However, poor are still vulnerable due to poor governance and lack of pro-poor growth, slow job-creating growth, natural disaster and climate change factors and also inflation.

### 2.2.3 India




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Speaker:	<i>Mr. Sanjay Sinha</i> Managing Director, M-CRIL and Founder, EDA Rural Systems, India
Chair:	<i>Mr. Mathew Titus</i> Executive Director, Sa-Dhan, India
Discussants:	<i>Ms. Sugandh Saxena</i> Executive Director, South Asian Microfinance Network, India <i>Mr. Anura Atapattu</i> Microfinance Consultant, Sri Lanka <i>Mr. Md. Abdul Awal</i> Executive Director, Credit and Development Forum, Bangladesh

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**Keynote Presenter****Mr. Sanjay Sinha****Managing Director, Micro-Credit Ratings International Ltd (M-CRIL), and  
Founder, EDA Rural Systems, India**

In India, financial sector includes ranges of institutions like commercial banks, development finance institutions, cooperatives, Non-Banking Financial Companies (NBFCs), NGO-MFIs etc. The institutional framework there varies from societies that are not-for-profit and unregulated (e.g. Public Charitable Trusts) to NBFCs that are profitable and regulated. The microfinance sector has two major delivery models: Self-Help Group Bank Linkage Programme (SBLP) and MFI model. NBFCs, cooperatives and NGO-MFIs are the key institutional forms of the model. Banks lend to both SHGs and MFIs. The two delivery methodologies are explained here.

SBLP, supported by NABARD (National Bank of Agriculture and Rural Development) since 1992, is a successful microfinance model striving towards poverty alleviation. SBLP is designed to integrate informal savings and credit groups with the formal banking system. NABARD supports or refinance banks to lend to SHGs.

On the other hand, MFI model is direct lending to clients by microfinance institutions using a variety of methods—SHG, Grameen, IB etc. But over the last few years, most MFIs gravitated to a single joint liability group model (based on the original Grameen prototype).

At present, approximately 38 million households are reached by microfinance operation. Of which SBLP has 35.8 million savers and 7.2 million borrowers, and MFIs have 27 million credit accounts with a portfolio of USD 4.5 billion. Around 3 million had savings accounts under MFIs, which is mostly mandatory. However, there is substantial multiple counting which results the lower consolidated figure above. Regional coverage of microfinance is dominated by South (about 65%), but gradually declining; while it is increasing in the East (around 25%). Growth of SBLP has been less vigorous in recent years. In March 2009, SBLP had 86 million savers and 59 million borrowers with loan outstanding of around USD 5 billion. The 27 million borrower accounts of MFIs now exceed the 18 million accounts of regional rural banks (RRBs) by 50%, which now rivals the banks, assuming overlaps among SBLP/MFI members and multiple lending. If it is allowed to be seen as an instrument of financial inclusion, the MFI sector would represent 40% of all micro accounts—SBLP + MFIs would be 57%. CRILEX Growth Index shows that MFI growth is stronger than desirable and the portfolio growth has been faster than client acquisition.

Indian MFIs are the most efficient—average OER of 11.1% in 2008 is now just 8.8%, cost per borrower is less than Rs.500. Staff productivity has consistently improved. Portfolio handled per staff was USD 29,000 while borrower per staff was 234 in 2008—now 285 and USD 47,000 respectively. MFIs also managed to maintain good portfolio quality (around 0.5% PAR in 2010) after a drastic fall in 2007. Debt was the dominant source of finance (71%). Productive deployment of funds has been seen—77% in loans. Average ROA (Return on Asset) now up to 6.8% with average ROE (Return on Equity) of 25% (10 largest in excess of 30%) indicate high profitability.

Traditionally rural outreach, MFIs expanded to urban/city areas in recent years. Depth of outreach (% of below the poverty line-BPL clients) is around 60%. M-CRIL social ratings indicate that 20% of new MFI clients are below USD 1.08 per day line, and 62% below USD 2 per day line. There is moderate coverage of marginal communities around 30%. An estimated 62-63% credit used for productive investment, 37-38% used for household needs. Annual client dropout rates are 8-10%. Some evidence of poverty reduction was found for those who stay with microfinance – based on

member recall of SBLP (SHG Bank Linkage Programme), comparison of longitudinal wealth rank data

for MFI clients. Nearly 2/3<sup>rd</sup> of women clients (who for more than 90% of MF clients), report positively on qualitative indicators of empowerment. Competition among MFIs is leading to multiple lending. Overlaps among MFI and SBLP clients limit the extent of financial inclusion achieved at household level.

Regulation on MFIs seems both too little and too late. (1) MFIs have various regulators based on their legal forms: NBFCs by RBI (Reserve Bank of India) which is also covered by RBI rules. Societies, Trusts, Cooperatives regulated by their respective Registrars and specific Acts. However, RBI can supersede any norm to protect client rights in case of financial intermediation activities. (2) no separate regulations for the microfinance sector yet—Bill introduced in March 2007, (3) The Bill when enacted will empower NABARD as the regulator of MF sector, but leaves out the NBFCs which cover more than 3/4<sup>th</sup> of the sector, (4) the recent AP (Andhra Pradesh) crisis could fast track the enactment but what is really required is the mainstreaming of MF.

Indian MF sector faces several challenges; like (1) mission drift of MFIs—in a quest for growth and profitability, (2) sector slowdown in 2008 due to global economic crisis – banks became cautious in lending, (3) lack of deposit services—has indirectly contributed to mission drift, if allowed will help in lowering the cost of credit to clients (4) social reporting—limited attention by MFIs till recently. In 2010, SPM and reporting seems to have gained momentum with active backing of social investors and government pressure. (5) Capacity building—growth has not been accompanied by trained field staff/professionals; high attrition rates are common across sector. (6) Multiple lending—a high risk factor for the sector.

## Discussants

**Ms. Sugandh Saxena**

**Executive Director, South Asian Microfinance Network (SAMN), India**

In terms of growth aspect, the market of India is huge and the demand is high compliant to the growth of MFIs, but the sector has to grow at a substantial rate. With growth, there comes responsibility and also cost. In South Asia, 60% of the population has no access to financial services, regarding MFIs and/or other financial sectors. In Afghanistan and Pakistan, the sector is witnessing stagnation; though some years back, it has seen a growth like in India. Moreover, a large number of MFIs' branches are affected with delinquency problem. MFIs have grown enough but they have not invested enough into the system and are considering only on more profit. The MFIs are also not interested in capacity building. MFIs, investors and network have to work on capacity building. Microfinance sector is not alone to grow such a brisk rate; there are other sectors that are growing across the industry. We have to have investment in all aspects of industry and value-chain, starting from the lowest last mile connectivity up to the regulation level to make it sustainable and successful.

**Mr. Anura Atapattu**

**Microfinance Consultant, Sri Lanka**

The major question today is that, are we working for so-called double-bottom line approaches that could reduce poverty and create social impact, with sustainability and profitability of MFIs? The issue of sustainability has come up more than the social development or growth. The problem has seen in multiple borrowing and impact of regulation. Microfinance sector is facing the problems like lack of proper regulation and its weakness. Lack of transparency, inadequacy in IT, inadequate sustainable credit plus services and inadequate capacity of the microfinance network are also the major problems in this sector. There needs to have the implementation of a greater market research. We

need new market along with the goal of growth otherwise there would be a greater chance to mission drift. We have to introduce innovative and cost effective ways to make access to financial



services to the poor. Regulation is also an important aspect which is far behind than microfinance movement. Proper regulation is really required and factors of regulation from state to state may differ, because of different governance system. India is having its second version of regulation and Sri Lanka is going to have third one. Moreover, development of a technical hub for South Asia, study tools, rating system, performance management related tools, auditing etc. are needed to develop new technology to address the existing issues in the microfinance.

**Mr. Md. Abdul Awal**

**Executive Director, Credit and Development Forum (CDF), Bangladesh**

The issue of Andhra Pradesh has been of great importance which is due to the misunderstanding and misconception about microfinance of the politicians. In Bangladesh, we also have experienced that. People in regulatory authority have to have better understanding of MFIs. Regulatory authority needs to focus more on regulating the sector rather than controlling it. Despite the lack of appropriate understanding of microfinance, the sector is growing steadily in Bangladesh. One should understand that it is originated in Bangladesh to save the poor from the local moneylenders imposing high interest rates. Microfinance is not an alternative to the formal banking system but a tool to finance poor. Service charge is yet another issue in Bangladesh as this is not only for the credit service, other social and human development services are also included in the service charge. Service charge must not be generic which should be determined by the cost of the fund. Another drawback for the sector apart from multiple lending is that all MFIs have to have the hassle-free access to cheaper fund.

**Chair**

**Mr. Mathew Titus**

**Executive Director, Sa-Dhan, India**

There are three major issues in India; the issue of regulation; the debate about whether the regulation should be centralized or would be the function of state authority, the issue of competency of building regulator with the people of adequate amount of knowledge, the need for donor funding in terms of targeting public welfare, and the need for growth and transparency. Another major question is of creating apex institutions. In India, there are two apex institutions. Commercial banks in India hold maximum standing debt. There is enough commercial money but less development money. Despite the fact that the commercial money is needed, market is also needed, but the development money is the key in reducing poverty. The regulation should be centralized to make the sector more competent as there is also the issue of competence. Regulators knowledge and understanding of MFIs can propel the sector. But the growth could not translate into results. Is there really a mission drift? It is more serious issue in recent times.

In terms of the whole issue of multiple lending and client protection, it has been underplayed the discourse of microfinance. The point about credit information bureau has being a simplistic solution. The challenge is that we need a serious South Asian discourse on this essence from each other. As long as we keep relying on the debate which is not necessarily influence by South Asia, we also have the problems of Andhra Pradesh. In terms of regulation, the debate in India is going to start again because the first round regulations were not only for the profits. This time they are attempting to actually bring *for-profits* and *not-for-profits* together and the debate of saving is going to open up completely. So, clearly it is going to be a challenge for SAARC countries but there are lots of lessons including the point about centralization which has a potential and there are resources. The countries are dealing with the issue of human development index and microfinance growing. India has problems but India is having huge growth at certain levels that has deep concerns both within the political apparatus and the government machinery.

## Open Floor Discussion (Question/Answer)

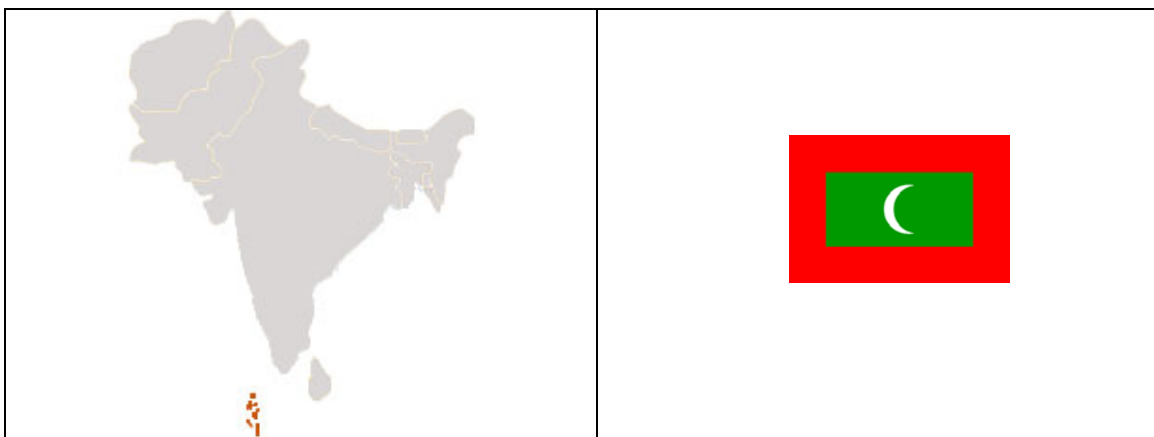
Q: **Dr. Atonu Rabbani:** The Keynote Speaker's analysis regarding the inflation rate was really illuminating. The analysis could look at the real cost of borrowing because of the oversupply of credit and given that the Indian economy is probably growing at a very high rate (8%). It would be better to see that the high inflation probably could lead to real cost of borrowing at a very low level, and that might actually lead to overlapping, multiple borrowing. People who are doing multiple borrowing are behaving very differently, so is there any evidence that people are defaulting their loans or repayment rate might be much lower than people without multiple borrowing?

Q: **Mr. Prakash Raj Sharma, Nirdhan Utthan Bank:** Mr. Sanjay Sinha talked about the administrative cost ratio being going down and the yield/return is increasing; this is important for resulting in more profit, and he also said that the administrative cost ratio should be 10-11%. If the interest rate is 15% in flat basis, is it acceptable then getting returns for administrative expenses ratio or is 10-11% the right one? What should be the optimum level of interest rate in percentage?

A: **Mr. Sanjay Sinha:** The point about portfolio quality is the large scale default. The overall performance of Indian microfinance shows that the actually half a percent is what they are reporting. And in terms of loan portfolio audits, the actual portfolio at risk is somewhere between 5 and 7%. High growth microfinance has become a spongy scheme, if one keeps pumping more and more money in it and maintain the zero delinquency culture, the branch managers then start refinancing the loans, and so long, there is more and more money coming into the system, then there is no problem. The problem arises when we see what the portfolio at risk is in Andhra Pradesh in 3-6 months, that is when we will really find what the portfolio at risk is. High growth itself hides default. Real cost of borrowing has gone down and the return on equity of 30% is too high, and it should be between 10 and 15% which would be a reasonable return and equity.

**Mr. Mathew Titus:** The Indian central bank has been taking a very close look on the balance sheets. The debate and consensus for 20% is at top hand but 15% is worthy at a broader consensus of the regulator would be. One of the social equity funds noted that if we invest much more in high quality groups, the expenses go up but the rate comes close to around 15-17% which is pretty acceptable. Having high ROE (Return on Equity) is not really justifiable. It would be the consensus of the regulators but not necessarily the investors.

## 2.2.4 Maldives




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Speaker:	<i>Ms. Aishath Abdul Gadir</i> Deputy Manager, Maldives Monetary Authority (MMA), Maldives
Chair:	<i>Dr. Harihar Dev Pant</i> Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal
Discussants:	<i>Mr. Hassan Fiyaz</i> Deputy Manager, Maldives Monetary Authority, Maldives <i>Mr. Swetan Sagar</i> Director-Research, M-CRIL, India <i>Dr. Masudul Quader</i> Chief Executive Officer, Dushtha Shasthya Kendra (DSK), Bangladesh

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### Keynote Presenter

**Ms. Aishath Abdul Gadir**

**Deputy Manager, Credit & Bank Supervision Section, Maldives Monetary Authority (MMA),  
Maldives**

Maldives archipelago has only 309 thousand populations, one third of which lives in the capital city *Male'*. *Male'* is 2.5 square kilometer and densely populated. It is the administrative and business center of the country. There are 26 natural atolls, almost 12 hundred islands spread over an area of 90 thousand sq. km. with an 856 thousand sq. km. area of exclusive economic zone. 200 islands are populated.

Maldives has an open economy with a narrow export base and high dependency on imports. Main exports are fish products. Tourism and fisheries are the largest industries and account for a big portion of the economic activities. Other important industries are agriculture, construction and manufacturing.

There are 6 commercial banks up to 2010; and one more bank is expected to join them in 2011. Non-bank financial institutions involve two insurance companies and several agents and brokers for foreign companies, Maldives Finance Leasing Company and Housing Development Finance Corporation.

The Development Banking Cell (DBC), set up within the banks of Maldives, has special focus on developing the livelihood in island communities. The Bank of Maldives (BML) has established 25 branches, spread over the country, with almost one branch and ATM in each atoll. Mobile banking units, by means of mechanized small boats do rounds in the different atolls, traveling from island to island to provide banking services. DBC has been carrying out the task of disbursing loans ranging from micro to medium loans, creating awareness, and developing the business knowledge in island communities where there is a need for it.

The various ministries and organizations disperse funds for development of related areas as microcredit projects through the DBC. As at the end of 2009, DBC lending amounted to USD 16.7 million, which was 3% of BML's total loan portfolio and 1% of the total industry's loan portfolio.

Some of the current projects by DBC include (1) Island Revitalization and Development (ILRDP), coordinated by the National Disaster Management Center, (2) Loan Scheme of the Fisheries Development Programme (LSFDP) and Loan Scheme of the Agricultural Development Programme (LSADP) coordinated by Ministry of Fisheries, Agriculture and Marine Research Center, and (3) Loan Scheme of the Livelihood Revitalization Programme (LSLRP) an initiative by BML, Maldives Chamber of Commerce and Industries and the Maldives Association of Tourism Industry.

Various government authorities have been carrying out microcredit projects with the focus on developing different sectors. For instance, the Ministry of Gender together with UNDP has been carrying out different projects to develop and empower women and youth through involvement in economic activities, among others, similar projects have been carried out by the Ministries of Fisheries, atolls development as well. Such projects are financed mostly by donor funds received from international organizations like ADB, IFAD, UNDP, and UNICEF etc. These projects are targeted at the different government authorities' respective areas of concern. Funds have been disbursed by the authorities through island offices or atoll offices or through Bank of Maldives. These projects lent out small scale loans without collateral. Loan recovery has been noted to be good (at or above 84% at worst).

From 2006, to conform to the Finance Act, the Ministry of Finance and Treasury directs donor funds

received from international organizations to BML's DBC for the purpose of streamlining and disseminating funds through an institution. Projects that have been in-place from earlier on, too, are now directed through BML's DBC. There is now a shifting of concentration from micro-credit to financing small and medium size enterprises (this does not mean that financing micro-credit will cease.)

The underlying objectives are: (1) to focus on negating the gap created by income inequality as there is a great concern in providing for relative poverty and (2) economic diversification. The Ministry of Economic Development (MED) is working on streamlining the financing of SMEs and to regulate it. During the year, the ministry has: (1) increased the threshold of SME loans granted through BML's DBC to USD 3.9 thousand from USD 1.2 thousand which can be lent without keeping a collateral, (2) set up an SME advisory council (consisting of representatives from various ministries and other stakeholders), (3) set up two business development centers in the northern and southern regions.

Plans for 2011 include, government's budget to have an allocation to finance SMEs along with donor funds (in the past years, the contribution from the government to the SME financing was included under sector-wise development activities in the budget, e.g.: fisheries sector development, agricultural development, etc.)

The SME funds are to be focused in the areas of fisheries, agriculture, arts and crafts: there are numerous areas in these industries which can potentially be developed into small or medium enterprises. There are also existing small enterprises which can be developed in to medium sized enterprises.

However, microfinance sector in Maldives will have to encounter some challenges. Among the uses of microfinance, there is a need to develop knowledge and skills in the areas of business development and sustainability. Diversification of micro and small economic activities is also needed. More programmes are needed to raise awareness and to train people in the areas for developing micro, small and medium income generating projects. Not enough banking services are conveniently available for a large portion of the population, which limits access to credit and microcredit. Challenges are faced because of the geographical structure of the country have limited most banks from setting up branches or offices in the islands. It has been considered difficult due to the expenses it would cost and the resources it would require and the dearth of sufficient infrastructure. Banking services need to be made more available and accessible to those who are in need of microfinance.

The various components of the MED's plans are paving the way to a more structured channel in which to operate microfinance. There is expected to be better delivery of the services of microfinance to those whom it is intended. MMA's mobile phone banking project that is underway, once active, would have presence all over the country. The agency network and the technical aspects of the system would be ideal for the intentions of microfinance in a country like Maldives. The Credit Information Bureau projected that MMA is undertaking, once set up, with credit information available on a larger cope, is designed to minimize the dependency on the need for collateral with regard to bank credit. The increase in inclusion in banking services is expected to eventually lead increased availability to credit, especially microfinance.

## Discussants

### **Mr. Swetan Sagar**

#### **Director-Research, Micro-Credit Ratings International Ltd (M-CRIL), India**

Maldives is one of the most developed countries in the region in terms of per capita GNI (Gross National Income) that stands at around USD 4000. But there is another problem in Maldives, since the islands are far away from the central province, there is a problem of access to finance, financial services cannot reach the far off and are not reaching to the people. Certainly there are poor people in Maldives, but the problem is more related to access to finance. Because banks do not have outreach in the outer atolls and people don't have saving accounts there.

Microfinance started in late 1980s in Maldives with UNDP and IFAD projects. It led to development of bank cells in Maldives that accelerated the microfinance. Various ministries have also supported the initiation. Bank of Maldives is providing credits to the needy people living in the outer atolls. Earlier ministries used to disburse the credit themselves but after the latest Finance Act 2006, the entire mediation has to happen through the Bank of Maldives. But the biggest challenge in the Maldives is that the scale of economy as microfinance thrives on it. The cost of delivery and service is high in Maldives due to the scale of economy and distance between the islands. However, there has been an innovative banking in Maldives that is mobile banking for solving the problems of outreach and access to finance.

### **Mr. Hassan Fiyaz**

#### **Deputy Manager, Non-Bank Financial Institutions Supervision Section, Financial Sector Division, Maldives Monetary Authority (MMA), Maldives**

One of the main strategic goals of the current Government of Maldives is developing the SME sector. The government has prepared the regulation framework to diversify and develop the economy and to minimize the income gap. There is one problem that is access to finance in Maldives is with only the top level but people of middle and low level have no access to finance. The geography has also played as the role in this gap but technology is trying to bridge this gap. The central bank is putting the whole banking system through the telecommunication system in the country. One can have access to banks through mobile, can get credit, open account, and make payments through the mobile. The country is in the process of structuring a microfinance regulatory body. A country is better off, if it can achieve financial escalation and properly distribute the wealth as well.

