

CENTRE FOR MICROFINANCE (CMF), NEPAL

SUSTAINABLE ACCESS TO MICROFINANCE SERVICES TO THE POOR

NEPAL SOCIAL PERFORMANCE COUNTRY REPORT

2016

Social Performance Country Report

This report details the state of SPM practice among network members in key operational and strategic areas. It is based on self-reported SPI4¹ data (verified by networks), and discusses both successes and challenges alike. This report was developed with the support of the Social Performance Fund, financed by the Ford Foundation and managed by the Microfinance Centre.²



EXECUTIVE SUMMARY

The primary purpose of microfinance in Nepal is to provide financial services to vulnerable and poor clients. Access to wide range of financial services, entrepreneurship skills, education and resources bears the possibility of economic empowerment of poor. The benefit generated from such services extends beyond the personal and institutional level. The social inclination of MFIs is imperative to ensure sustainability. CMF Nepal has prepared this report based on the information provided by 28 MFIs, which represents 53.85 percent of retail service providing class “D” MFIs and other cooperatives and FINGOs registered in Nepal³, using the SPI4 tool devised by CERISE to measure social performance practices. The data reflects the status as of July 2016.

Social performance management practices are growing among the MFIs in Nepal, as the adhering principles of SPM are gradually being incorporated in organizational policies- both as compliance to regulatory directives and as the move to address the rising alertness among clients stemming from market competition. Implementation and practices of SPM can further be geared-up in coming days by perfect synchronization between regulatory and adherence bodies.

Increment of loan Size

The monetary policy of Nepal for 2016/17 has increased the loan limit margin by 200,000 on different type of enterprise loan provided by MFIs. The loan limit on renewable energy (solar/biogas) has been increased from 60,000 to 200,000. Similarly, loan limit of the collateral based enterprise loan for group member/non-members in the VDCs deprived of any other financial institutions has been increased from 700,000 to 1000000. This increase in loan limit is expected to help reduce the multiple borrowing issues to some extent.

¹ SPI4 is a data collection and performance management tool developed by CERISE. See www.cerise-spi4.org for more information

² For more information on the work of the SP Fund, please visit www.mfc.org.pl. For more information about the Universal Standards for Social Performance management and Social Performance Task Force, please visit www.sptf.info.

³ As of July 2016

Main Highlights

- The financial sector in Nepal is fully regulated and licensed by the Central bank, Nepal Rastra Bank (NRB), with the exception of cooperatives and informal saving/credit groups. Based on the nature and scope of services, the NRB has classified financial institutions into four classes: A, B, C and D. Microfinance institutions are considered “D class” financial institutions.
- MFIs greatly differ in size, geographical outreach and target clients. The products and services offered by MFIs in the industry are similar. One MFI has extended its branches to all 75 districts of Nepal. 59 percent of the branches are located on rural areas while 28 percent of the total branches are concentrated in excluded/poor areas.
- There is a varying gender balance in terms of client outreach and staff composition. Female members dominate client outreach projects (98.17 percent active borrowers, 97.67 percent savers). On the contrary, MFI staff is 25 percent female (25.95 percent total staff, 28.43 percent field and front office, management 24.85 percent and 17.33 percent board members).
- MFIs are clear about their target market. 100 percent focus on serving women while 79 percent target female clients of both rural and urban areas. Member deposits are invested in the productive sector. 83 percent of the total loan portfolio is contributed to agriculture (51 percent), SME (15 percent), and microenterprise (18 percent) respectively.
- MFIs prioritize the welfare of clients and employees. This is reflected in the practices and evolving policies of MFIs, including the rights, obligations, facilities and services concerning clients and employees. Client complaints (15 days; critical one) and employee grievances (25 MFIs) are duly reviewed and resolved.

Challenges

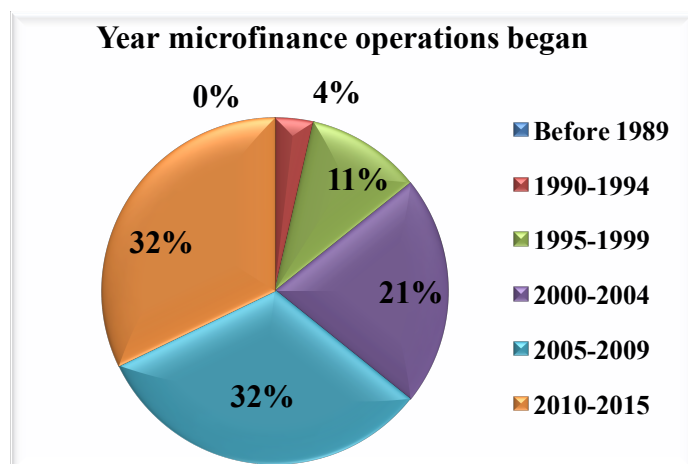
- MFIs are gradually stretching their services to the remote Hilly and Himalayan regions which previously concentrated only in the Terai and some parts of southern Hill regions. Given Nepal’s geographical complexity and rising competition in the sector, economic empowerment of poor and ultra-poor members through proper utilization of funds remains a significant challenge in these regions.
- There is a growing emphasis from regulatory body and donor agencies on scaled-up enterprise based loan. This creates a challenge for MFIs to mobilize enterprise loan while simultaneously promoting new skills, schemes and techniques unlike the traditional approach. Market linkages remain one of the primary issues.
- The industry lacks a proper database for impact assessment; as a result, the precise efficacy of interventions, new product designs, and policies are unknown.
- Unlike the previous practices of providing entire 5 percent of the total loan portfolio to MFIs, to meet the deprived sector lending requirement of 5 percent set by NRB, the Commercial banks of Nepal can now provide only 3 percent to MFIs under this category because NRB requires the commercial banks to provide 2 percent of the loan

portfolio as microcredit service directly from their branches. This move from NRB has affected the source of fund and services of MFIs.