### **Dr. Masudul Quader**

#### **Chief Executive Officer, Dushtha Shasthya Kendra (DSK), Bangladesh**

Maldives posit a new experience in the region like Bhutan. Most of the service is provided by government officials and it's not clear about the collateral free loans given by the financial institutions. Because of this, there is no specific model for microfinance in Maldives. That is why Professor Yunus came up with Grameen type of model. Though the Maldives have done tremendous improvement in achieving per capita, but equitable distribution is very important. The challenge is the need of efficient and honest bureaucracy that should target to improve the agriculture and fishing sector with different types of seasonal loans and insurance facilities. The experience of Bangladesh is that the government agencies failure led to these types of organizations and POs to rise. These challenges can be met. All the SAARC countries have different experiences by which we can learn how to reach poor people living in vulnerable areas. We have experiences of working in coastal areas, six-month flooded areas, hill tracts where the microfinance services have been provided successfully. These experiences could be helpful for other countries to reach the people in remote areas. In conjunction with these, good governance along with sharing experience, ideas and knowledge could help remove these problems.



**Chair****Dr. Harihar Dev Pant****Executive Chairman, Nirdhan Utthan Bank Ltd, Nepal**

It seems the microfinance in Maldives is different. The problems remain more in providing access to finance, capacity building, and geographical problems than to provide microfinance. It is the country with high-end earnings. Maldives do not need microfinance like the other countries in the region. They do not have a big problem like other countries in the SAARC region. Maldives is rich but there is a wide gap between the rich and poor in Maldives.

**Open Floor Discussion (Question/Answer)**

**Q: Mr. Damodar Regmi, Jeevan Bikash Samaj:** What are the activities done by Maldives being a rich country to reduce the poverty in the SAARC region?

**A: Mr. Hassan Fiyaz:** Maldives has been considered as a rich country according to per capita income, but actually the country is not rich and the resources are limited. The concentration is focused on reducing the gap between rich and poor to achieve development and to provide access to finance to the poor.

**Q: Ms. Menuka Rajbhandary, Women Support Cooperative Ltd.:** What is the interest rate and literacy rate (male and female)? What is the ratio between male and female in the total population of Maldives?

**Q: Ms. Rauma Ghoshal, Tribhuwan University:** What type of Small and Micro Enterprises (SMEs) are focused and operated by the government in Maldives?

**A: Ms. Aishath Abdul Gadir:** The literacy rate is about 98%. In terms of men or women literacy rate, there is no disparity has been found. Women percentage might be slightly higher than the men's one. The economy of Maldives is based on fisheries, agriculture and tourism and also expanding to diversified sectors like Mariculture, cultivating more sea-food, exporting dry- and can-products and products like arts and crafts. Agriculture has been expanding at a large scale ever before because of the funds from international organizations. The other industry of arts and crafts was negligibly small in past and now it is also growing well.

**Q: Ms. Shobha Mishra, Chhimek Bikash Bank:** As it has been stated that there is no poor in Maldives and government is providing collateral free loan, what is the criteria of these collateral free loans? How much is the upper limit of these loans?

**A: Ms. Aishath Abdul Gadir:** The MFIs don't exist in Maldives because we have not been able to establish one. We recently passed the Banking Act. Financial Sector is regulated by Maldives Monetary Authority (MMA) earlier. The non-existence of MFIs should not be mistaken for the lack of poverty. Absolute poverty is not recorded being existed in Maldives but there is relative poverty and poor people who need microfinance as well. To mitigate the non-existence of MFIs, the government initiated 'development banking cell' within the Bank of Maldives.

**Q: Mr. Dharma Raj Pandey, Grameen Bikash Bank, Nepal and Nepal Microfinance Bankers Association:** What kinds of microfinance models are functioning in Maldives like group system, individual system and others?

**A: Mr. Swetan Sagar:** In Maldives, basically individual lending system is functioning where the Bank of Maldives is involved. There have been a couple of programmes like credit programme given to women for Micro Enterprise activities (like stitching, handicrafts etc.) by the Ministry of Gender (formerly Ministry of Women Affairs and Social Security). Somehow the programme was not very successful because this was done through atoll development committees, they had to identify the low income people of atolls and unfortunately they didn't know the process of how credit operations is done.

**Day -2 (1 December 2010, Wednesday)**

**2.2.5 Nepal**



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Speaker:	<i>Mr. Shankar Man Shrestha</i> Chief Executive Officer, RMDC, Nepal
Chair:	<i>Dr. Rabindra Kumar Shakya</i> Former Secretary, Nepal
Discussants:	<i>Dr. Sumitra Manandhar Gurung</i> Executive Chairman, Women Cooperative Society Ltd, Nepal <i>Mr. Maha Prasad Adhikari</i> Executive Director, Nepal Rastra Bank, Nepal <i>Dr. Amanullah (Mak) Khan</i> International Team Leader, PROSPER-PCU, DFID

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**Keynote Presenter****Mr. Shankar Man Shrestha****Chief Executive Officer, RMDC, Nepal**

Nepal is a small land-locked country with 1,47,181 square km area between India and China. Total population is 28 million; 31.8% of which lives below the poverty line. About 80% of the population lives in rural areas and depends upon agriculture. The country has 52.8% economically active population (15-59) with the average family size of 5.3 members. Annual per capita income (in 06-07) of country is USD 383. Agriculture, tourism, hydropower and forestry are the major areas for broad based development of the country.

Microfinance history in Nepal dates back to 80's like in other SAARC countries. Small Farmers Development Programme (SFDP) was launched by the Agricultural Development Bank of Nepal in 1975. Intensive Banking Programme (IBP) and women-focused Production Credit for Rural Women (PCRW) were commenced through the support of two government-owned commercial banks with the directive of the Central Bank.

In 1990s, Rural Self-Reliance Fund (RSRF) was established to provide small loan to co-operatives and NGOs. Two NGOs – Nirdhan and CSD (Centre for Self-help Development) started microfinance replicating the Grameen model. Five Regional Grameen Bikas Banks (GBBs) were established with over 70% ownership of the Central Bank and the government is following Grameen model of microfinance. Rural Microfinance Development Centre was established in 1998 to provide wholesale finance and capacity building and institutional strengthening supports to MFIs. SFDP sub-projects have been converted into small farmer co-operatives (SFCLs). In the same period Sana Kisan Bikas Bank Ltd. (SKBBL) was established in 2001, to provide wholesale fund to SFCLs. Till Nov. 2010, 65 MFIs have been developed from scratch with RMDC supports. As of date, RMDC has 88 Partner MFIs. Out of about 88 MFIs, about 67 MFIs have been following the Grameen model of microfinance.

The prevailing microfinance models include: (1) Co-operative model, (2) Small Farmer Co-operative Limited (SFCL) model, (3) Grameen Bank model, (4) Self-help Groups (SHGs) or Community Organizations (COs) Model, and (5) Village Bank model. As per July 2008, PMFBs (Private Microfinance Banks) and FI-NGOs (Financial Intermediary Non-Governmental Organizations) stand first and second in outreach; with members 318,112 (30.08%) and 260,983 (24.68%) respectively. Microfinance sector in Nepal established some wholesale lending institutions like: (1) Rural Self-reliance Fund in 1990, (2) Rural Microfinance Development Centre (RMDC) in 1998, (3) Sana Kisan Bikas Bank Ltd. (SKBBL) in 2001 and (4) Commercial Banks (CBs) since 1992. Impact assessment of microfinance in Nepal showed (1) decreased dependency on money lenders, (2) increased income and savings of the clients (3) escalation of living and non-living assets of clients, (4) improved housing conditions, (5) increased land holding, (6) improved condition in food self-sufficiency and consumption of nutritious food, (7) increased in use of safe drinking water, sanitary toilets, DPT (Diphtheria, Pertussis (whooping cough) and Tetanus), Polio, Vitamin A and number of visits to doctor, (8) women empowerment in social and financial aspects, (9) improved social integration etc. These studies were conducted by National Planning Commission (2004), SAP-INAFI (2006) and RMDC (2007).

Several regulatory regimes took place in microfinance sector of Nepal. Among which Co-operative Act (1992), Financial Intermediaries Act (1998), Nepal Rastra Bank Act (2002), NRB (Nepal Rastra Bank) Directives for Microfinance Institutions (2003), Bank and Financial Institutions Act (2006), National Microfinance Policy (2008) and Central Bank directive allowing microfinance banks to mobilize public deposits (2010) are prominent.

Though the study showed so many impacts, some problems and challenges prevail. For instance, Mission drift, Financial viability and sustainability of new MFIs, Governance and management in

MFIs, Regulation and Supervision of MFIs, Scarcity of fund and increasing cost to MFIs, Outreaching the far-flung remote areas, Outreaching the poorest of the poor, Very low economic activities in the high hills and mountain areas, Limited trained manpower in MFIs, Limited technology use and innovations in microfinance, Limited Capacity of Borrowers, Lack of national database of microfinance, Fragile security situation, Over financing and over indebtedness etc. are the major challenges for microfinance sector in Nepal.

However, lessons learned from the Nepalese experience indicate that the poor are also bankable, they can save, they do possess potentials for development, micro-credit has direct impact on income generation, collateral free lending is essential to reach the poor and the ultra-poor (business on trust), loan size should be initially small and be increased gradually commensurate with the clients' capacity, programmes should attempt to reach the poorest first, group approach is effective in reaching the poor and the poorest, MFIs can be financially viable and sustainable, startup MFIs need institutional capacity building and soft loan supports for 2-3 initial years, and professionalism is a must for the success of an MFI. Commercial banks have been lending hugely to the MFIs to complement the initial fund provided by the RMDC. They became the largest supporters. It has brought a tremendous change in the lives of people. But resources are not properly channelized.

For future, these lessons suggest building co-operation and coordination among MFIs, sensitizing MFIs on risk management (reducing client overlapping and over-financing), deepening of microfinance services down to the poorest and the destitute, developing second generation of microfinance clients, financing unemployed youth in the rural areas, enhancing access to financial services in hilly regions, providing advocacy for conducive policy environment, expanding services to hills and mountains, strengthening institutions and building capacity of MFIs, conducting research on key issues, and finally, strengthening and monitoring supervision and follow-up of MFI activities.

## Discussants

***Dr. Sumitra Manandhar Gurung***

**Executive Chairman, Women Cooperative Society Ltd, Nepal**

In addition to the presentation on Nepal, five observations have to be noted here: (1) Real poor and socially vulnerable groups and the youths are not completely involved but medium poor have been enrolled more than in one programme. Because of the potentials of the youth, they have to be brought into the purview. The involvement of rural urban youth women should also be encouraged. (2) Entrepreneurship skill has to be developed in the borrowers. Changing skill and the structure of microfinance institutions are also the keys. (3) Multiple lending and transaction costs are making the microfinance institutions more vulnerable because of possible defaults. (4) Graduation of clients should be thought essentially as of how long MFIs are going to serve them. We should upgrade to meso- and macro-institutions and clients are needed to be graduated. (5) The presentation and deliberations remain silent on the unionization of the staff and also politicization of the unions that have been strangulating the microfinance programmes. There is also a need of re-strategize, reorient and rejuvenate the programmes based on the experiences gathered so far from the sector and we should think for the way forward.

***Mr. Maha Prasad Adhikari***

**Executive Director, Banks and Financial Inst. Regulation Department, Nepal Rastra Bank, Nepal**

Based on the presentation on Nepal, microfinance is tool for self-employment, income generation, women empowerment as well as financial inclusion and ultimately for poverty reduction. Microfinance activities have been supported by all stakeholders; even at the time of unstable situation, it was not that much disrupted. Other than microfinance, people can be self-sufficient by other means with some sacrifices, i.e. going abroad for bringing remittance, one has to sacrifice the proximity of his/her family, but with microfinance and entrepreneurship, one needs not to

compromise anything. Besides, the central bank is developing the second tier institutions and working for the regulation of the microfinance sector. There is a certain shift from the central bank's side that the MFIs should not be state-owned entities. The central bank's policy is right now to encourage and promote private participation for microfinance activities. As a regulatory authority, the Nepal Rastra Bank's concern is financial stability that microfinance institutions do not create any vulnerability to the financial system. The NRB's concern is valid and it should be continued through regulation, monitoring and supervision even though there are some sort of self-regulated entities. NRB is formulating policy to increase financing to the needy cluster of the society, the deprived sector of the needy and grass root level. But as the speaker also mentioned that resources are not properly channelized purely towards the deprived people in several cases, and NRB wants to minimize these sort of limitation of the resources under the financial institutions. That's why NRB's initiatives and policies should be honored as it is doing for the noble cause of encouraging the microfinance sector instead of controlling and intervening on them.

***Dr. Amanullah (Mak) Khan***

**International Team Leader, PROSPER-PCU, DFID, Bangladesh**

Few issues are needed to be added to the deliberations like the governance aspect according to much wider national strategic angle. Notwithstanding the political issues and turmoil that have taken place over the last decade, some wonderful things have been accomplished in Nepal and unlike many other countries, Nepal now has Microfinance Policy 2008 and also the Financial Intermediary Act 1999 that legalized the microfinance operation of NGOs in the country. Public deposit mobilization, which has allowed the microfinance banks to mobilize the deposits; and Banks and Financial Act allowed opening of microfinance banks. Despite political issues and difficulties, the overall governance has been taken care of reflecting the political will and there is one consensus that the microfinance does help alleviate poverty, which is the uniqueness of the whole process. The Grameen model was nice but be careful that model gets old which demands some innovations, changes and creativity, and every country should work on it. During 1990s, the UNDP launched programme aimed at decentralization for the empowerment and capacity of people. At that time, the benefits of microfinance; such as empowerment of women, have been very vivid and have a positive impact started to take place. RMDC has done a great job by engaging and promoting NGOs in the difficult territories, advocating for changes, building their capacity and continuing the usual lending process.

**Chair**

***Dr. Rabindra Kumar Shakya***

**Former Secretary, Nepal**

Economic empowerment of women is as important as the social empowerment. Also, the issue of the politicization of several microfinance institutions which is needed to have serious attention both from the part of the policymakers and practitioners as well. Nepal has been criticized for being very good in policy making but very poor in implementation. There are three major points from the discussions that should be mentioned. The first one is: developing second generation of microfinance clients which have been emphasized. Secondly, we should concentrate on how to bring about harmonious coordination among the microfinance institutions in different parts of the country. Thirdly, formulation of a microcredit delivery mechanism for the people of hills and mountains of Nepal at an affordable rate. We hope that we could come up with some pragmatic policies that can be implemented that will be durable, and can be regularly monitored and evaluated.

## 2.2.6 Pakistan




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Speaker:	<i>Ms. Kanwal Bokharey</i> Consultant, SDC (Swiss Agency for Development and Cooperation), Pakistan
Chair:	<i>Dr. Saeed Ahmed</i> Head of Microfinance, State Bank of Pakistan, Pakistan
Discussants:	<i>Mr. Ganesh Bahadur Thapa</i> Former Governor, Nepal Rastra Bank; Chairman, Centre for Microfinance (CMF), Nepal <i>Dr. Atonu Rabbani</i> Assistant Professor, Dept. of Economics University of Dhaka, and Visiting Fellow, InM, Bangladesh

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**Keynote Presenter****Ms. Kanwal Bokharey****Consultant, SDC (Swiss Agency for Development and Cooperation), Pakistan**

Pakistan, the South-Asian country has the area of 796,095 Square km. with 184 million populations. Per capita income is USD 1051. There are 40 commercial banks, 8 development finance institutions and 8 microfinance banks. These banks have 10,000 branches, 26 million bank accounts, 4,000 ATMs and 18000 persons per bank branch. However, 56% of the adult population does not have access to financial services. Only 11% of them are formally served while 32% is served informally. Access to finance and barriers to financial inclusion work from both demand and supply side.

The demand side barriers are mainly lack of branches in remote/rural areas and lack of basic and financial literacy. On the other hand, the supply-side barriers are the deficiency of funding facilities for priority sectors, under-developed institutional capacity of financial service providers, lack of interest by mainstream commercial banks to serve the lower end of the market, Lack of demand-driven products for low-income people, limited management capacity for Innovative and technology driven delivery channels, high cost structures of microfinance providers posing challenges to sustainability, weak governance and management structures of microfinance institutions, lack of effective implementation of consumer protection codes and policies, risk aversion of conventional banks to explore new markets etc.

Pakistan entered the microfinance sector relatively late to other South Asian countries. Although, microfinance started during 1980s in Pakistan, it saw the entry of some major players in the sector in 1990s. By mid 1990's microfinance attracted tremendous interest from the donor community as a tool for poverty alleviation with a unique promise of financial sustainability, hence a "double bottom line" was experienced. However, microfinance took its momentum in 2000 when the government formally entered the microfinance as a regulated financial institution established under the new Microfinance Ordinance of the State Bank of Pakistan (SBP). The microfinance movement in Pakistan followed a unique evolutionary path over the last decades. Pakistan Poverty Alleviation Fund is the apex body of the microfinance in Pakistan. The year 2000 was the major year when numbers of MFIs evolved in the financial services. As of now, there are 8 microfinance banks, 4 Rural Support Programmes (RSP), 8 specialized microfinance institutions, 8 NGOs, 2 commercial players serving the microfinance market. The average annual growth rate of microfinance credit outreach during 2005-08 witnessed a modest 45%. The recent slowdown in the growth momentum is due to funding limitations and overall microeconomic environment.

Microfinance policy focuses on institutional sustainability (product pricing on cost covering basis, innovative delivery channels, deposits are key for self-funding), client protection (MFBs to educate/inform clients on effective interest rate, voluntary consumer protection code) with private sector led, multi-institutional approach.

Microfinance outreach in Pakistan increased from 68,561 in December 1999, to 1,975,820 clients in June 2010. Average annual growth rate was over 45% during 2005-08. Recent slowdown in growth momentum is experienced due to funding constraints and overall inconvenient macroeconomic environment. From Rs. 0.06 billion (December 2001), deposits have been increased to Rs. 8.33 billion (September 2010). However, Portfolio at Risk (PAR) remained between the international benchmark of 5% and South Asian benchmark of 2%, reaching 4.77% (September 2007) at top and falling up to 2.25% (September 2008) at the lowest. This reflects the credit-worthiness of Pakistani borrowers and their re-payment capacity.

There are some challenges for Pakistani microfinance sector that should be looked at. Floods, catastrophe is expected to push people towards poverty and exclusion posing challenge in fresh

lending in affected areas. Loss of assets and livelihoods, destruction of national infrastructure are also huge. Sudden drop in growth of Private Sector Credit during the last few years made development financial institutions suffering as a consequence. As a result, underserved sectors are facing severe credit rationing. Moreover, high inflation made policymakers to revisit the size of micro loan due to loss of relevance. For the same reason micro borrowers are facing serious hardships resulting in increased credit risk. Safety Nets are not strong enough and the risk mitigation instruments such as micro-insurance is under-developed (micro-insurance largely covers credit). Social safety nets need more public investment. OSS (Operational Self-Sufficiency) and FSS (Financial Self-Sufficiency) are underdeveloped. Lack of adequate deposit-mobilization and small loan size (USD 160) are two prominent reasons. Regulating MFIs is also crucial. High operating costs and the guaging impact of microfinance are no smaller challenges for the sector.

Recently, SBP has undertaken several initiatives for Pakistani micrfinance sector. Deposit mobilization through access to payment system of microfinance banks is one of them. Industry infrastructure/risk management is handled through exclusive Credit Information Bureau (CIB) for regulated microfinance banks and unregulated microfinance institutes. CIB report has been made mandatory for loans exceeding Rs. 50,000. Top external auditors and credit rating agencies are expected to be assigned for annual audit. Microfinance banks are supervised by SBP using quarterly offsite analysis and annual onsite assessment.

Legal and regulatory frameworks that have been well developed are; Microfinance Institutions Ordinance (2001), Prudential Regulations for MFBs (2002), Guidelines for Mobile Banking Operations (2003), Guidelines for NGOs ransformation (2005), Fit and Proper Criterion for CEO/Borad members of MFBs (2005), Off-site Surveillance and On-site Monitoring Systems for Supervising MFBs (2005), Guidelines for Commercial Banks to Undertake MF Businesses (2006), Branchless Banking Regulations (2008), and Loan Classification and Provisioning Criteria rationalized (2009). SBP follows consultative approach for policy development.

Alternative delivery channels like branchless banking (2009), innovative partnership (2007), service centers and mobile vans (2005) and kiosks at third party premises (2009) have been also developed. South Asia's first branchless banking initiative 'Easy Paisa' launched in 2009. Tameer Microfinance Bank Limited has developed a network of 11,000 agents, with a monthly transaction volume of 1 million and a cumulative value of Rs 10 billion. Presently there are 68 Pakistan Post Offices in partnership with FMFB, with total disbursement of 523 million and more than 40,000 active borrowers.

MFBs' equity base is Rs. 5.5 billion owned by private sector. Shareholders are diversified; including local and international business groups, international financial institutions, banks, social investors etc. SBP is allowing foreign currency borrowing to MFBs/MFIs (2009). MFBs allowed raising subordinated debt to support capital adequacy ratio (CAR 2008), credit enhancement mechanisms in place (MCGF-Microcredit Guarantee Facility), PPAF-Pakistan Poverty Alleviation Fund, PMFF-Pakistan Microfinance Fund) (2008 -2010), and ISF for capacity enhancement and transformation. SBP has increased loans limits, redefined borrowers' eligibility criteria and allowed home remittance business to MFBs (2007).

Despite the challenges, State Bank of Pakistan (SBP) regulatory and policy initiatives combined with sector initiatives and innovation has allowed Pakistan's Microfinance Industry to grow in a sustainable and inclusive manner. In a recent report by the Economist Intelligence Unit (The Economist Magazine), Pakistan has been ranked: 1<sup>st</sup> along with Cambodia and Philippines with respect to Regulatory Framework (up 12.5 points from 2009), 5<sup>th</sup> for overall Microfinance Business

Environment, (up 8.4 points from 2009), 12<sup>th</sup> for Institutional Development (up 8.3 points from 2009) and, 20<sup>th</sup> for Investment Climate.

The next leap toward excellence of the Pakistani microfinance sector depends on promoting market-oriented approaches, such as: continuously improving regulatory framework in line with market conditions, building inclusive financial services, use of technology led models (mobile phones) to expand financial services, promoting innovative partnerships and leveraging agents' networks, strong institutions with good governance standards, pro-consumers policies and practices, and subsidies to be phased out.

## Discussants

**Mr. Ganesh Bahadur Thapa**

**Former Governor, Nepal Rastra Bank, and Chairman, Centre for Microfinance (CMF), Nepal**

Pakistan suffered great natural disasters in the past years like earthquake and flood and ongoing disturbance has affected the socioeconomic sector largely. The ongoing disturbance is still a major challenge in Pakistan to cope with by the microfinance institutions. Apart from these, microfinance sector has also been affected adversely from time to time by the national government policy. The region needs microfinance associations and organizations to work in conjunction. Obviously, the situation calls for joint and solidarity stands, there needs a positive role to be played by the policymakers to enhance the capacity of microfinance institutions. The role of the central bank will be more vital to overcome the situation. Pakistan, in the last decade, achieved a lot in the sector because of the positive role played by the policymakers. Although, all the South Asian countries have their particular challenges and difficulties, however, there should be a common understanding among the member countries on "what are the ways reaching the unreached and serving the unserved". Ultimate focuses of microfinance institutions in these regions should be on "what lesson should be learned with the past experience".

**Dr. Atonu Rabbani**

**Assistant Professor, Department of Economics, University of Dhaka, and Visiting Fellow, INM, Bangladesh**

Reading the report of the state of microfinance in Pakistan tells that focus is on the operating costs which seem to be little less than the other SAARC countries. Perhaps it can be reconciled by the fact that initially finance extended to the areas where it was possible to keep the operating cost low. For some reason, interest rate was kept at a lower rate in Pakistan compared to other South Asian countries. But unfortunately, the report did not really mention the mechanism by which it was made possible; if it is the regulation itself or some social sanctioning, it was not very obvious. These two facts actually led to lower portfolio yield; by itself it is probably not a big deal. Growth in outreach is relatively low in Pakistan, which is expected to be more difficult to accelerate in the coming days. Product diversification has not been taken and it is not a good idea to practice regulation through price factor. Actually, people don't understand the whole idea how microfinance work. Given the situation, we should have consolidated research on how to make microfinance work effectively.

## Chair

**Dr. Saeed Ahmed**

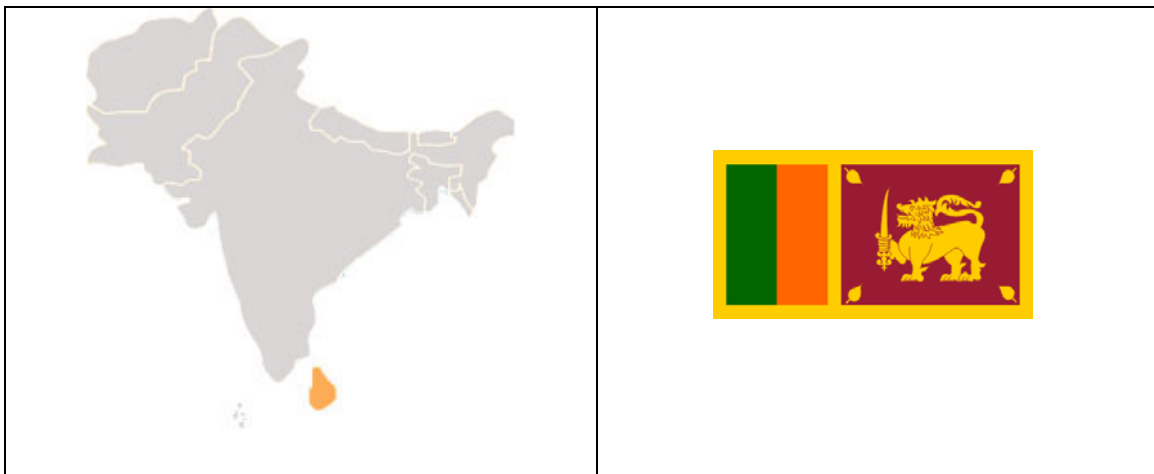
**Head of Microfinance, State Bank of Pakistan**

The challenges Pakistan facing mainly are the natural disasters referring to the recent flood catastrophe which also cause losses to microfinance institutions. Pakistan has allowed microfinance banks to restructure and relaxed provisioning criteria for flood affected losses. Credit guarantee schemes have also been issued to bear the losses of microfinance institutions at the disaster- and disturbance-affected areas. The overview of Pakistan microfinance shows that lots have happened in between 2007 to 2010. Although, Pakistan started microfinance late and in slow momentum, it

can be stated that the achievement made within some couple of years is appreciable. However, the country lacked the updated report of the microfinance situations. The report has not covered the microfinance development in the last two years.

There seems a huge gap between demand and supply in terms of microfinance services in Pakistan but the sector has experienced progress in many ways like enabling the policy environment and establishment of regulatory framework. New products and delivery channels have been introduced that have increased the visibility of the sector although product diversification and technology has not been used to its full potential. In the recent years, financial access through mobile phone is getting more popular which has accelerated the financial inclusion in the country. As a part of product diversification, mobile phone technology could be a vital mean to increase financial inclusion in no time. There is a need to leverage mobile networks in microfinance sector and mostly in those countries suffering from conflict. Microfinance Bank (MFB) models have been gaining popularity in Pakistan as donors' preference. A major transformation in Pakistan has taken place that the donors are not making any direct grants to the MFIs, the grants are made only to promote market oriented policies and smart subsidies. The State Bank has become a partner with DFID to launch a large financial inclusion programme for sector transformation and to face the challenges like funding, deposit mobilization, and access to commercial sources of funds. Under this programme, a programme named 'Microfinance Credit Guarantee Facility' to meet the wholesale funding needs of MFBs and MFIs. Four (4) guarantees have already been issued that have mobilized ten (10) billion rupees from the commercial banks and to MFBs and MFIs to address their funding needs in the medium term. Another facility titled 'Institutional Strengthening Fund' has been launched and its objective is to address institutional and human resource, and capacity constraints of the sector that help to modernize the functions of the MFIs.

### 2.2.7 Sri Lanka




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Speaker:	<i>Mr. Anura Atapattu</i> Microfinance Consultant, Sri Lanka
Chair:	<i>Mr. S. W. Kiriarachchi</i> President, Lanka Microfinance Practitioners Association (LMFPA), Sri Lanka
Discussants:	<i>Mr. Dulan De Silva</i> Rural Development Consultant, Sri Lanka <i>Mr. R. D. W. Pallegama</i> Deputy Director, Central Bank of Sri Lanka, Sri Lanka <i>Mr. Enamul Hoque</i> Chief Operating Officer, ASA International, Bangladesh

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### Keynote Presenter

**Mr. Anura Atapattu**

**Microfinance Consultant, Sri Lanka**

Sri Lanka has better socio-economic indicators than other SAARC countries but poverty is still significant. 20.5 million people live there of whom 5.6% lives with below USD 1 per day, 42% lives below USD 2 per day and 15.2% of them is under the national poverty line. GDP per capita is USD 2,053 at market prices. Sri Lanka stands at position 102 in HDI ranking.

There are several models of MFIs in Sri Lanka. Such as; Individual lending using a group (centre, cluster) as a focal point, village banking, self-help groups and Individual lending. Loan guarantees are provided using two members guarantee method, Grameen type group collateral etc. However, recent trends involve less paper work, quick lending and recoveries in structured manner.

MFIs in Sri Lanka can be broadly categorized into two parts: (1) Microfinance as core business and (2) as an ancillary business. The first one covers MFIs (national/regional/local and NGOs/private), Government MFIs (*Samurdi*/Agrarian Services), Village Banks, co-operative establishments, commercial banks and Finance/leasing companies, specialized (development) banks; where the latter one covers regulated development banks.

In 2008, national/regional/local MFIs had the highest USD 96 of average savings per member. However, co-operative rural banks (CRB - deposit accounts) had the highest savings of Sri Lankan Rs. 31,998 million in 2007. RDB's had Rs. 32 billion savings, 50% of this estimated to have micro savings. In case of borrowers and loan outstanding in 2008, national/regional/local MFIs topped at USD 164 average loan outstanding per borrower. Loan outstanding of CRB (loan accounts) in 2007 was Rs. 21,711 million. Over 65% of members were females. Approximately 30% of the total population and 50% of the population below national poverty line was reached. Nonetheless, some critical issues are multiple borrowing, lack of accurate data, significant number of members in CRB and some members of VB (Village Banks) and MFIs (less) are not poor, and outreach in North and the East are weak and reliable data are not available.

Acceptable data on the overall sector is not available. However, case load is very low; average 60 loans per staff member, Rs. 620,000 (USD 5,586) outstanding loan balance per staff member. *Samurdi* and village banks are at lower ends (17 loans) and CRB is at higher end (192 loans). Very few MFIs are financially and operationally sustainable. MIX reports 16 cents to maintain each dollar in Sri Lanka MFIs. Lack of tools for sustainable operations like business planning and costing together with high level of investment in social mobilization and credit plus services mixed with credit are some of the reason. Nevertheless, the efficiency and sustainability are in increasing trends during the recent past.

Certain level of information on impact of microfinance in Sri Lanka is available. It is evident that 71% of borrowers increasing income. Establishment of livelihoods, improved housing and sanitary facilities, household and business assets building, empowering women and poor, environmental impact (for example, loans for solar panels reduced use of 19 million liters Kerosene, that is, 54.5 million kg of CO), reconstructing lives after Tsunami, supporting living under conflict. However, systematic and much focused SPM (Social Performance Management) is not commonly practiced by MFI's. But there is an increasing trend in willing to use SPM including use of PPI (Progress out of Poverty Index) at present.

Microfinance in Sri Lanka is financed by multiple methods. First of all, saving; that involves credit unions, cooperatives, *Samurdi* and certain NGO/private MFIs. Historically many MFIs received grants



but depleted now due to unsuitability of MFIs. These are limited to certain TA's to MFI and sector development now. NDTF (National Development Trust Fund) used to provide low cost funding but it is becoming very limited at present. PAMP-2 (Poverty Alleviation Microfinance Project) is low cost funding to regulated banks and finance companies. Other credit lines of CBSL are available only for regulated banks. However, financing is a major issue for MFIs due to several reasons; like inability to mobilize savings by themselves, interest rate cap by NDTF and decision to merge NDTF to SLSB (Sri Lanka Savings Bank), PAMP-2 and other CBSL credit lines are accessible only by regulated banks and finance companies but not by dedicated MFIs, not allowing MFIs to obtain foreign loans, severe restriction of foreign equity financing etc.

MFIs are not regulated in Sri Lanka. There are more than 14 different acts of parliament applicable to MFIs. Of them, following 6 are related to primary registration: (1) NGO act (VSSO act), (2) Companies act, (3) Cooperative Societies act, (4) Societies Ordinance, (5) *Samurdi* Authority act and (6) Agrarian Services act. Number 1, 2 and 4 under which most of true MFIs are registered are not allowed deposit mobilization. There is a trend among Regulated Banks and Finance companies to move in to MF.

The proposed microfinance act provides increased visibility and recognition to MFIs, authority for deposit mobilization, access to foreign loans, increased transparency and accountability. The main issue that attracts attention is following. First, national level licensing is provided only for public companies which would provide collateralized loans for non-poor. And second, NGOs/GTE companies/co-operatives who are in lending to poor with no collateral will be licensed only at provincial and district level. Hence, access to microfinance by poor could be reduced by the act.

Further, the key issues in the microfinance sector of Sri Lanka are; lack of proper regulation and weaknesses in the proposed act, weak efficiency, portfolio quality and sustainability, government involvements in microfinance business, governance issues in the village banking model, weak funding (NDTF, small funders, foreign loans and guarantees), lack of transparency, inadequacy in IT for microfinance, inadequate sustainable credit plus services, inadequate capacity of the microfinance network for sector development etc.

New microfinance act will address many issues in the sector if the act is amended to accommodate industry concerns. Microfinance industry will work in hand in hand with the new microfinance authority through its network. Government should provide industry friendly support and avoid industry damaging actions like unreasonable interest rate caps. Increasing outreach for the poor and vulnerable, who still does not have access to microfinance, especially in the North/East/plantations, is urgent. Increased involvement of formal banking sector in microfinance is also a future challenge. Provided that these challenges are handled well, microfinance will play a greater role in employment generation; improve the life quality, GDP growth and distribution across the nation.

## Discussants

**Mr. Dulan De Silva**

**Rural Development Consultant, Sri Lanka**

Microfinance sector is facing a great risk of sustainability. The government heavily subsidizes funding programme, which is killing the industry. Although, NGOs were doing well in microfinance service, imposing interest rate caps is contrary to every known principle of microfinance, which has evolved over time has stagnated the growth of NGOs. In Sri Lanka, the state-funded apex fund provider for MFIs, the National Development Trust Fund (NDTF), the successor to the Janasavaya Trust Fund, has imposed a cap of 15% on their microfinance institutions partners on lending rate to beneficiaries.

This spread is considered by most MFIs to be inadequate to cover their costs, risks and cost of

money, particularly as there are restrictions imposed on the MFIs taking deposits. We need an effective policy and definition of microfinance.

***Mr. R. D. W. Pallegama***

**Deputy Director, Central Bank of Sri Lanka**

We have to follow the component of regulation according to existing legal framework of the Central Bank. However, since one decade the central bank is assessing on introducing some regulations to regulate the microfinance institutions. There are about 13,000 individual microfinance institutions networks, more than 1,000 cooperative rural banks and 8,000 credit cooperatives society are operating recently, and all these networks are operating under individual legal institutions. Under the government authorities, there are 4,000 networks providing microfinance services and notably, *Samurdi* programme which is directly funded by the government as a poverty alleviation programme. However, rural penetration is low. We realized that these microfinance institutions are well contributing financial services to poor. The government is trying to bring these entire microfinance service providers under one umbrella by introducing new regulations and through independent regulatory authority. The central bank is trying to set the general guidelines for microfinance sector. On the other hand, microfinance institutions in Sri Lanka are indeed facing fund shortage due to inadequate donor agencies funding. Given the situation, we need to accept public deposit to improve their capital requirement, to expand their activities and to maintain their sustainability.

***Mr. Enamul Hoque***

**Chief Operating Officer, ASA International, Bangladesh**

The Liberation Tigers of Tamil Eelam (LTTE) movement was the big hurdle in Sri Lanka to pick up the microfinance momentum at its expected size. But recently, the law and order situation is excellent in Sri Lanka and the country is now ready to access any kinds of models of microcredit. The political disturbance has affected the northern part of Sri Lanka which is almost untapped and microfinance presence in these areas is very low. Government as well as private microfinance institutions need to give more priority to the northern region. Not only Sri Lanka, but also most of the South Asian countries shared the similar problem. In fact, we can assume that political unrest is the major barrier for reaching the poor doors. Government of these regions should consider the fact more otherwise; microfinance reach to this sector will be troubled completely.

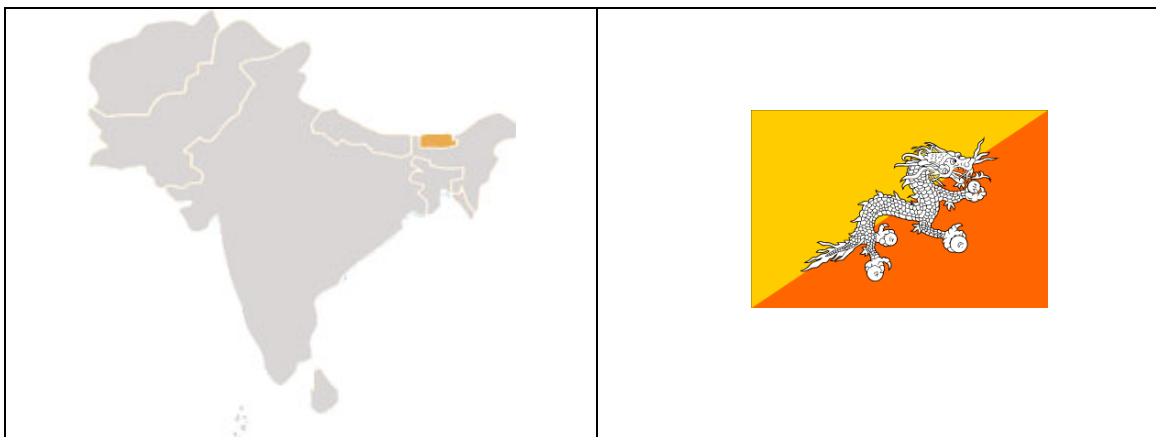
**Chair**

***Mr. S. W. Kiriarachchi***

**President, Lanka Microfinance Practitioners Association, Sri Lanka**

Political unrest and disturbance has affected the South Asian countries most. Rehabilitation of the displaced and conflict hit is another challenging issue in the rural areas. Although, microfinance institutions has low coverage in these areas, government as well as the private sector should increase different social and income generating activities in the affected areas.

## 2.2.8 Bhutan



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Speaker: *Mr. Ugyen Tshering*  
Examining Officer, Royal Monetary Authority, Bhutan

Chair: *Mr. Dasho Daw Tenzin*  
Governor, Royal Monetary Authority, Bhutan

Discussants: *Mr. Bijay Nath Bhattarai*  
Former Governor, Nepal Rastra Bank (NRB), Nepal  
*Ms. Padmasana Shakya*  
Vice-Chairperson, Microfinance Association of Nepal (MIFAN) and Chairperson, Manushi, Nepal  
*Dr. Muhammad Abdul Latif*  
Director, Research & Knowledge Management, InM, Bangladesh

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## Keynote Presenter

**Mr. Ugyen Tshering**

**Examining Officer, Financial Regulation & Supervision Dept, Royal Monetary Authority, Bhutan**

Bhutan is located in the southern slopes of the eastern Himalayas, China to the north and the India in the East, West, and South. Around 683,407 people live in 38,392 sq. km in Bhutan. The country has mainly agrarian economy with approximately 70% of population dependent on agriculture. GDP is Nu. 40650.64 million with 6.73% growth rate and per capita income of Nu. 89,639. Formal financial system currently caters to only about 10% of the total population. Current poverty rate is 23.2% and unemployment rate is 3.7%. The payment system is largely cash based. People have limited access to rural credit. However, increasing developmental activities in the country has driven high demand for rural credit.

Bhutan Development Finance Corporation (BDFC) is mandated to provide credit to small and medium-scale industrial and agricultural activities — particularly in rural areas. Lending activities are dominated by industrial loans. BDFC issued specialized banking license in March, 2010 (deposit taking and Lending).

Microfinance in Bhutan is necessary because there are: (1) huge mismatch in demand and supply for financial services, (2) need for increased access to diverse range of financial services to the underprivileged, (3) promotion and mainstreaming of informal sub-sector into the national financial system, (4) majority of poor are excluded from the financial services mainly due to collateral-based lending and huge transaction cost.

In Bhutan, there are 101 branches of bank with 14.78 branches for each 100,000 people. Total number of deposit accounts is 314,951 and that of credit accounts is 75,234. Insurance market entails life insurance (17,281), and non-life insurance (97,448). Rural life insurance is currently managed by the Home Ministry. Compensation in insurance services needs to be enhanced. The payments and settlements system does not cover receipt and delivery of small value remittance of the marginalized group.

Possible measures for promoting Microfinance in Bhutan are: financial literacy, priority sector lending, institutional subsidies from the RGOB (Royal Government of Bhutan) to develop the MFI sector, encouraging branchless banking (mobile banking), encouraging group lending model, providing simplified products etc.

Challenges for the microfinance sector are mainly accessibility; formulation of appropriate and efficient delivery model, institutionalizing strong collaboration among banks, specialized institutions and MFIs, changing the mindset of the financial sector and moving away from collateralized based lending to cash flow or project viability.

Future steps can be taken considering adoption of financial inclusion policy, setup an apex MFI in Bhutan and license/register MFIs with the objective to achieve inclusive growth as well as to improve access to finance for MFIs clients, promoting NGO-based MFI, establishing appropriate legal framework, MFI regulation, licensing regulation for MFIs, supervision like formulate supervisory tools/methodologies and approaches in monitoring and supervising MFI, capacity building of the Royal Monetary Authority (RMA) supervisors, and to collaborate with donors, coordinate and monitor donor assistance in microfinance.

## Discussants

**Mr. Bijay Nath Bhattarai**

**Former Governor, Nepal Rastra Bank**

Microfinance in Bhutan is at a very early stage. There is a huge scope of microfinance expansion in Bhutan. Bhutan can take the advantage of implementing any kinds of microfinance model practiced in the South Asian countries that is appropriate to the country. They can look at the models of PKSF, RMDC Grameen, cooperative societies, self-help group or a mixture of all these practices. However, the cost of intermediation is really very high and the country should be serious to lower the transaction cost. It could be through innovative approach like mobile banking and engaging local agents of commercial banks. In addition, rising inflation could push more poverty, which should be considered by the policymakers. Bhutan should push forward microfinance services assertively to cope with the emerging poverty problems.

**Ms. Padmasana Shakya**

**Vice-Chairperson, Microfinance Association of Nepal (MIFAN), Nepal and Chairperson, Manushi, Nepal**

Microfinance in Bhutan is managed by the public sector institutions, not by the NGOs. Bhutan is the only country in South Asia where formal microfinance is provided by the government. Besides the challenges and limitations the sector are facing because of the unique characteristics of the country, microfinance programmes are coming forward in Bhutan. With the support from the ADB, Bhutan is now actively working to further develop the regulatory framework and other measures that are required to develop microfinance sector. Microfinance is a tool for poverty reduction but it alone is not enough to improve the social and economic lives of the poor and bring them in the mainstream of development. However, improved regulatory framework and use of new technology are essential to make microfinance programme successful. Microfinance has had positive impact on improving social status of households particularly on the lives of women. Increasing participation of women in their own household enterprise should get more preference and we need further improvement in this regard.