Looking ahead

- Central bank of Nepal, with cooperation and participation of international agencies, has launched several promotional programs to push forward nationwide rural-and-remote outreach of MFIs. Flexibility in procedural requirement, e-mapping, granting of fund and other exemptions are few such examples for MFIs to extend the branch in rural and poor prone districts.
- Advent of digital financing, green finance, value chain financing and human values based finance in the microfinance industry of Nepal indicates a promising prospects.

SECTOR OVERVIEW



As of July 2016, the financial sector in Nepal was represented by commercial banks, development banks, finance companies, microfinance development banks, cooperatives, NGO's (licensed by NRB and performing limited banking transactions), insurance companies, employees provident fund, citizen investment trusts and postal saving banks.

Microfinance practices in Nepal originated from small credit cooperatives in the 1950s with the aim of providing credit to poor villagers for agriculture purposes. In the subsequent years, joint programs from government and Donor agencies like Small Farmers Development Program (SFDP, 1975), the Intensive Banking Program (IBP, 1981), and Rural Microfinance Project (RMP, 1998) etc. started providing more loans to all sector of work force. The involvement of the Government (1992), Commercial Banks (1976), Development Banks, NGOs, Cooperatives and informal groups in providing microfinance services has helped microfinance sector to flourish in the recent decade. The availability of wholesale funds from microfinance-wholesale-banks and under different programs of international agencies has given momentum to the extension of microfinance services and outreach. During the past two decades, Nepal's microfinance sector has undergone notable transformation in terms of its scope, services and outreach.

Microfinance institutions, especially the class "D" institutions, are fully regulated by NRB. The microfinance industry in Nepal is still evolving; it is still a relatively young field, with 64 percent of all MFIs established after 2005. Currently, 42 microfinance institutions (class D) provide services to average 20 districts, serving a total clientele of 1,793,828. Other financial

institutions number as follows: 13,985 saving and credit cooperatives (480 MFI coops), 525 small farmer agriculture cooperative limited (SFACL) and 27 FINGO. These institutions serve a tentative clientele of around 3,815,702. (NRB, 2016)

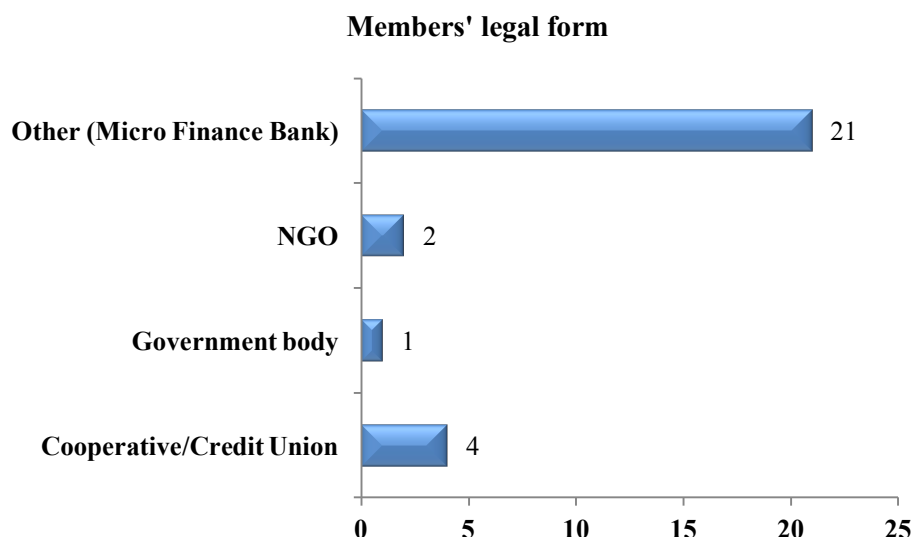
Centre for Microfinance (CMF), Nepal was established in 2000, and its mission is to promote and strengthen microfinance services through key activities and expertise with mutual trust and cooperation among members, service receivers, practitioners and stakeholders.

Member overview

The Centre for Microfinance (CMF) Nepal is a not-for-profit private company registered in Nepal in the year 2000 after operating as an entity within CECI since 1998. Its associate members consist of one Financial Intermediary NGO, 30 MFIs and more than 100 financial cooperatives.

28 MFIs have participated in this research project, representing 70 percent of CMF's microfinance members and 53.85 percent of "D class" microfinance providing retail services in Nepal. All of the 28 institutions

are licensed and regulated by central bank of Nepal. In total, they have provided microfinance services to 1,987,671 clients through 1275 branch outlets spread over Tarai and southern Hilly regions. The penetration of services to northern Hilly region and Himalayan region is still under development. The clientele of these MFIs includes individual borrowers, farmers involved in agriculture activities, small-and-medium scale enterprise and business entrepreneurs. They provide different types of financial and non-financial services like deposits, loans, insurance and remittances. The most common loan products are microenterprise, agriculture and emergency loans.