**Dr. Muhammad Abdul Latif**

**Director, Research and Knowledge Management, InM, Bangladesh**

Although Bhutan's microcredit is concentrated in rural areas, there is no microcredit in the urban areas, and its coverage in semi-urban areas is poor. There are several models of lending practiced in South Asia but Bhutan microcredit is funded by the government, which can be a setback to flourish private players in microfinance sector. But Bhutan presents a different model: financing small entrepreneurs and farmers through a non-bank financial institution; Bhutan Development Finance Corporation (BDFC), a government body. There are no independent microfinance institutions in Bhutan. The model that it pursues resembles the Indonesian one. Such a model has proven to be effective in Indonesia. The experience in Bhutan appears to be not different from that. Often the programme is cross-subsidized; this may lead to financial leakage on one hand while it can hinder microfinance sustainability on the other hand. In the long run, this may prove to be costly; the central bank of Bhutan has to take these two aspects into consideration.

## Chair

**Mr. Dasho Daw Tenzin**

**Governor, Royal Monetary Authority, Bhutan**

A report on South Asia says that Bhutan is late in microfinance services. Our national population is large but being a small country and less population compared to density other Asian countries have, there is no destitute in Bhutan. Many MFIs including foreign donors feel that Bhutan has neglected microfinance but that is not the case. Unlike the thrive of MFIs in the neighboring countries because

of the failure of the government, the case is not similar in Bhutan. It is not that the government does not want to accept microfinance at all. Of course, through the pressure of donors, some NGOs are emerging. We are in-charge of all financial institutions and the central bank is in the leading role. We have the mandate in the government to look at the financial inclusiveness. The central bank has taken the lead to form microfinance and financial inclusive policies. The size and scale of current poverty in Bhutan do not demand that urgency of microfinance. However, it is not like that there are no poor people in Bhutan, there are poor people but the scale and level of poverty is different. We want to make sure that the regulatory regimes are in place and the financial institutions do not cross the border. We have 5 commercial banks and 3 non-bank financial institutions which is enough for half a million people of the country. We want to fully assess the MFIs objectives of poverty reduction and Bhutan is not prepared to allow drift in the mission in the country. We have to develop our own model of microfinance which would be appropriate for the people by taking into consideration the demographic and topographic dimension of the country.



## 2.3 Lessons Learned, Emerging Challenges & Directions for the Future

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Speaker:	<i>Dr. Rashid Faruquee</i> Visiting Fellow, InM, Bangladesh
Chair:	<i>Mr. Shankar Man Shrestha</i> Chief Executive Officer, RMDC, Nepal
Discussants:	<i>Dr. Quazi Mesbahuddin Ahmed</i> Managing Director, PKSF, Bangladesh <i>Ms. Simeen Mahmud</i> Lead Researcher, BRAC Development Institute (BDI), Bangladesh <i>Mr. Sanjay Sinha</i> Managing Director, M-CRIL and Founder, EDA Rural Systems, India <i>Dr. Puspa Shrestha</i> Chairman, Women Support Cooperative Ltd., Nepal <i>Dr. Saeed Ahmed</i> Head of Microfinance, State Bank of Pakistan, Pakistan <i>Mr. Anura Atapattu</i> Microfinance Consultant, Sri Lanka <i>Dr. Harihar Dev Pant</i> Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal

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**Keynote Presenter****Dr. Rashid Faruquee****Visiting Fellow, InM, Bangladesh**

In SAARC countries, microfinance programmes started at different points of time. And the patterns of evolution of these programmes also have not been uniformed. There are some common features, but also some interesting differences in models and approaches adopted. The microfinance industry varies in maturity across the region. Bangladesh and India have most advanced programmes. Pakistan, Nepal and Sri Lanka are in the next category. The variety of experiences in these countries offers a unique opportunity to learn from each other experiences.

Major lessons learned from these varied experiences can be categorized into following topics; targeting the poor, product diversification and scaling-up of microfinance programmes, varied models/approaches of MFIs, competition and overlapping, interest rate issue, resource mobilization and portfolio quality.

Target groups for microfinance include very poor, moderately poor, near poor or vulnerable poor and some non-poor families in rural areas. The coverage of poor by MFIs varies a great deal among countries. In India, all microfinance programmes are for the poor and members involved with the programme are primarily in the “low income” category. In Bangladesh, the biggest segment of rural households falls under moderately poor category. In Nepal, the poorest and the vulnerable groups of hills and mountains have less benefited from MFIs. There is significant divergence regarding estimates about the extent to which microfinance actually reaches the poor in Pakistan. In Sri Lanka, programme seems to have served many non-poor households.

As MFIs have gathered more experiences, these have diversified products and services. In Bangladesh, special micro-enterprise and agriculture loans are available for eligible clients. The size of loan is determined by demand and nature of loan. In Nepal, lack of market for products and suitable technology, low density of population have posed problem for scaling-up. Similarly the range of financial products in Pakistan and Afghanistan offered by most MFIs is not very wide. In Sri Lanka, product diversification has been limited. The market is mainly limited by the availability of financial resources than the demand for credit. The Indian microfinance sector is tilted towards credit and deposit services do not feature prominently, though there are institutions experimenting with products such as insurance using MFIs as a delivery channel.

In India, there are the government run SBLP and the MFI models. Many MFIs now follow a mixed approach customised to their target segment and area of operation. In Sri Lanka, there are many models being practiced by MFIs, of which the most prominent one “Community Banking Model (CBM)” is facing problem. In Nepal, there are quite a few models of microfinance e.g. Cooperative models, Grameen Bank model; community based organizations or SHG model etc. In Bangladesh, microfinance industry is dominated by Grameen model. In Afghanistan, most are following group methodology (solidarity groups). Despite wide variety of microfinance providers in Pakistan, the lending methodology is surprisingly uniform.

All countries in the region have faced increased competition in the microfinance market. New entrants in the industry have shifted the landscape of the industry to further outreach and product diversification. Competition is good for extending outreach. It leads to greater choice for clients. To create competition on a level playing field, transparency and easily accessible information to clients would be necessary. Overlapping, in the sense of borrowing from multiple MFIs, has not been a

problem until now. However, increasing use of regulatory framework and technical tools would be desirable.

Achieving an overall reduction in interest rate in microfinance is accepted as desirable, but this cannot be effectively or efficiently accomplished by imposing interest rate caps. However, there is room for giving relief on interest rate to most borrowers by increasing efficiency of its operations and by introducing variations in pricing. There is also a need for transparency and clarity in fixing interest rate charges for better understanding of poor borrowers.

India and Bangladesh seem to be most successful in mobilizing funds and their examples are worth emulating by other SAARC countries. In India, microfinance is clearly experiencing a surge of interest from the private sector, which needs to be encouraged and expanded. In Bangladesh, savings from members provide a useful source of funds for lending, but careful prudential regulation will have to be put in place.

Database analysis indicates that the Grameen organizations in India have been the best performers in the previous years, except in 2007 due to political problems occurred in South India. In Bangladesh, the portfolio quality of very large and other smaller MFIs have been declining over the last 2-3 years mainly because of disproportionate expansion, economic shocks, multiple borrowing, lack of managerial capacity etc. In Bhutan, the overall quality of the group loan portfolio is poor and they vary a lot across branches. In Sri Lanka, the weak portfolio quality has been an issue in the industry for many years. In Pakistan, apart from a few outliers, this has generally remained at acceptable levels in the past.

Microfinance is now globally recognized as an effective tool for reduction of poverty. It has shown positive results in many countries. However, microfinance services have not yet deepened down to reach the neediest poor. There are still huge masses of people who are deprived of financial services in most developing countries. There are a number of challenges facing the microfinance industry. The review of experiences and lessons from country reports particularly illustrate some key challenges for microfinance programmes in the future. These are: sustainability of MFIs, appropriate microfinance regulation, institutional and HR development, and finally, increasing use of IT in managing MFI programmes.

Indian MFIs have become increasingly sustainable over the years, as these have gained experience and some have become commercially oriented. In Nepal, most MFIs have been running at profit and have achieved operational self sufficiency but they heavily depend on external sources. In Pakistan a heavy reliance on donor financing in the sector prevails. Despite the exponential growth in the NGOs providing microfinance services in the last few years, the sector lags behind most countries. The overall operational self-sufficiency of the leading MFIs in Afghanistan was reported to be 80% at the end of December 2008. In Bangladesh, strong viability was achieved due to subsidized cost of capital from PKSF and relatively low level of staff salary. Lack of sustainability in MFIs is noticed in Sri Lanka.

In most of the SAARC countries, regulation is yet to be enforced by the respective governments. Some progress has been made in few countries. There has to be a transformation process of the MFIs into graduated legal entities, which is still lacking in these countries. This issue has emerged a critical challenge to be dealt with in future.

The capacity building of MFIs is needed from two standpoints – one is staff capacity and another is institutional development in terms of policies, practices, methods, procedures, etc. Capacity building is a continuous process. Investment in human resources and institution developments need

increased attentions to enhance the productivity of staff and effective functioning of the systems.

Although some of these countries like India and Bangladesh are gradually improving, adequate quality institutions for capacity building are yet to be developed in all SAARC countries.

The use of IT in microfinance among the SAARC countries is very limited. To make microfinance services faster and reliable, there is no alternative to make it technology based. Fortunately technologies are available to transform microfinance. The process of using available technologies has begun in some countries like Bangladesh, Sri Lanka and Bhutan, but it has to be accelerated. In the long run, this system will help reduction of costs. Right at the moment, this has emerged as an important issue requiring immediate attention.

Microfinance programmes in SAARC countries have come a long way. In particular, Bangladesh has made most impressive progress, starting from a mono-lending product with required savings in small amounts. Over time, more flexible products emerged to meet the various financial-service needs of the poor better. Introducing more flexible financial products would help address a broader set of critical needs, including managing cash flows, coping with risks, and accumulating large sums over time. Sri Lanka and India have also done well going somewhat in different routes, where all other countries are in different stages of progress. The reviews clearly establish that microfinance still has chance for further advancement—even in Bangladesh. So the milestones in the way forward for South Asian microfinance sector are: ensuring sustainability of MFIs, scaling up microfinance and catering to needs of poor more comprehensively, extending beneficiary target and development of new products and services, linking with formal financial system, improving regulatory frameworks, increasing use of new technologies, creating favorable political and social environment for expansion of microfinance.

South Asian experience implies that the dependence on subsidized funding will have to end some day and it would be vital to worry about sustainability of the MFIs in future. Most MFIs in South Asia are still dependants on the external sources of funds, subsidy from foreign donors (Afghanistan, Pakistan and Bangladesh) and from governments (Sri Lanka, India, and Bhutan). MFIs can develop additional savings products geared to the general public, make securitization etc. which has started to happen in limited way in South Asia (India, Bangladesh), but can be done in a more extensive manner as in Latin America. The MFIs must try to generate their own funds and build up their equity if they want to remain in the industry and become financially viable.

The available evidences show that poor people indeed manage their money; but the portfolios they manage are often fragile and incomplete. We need to determine how a high-quality, basic financial services could be made available to the poor on a near-universal basis. In this way, providing universal micro-banking could perhaps become an indicator of broad-based development and poverty reductions. In essence, this would mean that the poor would need reliable access to three key services: (i) day-to-day money management, (ii) building of long-term savings, and (iii) general-purpose loans. The challenges are how to develop and provide frameworks that give the poor chances at better access to financial services to improve their lives.

A new definition of ‘target recipient’ is now emerging—anyone in the rural or urban areas who wants to take a small loans by accepting the institutional arrangements of the MFIs—group meetings, mandatory savings deposits and repayment schedules—can be a ‘member’ or ‘client’. In the expanded outreach programmes, micro-enterprise developments would feature prominently. Further, some of the most useful new products and services would include remittance services, microinsurance etc.

So far microfinance has provided most of the access to financial services available to low-income people in South Asia, but it is still largely separate from the overall financial systems. There are only few examples of direct service provisions to the poor by mainstream commercial institutions. The

microfinance movements of past few decades have fundamentally changed the financial sector, and this change process is gathering momentum. Now there are opportunities to take the microfinance move to the next stage of its development—a stage in which a more inclusive financial sector can be shaped to better serve the needs and interests to the poor. This process is beginning to happen in Bangladesh and such opportunities should expand in other countries as well.

Microfinance can only progress if the enabling environment is supportive. The progress in policy and regulatory environment have until recently come from movements from state-controlled and distorted financial markets toward more liberalized financial markets, and this has been good for microfinance. Microfinance has flourished in settings where the government did not follow directed credit policies, allowed interest rates to be market-determined, kept credit allocation separate from politics, and was not itself involved in direct lending. In some countries, special microfinance regulatory frameworks have been very helpful, supporting the particular needs of microfinance institutions in countries like Indonesia and Bolivia.

New technologies promise new ways to improve efficiency and expand outreach faster. Already, some MFIs are using ATMs and handheld computers, but more significant changes might become possible as mobile telephones outreach and internet access expands more widely and become less expensive. This could lead to new kinds of microfinance service providers that are based on mobile banking or online transactions with MFIs. The benefits will be dramatic. They would include greater convenience and lower costs for customers, ability to reach more remote customers, and increased security.

A critical step in the region's financial liberalization could occur if the wider political and social environment changes to recognize that economies of scale that exists in financial service delivery—cost is inversely proportional to the size of accounts. Central banks and finance professionals including researchers will need to take the lead to urge politicians and media to help changes the conservative economic environment relative to the poor. Countries where microfinance is developing actively, governments should provide at least some of the ground rules that favor financial sector development and microfinance. Most of the countries that have liberalized their financial systems during the past decades have established these conditions, or are well on their way to do so.

### Discussants

***Dr. Quazi Mesbahuddin Ahmed***

**Managing Director, PKSF, Bangladesh**

This is the first of its kind that a conference on the microfinance sector has been organized at a regional level. There are commonalities in objectives but dissimilarities in delivering financial services and institutional patterns among the MFIs. Microfinance practices throughout the region are different, but target of the programme is unique. The commercialization of the microfinance services at Andhra Pradesh in India was a polarized thing and very unfortunate. More attention should be given to these kinds of issues.

***Ms. Simeen Mahmud***

**Lead Researcher, BRAC Development Institute (BDI), Bangladesh**

Two issues like group lending system and the role of savings have actually made a huge difference to women's lives in SAARC region. Women being microcredit borrowers and what microfinance means to women – these issues also need to be discussed and featured in the deliberations. The group lending system has provided the rural poor women both physical and virtual space beyond their families. It provides women with visibility and identity, and support which strengthen their bargaining position. The issue of savings has not been featured at all which is very significant in

women's lives. The way microfinance has been transforming women's lives should not be overlooked. So, initially there are two purposes of microfinance—access to finance and reducing poverty. A third dimension to be added to these; which is women empowerment. It provided fiscal viability and certainty to numerous poor women. Significant contribution can be made by women to every aspect of human development using microfinance.

***Mr. Sanjay Sinha***

**Managing Director, M-CRIL and Founder, EDA Rural Systems, India**

Essentially, two related key challenges for microfinance in South Asia are: reaching more people and reaching them responsively, and reaching less accessible areas. Reaching more people means generating more funds. Trying to generate funds from socially oriented investors as well as from government could be a way for reaching responsively. To meet the needs of the people appropriately, one of the problems with microfinance is that it is not necessarily serving the needs of large number of people and developing products. A lot of work needs to go into innovation in relation to products which actually meets the needs of the poor people. Microfinance also has responsibilities to reach more people, mainly in remote and less accessible areas and to develop new microfinance models. To do these, MFIs need larger funds. Innovative development and diversification of products can be valuable to meet these challenges, to enhance the people's economic lives, and to do it in a responsible manner.

***Dr. Puspa Shrestha***

**Chairman, Women Support Cooperative Ltd., Nepal**

The need for an appropriate microfinance regulation and increasing the advantages of ICT in managing microfinance programmes could be the two utmost important features to meet the challenges. Appropriate regulation is obligatory for microfinance industry in every South Asian country. And for future course, it is important to focus on sustainability and to reach the poor and deprived group. It needs to incorporate healthcare, knowledge, literacy, employment, skill development and training facilities for the social inclusion of the poor. The poor people need to be empowered and encouraged socially. These initiatives will take microfinance institutions to a sustainable but pro-poor position and eventually towards human development.

***Dr. Saeed Ahmed***

**Head of Microfinance, State Bank of Pakistan, Pakistan**

Four key principles are applicable in SAARC region: it is needed to diversify the services like broad range of financial services including savings, credit, payments, transfer, and insurance. Institutional innovations as well as technological innovations need to be incorporated. Another principle is consumer protection; it is a strong tool to empower clients. Microfinance has been facing criticism around the world because we don't have any comprehensive approach to consumer protection. Therefore, for efficient and sustainable microfinance operations, these key principles need to be followed: innovation, consumer protection, leadership, government's commitment to improve financial services, cooperation empowerment and knowledge sharing.

***Mr. Anura Atapattu***

**Microfinance Consultant, Sri Lanka**

Along with the importance of regulation and maintaining the double-bottom line, the lack of knowledge on microfinance is the key challenge to the way forward. Lack of diplomatic capacity is also another challenge, though inclusion of the SAARC Secretariat to this conference could help mitigate the particular problem. Another practical approach could be to understand the issues and experience of microfinance sector in individual SAARC countries. It is high time to recommend the knowledge sharing exposure to the politicians and bureaucrats; and to include the facility of financial education for clients for the development of microfinance. In addition, effective interest rate is also

essential to find out, so that the double dilemma of poverty reduction and sustainability for MFIs can be resolved.

***Dr. Harihar Dev Pant***

**Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal**

Mission drift and over-commercialization of the sector have been made the situation that the MFIs are making profit instead of reducing poverty. So many issues are coming forth for profitability of MFIs. But what MFIs were supposed to do is to achieve profitability to expand and reach the under-privileged. Also, as duplication in lending is hindering the microfinance industry, a credit information bureau for microfinance should be established. In terms of resource constraint, the government should allow the MFIs to accept public deposits and not to consider MFIs like other commercial institutions. On the other hand, duplication of other models may not be a good solution. What we should do about is to decrease the operational cost and to increase the outreach in inaccessible areas.

**Chair**

***Mr. Shankar Man Shrestha***

**Chief Executive Officer, RMDC, Nepal**

The solution to the challenges lies on us; nobody may help us and we have to help ourselves by working together in a disciplined way. We have not only to be sustainable in our operation, but also responsible to the poor people for whom the microfinance was developed. We should also chalk out the study to the way forward which has to be implemented by ourselves. We all have to work together in sharing our knowledge and experiences, and help each other for the regional development as a whole.



## 2.4 Closing Session

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Closing Remarks:	<i>Dr. Md. Mosleh Uddin Sadeque</i> Interim Executive Director, Institute of Microfinance (InM), Bangladesh <i>Dr. Amanullah (Mak) Khan</i> International Team Leader, PROSPER PCU, DFID, Bangladesh <i>Mr. Shankar Man Shrestha</i> Chief Executive Officer, Rural Microfinance Development Centre (RMDC), Nepal
Guests of Honour:	<i>Mr. Dasho Daw Tenzin</i> Governor, Royal Monetary Authority, Bhutan <i>Dr. Wahiduddin Mahmud</i> Professor of Economics, University of Dhaka, Chairman, Institute of Microfinance (InM), and Former Minister to the Caretaker Government, Bangladesh
Chief Guest:	<i>Dr. Yuba Raj Khatiwada</i> Governor, Nepal Rastra Bank, Nepal
Chair:	<i>Mr. Ashoke SJB. Rana</i> Chairman, RMDC, Nepal

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The closing session of the two-day long conference on *Microfinance in SAARC Countries: Sharing Lessons & Way Forward* started with the national anthem of Bangladesh. At the session, Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM; Dr. Amanullah (Mak) Khan, International Team Leader, PROSPER-PCU, DFID; Mr. Shankar Man Shrestha, CEO, RMDC, delivered their closing remarks. Mr. Dasho Daw Tenzin, Governor, Royal Monetary Authority, Bhutan, and Dr. Wahiduddin Mahmud, Chairman, InM; were present as Guests of Honor. Dr. Yuba Raj Khatriwada, Governor, Nepal Rastra Bank, Nepal; adorned the position of Chief Guest. Mr. Ashoke SJB Rana, Chairman, RMDC, Nepal chaired the session.

In his remarks, Dr. Sadeque categorized the conference as a lesson learning forum where experiences of success, challenges and exchanging ideas were made possible. He hoped the harmony and understanding that have been achieved there in terms of moving ahead with microfinance as an effective tool of poverty alleviation would be treated as a milestone in promoting regional cooperation in the fight against poverty, finding the right balance, balance between growth and welfare objectives. He also said that InM is committed to organize similar conferences on the microfinance in different regions of the world in future. He added that the inter country experience would help a lot to replicate accomplishments and would provide an opportunity to think about overcoming the impediments in a new light.

Dr. Khan delivered a splendid speech in fluent Nepalese. He praised the hosts and gave credit to all associated people for the successful arrangement of the conference in a beautiful amiable atmosphere.

Mr. Shrestha, called the occasion as a landmark in the history of microfinance. He pointed out some key issues to be taken into account for the future; such as: cooperation, risk management, developing second generation of microfinance clients, increased use of information technology, microinsurance etc. He foresaw a poverty free South Asia, with microfinance as an effective apparatus. "The virtual platform is not just for South Asian Association for Regional Cooperation (SAARC)," said Mr. Shrestha, while announcing the strategies and action plan of the conference. "RMDC will play a key role in developing interactive website for the purpose." MFIs are playing in key role in enhancing lives of poor people of South Asia because it is an effective tool to fight poverty worldwide. Bangladeshi MFIs are successful microfinance supporting 150 million people with credit up to USD2.8 billion. The conference has adopted a strategy to meet together in every two years.

He concluded with a 10-point Declaration for the growth of Microfinance Institutions (MFIs) in South Asian countries. The points are cooperation among MFIs, sensitizing MFIs in risk management, reaching to poorest of the poor, advocacy for conducive environment, more investment in research and studies and so on.

Dr. Mahmud opined that, the opportunity to share ideas and experiences was very timely. Most critical stage for microfinance was to take off in early 80s. As the system becomes mature, newer issues like diversity of products, regulations etc. are coming forth. However, aside from external regulation, internal transparency is also important. MFIs are becoming some sort of deposit banks so they follow some banking procedures. But traditional banking system has also something to learn from MFIs, for instance, one can point out that poor people repay the loan where rich people don't. Microcredit movement has proved that (1) the need for credit is universal, not only for the rich and (2) poor people can save and create entrepreneurship if they are given such access. The vital question is how to meet the commercial viability of MFIs along with their primary motive of poverty

alleviation? Most of the profit should go to poor people in form of lower interest rate. MFIs can take donors' assistance, but it is always not desirable to perform under donors' command.

The success stories of microfinance can be found in any good textbook on development economics. Nonetheless, South Asia should conduct research and explore opportunities in its own way, building a combined forum of countries.

Mr. Yuba Raj Khatiwada urged all associated to make productive use of the new generation through microfinance programmes. They are very productive, yet awfully vulnerable. "Young people are not only the pillars for the future, but also for the present", he commented. He also said that the MFIs should also think of how the remittance can be utilized that is brought in by the migrant workers in Nepal.

Similarly, Mr. Ashoke SJB Rana, Chairman of RMDC, Nepal, said that the MFIs should also adopt technology to expand the operations of the MFIs in remote areas where the cost of operations is high and most of the MFIs do not want to go due to geographical and economical reasons. He added that MFIs had proved their unique importance. Poor people now know that there is some other party to help them aside from the Government. However, this is high time to integrate both of these parties for better outcomes of microfinance. He further hoped that SAARC can play a major role in fostering the integration in the region.

Thus, the first regional conference on microfinance in SAARC countries concluded with a promise to establish a virtual platform for knowledge management. It aimed to facilitate ideas and experience sharing, regular interaction among experts, practitioners and people and achieve Millennium Development Goals.

## 3.0 Challenges and Way Forward

### Challenges

1. Build up microfinance as sustainable, sensible and responsible industry .
2. Expand microfinance services to the remote and far flung areas.
3. Deepening microfinance services down to reach the poorest segment of the societies
4. Creating microfinance friendly political environment
5. Develop conducive legal framework, and appropriate regulatory arrangement
6. Increase use of IT for enhancing efficiency and effectiveness of microfinance services.
7. Avoid competition in loan size resulting in multiple and over financing to clients.
8. Mission drift and increased in commercialization of MFIs.
9. Increasing risks of various nature such as credit risk, reputation, competition, political interference, management quality etc.
10. Cultivate professionalism in MFIs

### Way Forward

1. Build cooperation and coordination among MFIs in the region
2. Sensitizing MFIs on risk management
3. Deepening the microfinance services down to the poorest and the destitute
4. Developing second generation of microfinance clients
5. Financing unemployed youth in the rural areas
6. Increasing the use of ICT in MFI programmes for transparency and good governance
7. Advocacy for conducive policy and regulatory environment
8. Institutional strengthening and capacity building of MFIs by conducting research and studies on key issues
9. Further exploring the feasibility of establishing Microfinance Banks serving the poor
10. Micro-insurance should be explored as a possible integral part of the mainstream microfinance to safeguard the interest of the borrowers

### Action Agenda

#### Establishing a Virtual Platform for Knowledge Management

The conference indicated the need for regular exchange of ideas and experiences to materialize the ultimate objective of going towards a poverty free world and to achieve the Millennium Development Goals. In order to facilitate such interactions among the practitioners and stakeholders, InM and RMDC agreed to initiate a web portal involving the relevant partners in the region with a view to sharing lessons, knowledge, thoughts, ideas, practices and experiences not only from South Asia but also from other places around the globe.

#### Regional Dialogues

Regional dialogues on the new developments in the sector and experience sharing would be convened in every two years upon consultation with relevant organizations.

**South Asian Microfinance Forum on Knowledge Management (Learn Microfin)**

Rural Microfinance Development Centre (RMDC), Kathmandu, Nepal and the Institute of Microfinance (InM), Dhaka, Bangladesh, agreed to initiate the process of establishing the **South Asian Microfinance Forum on Knowledge Management (Learn Microfin)**, one of the outcomes of the Regional Conference on *Microfinance in SAARC Countries: Sharing Lessons & Way Forward*, held during November 30 - December 1, 2010 in Kathmandu, Nepal, to facilitate continuous interactions among the microfinance practitioners, researchers, policymakers, and academicians of the region comprising: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

In fact, the organizing institutes expressed their interest to launch such a knowledge management forum in the pre-conference Press Meet held on November 29, 2010 in Kathmandu, Nepal, where Dr. Wahiduddin Mahmud, Chairman, InM, Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM, Mr. Shankar Man Shrestha, CEO, RMDC, and Dr. Amanullah (Mak) Khan, International Team Leader, PROSPER – PCU, DFID – Bangladesh were present.

The Chief Executives (Chief Executive Officers, Executive Directors or Chair) of the Microfinance institutions representing SAARC member states also accorded with the idea, which were formally presented as one of the declarations in the Way Forward and Action Agenda of the conference.

**LEARN MICROFIN** will be a forum to advance research, knowledge management, capacity building, and advocacy in the area of microfinance. The forum will work in close collaboration with the SAARC Secretariat and various microfinance related think-tanks, academic institutions, advocacy groups, and also with the NGO network organizations involved in microfinance operations in the SAARC region as well as international arena.

The secretariat office of the forum will be located at RMDC, Putalisadak, Kathmandu, P.O. Box # 20789, Nepal. InM, located at House # 2/1, Block – D, Lalmatia, Dhaka – 1207; and PKSF Bhaban, Agargaon, Dhaka – 1207, Bangladesh and, will provide all logistics support together with RMDC.

## 4.0 Conclusion

The conference entitled *Microfinance in SAARC Countries: Sharing Lessons and Way Forward* was really a successful event. It became a festival of expressing and hearing each other amid warm reception in the beautiful ambience of Nepal: the daughter of the Himalaya. It was all about understanding the power of copious poor people in SAARC countries. The conference was, in fact, a call for the rest of the world.

The conference emphasized the cooperation and coordination among MFIs in the entire region along with sensitizing MFIs on risk management, deepening the microfinance services down to the poorest and the destitute, developing second generation of microfinance clienteles by involving the youth, financing unemployed youth in the rural areas, and increasing the use of ICT in MFI programmes for transparency and good governance. To achieve the target, the conference proposed advocacy for conducive policy and regulatory environment, institutional strengthening and capacity building of MFIs by conducting research on key issues and further exploring the feasibility of establishing a Microfinance Bank under the SAARC umbrella. Micro-insurance should be explored as a possible integral part of the mainstream of microfinance to safeguard the interest of the borrowers.

The conference became enriched with the participation of famous researchers, intellectuals, practitioners, stakeholders, academicians, policymakers from all over the world, mainly from South Asian countries; not only from the field of microfinance and development economics, but also from a very diverse background. The conference was participatory and interactive. It made the opportunity to share the views and learning, as well as to find out the optimal way to solve problems. It became the birthplace of many innovative ideas, plans and policies.

South Asia is the place where microfinance was born back in 1980's. With this conference, participants collectively started dreaming of a tie-up among the countries of SAARC region through microfinance. The first regional conference on microfinance in SAARC countries was a thriving nucleus for sharing lessons and marching the way forward to the horizon of a poverty free South Asia, and eventually the humankind.

## 5.0 Pre-conference Press Meeting

Hotel Yak & Yeti, Kathmandu, Nepal

November 29, 2010



Microfinance institutions (MFIs) have proved that poor could also be credit worthy and they do not default loan, according to the experts.

"MFIs have proved that poor can also save," said Mr. Shankar Man Shrestha, Chief Executive Officer (CEO) of Rural Microfinance Development Centre (RMDC) addressing the pre-conference press meet of the first SAARC Regional Conference on 'Microfinance in SAARC Countries: Sharing Lessons & Way Forward' at Kathmandu in Nepal.

Institute of Microfinance (InM), Bangladesh and RMDC, Nepal in cooperation with the SAARC Secretariat are jointly organizing the first ever regional conference on microfinance from November 30 - December 1, 2010.

"The conference aims at disseminating the findings of InM-study on 'State of Microfinance in SAARC Countries' among the stakeholders in microfinance sector throughout the region," informed Dr. Amanullah (Mak) Khan, International Team Leader, Promoting Financial Services for Poverty Reduction (PROSPER) Programme under DFID in Bangladesh.

'State of Microfinance in SAARC Countries' report is a part of InM's long term study to publish reports on the state of microfinance in different regions of the world.



"The conference is also expected to bring together the eminent persons from microfinance sector like policymakers, renowned academicians, practitioners, stakeholders and representatives from SAARC member countries to appraise the successes and challenges of the sector," he said, adding that more than 200 participants from eight SAARC countries, including Nepal will take part in the two-day long regional conference.

"The key issues like sustainability and regulations of the Microfinance Institutions (MFIs), knowledge sharing, lessons learning from inter-country experience will also be part of the conference," Mr. Khan said, adding that the outcome will help policymakers and practitioners create and implement significant policy guidelines for the sector.

"At the end of the conference, the SAARC Declaration on microfinance will be released," said InM Interim Executive Director Dr. Md. Mosleh Uddin Sadeque.

Hailing Nepal's progress on MDGs, InM Chairman Professor Wahiduddin Mahmud said microfinance has taken banking to the doorstep of the poor helping the country achieve MDGs. "The poverty alleviation programme and innovative way of banking of Microfinance Institutions (MFIs) caters to poor," he said, adding that South Asian microfinance has a human face unlike in other regions.

"The idea of microfinance in its modern form is something for which South Asia can deservedly claim the intellectual property right," Mahmud added.

"The varied and rich experiences gathered from these programmes provide a unique opportunity for the countries of the region to share knowledge and revisit the idea of microfinance from various institutional and policy-making perspectives," Mr. Shrestha said, adding that microfinance represents an evolving and dynamic system that has shown its capacity to adjust to various socio-cultural settings and respond to the changing and varied needs of the poor.

## 6.0 Official Press Release

### Regional Conference on “Microfinance In SAARC Countries: Sharing Lessons & Way Forward”

*Kathmandu, 29 November 2010 –*

The Institute of Microfinance (InM), Bangladesh and Rural Microfinance Development Centre (RMDC), Nepal jointly, in cooperation with the SAARC Secretariat, Nepal, are organizing a Regional Conference on "Microfinance in SAARC Countries: Sharing Lessons & Way Forward" at Hotel Yak & Yeti, Kathmandu, Nepal from November 30 to December 01, 2010.

The conference aims at disseminating the findings of InM governed study on "State of Microfinance in SAARC Countries" among the stakeholders in microfinance sector throughout the region. Hence, the conference is expected to bring together the eminent persons from microfinance sector resembling policymakers, renowned academicians, practitioners, stakeholders and representatives from SAARC member countries to appraise the successes and challenges of the sector.

"State of Microfinance in SAARC Countries" is a part of InM's long term study to publish reports on the state of microfinance in different regions of the world. SAARC countries are the first region selected for this purpose. In this conference, key issues like sustainability and regulations of the Microfinance Institutions (MFIs) are likely to come to the fore. The conference will act as a Lesson Learning Forum where inter-country experience sharing will help policymakers and practitioners create and implement significant policy guidelines for the sector.

The idea of microfinance in its modern form is something for which South Asia can deservedly claim the intellectual property right. By developing innovative ways of reaching credit to the poor, the 'microfinance revolution', as it has come to be called, has seriously challenged many traditional assumptions about poverty reduction strategies on the one hand and financial markets on the other. Over the last three decades or so, the microfinance programmes have rapidly increased their outreach across the SAARC countries under various institutional arrangements, ranging from the Grameen Bank model followed by NGO-MFIs to self-help groups, savings/credit groups and co-operatives, and village banks. The varied and rich experiences gathered from these programmes provide a unique opportunity for the countries of the region to share knowledge and revisit the idea of microfinance from various institutional and policy-making perspectives.

Microfinance represents an evolving and dynamic system that has shown its capacity to adjust to various socio-cultural settings and respond to the changing and varied needs of the poor. While this has encouraged new theorizing about how microfinance works (almost all recent standard textbooks in development economics include a chapter on this subject), the practice of microfinance has itself evolved, often in unpredictable ways, outpacing the development of theory. A proper understanding of this evolution is essential both for meaningful theorizing and for adopting policies that can better realize the full potential of microfinance. This is in part learning-by-doing, but also in part what can be better termed as a process of "learning-by-seeing-others-doing". That is why, an exchange of ideas and experiences among countries are so important.

In spite of the rapid replication of microfinance programmes and a proliferation of academic literature on the subject, there are many gaps in our understanding of how the microfinance market actually works. What, for example, motivate the borrowers to repay loans amidst a culture of widespread loan default by well-to-do borrowers of commercial banks? In this regard, by focusing mainly on group liability, the standard theorizing on microfinance may have missed other institutional features that may have a bearing on the success of the system: transparent transactions

(as opposed to confidentiality maintained in traditional banking), close personal relationship between the lender and borrower, and the emergence of repayment norm through habit formation. In the mature microfinance systems where loan repayment norms are well established, the design of the programmes can allow more flexibility to meet the varying needs of their members.

There are other issues surrounding microfinance that are often subjects of intense public debates. For example, how is the interest rate in the microfinance market determined? How can the financial viability of the microfinance programmes be ensured? Should these programmes be judged by their financial self-reliance and commercial viability, or by their effectiveness in helping the poor, even though by accessing subsidised funds from the government and foreign donors? A source of confusion may lie in not recognising the two separate roles of microfinance: to channel funds to the poor as an innovative banking operation, and to help poverty alleviation as part of social security or safety nets for the poor. There are also underlying, and sometime quite overt, ideological differences arising from how these issues are addressed in competing alternative approaches to microfinance.

Can microfinance remove poverty? The additional family income generated by microfinance may be small to start with, but it often makes the difference between survival and destitution. The increased coping capacity of the borrowers at times of distress is well documented. There is also evidence that microfinance can help the poor families to break out of the poverty cycle through accumulation of physical and human capital; but there is a need to better understand these longer term impacts. This leads one to a much broader issue in the literature on economic development, namely, the linking of top-down development strategies aimed at creating opportunities for the poor with interventions for enhancing household capabilities, such as through skill training and access to credit.

In the wake of expansion and maturation of the first generation microfinance programmes, a number of new issues and concerns are emerging. One set of issues relate to diversification, including micro-insurance, micro-enterprise loans to borrowers graduating from the mainstream programmes, and extension of microfinance into agriculture. Other emerging issues include market saturation, overlapping credit from multiple providers with increasing competition among providers, and regulation of the microfinance sector. These second-generation issues will need to be addressed with the kind of ingenuity and creativity that have thus far driven the growth of this sector.

The ensuing conference will open a new window for the SAARC region microfinance practitioners, academicians, policymakers and other stakeholders to come up with a new vision to uplift the poor of the region.

## 7.0 Conference Programme

Day 1	November 30, 2010, Tuesday			
09:00-10:00	Registration			
10:00-11:00	Inaugural Session			
	Opening Remarks	Guests of Honour	Chief Guest	Chair
	Dr. Md. Mosleh Uddin Sadeque Interim Executive Director, Institute of Microfinance (InM), Bangladesh	H.E. Dr. Sheel Kant Sharma Secretary General, SAARC  Dr. Yuba Raj Khatiwada Governor, Nepal Rastra Bank, Nepal	Mr. Surendra Pandey Honourable Minister, Ministry of Finance, Federal Democratic Republic of Nepal	Dr. Wahiduddin Mahmud Professor of Economics, University of Dhaka, and Chairman, Institute of Microfinance (InM), and Former Minister to the Caretaker Government, Bangladesh
	Mr. Shankar Man Shrestha Chief Executive Officer, Rural Microfinance Development Centre (RMDC), Nepal			
11:00-11:30	Tea Break			
11:30-12:30	Afghanistan Session			
	Keynote Presenter	Chair	Discussants	
	Dr. Atonu Rabbani Assistant Professor, Dept. of Economics, University of Dhaka, and Visiting Fellow, InM, Bangladesh	Dr. Rashid Faruquee Visiting Fellow Institute of Microfinance (InM), Bangladesh	Dr. Saeed Ahmed Head of Microfinance State Bank of Pakistan, Pakistan  Ms. Kanwal Bokharey Consultant SDC (Swiss Agency for Development & Cooperation), Pakistan  Mr. Nara Hari Dhakal Microfinance Consultant, ADB	
	Mr. Fazlul Hoque Country Head, BRAC Afghanistan			
12:30-13:30	Lunch Break			
13:30-14:30	Bangladesh Session			
	Keynote Presenter	Chair	Discussants	
	Mr. Dewan A. H. Alamgir Microfinance Specialist, Bangladesh	Dr. Quazi Mesbahuddin Ahmed Managing Director, Palli Karma-Sahayak Foundation (PKSF), Bangladesh	Mr. Enamul Hoque Chief Operating Officer ASA International, Bangladesh  Ms. Jannat-E-Quanine General Manager International Programme Grameen Bank, Bangladesh  Mr. Shameran Abed Programme Manager-Microfinance BRAC, Bangladesh	

14:30-15:30	<b>India Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Mr. Sanjay Sinha</b> Managing Director, M-CRIL and Founder, EDA Rural Systems, India	<b>Mr. Mathew Titus</b> Executive Director, Sa-Dhan, India	<b>Ms. Sugandh Saxena</b> Executive Director, South Asian Microfinance Network, India  <b>Mr. Anura Atapattu</b> Microfinance Consultant, Sri Lanka  <b>Mr. Md. Abdul Awal</b> Executive Director, Credit and Development Forum, Bangladesh
15:30-16:00	<b>Tea Break</b>		
16:00-17:00	<b>Maldives Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Ms. Aishath Abdul Gadir</b> Deputy Manager, Maldives Monetary Authority (MMA), Maldives	<b>Dr. Harihar Dev Pant</b> Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal	<b>Mr. Hassan Fiyaz</b> Deputy Manager, Maldives Monetary Authority, Maldives  <b>Mr. Swetan Sagar</b> Director-Research, M-CRIL, India  <b>Dr. Masudul Quader</b> Chief Executive Officer, Dushtha Shasthya Kendra (DSK), Bangladesh
<b>Day 2</b>	<b>December 1, 2010, Wednesday</b>		
09:00-10:00	<b>Nepal Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Mr. Shankar Man Shrestha</b> Chief Executive Officer, RMDC, Nepal	<b>Dr. Rabindra Kumar Shakya</b> Former Secretary, Federal Democratic Republic of Nepal, Nepal	<b>Dr. Sumitra Manandhar Gurung</b> Executive Chairman, Women Cooperative Society Ltd, Nepal  <b>Mr. Maha Prasad Adhikari</b> Executive Director, Nepal Rastra Bank, Nepal  <b>Dr. Amanullah (Mak) Khan</b> International Team Leader, PROSPER-PCU, DFID
10:00-10:30	<b>Tea Break</b>		
10:30-11:30	<b>Pakistan Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Ms. Kanwal Bokharey</b> Consultant, SDC (Swiss Agency for Development and Cooperation), Pakistan	<b>Dr. Saeed Ahmed</b> Head of Microfinance, State Bank of Pakistan, Pakistan	<b>Mr. Ganesh Bahadur Thapa</b> Former Governor, Nepal Rastra Bank; Chairman, Centre for Microfinance (CMF), Nepal  <b>Dr. Atonu Rabbani</b> Assistant Professor, Dept. of Economics University of Dhaka, and Visiting Fellow, InM, Bangladesh

11:30-12:30	<b>Sri Lanka Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Mr. Anura Atapattu</b> Microfinance Consultant, Sri Lanka	<b>Mr. S. W. Kiriarachchi</b> President, Lanka Microfinance Practitioners Association (LMFPA), Sri Lanka	<b>Mr. Dulan De Silva</b> Rural Development Consultant, Sri Lanka  <b>Mr. R. D. W. Pallegama</b> Deputy Director, Central Bank of Sri Lanka, Sri Lanka  <b>Mr. Enamul Hoque</b> Chief Operating Officer, ASA International, Bangladesh
12:30-13:30	<b>Lunch Break</b>		
13:30-14:30	<b>Bhutan Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Mr. Ugyen Tshering</b> Examining Officer, Royal Monetary Authority, Bhutan	<b>Mr. Dasho Daw Tenzin</b> Governor, Royal Monetary Authority, Bhutan	<b>Mr. Bijay Nath Bhattarai</b> Former Governor, Nepal Rastra Bank (NRB), Nepal  <b>Ms. Padma Sana Shakya</b> Vice-Chairperson, Microfinance Association of Nepal (MIFAN) and Chairperson, Manoshi, Nepal  <b>Dr. Muhammad Abdul Latif</b> Director, Research & Knowledge Management, InM, Bangladesh
14:30-15:30	<b>'Lessons Learned and Emerging Challenges &amp; Directions for the Future' Session</b>		
	<b>Keynote Presenter</b>	<b>Chair</b>	<b>Discussants</b>
	<b>Dr. Rashid Faruquee</b> Visiting Fellow, InM, Bangladesh	<b>Mr. Shankar Man Shrestha</b> Chief Executive Officer, RMDC, Nepal	<b>Dr. Quazi Mesbahuddin Ahmed</b> Managing Director, PKSF, Bangladesh  <b>Ms. Simeen Mahmud</b> Lead Researcher, BRAC Development Institute (BDI), Bangladesh  <b>Mr. Sanjay Sinha</b> Managing Director, M-CRIL and Founder, EDA Rural Systems, India  <b>Dr. Puspa Shrestha</b> Chairman, Women Support Cooperative Ltd., Nepal  <b>Dr. Saeed Ahmed</b> Head of Microfinance, State Bank of Pakistan, Pakistan  <b>Mr. Anura Atapattu</b> Microfinance Consultant, Sri Lanka  <b>Dr. Harihar Dev Pant</b> Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal
15:30-16:00	<b>Tea Break</b>		