Members: Operational overview

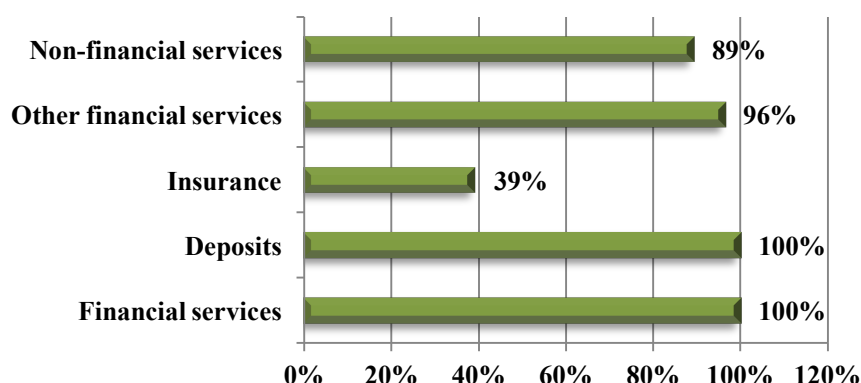
Product range

Microfinance institutions of Nepal offer basic products. In Nepal microfinance institutions are not allowed to accept public deposits with the exception of two MFIs: Nirdhan Utthan Bank Limited and Chhimek Laghubitta Bikash bank limited. All 28 MFIs provide loan and deposit services.

The insurance board of Nepal has made it mandatory for the insurance company to direct 5 percent of their total portfolio to micro insurance. Insurance products in microfinance are expected to surge after this move. At present, 46 percent of the MFIs provide compulsory insurance services while

another 11 percent offer voluntary insurance. Similarly, 96 percent of MFIs provide remittance services and 89 percent provide non-financial services. Non-financial services are not the regular program of the MFIs. Based on the need and priority of organization, MFIs may provide trainings on enterprise and entrepreneurship skills. Health camps and educational programs are targeted to family members including people living in the member area.

Product and service offering

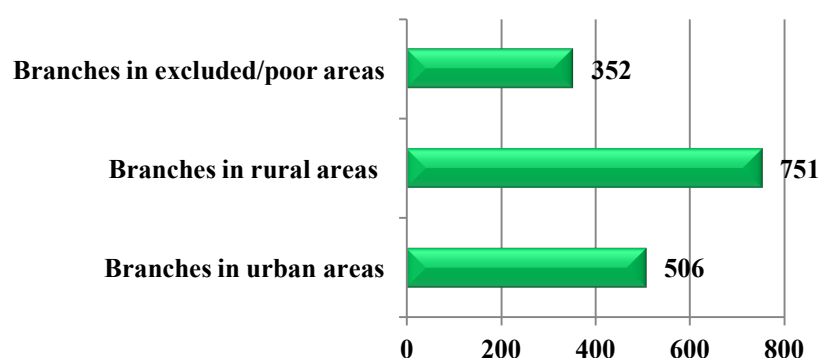


Geographical coverage

Nepal is divided into three geographical regions: Terai, Hilly and Himalayan with the political distinction of 75 districts. CMF's MFI members provide services in Terai and southern hill regions. One MFI has its branches in all 75 districts. At the present level, 40.25 percent of MFIs provide services to urban areas with 506 branch outlets. 59.75 percent of the MFIs provide

services in the rural areas and target female members who don't have access to finance. Remote villages and communities are their priority area. In the context of Nepal, the northern hill regions and Himalayan region lack adequate penetration of financial access; if financial services are

Branch distribution (total =1257)



available, they are highly informal.

In order to promote sustainable access to finance in remote areas, the government, NRB, and international community have devised flexible policies and programs. MFIs get six-month interest-free loan from the NRB and are not required to obtain prior permission to setup new branches in prioritized villages and districts/areas. Similarly, international agencies provide a matching grant and bear the overhead costs of the MFIs branches operating in remote areas

until they become profitable. Such promotional programs are expected to stimulate the microfinance activities in remote areas of Nepal.

Financial performance

Microfinance institutions in Nepal receive major fund from wholesale banks and commercial banks. In comparison, the deposits collected by microfinance institutions are nominal and supplemental. NRB has made it mandatory for commercial banks to direct 3 percent (recently reduced from 5 percent) of their total portfolio to the deprived sector. There is no upper limit set by the central bank regarding the number of new microfinance that can enter the market. CMF's member microfinance institutions, and the microfinance industry as a whole, have sound financial performance despite their variation in composition of size, outreach, clients and sources of funds. The loan repayment rate stands above 99 percent and almost all MFIs are profitable. Twenty-nine MFIs are listed in the Nepal Stock Exchange (NEPSE).

Some of the key financial performances are shown in the table below:

	2016 (July)
Client outreach (gross)	1998581
Client outreach (average)	71378
Loan portfolio (gross)	103,761,207,475.40
Loan portfolio (average)	3705757410
Women clients (average percent)	96.97 percent
Rural clients (average percent)	69.16 percent
PAR>30 days (average percent)	1.51 percent
Write-offs	0.00 percent
ROA (range percent)	1.5 percent - 12.11 percent
Portfolio yield (average percent)	17.00 percent
Operating Expenses Ratio (average percent)	11.60 percent
Operating self sufficiency (average percent)	142.57 percent

Support to local enterprise

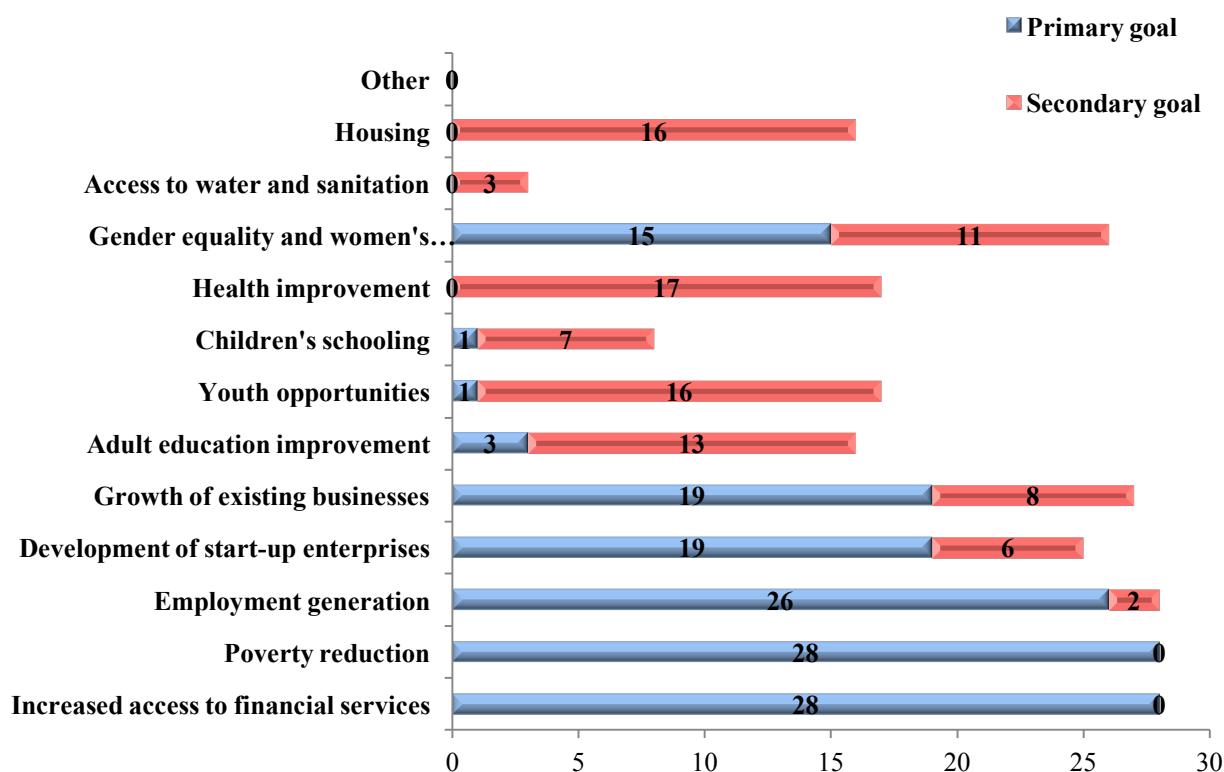
CMF's MFI members provide at least five kinds of loans. 27 MFIs provide microenterprise loans while 20 MFIs provide SME loans. MFIs provide loan for both new and existing enterprises. The MFIs record the disbursed loan according to their product name but not according to the tenure of enterprise. Similarly, MFIs don't have the practice of recording the number of jobs generated by their enterprise loan.

Our members are working towards clear social goals

A word cloud visualization centered around the theme of poverty and economic development. The most prominent words are "poor", "people", "disadvantaged", "rural", "income", "status", "access", "provide", "marginalized", "strengthen", "employment", "promote", "Nepal", "women", "awareness", "empowerment", "under-served", "friendly", "demand", "better", "life", "health", "education", "skills", "productivity", "growth", "economic", "social", "facilitating", "responsive", "managing", "providing", "activities", "making", "un-served", "group", "microfinance", "pyramid", "support", "bottom", "door", "gateways", "reduction", "including", "changes", "mobility", "air", "sector", "circle", "organization", "quality", "improved", "leadership", "gender", "prosperity", "development", "communities", "come", "offerings", "standards", "education", "production", "livelihood", "employment", "promote", "microfinance", "control", "increased", "down-laborer", "market". Other visible words include "poverty", "economy", "basic", "needs", "services", "infrastructure", "human capital", "entrepreneurship", "innovation", "technology", "climate change", "resilience", "equity", "inclusion", "partnerships", "multisectoral", "holistic", "integrated", "comprehensive", "transformative", "sustainable", "inclusive", "gender-responsive", "youth-sensitive", "environmentally sound", "culturally appropriate", "locally owned", "community-driven", "people-centered", "rights-based", "transparent", "accountable", "effective", "efficient", "cost-effective", "high-impact", "scalable", "replicable", "transferable", "adaptable", "flexible", "robust", "resilient", "durable", "long-lasting", "sustainable", "inclusive", "equitable", "just", "fair", "ethical", "sound", "viable", "feasible", "practical", "realistic", "achievable", "attainable", "measurable", "monitorable", "evaluable", "assessable", "trackable", "reportable", "communicable", "shareable", "transferable", "usable", "applicable", "relevant", "timely", "accurate", "credible", "trustworthy", "reliable", "valid", "sound", "logical", "coherent", "consistent", "compatible", "congruent", "consonant", "synergistic", "complementary", "additive", "multiplicative", "synergistic", "complementary", "additive", "multiplicative".