16:00-17:00	<b>Closing Session</b>			
	<b>Closing Remarks</b>	<b>Guests of Honour</b>	<b>Chief Guest</b>	<b>Chair</b>
	<b>Dr. Md. Mosleh Uddin Sadeque</b>	<b>Mr. Dasho Daw Tenzin</b>	<b>Dr. Yuba Raj Khatiwada</b>	<b>Mr. Ashoke SJB Rana</b>
	Interim Executive Director, (InM), Bangladesh	Governor, Royal Monetary Authority, Bhutan	Governor, Nepal Rastra Bank, Nepal	Chairman, RMDC, Nepal
	<b>Dr. Amanullah (Mak) Khan</b>	<b>Dr. Wahiduddin Mahmud</b>		
	International Team Leader, PROSPER PCU, DFID, Bangladesh	Professor of Economics, University of Dhaka, and Chairman, Institute of Microfinance (InM), and Former Minister to the Caretaker Government, Bangladesh		
	<b>Mr. Shankar Man Shrestha</b>			
	Chief Executive Officer, Rural Microfinance Development Centre (RMDC), Nepal			



## 8.0 List of Conference Participants

### 8.1 List of Speakers

SL.No.	Name	Designation	Organization/Country
1	Dr. Wahiduddin Mahmud	Chairman	Institute of Microfinance (InM), Bangladesh
2	Dr. Rashid Faruquee	Visiting Fellow	Institute of Microfinance (InM), Bangladesh
3	Dr. Quazi Mesbahuddin Ahmed	Managing Director	Palli Karma-Sahayak Foundation (PKSF), Bangladesh
4	Dr. Md. Mosleh Uddin Sadeque	Interim Executive Director	Institute of Microfinance (InM), Bangladesh
5	Dr. Amanullah (Mak) Khan	International Team Leader	PROSPER-PCU, DFID, Bangladesh
6	Mr. Fazlul Hoque	Country Head	BRAC Afghanistan
7	Mr. Dewan A.H. Alamgir	Microfinance Specialist	Bangladesh
8	Mr. Enamul Hoque	Chief Operating Officer	ASA International, Bangladesh
9	Ms. Simeen Mahmud	Lead Researcher	BRAC Development Institute (BDI), Bangladesh
10	Dr. Masudul Quader	CEO	Dushtha Shasthya Kendra (DSK), Bangladesh
11	Ms. Jannat-E-Quanine	General Manager, International Programme	Grameen Bank, Bangladesh
12	Mr. Md. Abdul Awal	Executive Director	Credit and Development Forum (CDF), Bangladesh
13	Dr. Muhammad Abdul Latif	Director (Research and Knowledge Management)	Institute of Microfinance (InM), Bangladesh
14	Dr. Atonu Rabbani	Assistant Professor, University of Dhaka, and Visiting Fellow, InM	Institute of Microfinance (InM)
15	Mr. Shameran Abed	Programme Manager-Microfinance	BRAC, Bangladesh
16	Mr. Mathew Titus	Executive Director	Sa-Dhan, India
17	Mr. Sanjay Sinha	Managing Director	Micro-Credit Ratings Int. Ltd. (M-CRIL), India
18	Ms. Sugandh Saxena	Executive Director	South Asian Microfinance Network, India
19	Mr. Swetan Sagar	Director – Research	Micro-Credit Ratings Int. Ltd. (M-CRIL), India

\* Country wise list (not according to hierarchy)

20	Mr. Hassan Fiyaz	Deputy Manager	Maldives Monetary Authority (MMA), Maldives
21	Ms. Aishath Abdul Gadir	Deputy Manager	Maldives Monetary Authority (MMA), Maldives
22	Mr. Surendra Pandey	Honorable Minister, Ministry of Finance	Federal Democratic Republic of Nepal
23	H.E. Dr. Sheel Kant Sharma	Secretary General	SAARC, SAARC Secretariat, Nepal
24	Dr. Yuba Raj Khatriwada	Governor	Nepal Rastra Bank, Nepal
25	Mr. Nara Hari Dhakal	Microfinance Consultant	Asian Development Bank, Nepal
26	Dr. Harihar Dev Pant	Executive Chairman	Nirdhan Utthan Bank Ltd., Nepal
27	Mr. Ashoke SJB Rana	Chairman	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
28	Mr. Shankar Man Shrestha	Chief Executive Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
29	Dr. Rabindra Kumar Shakya	Former Secretary	Government of Nepal, Nepal
30	Mr. Maha Prasad Adhikari	Executive Director	Nepal Rastra Bank, Nepal
31	Dr. Sumitra Manandhar Gurung	Executive Chairman	Women Cooperative Society Ltd., Nepal
32	Mr. Ganesh Bahadur Thapa	Chairman	Centre for Microfinance (CMF), Nepal
33	Mr. Bijaya Nath Bhattarai	Former Governor	Nepal Rastra Bank, Nepal
34	Ms. Padmasana Shakya	Chairman	Manushi, Nepal
35	Dr. Pushpa Shrestha	Chairman	Women Support Cooperative Ltd., Nepal
36	Dr. Saeed Ahmed	Head of Microfinance	State Bank of Pakistan, Pakistan
37	Ms. Kanwal Bokharey	Consultant	Swiss Agency for Development and Cooperation (SDC), Pakistan
38	Mr. S.W. Kiriarachchi	President	Lanka Microfinance Practitioners Association (LMFPA), Sri Lanka
29	Mr. Dulan De Silva	Rural Development Consultant	Rural Development Consultant, Sri Lanka
40	Mr. R.D.W. Pallegama	Deputy Director	Central Bank of Sri Lanka, Sri Lanka
41	Mr. Anura Atapattu	Microfinance Consultant	Sri Lanka
42	Mr. Dasho Daw Tenzin	Governor	Royal Monetary Authority, Bhutan
43	Mr. Ugyen Tshering	Examining Officer	Royal Monetary Authority, Bhutan

## 8.2 List of Participants

SL. No.	Name	Designation	Organization/Country
1	Mr. Md. Mashiar Rahman	Deputy General Manager	Palli Karma-Sahayak Foundation (PKSF), Bangladesh
2	Mr. AQM Golam Mawla	Deputy General Manager	Palli Karma-Sahayak Foundation (PKSF), Bangladesh
3	Ms. Abedatul Fatema	Info. & Communication Officer	PROSPER PCU, DFID, Bangladesh
4	Mr. Md. Mahfuzur Rahman	Sr. Reporter	ATN Bangla, Bangladesh
5	Mr. Kamal Hossain	Sr. Cameraman	ATN Bangla, Bangladesh
6	Mr. Md. Kamal Uddin	Rector	Padakhep, Bangladesh
7	Mr. Nazmul Haque	Head of Microfinance	Muslim Aid, Bangladesh
8	Ms. W. L. M. A. Liyanage	Assistant Director	Ministry of Finance & Planning, Sri Lanka
9	Ms. N. H. E. R. Siriwardane	Additional Director	Central Bank of Sri Lanka, Sri Lanka
10	Ms. J. M. S. Dammika	Deputy Director	Ministry of Finance & Planning, Sri Lanka
11	Mr. Jagath Godakanda	Director	Berendina Microfinance Institute(BMI), Sri Lanka
12	Mr. Ank Bahadur Gurung	Board Member	Bauddha Rural Saving Credit Co-op Ltd., Nepal
13	Mr. Bishal K.C.	Microfinance Chief	Bauddha Rural Saving Credit Co-op Ltd., Nepal
14	Mr. Bharat Prasad Sharma	Chairman	Bindhabasini SCO Ltd., Nepal
15	Mr. K.B. Lama	Manager	Bindhabasini SCO Ltd., Nepal
16	Mr. Mukunda Bahadur Bista	Executive Chief	Centre for Self-Help Dev. (CSD), Nepal
17	Mr. Shankar Nath Kapali	Deputy Director	Centre for Self-help Dev. (CSD), Nepal
18	Mr. Satish Shrestha	Deputy Director	Centre for Self-help Dev. (CSD), Nepal
19	Mr. Chandi Prasad Sharma	Executive Chairman	Chartare Yuva Club (CYC), Nepal
20	Mr. Gopal Kumar Sharma	Board Member	Chartare Yuva Club (CYC), Nepal
21	Ms. Bhuvaneshwori Pant	Chairman	Chhimek Bikas Bank Ltd., Nepal
22	Mr. Ram Chandra Joshi	Executive Director	Chhimek Bikas Bank Ltd., Nepal
23	Mr. Shova Mishra	Branch Manager	Chhimek Bikas Bank Ltd., Nepal
24	Mr. Indra Narayan Dev	CEO	Community Women Dev. Centre (CWDEC), Nepal
25	Ms. Neelam Devkota		Community Women Dev. Centre (CWDEC), Nepal

26	Ms. Mira Deo	Founder Chairperson	Community Women Dev. Centre (CWDEC), Nepal
27	Mr. Sharda Prasad Kattel	CEO	Deprosc Dev. Bank Ltd., Nepal
28	Mr. Hem Kumar Kafle	Senior Manager	Deprosc Dev. Bank Ltd., Nepal
29	Mr. Pushpa Raj Adhikari	Senior Manager	Deprosc Dev. Bank Ltd., Nepal
30	Mr. Hari Prasad Acharya	Senior Manager	Deprosc Dev. Bank Ltd., Nepal
31	Mr. Pitambar Acharya		DEPROSC Nepal, Nepal
32	Mr. Kailash Rijal	Deputy Director	DEPROSC Nepal, Nepal
33	Mr. Ishwar Lal Rajbhadari	Chairman	Dhaulagiri Comm. Resource Dev. Centre (DCRDC), Nepal
34	Mr. Krishna Prasad Poudel	Chairman	Environment Dev. Co-operative Org. Ltd. (EDCOL), Nepal
35	Mr. Shyam Lal Neupane	Microfinance Manager	Environment Dev. Co-operative Org. Ltd. (EDCOL), Nepal
36	Ms. Bhagabati Chaudhary	Chairman	FORWARD, Nepal
37	Ms. Heera Thandar	Board Member	FORWARD, Nepal
38	Mr. Krishana Pd. Bhattara	Manager	FORWARD, Nepal
39	Mr. Ash Narayan Chaudhary	Admin. Chief	FORWARD, Nepal
40	Mr. Yagya Prasad Dhakal	Secretary	Gangamala SCO Ltd., Nepal
41	Mr. Dhan Prasad Shrestha	Secretary	Indragram Purnamilan SCO Ltd., Nepal
42	Mr. Yogendra Mandal	Executive Chairman	Jeevan Bikas Samaj, Nepal
43	Mr. Sanjay Kumar Mandal	Deputy Director	Jeevan Bikas Samaj, Nepal
44	Mr. Rohit Bhandari	Branch Manager	Jeevan Bikas Samaj, Nepal
45	Mr. Damodar Regmi	Branch Manager	Jeevan Bikas Samaj, Nepal
46	Mr. Tas Bahadur Shrestha	Executive Chairman	Karnali SCO Ltd., Nepal
47	Mr. Prahlad Kumar Bista	Chairman	Kalyankari SCO Ltd., Nepal
48	Mr. Kamal Raj Joshi	Board Member	Kisan MP Coop Ltd., Nepal
49	Mr. Dambar B. Shah	Branch Manager	Kisan MP Coop Ltd., Nepal
50	Mr. Revati Prasad Nepal	CEO	Madhyamanchal GBB Ltd., Nepal
51	Mr. Sanjeeb Neupane	Executive Chairman	Madhya Paschimanchal GBB Ltd., Nepal
52	Mr. Prabhakar Mishra	Director	Madhya Paschimanchal GBB Ltd., Nepal
53	Ms. Asha Shrestha	Manager	Mahila Adarsha Sewa Kendra (MASK), Nepal
54	Dr. Sumitra Gurung	Executive Chairman	Mahila Sahakari Sanstha, Nepal
55	Dr. Anand Shova Tamrakar	Vice Chairman	Mahila Sahayogi SCO Ltd., Nepal
56	Ms. Menuka Kumari Rajbhandari	Board Member	Mahila Sahayogi SCO Ltd., Nepal
57	Mr. Kamal Kumar Kafle	Manager	Mahila Sahayogi SCO Ltd., Nepal
58	Ms. Sharada Pokhrel	Microfinance Manager	Mahila Upkar Manch, Nepal
59	Mr. Shyam Kant Chaudhary	Executive Chairman	Mahuli Community Dev. Centre, Nepal

60	Mr. Prabhu Narayan Chaudhary	Executive Sec./Prog Mang	Mahuli Community Dev. Centre, Nepal
61	Ms. Ambika Pradhan	Vice Chairman	Manushi, Nepal
62	Ms. Indira Manandhar	Secretary	Manushi, Nepal
63	Ms. Shova Bhajracharya	Manager	Manushi, Nepal
64	Mr. Khagendra Raj Regmi	Chairman	Muktinath Bikas Bank Ltd., Nepal
65	Mr. Bharat Raj Dhakal	CEO	Muktinath Bikas Bank Ltd., Nepal
66	Mr. Dan Raj Pant	Microfinance Chief	Muktinath Bikas Bank Ltd., Nepal
67	Mr. Kumar Yakso	CEO	Nagbeli Laghubitta Bikas Bank, Nepal
68	Mr. Biswa Prakash Parsai	Executive Chairman	National Education & Social Dev. Org. (NESDO), Nepal
69	Ms. Sabitri Khattri Chhetri	Branch Manager	National Education & Social Dev. Org. (NESDO), Nepal
70	Mr. Bishwa Bandhu Parsai	Branch Manager	National Education & Social Dev. Org. (NESDO), Nepal
71	Mr. Phadindra Bahadur Karki	Manager	Navodaya Multipurpose Co-op Ltd., Nepal
72	Mr. Ram Prasad Kafle	Executive Director	Nawa Prativa SCO Ltd., Nepal
73	Dr. Purushottam Shrestha	Board Member	Naya Nepal Laghubitta Bikas Bank Ltd., Nepal
74	Mr. Ramesh Shrestha	Manager	Nayapati SCO Ltd., Nepal
75	Ms. Bimala Yogi	Chairman	Nepal Mahila Samudayik Sewa Kendra, Nepal
76	Ms. Sarada Sharma	MF Chief	Nepal Mahila Samudayik Sewa Kendra, Nepal
77	Dr. Bhesh Prasad Dhamala	Chairman	Nerude Laghubitta Bikas Bank Ltd., Nepal
78	Mr. Mani Kumar Arjyal	Executive Director	Nerude Laghubitta Bikas Bank Ltd., Nepal
79	Mr. Udhab Prasad Sharma	Deputy Director	Nerude Laghubitta Bikas Bank Ltd., Nepal
80	Mr. Ganesh Bahadur Baniya	Deputy Director	Nerude Laghubitta Bikas Bank Ltd., Nepal
81	Mr. Prakash Raj Sharma	General Manager	Nirdhan Utthan Bank Ltd., Nepal
82	Mr. Bhoj Raj Basyal	Director	Nirdhan Utthan Bank Ltd., Nepal
83	Mr. Keshav Kumar Poudel	Director	Nirdhan Utthan Bank Ltd., Nepal
84	Mr. Ram Prasad Dhakal	Microfinance Manager	Palung MP Coop Ltd., Nepal
85	Mr. Dharma Raj Pandey	CEO	Pashchimanchal GBB Ltd., Nepal
86	Mr. Sharad Poudel	Branch Manager	Pashchimanchal GBB Ltd., Nepal
87	Ms. Asmani Choudhary	Chairman	Rural Women Dev. Centre (RWDC), Nepal
88	Mr. Saugat Choudhary	CEO	Rural Women Dev. Centre (RWDC), Nepal
89	Mr. Nara Nath Giri	Chairman	Sahara - Nepal, Nepal
90	Mr. Tara Prasad Sanjel	Deputy Chairman	Sahara - Nepal, Nepal

91	Mr. Upendra Oli	Treasurer	Sahara - Nepal, Nepal
92	Mr. Laxman Khatiwada	Dept. Chief	Sahara - Nepal, Nepal
93	Mr. Jhalendra Bhattarai	Senior Manager	Sana Kisan Bikas Bank Ltd., Nepal
94	Mr. Junga Bahadur Khadka	Chairman	SEWA SCO Ltd., Nepal
95	Mr. Bal Krishna Niraula	Manager	SEWA SCO Ltd., Nepal
96	Mr. Sushil Chandra Adhikari	Chairman	Shramjivi SCO Ltd., Nepal
97	Mr. Panch Lal Mahato	MF Prog. Co-ordinator	Shramjivi SCO Ltd., Nepal
98	Mr. Rudra Nath Baral	Chairman	Shreejana Development Centre, Nepal
99	Mr. Bir Bahadur Adhikari	Executive Chief	Shreejana Development Centre, Nepal
100	Mr. Lila Nath Shrestha	Chairperson	Shreejana Community Development Centre, Nepal
101	Mr. Batuk Shamsher Shrestha	Executive Director	Shreejana Community Development Centre, Nepal
102	Mr. Prabin Kumar Lama	Department Chief	Shreejana Community Development Centre, Nepal
103	Mr. Rajendra B. Pradhan	Executive Director	SOLVE - Nepal, Nepal
104	Mr. Chakra Bahadur Bam	Executive Chief	Sudur Paschimanchal GBB Ltd., Nepal
105	Mr. Gopal Bahadur Raut	Deputy Director	Sudur Paschimanchal GBB Ltd., Nepal
106	Mr. Devendra Bahadur Basnet	CEO	Summit Microfinance Dev. Bank, Nepal
107	Mr. Ram Kumar Shrestha	CEO	Swabalamban Laghubitta Bikas Bank, Nepal
108	Mr. Khagendra Raj Misra	Deputy Branch Manager	Swabalamban Laghubitta Bikas Bank, Nepal
109	Mr. Chandra Kant Kafle	Senior Manager	Swabalamban Laghubitta Bikas Bank, Nepal
110	Mr. Chandra Mani Chaulagain	Senior Manager	Swabalamban Laghubitta Bikas Bank, Nepal
111	Mr. Uday Raj Khatiwada	Executive Chief	Sworojgar Laghubitta Bikas Bank Ltd , Nepal
112	Mr. Ganesh B. Chand	Manager	Udayadev SCO Ltd., Nepal
113	Mr. Purna B. Chand	Chairperson	Udayadev SCO Ltd., Nepal
114	Mr. Dev Man Chaudhary	Executive Director	United Youth Community (UNYC - Nepal), Nepal
115	Mr. Gopal Dahit		United Youth Community (UNYC - Nepal), Nepal
116	Mr. Durga Lal Shrestha		
117	Ms. Sizen Pudasaini	Relationship Manager	NMB Bank Ltd., Nepal
118	Mr. Bharat KC	Act. Joint Chief Officer	Rastriya Banijya Bank, Nepal
119	Mr. Sudin Dhungel	Manager	Bank of Asia, Nepal

120	Ms. Aniva Shrestha	Senior Officer	Nepal Investment Bank Ltd., Nepal
121	Mr. Manish Dahal	Assistant Manager	Sunrise Bank, Nepal
122	Mr. Avaya Raj Shivakoti	Business Banking Officer	Commerz and Trust Bank Nepal Ltd., Nepal
123	Mr. Dipendra Babu Bista	Branch Manager	Machhapuchchhre Bank Ltd., Nepal
124	Mr. Ritesh Aryal	Manager - SME	NIC Bank, Nepal
125	Mr. Prakash Pokhrel	Relationship Manager - MF	Laxmi Bank, Nepal
126	Mr. Yubraj Guragain	Micro Banking Head	Mega Bank Nepal Ltd., Nepal
127	Ms. Smriti Joshi	Relationship Manager	Kumari Bank Ltd., Nepal
128	Mr. Suresh Chandra Aryal	Senior Manager	Nepal Bank Ltd., Nepal
129	Mr. Ramesh Prasad Lohani	SME & Micro Lending Head	Nabil Bank Ltd., Nepal
130	Mr. Yagya Prasad Sharma	Sr. Relationship Manager	Nabil Bank Ltd., Nepal
131	Mr. Nabaraj Khaniya	Deputy Manager	Nepal Bangladesh Bank Ltd., Nepal
132	Mr. Sushovan Devkota	Sr. Relationship Manager	Global Bank Ltd., Nepal
133	Mr. Bikash Man Sharma	S. Officer	NCC Bank Ltd., Nepal
134	Mr. Bhuwan Raj Bhatt	Senior Prog. Manager	CEAPRED, Nepal
135	Ms. Sarah Sanya Humbi	Head of Office	Dept. of International Dev. (DFID), Nepal
136	Mr. Manu Binod Aryal	Programme Officer	AEPC, Nepal
137	Mr. Sabin Raj Shrestha	Sr. Financial Sector Specialist	World Bank, Nepal
138	Mr. Raju Tuladhar	Sr. Programmes Officer	Asian Development Bank, Nepal
139	Mr. Thomas Pedroletti	Executive Director	PlaNet Finance Nepal, Nepal
140	Mr. Jagadish Babu Tiwari		Centre for Microfinance (CMF), Nepal
141	Mr. Tikajit Rai	Founder/ CEO	Magnus Consulting Group Pvt. Ltd., Nepal
142	Mr. Sanjib Subba	CEO	National Banking Training Institute, Nepal
143	Mr. Gopal Kafle	Executive Director	Nepal Rastra Bank, Nepal
144	Mr. Janak Adhikary	Director	Nepal Rastra Bank, Nepal
145	Mr. Khyam Narayan Dhakal	Director	Nepal Rastra Bank, Nepal
146	Mr. Raj Babu Shrestha	Executive Director	Poverty Alleviation Fund, Nepal
147	Ms. Sumi Devkota	Communication Consultant	Free Lancer, Nepal
148	Mr. Thosapala Hewage	Ambassador	Sri Lankan Embassy, Nepal
149	Ms. Ambica Shrestha	President	Financial Business & Professional Women, Nepal
150	Mr. Upendra Poudel	CEO	NMB Bank, Nepal
151	Mr. Sundar M. Shrestha	C.A.	Sundar and Associate, Nepal
152	Mr. Horst Ammann	Programme Manager	GTZ/INCLUDE, Nepal
153	Mr. Roshan Shrestha	SPO	GTZ/INCLUDE, Nepal
154	Mr. P.K. Mohapatra	CEO	Everest Bank Ltd., Nepal