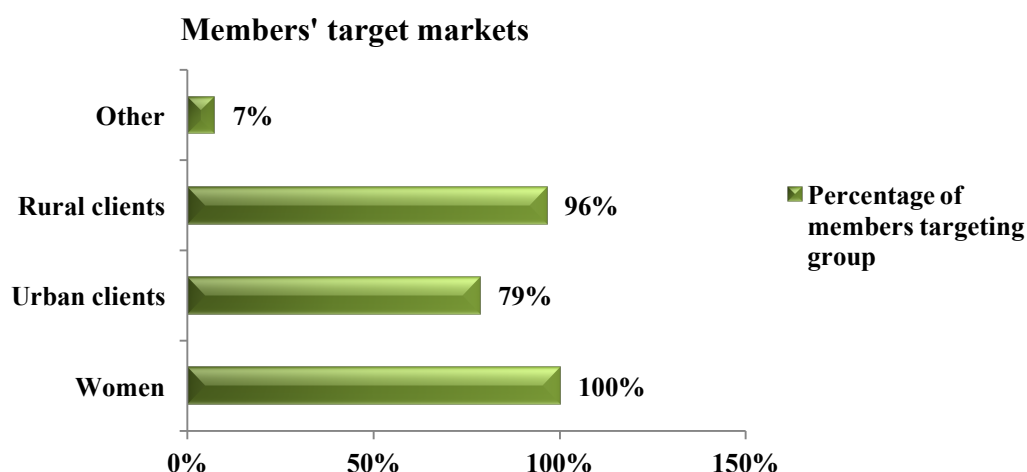
Some other common goals of the MFIs are: to generate employment, make clients self reliant, promote small-and medium-scale enterprise, raise awareness of the poor, reach out to deprived and marginalized populations, promote savings, and improve the living standards by income generation activities. MFIs adhere to their social mission and are reflected in their operational framework to design products, services and working policies. However the practice of tracking of achievement of the social goals is informal and non-periodic.

Members' main social goals

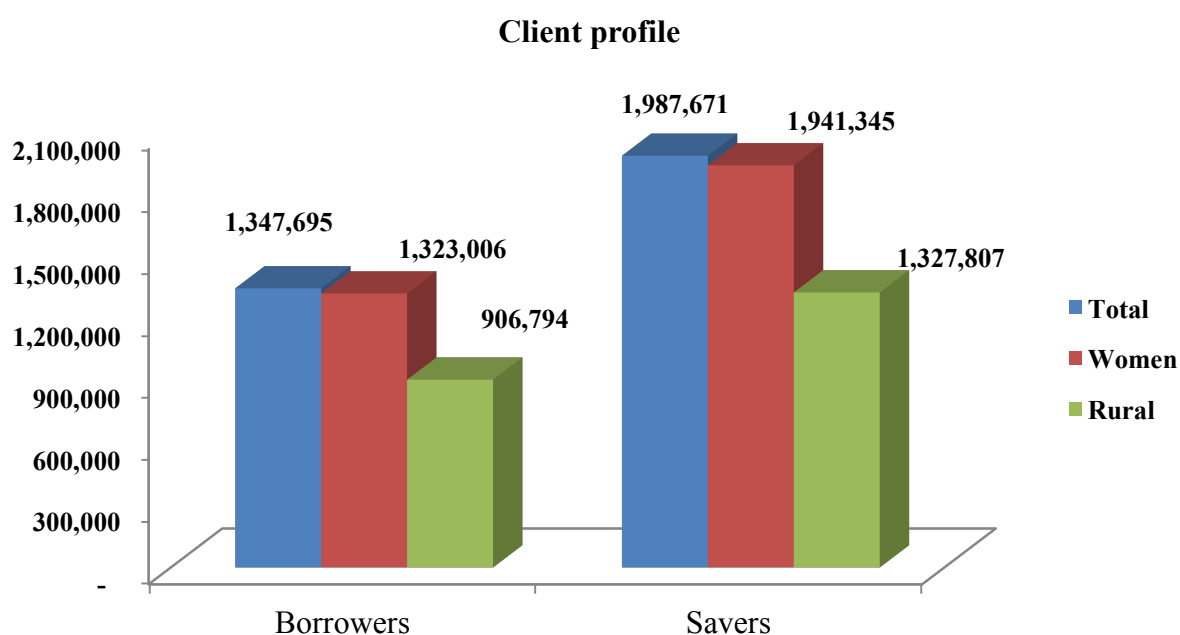


Our members target a range of client groups

The MFI members target a diverse range of client groups. In Nepal, the cooperatives and microfinance provide services mainly to women clients – almost 100 percent. There are no specific targets or programs specifically for youth below the age of 18. MFIs follow a “One House – One Member” policy when accepting clients. This policy helps them to ensure timely repayment of loans given the limited source of income in the household.



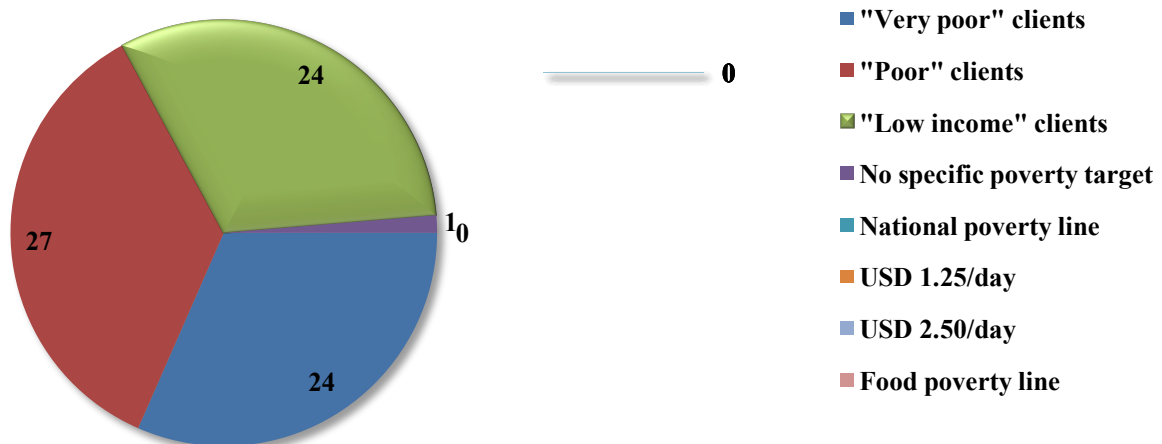
96 percent of our member MFIs offer services to clients in rural areas while 79 percent serve urban areas. Recently, some of the MFIs have started providing their services to men as members. 7 percent of MFIs target and limit their services to specific sections of community like farmers and marginalized groups. Their services are aimed at activating these groups of people and empowering them to join the mainstream community by decreasing the prevailing structural gap. The graph below depicts the client profile of our member MFIs.