155	Mr. P.K. Pradhan	DGM	Everest Bank Ltd., Nepal
156	Mr. Tej Hari Ghimire	CEO	Centre for Microfinance (CMF), Nepal
157	Mr. Janardhan Acharya	CEO	Rastriya Banijaya Bank, Nepal
158	Mr. Durga Lal Shrestha	Professor	CEDA, TU, Nepal
159	Ms. Sarala Shrestha	Microfinance Officer	Lumanti, Nepal
160	Mr. Min Raj Kadel	Chairman	NEFSCUN, Nepal
161	Mr. Barry Hitchcock	C.D.	Asian Development Bank , Nepal
162	Mr. A.R. Bhattarai	CEO	Commerz & Trust Bank Nepal , Nepal
163	Mr. Jaraj Khanal	Director	(Cox) Ras Project , Nepal
164	Mr. Gopal C Sharma	Deputy Chief	Rastriya Banijaya Bank, Nepal
165	Mr. Suman Joshi	CEO	Laxmi Bank, Nepal
166	Mr. Kiran Kr. Shrestha	Director	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
167	Mr. Surendra Bhandari	CEO	Siddhartha Bank Ltd., Nepal
168	Mr. Sabin Raj Shrestha	Sr. Financial Specialist	World Bank, Nepal
169	Mr. Pawan Gautam	Researcher	Tribhuvan University, Nepal
170	Mr. Gopal Pr. Khanal	Researcher	Tribhuvan University, Nepal
171	Mr. Lumin K. Shrestha	Director	CRTIN, Nepal
172	Mr. B.N. Bhattarai	Former Governor	Nepal
173	Mr. Shovan Dev Pant	CEO	Lumbini Bank Ltd., Nepal
174	Mr. Siddhant Pandey	CEO	Ace Dev. Bank Ltd., Nepal
175	Mr. R.M. Shrestha	Deputy Manager	CLDP, Nepal
176	Mr. P.K. Chhetri	CEO	Bank of Asia, Nepal
177	Mr. C.M. Maskey	G.M	DCGC, Nepal
178	Mr. Ajay Shrestha	CEO	Bank of Kathmandu, Nepal
179	Mr. Anil Shah	CEO	Mega Bank, Nepal
180	Mr. Anish Tuladhar		World Bank, Nepal
181	Mr. Kumar Lamsal	CEO	Sanima, Nepal
182	Mr. M.P. Adhikari	Executive Director	Nepal Rastra Bank, Nepal
183	Mr. C.M. Siwakoti	Director	Nepal Rastra Bank, Nepal
184	Mr. Uttam B	Executive Director	Everest Valley Micro, Nepal
185	Ms. Barsha Shrestha	General Manager	Clean Energy Dev. Bank , Nepal
186	Dr. Dilli Raj Aryal	Director	Ministry of Finance, Nepal
187	Mr. Rabi S. Sainju	Programme Director	MPCS , Nepal
188	Mr. Gokul Pyakurel		MEDEP, Nepal
189	Mr. K.N. Dhand	Director	Nepal Rastra Bank, Nepal
190	Mr. Ramesh Gautam	Microfinance Adviser	Nepal
191	Mr. Ram Kaji Khaiju		Nepal Rastra Bank, Nepal
192	Mr. Yubraj Maski	M.D.	Newedge Intl. Pvt. Ltd., Nepal
193	Mr. R.K. Gautam	MF Advisor	SNV / Nepal, Nepal
194	Ms. Tomoyubi Ota	Research Officer	Japanese Embassy, Nepal
195	Ms. Tahura Latif	Invited Guest	Bangladesh

196	Ms. Tayaba Begum	Invited Guest	Bangladesh
197	Ms. Asmat Ahmed	Invited Guest	Bangladesh
198	Ms. Lutfa Begum	Invited Guest	Bangladesh
199	Mr. Md. Bedar Uddin Khair	Invited Guest	Bangladesh
200	Ms. Nadia Afrin Shams	Invited Guest	Bangladesh

### 8.3 List of Organizers

SL.No.	Name	Designation	Organization/Country
1	Mr. Touhid Uz Zaman	Deputy Director	Institute of Microfinance (InM), Bangladesh
2	Mr. Azahar Ali, ACA	Sr. Assistant Director	Institute of Microfinance (InM), Bangladesh
3	Ms. Kazi Shaila Sharmin	Sr. Assistant Director	Institute of Microfinance (InM), Bangladesh
4	Mr. Md. Abdul Khaleque	Sr. Research Associate	Institute of Microfinance (InM), Bangladesh
5	Mr. Mohammad Monirul Hasan	Sr. Research Associate	Institute of Microfinance (InM), Bangladesh
6	Ms. Ifrat Jahan	Assistant Director	Institute of Microfinance (InM), Bangladesh
7	Mr. Syed Najibullah	Assistant Director	Institute of Microfinance (InM), Bangladesh
8	Mr. Jabeer Al Sherazy	Assistant Director	Institute of Microfinance (InM), Bangladesh
9	Ms. Faria Ahmad	Assistant Director	Institute of Microfinance (InM), Bangladesh
10	Mr. S. Badruddoza	Research Associate	Institute of Microfinance (InM), Bangladesh
11	Mr. Md. Abdullah Al-Kaium	Assistant Director	Institute of Microfinance (InM), Bangladesh
12	Mr. Megh Raj Gajurel	Senior Manager	Rural Microfinance Dev. Centre Ltd. (RMDC), Nepal
13	Mr. Tirtha Ratna Konajo	Senior Manager	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
14	Mr. Pritha Bahadur Thapa	Senior Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
15	Ms. Annapurna Shrestha	Senior Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
16	Mr. Roop Bahadur Khadka	Senior Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
17	Mr. Basu Dev Lamichhane	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
18	Mr. Bhola Nath Regmi	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
19	Ms. Gyanu Maya Bhandary	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
20	Mr. Anil Krishna Joshi	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
21	Mr. Pradeep Poudel	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal

22	Mr. Jaya Ram Khadka	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
23	Mr. Navin Timilsina	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
24	Mr. Govinda Prasad Poudel	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
25	Mr. Bharat Kumar Singh	Officer	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
26	Ms. Sweta Shrestha	Senior Assistant	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
27	Mr. Madhav Neupane	Assistant	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal
28	Ms. Stephaniema Rana	Intern	Rural Microfinance Dev. Centre Ltd.(RMDC), Nepal

## 9.0 Message from Nobel Laureate Prof. Muhammad Yunus



I would like to extend to my many good friends and colleagues in Nepal my best wishes for a successful “Microfinance in SAARC Countries: Sharing Lessons and Way Forward” Conference which is to be held from November 30-December 1, 2010 in Nepal.

Nepal is one of the countries that has forged ahead with nearly national level coverage of microcredit. It has established a successful wholesale fund for microfinance, RMDC, that has been helping the sector to grow. It is in the process of creating all the necessary institutions to build a strong and healthy microfinance sector.

Your conference is taking place at a time when we are witnessing a crisis in India, which has been largely caused by a wrong turn taken in some microcredit programmes in India through commercialization with the objectives of “profiting” from the poor. As Nepal plans its next steps, it is important for us to go back to the roots of microcredit, which has established as a way to get rid of loan sharks, and help the poor to work their way out of poverty. Nepal, I believe, is well equipped to face these challenges.

I am sorry that I could not be with you for this important and timely meeting, but wish all of you the best success.

**Professor Muhammad Yunus**

## 10.0 Media Coverage



### Microfinance meet starting Tuesday

REPUBLICA

**KATHMANDU, Nov 29:** The first ever SAARC level microfinance conference is kicking off in the capital from Tuesday.

The two-day conference is expected to share information on the health of microfinance in the region and seek ways to overcome growing challenges in the sector. The Rural Microfinance Development Centre (RMDC) of Nepal and the Institute of Microfinance (InM) of Bangladesh are jointly organizing the event with support from the SAARC Secretariat. According to the organizers, the conference entitled 'Microfinance in SAARC Countries: Sharing Lessons and Way Forward' aims to disseminate the findings of a study conducted by InM on state of microfinance in SAARC countries among the stakeholders in the region.

Microfinance experts, policymakers, academicians, practitioners, stakeholders and representatives from different SAARC will share their success stories and challenges plaguing the sector during the two-day event, according to the organizers. "During the conference, key issues like sustainability and regulations of the microfinance institutions (MFIs) are likely to come to the fore. The conference will act as a lesson learning forum where inter-country experience sharing will help policymakers and practitioners create and implement significant policy guidelines for the sector," reads a statement distributed at a press meet organized to inform about the conference. Around 200 participants, including 70 international delegates, are participating in the conference. "Participants of the conference would explore measures to face the increasing challenges in microfinance sector amid its rapid growth," Shankar Man Shrestha, CEO of RMDC, told the press meet.

Published on 2010-11-29 23:00:45



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Full News

## Negligible loan default rate on micro-credit

Added At: 2010-11-29 11:01 PM

### Himalayan News Service

KATHMANDU: Microfinance institutions (MFIs) have proved that poor could also be credit worthy and they donot default loan, said the microfinance experts here today.

"MFIs have proved that poor can also save," said Shankar Man Shrestha, chief executive officer of Rural Microfinance Development Centre (RMDC) addressing the pre-conference press meet of regional conference on 'Microfinance in SAARC Countries: Sharing Lessons & Way Forward' here in the Valley today. Institute of Microfinance (InM), Bangladesh and RMDC in cooperation with the SAARC Secretariat are jointly organising the first ever regional conference on microfinance on November 30-December 1. "The conference aims at disseminating the findings of InM governed study on 'State of Microfinance in SAARC Countries' among the stakeholders in microfinance sector throughout the region," informed Dr Amanullah (Mak) Khan, interntional team leader and advisor at the Promoting Financial Services for Poverty Reductio Programme in Bangladesh.

"The conference is also expected to bring together the eminent persons from microfinance sector like policymakers, renowned academicians, practitioners, stakeholders and representatives from SAARC member countries to appraise the successes and challenges of the sector," he said, adding that around 220 participants from eight SAARC countries, including Nepal will take part in the two-day regional conference. 'State of Microfinance in SAARC Countries' report is a part of InM's long term study to publish reports on the state of microfinance in different regions of the world. "The key issues like sustainability and regulations of the Microfinance Institutions (MFIs), knowledge sharing, lessons learning from inter-country experience will also be part of the conference," Khan added. "The outcome will help policymakers and practitioners create and implement significant policy guidelines for the sector."

"At the end of the conference, the SAARC Declaration on microfinance will be released," said InM interim executive director Dr Md Mosleh Uddin Sadeque. hailing Nepal's progress on MDGs, InM chairman ProfWahiduddin Mahmud said that microfinnace has taken banking to the doorstep of the poor helping the country achieve MDGs. "The poverty alleviation programme and innovative way of banking of MFIs caters to poor," he said, addong that South Asain microfinance has a human face unlike in other regions.

### Know MicroFm

KATHMANDU: The RMDC and InM are planning to create a forum Know MicroFm for advance reserach, capacity building and advocacy for the microfinance sector. The forum will also be helpful in seeking colaboration with international agencies as well but it will take a little while on giving it a final shape.



## SAARC microfinance meet to begin today

Tuesday, 30 November 2010 11:21

More than 250 microfinance practitioners, academicians, policy makers and other stakeholders from SAARC will discuss the impacts of Microfinance Institutes (MFIs) on the livelihood of poor people of the region at a conference which will start in the capital on Tuesday.

Institute of Microfinance (InM), Bangladesh and RMDC (Rural Microfinance Development Centre) in cooperation with the SAARC Secretariat are jointly organising the first ever regional conference on microfinance, which will discuss key issues of sustainability and regulation of microfinance institutions in the days ahead.

The conference aims at disseminating the findings of InM governed study on 'State of Microfinance in SAARC Countries' among the stakeholders in microfinance sector throughout the region.

The apex wholesale lending organisation of microfinance in Nepal, the RMDC, has set a goal to serve 1.5 million poor families with quality microfinance services through 150 partner organisations by the end of 2015.

The outcome of the conference will help policymakers and practitioners create and implement significant policy guidelines for the sector.

At the end of the conference, the SAARC Declaration on microfinance will be released. [nepalnews.com](http://nepalnews.com)



## SAARC MICROFINANCE CONFERENCE

**MFIs urged to bundle their investment with government programs**

REPUBLICA

**KATHMANDU, Nov 30:** Nepal Rastra Bank Governor Dr Yubaraj Khatiwada Tuesday urged microfinance institutions (MFIs) to integrate their investment with government programs in crucial sectors such as education, health and infrastructure. "It is hard to reach the poor people with the financial resources at our disposal.

MFIs have to integrate their programs with the government programs to better serve the poor," Khatiwada said, addressing the SAARC level microfinance conference that kicked off here from Tuesday. He also stressed on the need for holistic mobilization of MFIs in micro-insurance, targeting the poor people, in addition to the financial use. He also underscored the need to properly regulate the activities of MFIs through effective regulations to ensure their sustainability. The governor, however, stressed on the need to replicate MFIs in customized and need-based manner as haphazard replication of MFI programs will not yield positive results. Inaugurating the two-day 'Regional Conference on Microfinance in SAARC Countries: Sharing Lessons and Way Forward', Finance Minister Surendra Pandey hailed the progress by Bangladesh in microfinance sector and urged Nepalis to take advantage from the experience of Bangladesh. "Bangladesh is globally considered as a pioneer in the field of microfinance. I request Nepali delegates to take optimum benefit from Bangladesh's rich experience," Pandey said. "Given the multiplicity of institutions engaged in microfinance sector, the government is working to set up a Second Tier Institutions (STI) to regulate different types of MFIs.

He called upon the delegates to work out modalities on effective use of remittances for overall development of SAARC countries through microfinance.

The conference is jointly organized by the Institute of Microfinance (InM) of Bangladesh and the Rural Microfinance Development Centre Ltd (RMDC) of Nepal in cooperation with the SAARC Secretariat. Speaking on the occasion, Shankar Man Shrestha, CEO of RMDC, expressed concerns over the growing ill-practices in the microfinance sector. "Though there are many positive developments in the microfinance sector, some MFIs are drifting away from their very mission of serve the poor," he said, adding, "Some MFIs are found extending big loans to well-off clients." Dr Moslesh Uddin Sadeque, interim executive director of InM, underlined the need to forge collective effort among MFIs of SAARC region to overcome the challenges existing in the sector. SAARC Secretary General Dr Sheel Kanta Sharma highlighted the role of MFIs to uplift the lives of poor people to alleviate poverty in the region. Wahiduddin Mahmud, chairman of InM, said about 30 million borrowers are taking advantage of microfinance in Bangladesh. "We are revolving over \$3 billion annually in Bangladesh, despite the fact that many people are still unaware of microfinance," Mahmud said.

The conference is aimed at disseminating the finding of a study conducted by InM on 'State of Microfinance in SAARC Countries' among the stakeholders in the region and seeking ways forward to face the challenges in the microfinance sector. About 200 participants, including 70 international representatives, are taking part in the conference.

Published on 2010-11-30 23:30:31



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# Microfinance conference ends

*Promises to meet every two years and establish a virtual platform*

Himalayan News Service

Kathmandu, December 1

First regional conference on microfinance in member countries of South Asian Association for Regional Cooperation (SAARC) concluded today with the promise to establish a virtual platform for knowledge management. The platform will aim at facilitating exchange of ideas and experiences through regular interactions between experts, practitioners and people to achieve Millennium Development Goals.

"The virtual platform is not just for South Asian Association for Regional Cooperation (SAARC)," said Shankar Man Shrestha, Chief Executive Officer at Rural Microfinance Development Centre (RMDC) while announcing strategies and action plan for the sector. RMDC will play a key role in developing interactive website for the purpose.

The conference has resolved to meet every two years but the place for next conference could not be fixed yet. It will be fixed after consultation with stakeholders, he said. The conference has developed a 10-point action plan for the growth of Microfinance institutions (MFI) in South Asian countries — Nepal, India, Bangladesh, Pakistan, Sri Lan-



Closing ceremony of "Regional Conference on Microfinance in SAARC Countries: Sharing Lessons and Way Forward," held at Hotel Yak and Yeti in Kathmandu on Wednesday.

ka, Bhutan and Maldives.

Cooperation among MFIs, sensitising MFIs in risk management, reaching the poorest of the poor, advocacy for conducive environment, more investments in research and studies among others have been agreed to guide the future of microfinance in the region.

MFIs are playing a key role in enhancing the lives of poor people in South Asia because they are effective tools to fight poverty worldwide. Bangladeshi MFIs are successful as they support 150 million people with credit up to \$2.8 billion.

Microfinance services started

in Nepal in 1975 under the government's initiative but failed and once again in 1990 the government established five regional banks based on Bangladeshi model but they also failed but private NGOs succeeded. RMDC was established for the purpose of the wholesale lending to MFIs.

## 11.0 Conference Newsletter





*Regional Conference on*  
**Microfinance in SAARC Countries: Sharing Lessons & Way Forward**

# Conference Newsletter

## First Regional Conference on Microfinance in SAARC Countries kicks-off

**RMDC News**  
 KATHMANDU, Nov 30

Finance Minister Surendra Pandey inaugurated the first SAARC regional conference on 'Microfinance in SAARC Countries: Sharing Lessons and Way Forward' on Tuesday in Kathmandu.

The two-day conference aims to share information and seek measures to deal with the challenges in microfinance sector in the region. The conference has been jointly organized by the Institute of Microfinance (InM) of Bangladesh and Rural Microfinance Development Centre Ltd (RMDC) of Nepal in cooperation with the SAARC Secretariat.

Addressing the inaugural session Finance Minister Pandey lauded the progress of Bangladesh in the microfinance sector and urged Nepalese to take advantage from the experience of Bangladesh. "Bangladesh is globally considered as a pioneer in the field of microfinance," Pandey said, "I urged Nepali delegates to take the maximum benefit from the Bangladesh's rich experience."

He said microfinance in Nepal has been a private sector domain with the expansion and diversification of the economy and adherence to the liberal economic policy.

"The government is preparing a Second Tier Institutions (STI) to regulate all sorts of Microfinance Institutions (MFIs) in Nepal," he said, adding that MFIs can play crucial role for the implementation of inclusive development on the back of widespread poverty, growing inequality across different geographic regions, communities and gender.

On the occasion he also called for effective utilization of remittance for the development of recipient countries. "I call upon this conference to find out modalities on how can we effectively channelize remittances to the overall development through microfinance," he added.

Delivering his remark on the occasion, Shankar Man Shrestha, CEO of RMDC, stressed on the fact that microfinance, if used properly and effectively, can bring meaningful changes in the lives of poor and destitute. Region's economy can't move ahead without improving the lives of the millions of poor.

He said access to finance to poor people has increased manifold with the tremendous progress and achievements in the field of microfinance in the decade of 2000 across the SAARC region. Lauding the success of MFIs, Shrestha said, MFIs had been able to maintain very good recovery rate of over 98 percent and were on the way to achieving self-sufficiency in the next 2-3 years and financial sufficiency in 5-6 years.

However, he expressed concerns over the growing malpractices that have been bringing distortion in microfinance sector. "Against the back drops of many positive developments in microfinance, lately some MFIs are drifting away from their mission to serve the poor and the destitute," he said. "A tendency is found to have developed among MFIs to lend larger size loans to less poor or middle level clients."

The increasing trend of seeking more profit and unhealthy competition has become the threat to the sustainability of the MFIs," according to him. "MFIs are not going to the remote hilly areas due to high cost of operations. The trend has to be changed."













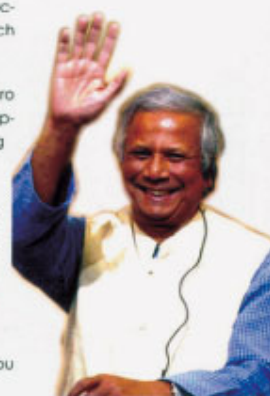
## Message from Nobel Laureate Prof. Mohammad Yunus

I would like to extend to my many good friends and colleagues in Nepal my best wishes for a successful "Microfinance in SAARC Countries: Sharing Lessons and Way Forward" Conference which is to be held from November 30-December 1, 2010 in Nepal.

Nepal is one of the countries that has forged ahead with nearly national level coverage of micro credit. It has established a successful wholesale fund for microfinance, RMDC, that has been helping the sector to grow. It is in the process of creating all the necessary institutions to build a strong and healthy microfinance sector.

Your conference is taking place at a time when we are witnessing a crisis in India, which has been largely caused by a wrong turn taken in some microcredit programs in India through commercialization with the objectives of "profiting" from the poor. As Nepal plans its next steps, it is important for us go back to the roots of microcredit, which was established as a way to get rid of loan sharks, and help the poor to work their way out of poverty. Nepal, I believe, is well equipped to face these challenges.

I am sorry that I could not be with you for this important and timely meeting, but wish all of you the best success.



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...from First Page

On the occasion, he read out the message for the conference from Nobel Peace laureate and, founder and managing director of Grameen Bank, Muhammad Yunus, the pioneer of microfinance.

Giving opening remarks Dr. Moslesh Uddin Sadeque, Interim Executive Director of the InM of Bangladesh, stressed on the need to forge collective effort among MFIs of SAARC region to overcome the challenges existing in the sector. "We have gathered here for common learning through our experiences and share innovative idea to deal with the challenges seen in the sector and seek practical point for departure," said Sadeque.

Stating the fact that SAARC region is the home to MFIs, he also urged the policy makers to facilitate the sector in reducing poverty in SAARC countries.

Dr. Yub Raj Khatiwada, Governor of Nepal Rastra Bank, the central bank of Nepal, stressed on the need to holistic mobilization of MFIs in micro-insurance targeting the poor people, in addition to the financial use of MFIs. "It is challenging and necessary that integrating programs of microfinance sector with government agencies for the repackaging of government initiated programs in crucial sectors such as education, health and infrastructure," said Khatiwada.

He also opined that growth of MFIs shouldn't be limited but they should be properly regulated through effective regulations for their sustainability. Lauding the proliferation of MFIs in the SAARC region, Khatiwada opined that replication of MFI programs should be customized and fine-tuned.

Delivering speech on the occasion, Dr. Sheel Kanta Sharma, Secretary General of SAARC, highlighted the growing

role of MFIs to uplift the lives of poor people in the task of alleviating poverty in the region. He also expressed readiness to extend cooperation from the SAARC secretariat for the development of MFIs in the region. SAARC Secretary General Sharma also released the report 'Microfinance in SAARC Countries'.

Concluding the opening session as the chair, Wahiduddin Mahmud, Chairman of InM, said over 20-30 million borrowers are taking advantage of microfinance in Bangladesh. "We are revolving over US\$3 billion annually in Bangladesh despite the fact that many people are still unaware of microfinance," said Mahmud. "MFIs have to concentrate their effort to serve the grass-root level people to bring the millions of poor out of the poverty line in the region."

The first day of the regional conference on Microfinance in SAARC countries: Sharing Lessons & Way Forward witnessed the four presentations from Afghanistan, Bangladesh, India and Maldives.

The four countries discussed on the regulatory framework, outreach and challenges in their respective countries.

The first session of Afghanistan was chaired by Dr Rashid Faruquee, visiting fellow, InM, Bangladesh and Mr Md Fazul Haque, country head, BRAC, Afghanistan, and Dr Atonu Rabbani, assistant professor University of Dhaka, gave presentation on the state of microfinance in Afghanistan.

Similarly, the second paper was presented by Mr Dewan A A Alamgir, microfinance specialist, Bangladesh and the session was chaired by Dr Quazi Mesbahuddin Ahmed, MD, PKSF, Bangladesh.

The third paper was presented by Sanjaya Sinha, MD, M-CRIL and the session was chaired by Mr Mathew Titus, ED, Sa-Dhan, India, whereas Ms Aishant Abdul Gadir, deputy manager, MMA presented the paper of Maldives and chaired by Dr Hahihar Dev Pant, executive chairman, Nirdhan Utthan Bank.







*Regional Conference on*  
**Microfinance in SAARC Countries: Sharing Lessons & Way Forward**

## *Conference Newsletter*

### First Regional Conference on Microfinance concludes with an eye on future



**RMDC News**  
**KATHMANDU, Dec 1**

The two-day regional conference on Microfinance in SAARC Countries: Lessons & Way Forward, concluded here in Kathmandu with a vision to look to future.

Speaking on the occasion, Nepal Rastra Bank, the central bank of Nepal governor Dr Yubraj Khatriwada hailed the role of Microfinance Institutions (MFIs) in the countries like Nepal and Bangladesh for their contribution on poverty reduction. "Conclusion drawn by the conference are very important," he said.

"The conference dragged the youths to present instead of the popular belief that they are the pillars of future," the governor Dr Khatriwada, opined. "Youths are vulnerable, they need to be used in the productive activities by engaging on productive areas, and MFIs can help them encourage in self-employment."

He said that technology and microfinance can be distributive. "Transfer of technology and microfinance making use of resources can create self-employment," Dr Khatriwada urged.

Microfinance that is the home-grown product of South Asia can bring social change, he said, "let people also look to

east as the west can also learn from us."

Lauding the first SAARC regional conference, he said that the dialogue, will help us share knowledge. "Institution building is always possible with such dialogue and discussions."

The eight SAARC nations have taken part in the two-day long experience, where they shared and chafed the future course out. The conference also sought feasibility of Microfinance Bank under SAARC umbrella.

The conference has decided to build co-operation and coordination of MFIs in the region, sensifying MFIs on risk management, deepening of microfinance services down to the poorest and the destitute, developing second generation of microfinance clients by involving the youth, financing unemployed youth in the rural areas, increasing the use of ICT in MFI programs for transparency and good governance.

To achieve the target the conference has also proposed advocacy for conducive policy and regulatory environment, institutional strengthening and capacity building of MFIs, and conducting research and studies on key issues, and further exploring the feasibility of establishing microfinance banks serving the poor.

*Continue Last Page...*







## A group of musicians in traditional attire performing on stage. One man plays a flute, another a stringed instrument, and a third a drum.







## Way Forward

- 1) Build co-operation and coordination of MFIs in the region
- 2) Sensitizing MFIs on risk management
- 3) Deepening of microfinance services down to the poorest and the destitute
- 4) Developing second generation of microfinance clients
- 5) Financing unemployed youth in the rural areas
- 6) Increasing the use of ICT in MFI programs for transparency and good governance
- 7) Advocacy for conducive policy and regulatory environment
- 8) Institutional strengthening and capacity building of MFIs, and conducting research and studies on key issues
- 9) Further exploring the feasibility of establishing micro-finance banks serving the poor
- 10) Micro insurance should be explored as possible integral part of the mainstream microfinance to safeguard the interest of the borrowers

### ...from First Page

Mr Dasho Daw Tenzin, governor, Royal Monetary Authority of Bhutan was the guest of honour of the closing session that was addressed by Dr Md Masleh Uddin Sadeque, Interim Executive Director, InM, Bangladesh; Dr Amanullah (Mak) Khan, International Team Leader, PROSPER, PCU, DFID, Bangladesh; Dr Wahiduddin Mahmud, chairman, InM, Bangladesh; Mr Ashoke SJB Rana, chairman, RMDC, Nepal.

The conference was organised by InM, Bangladesh and RMDC in cooperation with SAARC secretariate in Kathmandu.

Ashoke SJB Rana, chairman of the RMDC, thanking the participants said that the conference has started to began networking and started sharing their experiences from their respective countries.

MFIs is a tool to bring the people out of poverty trap, he said, "but MFIs can also be integrated with the government agencies that could bring more results."

Technology can help expand the MFIs and make them sustainable, though the issues of interest rates and high cost of operations could always be discussed.

Shankar Man Shrestha, CEO of the RMDC reading out the way forward thanked all the participants and the guests for their active involvement and creative suggestions.

The conference also decided that regional dialogues on new developments in the sector and experience sharing may be convened in every two years upon consultation with the relevant partners.

It also indicated the need for regular exchange of ideas and experience to materialize the ultimate goal of a poverty free South Asia and achievement of Millennium Development

## Action Agenda

### Establishing a virtual platform for Knowledge Management

The conference indicated the need for regular exchange of ideas and experience to materialize the ultimate goal of a poverty free South Asia and achievement of Millennium Development Goals. In order to facilitate such interactions, InM and RMDC will initiate a web portal involving relevant partners in the region with a view to sharing thoughts, ideas, practices and experiences, not just from the South Asia region but also from other places around the globe.

### Regional dialogues

Regional dialogues on new developments in the sector and experience sharing may be convened in every two years upon consultation with the relevant partners.

Goals. In order to facilitate such interactions, InM and RMDC will initiate a web portal involving relevant partners in the region with a view to sharing thoughts, ideas, practices and experiences, not just from the South Asian region but also from other places around the globe.

During the closing of the ceremony the guests were presented with Nepali cap (topi) and token of love.

In the first session of the second day on Wednesday Nepal presented its paper, Mr Shankar Man Shrestha, CEO of RMDC presented Nepal's role and current state of micro-finance, on which Mr Maha Prasad Adhikari, Executive Director, Banks and Financial Institutions Regulation Department, Nepal Rastra Bank; Dr Sumitra Manandhar Gurung, Executive Chairman, Women Cooperative Society Ltd, Nepal; Dr Amanullah (Mak) Khan, International Team Leader, PROSPER PCU, DFID, Bangladesh commented. Dr Rabindra Kumar Shukya, Former secretary government of Nepal chaired the session.

The second session of Pakistan was chaired by Dr Saeed Ahmed, Head of Microfinance, State Bank of Pakistan and commented by Dr Atanu Rabban, Assistant Professor, Department of Economics, University of Dhaka, Bangladesh and Ganesh Bahadur Thapa, former governor of Nepal Rastra Bank on the paper of Ms Kanwal Bokharey, Consultant, Swiss Agency for Development and Cooperation, (SDC), Pakistan.

Similarly, Mr Anura Atapattu, Consultant, Sri Lanka presented the third paper on Sri Lanka. The session was chaired by Mr S W Kiranachchi, president, Lanka Microfinance Practitioners Association (LMPPA), Sri Lanka and commented by Mr R D W Pallegama, Rural Development Consultant, Sri Lanka and Mr Enamul Haque, chief operating officer, ASA International, Bangladesh.

The last session of the day saw the presentation of Bhutan, Mr Ugyen Tshering, Examining Officer, Financial Regulation & Supervision Department, Royal Monetary Authority, Bhutan presented the Bhutan paper, on which Mr Bijaya Nath Bhattarai, former governor of Nepal Rastra Bank, Ms Podmosana Shukya, chairman, Manusi, Nepal and Dr Muhammad Abdul Latif, Director, Research & Knowledge Management Institute of Microfinance (InM), Bangladesh commented.



## 12.0 Photo Gallery

### Day – 1: Inaugural Session



The inaugural session of the conference commenced with the national anthem of Nepal.



At the inaugural ceremony, the artists singing the national anthem of Nepal.



The Chief Guest, Mr. Surendra Pandey, Honorable Minister, Ministry of Finance, Federal Democratic Republic of Nepal inaugurating the conference by turning on the *panash*; a traditional Nepalese lamp.



Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM delivering the inaugural speech at the conference.



Mr. Shankar Man Shrestha, CEO, RMDC delivering his opening remarks at the conference.



The Chief Guest; Mr. Surendra Pandey, Honorable Minister, Ministry of Finance, Federal Democratic Republic of Nepal addressing at the conference.





The Guest of Honour; H.E. Dr. Sheel Kant Sharma, Secretary General, SAARC; addressing at the conference.



The Guest of Honour; Dr. Yuba Raj Khatriwada, Governor, Nepal Rastra Bank; addressing at the conference.



The Chair of the inaugural session; (at right) Dr. Wahiduddin Mahmud, Prof. of Economics, University of Dhaka; Former Minister to Caretaker Government, Bangladesh, and Chairman, InM, and the Chief Guest; Mr. Surendra Pandey, Honorable Minister, Ministry of Finance, Federal Democratic Republic of Nepal; at the conference.



The Chair of the inaugural session; Dr. Wahiduddin Mahmud, Prof. of Economics, University of Dhaka; Former Minister to Caretaker Govt., Bangladesh, and Chairman, InM delivering his speech at the conference.



The Guest of Honour; H.E. Dr. Sheel Kant Sharma, Secretary General, SAARC; launching the "Overview Report 2010: Microfinance in SAARC Countries" at the inaugural session.



Participants at the conference

## Country Report Presentation

### Afghanistan



Panel at the session of Afghanistan.



Keynote Presenter Dr. Atonu Rabbani, Visiting Fellow, InM; presenting the country report on Afghanistan.



Keynote Speaker Mr. Fazlul Hoque, Country Head, BRAC Afghanistan; presenting the country report on Afghanistan.



Dr. Saeed Ahmed, Head of Microfinance, State Bank of Pakistan; addressing as a discussant of the session.



Ms. Kanwal Bokharey, Consultant, SDC-Pakistan; delivering her speech as a discussant.



Discussant Mr. Nara Hari Dhakal, Microfinance Consultant, ADB; delivering his speech.





The Chair of the session Dr. Rashid Faruquee, Visiting Fellow, InM; addressing at the session.



Ms. Kanwal Bokharey, Consultant, SDC-Pakistan, receiving the token of appreciation from Mr. Shankar Man Shrestha, CEO, RMDC.

## Bangladesh



Panel at the session of Bangladesh.



Keynote Presenter Mr. Dewan A. H. Alamgir, Microfinance Specialist, presenting the country report on Bangladesh.



Mr. Enamul Hoque, Chief Operating Officer, ASA International; addressing as a discussant at the session.



Ms. Jannat-E-Quanine, General Manager, International Programme, Grameen Bank; delivering her speech as a discussant.



Discussant Mr. Shameran Abed, Programme Manager, Microfinance, BRAC; delivering his speech.



The Chair of the session; Dr. Quazi Mesbahuddin Ahmed Managing Director, PKSf; addressing at the session.

## India



Panel at the session of India.



Keynote Presenter Mr. Sanjay Sinha, MD, M-CRIL; presenting the country report on India.



Mr. Anura Atapattu, Microfinance Consultant, Sri Lanka; delivering his speech as a discussant.



Discussant Mr. Md. Abdul Awal, ED, CDF; delivering his speech at the session.





Chair of the session, Mr. Mathew Titus, ED, Sa-Dhan; receiving the token of appreciation from Dr. Quazi Mesbahuddin Ahmed, MD, PKSf.



Discussant Ms. Sugandh Saxena, ED, SAMN; receiving the token of appreciation from Dr. Quazi Mesbahuddin Ahmed, MD, PKSf.

## Maldives



Panel at the session of the Maldives.



Keynote Presenter Ms. Aishath Abdul Gadir, Deputy Manager, MMA; presenting the country report on the Maldives.



Mr. Swetan Sagar, Director-Research, M-CRIL; delivering his speech as a discussant.



Discussant Mr. Hassan Fiyaz, Deputy Manager, MMA; delivering his speech at the session.



Dr. Masudul Quader, CEO, DSK; addressing as a discussant at the session.



Chair of the session, Dr. Harihar Dev Pant, Executive Chairman, Nirdhan Utthan Bank Ltd.; addressing at the session.

## Day - 2

### Nepal



Panel at the session of Nepal.



Keynote Presenter Mr. Shankar Man Shrestha, CEO, RMDC; presenting the country report on Nepal.



Dr. Sumitra Manandhar Gurung, Executive Chairman, Women Cooperative Society Ltd; delivering her speech as a discussant.



Discussant Mr. Maha Prasad Adhikari, Executive Director, Nepal Rastra Bank; delivering his speech.





Dr. Amanullah (Mak) Khan, Intl. Team Leader, PROSPER-PCU, DFID; addressing as a discussant at the session.



The Chair, Dr. Rabindra Kumar Shakya, Former Secretary, Federal Democratic Republic of Nepal; addressing at the session.

## Pakistan



Panel at the session of Pakistan.



Keynote Presenter Ms. Kanwal Bokharey, Consultant, SDC-Pakistan; presenting the country report on Pakistan.



Dr. Atonu Rabbani, Visiting Fellow, InM; addressing as a discussant at the session.



Discussant Mr. Ganesh Bahadur Thapa, Former Governor, Nepal Rastra Bank; Chairman, Centre for Microfinance (CMF), Nepal; addressing at the session



Discussion in progress at the session of Pakistan.



The Chair, Dr. Saeed Ahmed, Head of Microfinance, State Bank of Pakistan ; addressing at the session.

## Sri Lanka



Panel at the session of Sri Lanka.



Keynote Presenter Mr. Anura Atapattu, Microfinance Consultant, Sri Lanka; presenting the country report on Sri Lanka.



Mr. Dulan De Silva, Rural Development Consultant, Sri Lanka; delivering his speech as a discussant.



Mr. R. D. W. Pallegama, Deputy Director, Central Bank of Sri Lanka; addressing as a discussant.





The Chair, Mr. S. W. Kiriarachchi, President, LMFP, Sri Lanka; addressing at the session.



Discussant Mr. Enamul Hoque, Chief Operating Officer, ASA International; delivering his speech.

## Bhutan



Panel at the session of Bhutan.



Keynote Presenter Mr. Ugyen Tshering, Examining Officer, Royal Monetary Authority, Bhutan; presenting the country report on Bhutan.



Chair of the session, Mr. Dashi Daw Tenzin, Governor, Royal Monetary Authority, Bhutan; addressing at the session.



Dr. Muhammad Abdul Latif, Director (Research & KnM), InM; delivering his speech as a discussant.



Ms. Padma Sana Shaky, Vice-Chairperson, MIFAN, and Chairperson, Manoshi, Nepal, delivering her speech as a discussant.



Discussant Mr. Bijay Nath Bhattarai, Former Governor, Nepal Rastra Bank; addressing at the session.

### Lessons Learned, Emerging Challenges & Directions for the Future



Panel at the session of 'Lessons Learned, Emerging Challenges & Directions for the Future'.



Keynote Presenter Dr. Rashid Faruquee, Visiting Fellow, InM; presenting the report on 'Lessons Learned, Emerging Challenges & Directions for the Future'.



'Lessons Learned, Emerging Challenges & Directions for the Future' session in progress.



Dr. Quazi Mesbahuddin Ahmed, MD, PKSF; addressing at the session.





Ms. Simeen Mahmud, Lead Researcher, BRAC Development Institute (BDI); delivering her speech at the session.



Mr. Sanjay Sinha, MD, M-CRIL; addressing at the session as a discussant.



Dr. Puspa Shrestha, Chairman, Women Support Cooperative Ltd., Nepal; delivering her speech.



(Second from left) Dr. Saeed Ahmed, Head of Microfinance, State Bank of Pakistan; addressing at the session.



(At right) Dr. Harihar Dev Pant, Executive Chairman, Nirdhan Utthan Bank Ltd., Nepal; addressing at the session.



The Chair of the session, Mr. Shankar Man Shrestha, CEO, RMDC; delivering his speech.



(At right) Dr. Quazi Mesbahuddin Ahmed, MD, PKSF; receiving the token of appreciation at the session from Dr. Wahiduddin Mahmud, Chairman, InM.



Ms. Simeen Mahmud, Lead Researcher, BRAC Development Institute (BDI); receiving the token of appreciation at the session from Dr. Wahiduddin Mahmud, Chairman, InM.

## Closing Session



Panel at the closing ceremony of the conference.



Guest of Honour Dr. Wahiduddin Mahmud, Chairman, InM delivering his speech at the closing session of the conference.



Dr. Md. Mosleh Uddin Sadeque, Interim Executive Director, InM; delivering his closing remarks at the session.



Dr. Amanullah (Mak) Khan, Intl. Team Leader, PROSPER-PCU, DFID; addressing at the closing session.





Mr. Shankar Man Shrestha, CEO, RMDC; addressing at the closing session.



The Chief Guest of the Closing Session; Dr. Yuba Raj Khatiwada Governor, Nepal Rastra Bank; delivering his speech.



The Chair of the Closing Session; Mr. Ashoke SJB Rana, Chairman, RMDC; addressing at the session.



(At left) Guest of Honour Mr. Dasho Daw Tenzin, Governor, Royal Monetary Authority, Bhutan; receiving the token of appreciation from Mr. Ashoke SJB Rana, Chairman, RMDC.

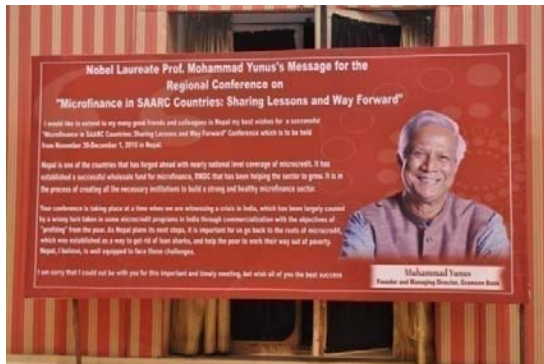
## Miscellaneous



Dr. Wahiduddin Mahmud, Chairman, InM and Mr. Ashoke SJB Rana, Chairman, RMDC; at the conference.



Participants at the conference showing respect to the national anthem of Bangladesh.



Photographed banner of Nobel Laureate Dr. Muhammad Yunus with his message at the conference.



Dr. Wahiduddin Mahmud, Chairman, InM; wearing a traditional Nepalese cap, (at the middle) Mr. Ashoke SJB Rana, Chairman, RMDC and (at left) Dr. Yuba Raj Khatriwada, Governor, Nepal Rastra Bank; also seen on the picture.



Cultural events in progress at the cultural ceremony of the conference after the closing session.



Cultural events in progress at the cultural ceremony of the conference after the closing session.

## Pre-Conference Press Meet



Panel at the press conference of the Regional Conference titled 'Microfinance in SAARC Countries: Sharing Lessons and Way Forward'.



Panel at the pre-conference press meet.





Mr. Shankar Man Shrestha, CEO, RMDC; delivering his speech at the press meet.



Participants and media personnel at the press conference.

For more information please contact:



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