Our members need to classify clients based on certain range of income level

25.2 percent of people in Nepal live below the poverty line. The official poverty line is NRs 19,261 per person per year. This is approximately 176 US dollars (\$1 = Rs 109). The MFIs serve a wide range of clients. They collect the basic information of all members, including income level. The information is updated frequently, usually when the member applies for a loan. The collected information is used to identify whether a particular member qualifies for a loan and is capable of repayment. However, an analysis of client income level done by comparing it to different levels of poverty has not been carried out. The industry as a whole lacks the information regarding the poverty level of clients and their segregation according to different income levels. The appropriate mechanism of analysis of collected data has not been established. This situation limited access to tentative information based on estimates, as would be useful for this section.

Primary poverty target group definition

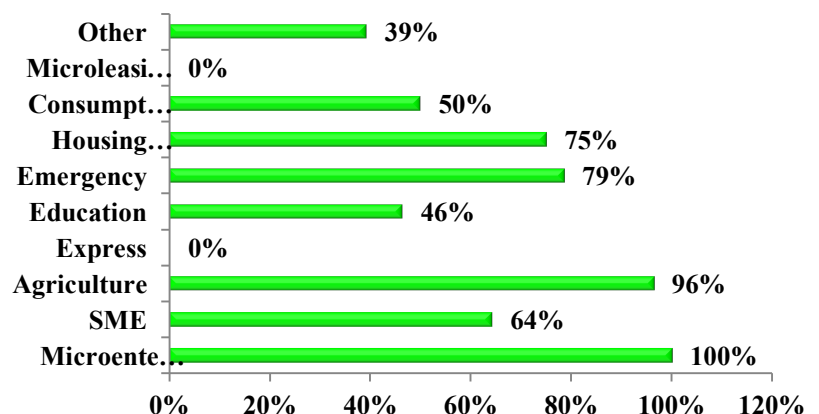


PRODUCTS AND SERVICES

Our members deliver a range of financial services

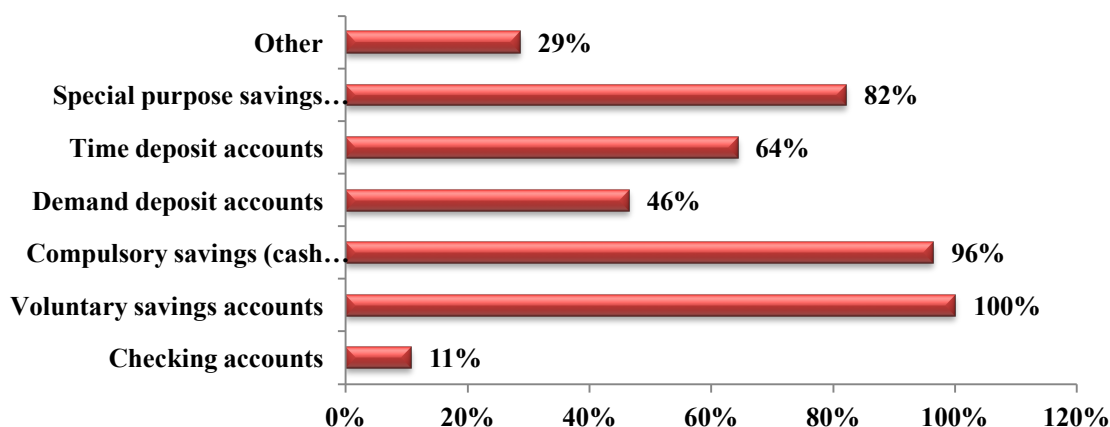
Nepal's MFIs offer basic financial services that are largely common among member organizations. The majority of the MFIs offer loans, deposit, insurance, and remittance services in varying proportions. The status of the loan offering is depicted in the adjoining graph: Microenterprise loans are provided by all MFIs. Other common loans

Loan offering



are agriculture (96 percent), emergency (79 percent), housing (75 percent), and SME (64 percent) followed by consumption and education loans. None of the MFIs provide express or micro-leasing loans.

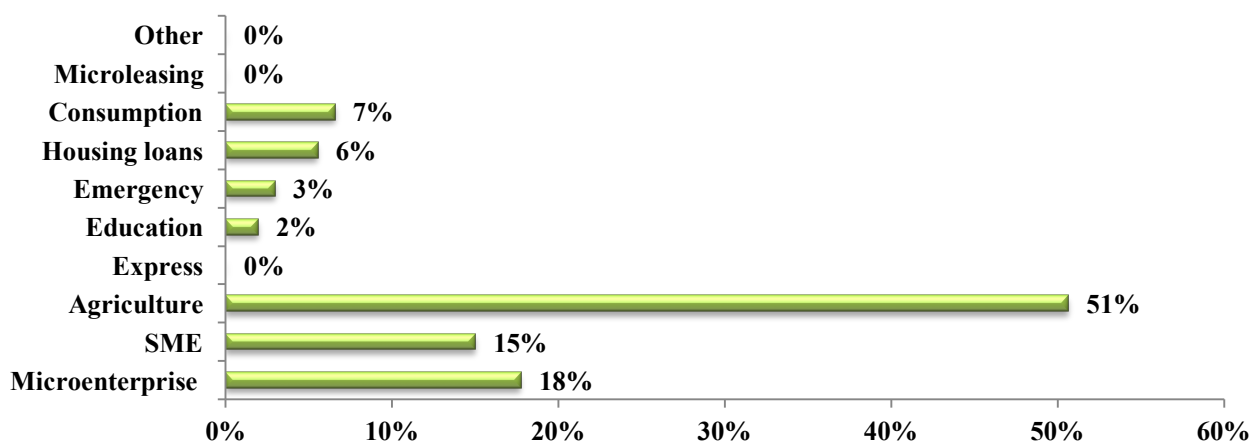
Deposit offering



MFIs provide different types of deposit services. 96 percent of MFIs require compulsory saving (daily, weekly, monthly etc.) while voluntary saving is common to all of them. Special-purpose saving accounts include pension saving, golden future saving, education saving and other saving schemes unique from each MFIs.

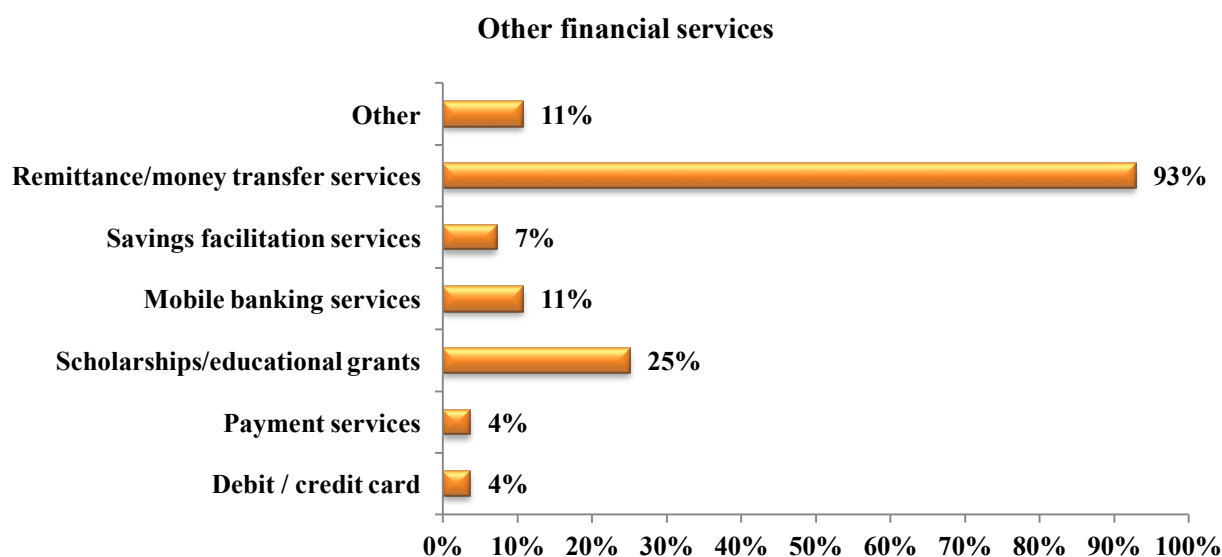
The loans provided by MFIs are mostly related with the agriculture sector and account for half of the sector's total loan portfolio. The contribution of microenterprise and SME loans is 18 percent and 15 percent respectively. Other types of loans make up less than 8 percent of the total loan portfolio.

Gross loan portfolio distribution



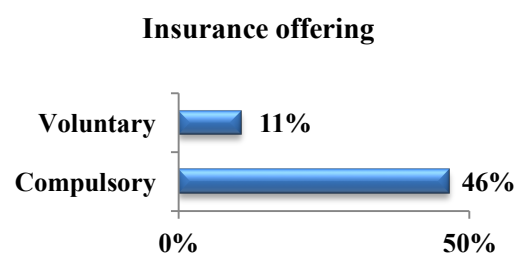
If the expected future increase in microenterprise and SME loans is considered, then we can say that the present level of loan portfolio distribution in Nepal's microfinance sector prioritizes productive and income generating sectors. If the loan on SME and Microenterprise is taken

together then the requirement of disbursement of at least 33 percent of the total loan for Microenterprise, as set by NRB, is also met.



Youth from many villages in Nepal travel abroad as migrant workers. According to the NRB, remittances accounted for 29.6 percent of Nepal's GDP in the year 2015. Utilization of remittances in productive sectors is one of the big challenges facing Nepal's government. In order to promote saving habits among their members, 93 percent of microfinance institutions provide remittance services, and many have partnerships with remittance companies. Most MFIs allow members to receive international remittances, while 19 MFIs provide sending services to all parts of Nepal or at least to all their branches. These services are provided free of charge to members.

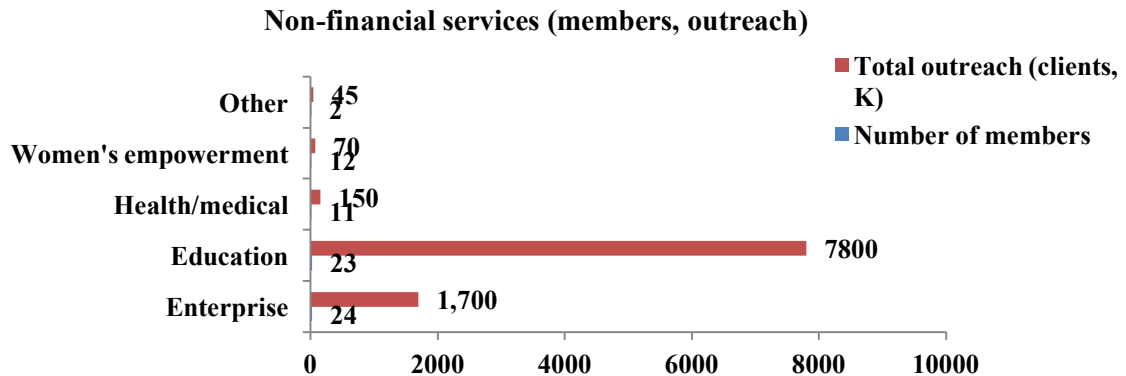
Risk mitigation of MFIs is more informal. MFIs collect 0.5 percent of the loan amount, as made mandatory by the directives, and create a fund to mitigate future contingencies like death of member, accidents; natural disasters etc. 46 percent of MFIs provide compulsory insurance while 11 percent of MFIs provide voluntary insurance.



Our members also offer non-financial services in line with clients' needs

Informed and aware clientele system is growing among the MFIs in Nepal partly because of the growing competition. Information and awareness helps the clients direct their activities and adopt proactive measures. Clients make use of the information to select products, to cut expenses and generate savings, to involve in income generating activities and to engage in social activities. MFIs provide several non-financial services as part of their social responsibility. Recently, MFIs supported the 2015 earthquake victims by contributing in cash

and kind. They distributed the essentials reaching to the affected areas. The graph below depicts the non-financial services provided by MFIs.



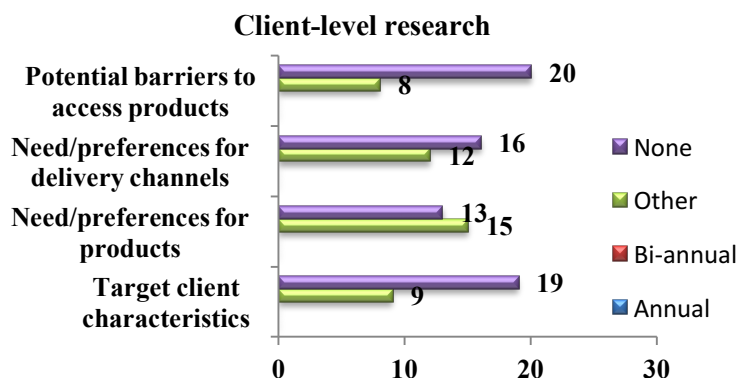
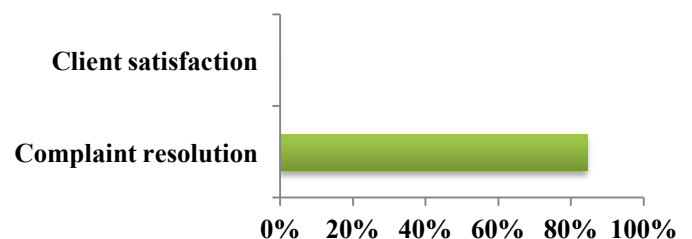
In Nepal, 82 percent of MFIs award prizes to high achievers in the national School Leaving Certificate exam from member families. The MFIs do not have a formal recording system for the number of beneficiaries for each of the non-financial services provided. Training for enterprise skills/development are need-based programs. Health/medical services are occasional. Members are provided information regarding their health, nutrition, rights at monthly central meeting – mostly informal.

Our members need to pay more attention to clients' needs, and satisfaction survey

Formal and full-fledged needs assessment, satisfaction surveys, and impact studies are still evolving Nepal's microfinance sector. Though the client's complaints are taken seriously and given high priority, there is no concrete database to manage them.

Complaints registration is informal – mostly verbal during central meeting. Complaints are not frequent and in absence of complaints MFIs consider clients satisfied.

Listening to clients (last 3 months)



MFIs collect feedback and complaints and identify the needs of the clients during different seasonal meetings, monitoring and supervision visits, annual assemblies, and regular central meetings. The field staff, branch managers, and official members are other

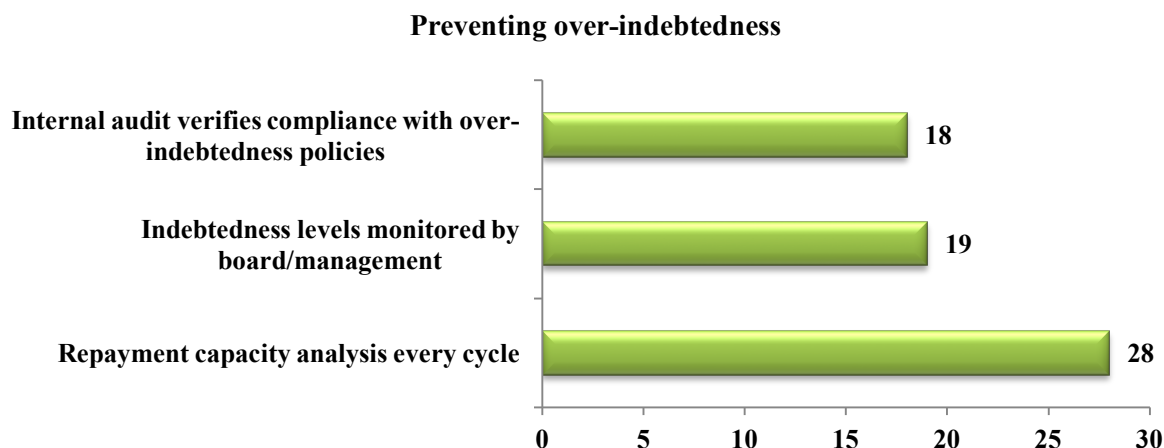
important sources of information. The information regarding target client characteristics, need/preferences for products, need/preferences for delivery channels, and potential barriers to access are derived from above mentioned sources. The industry lacks formal research and the figures depicted on the graph are based on MFI estimates.

CLIENT PROTECTION

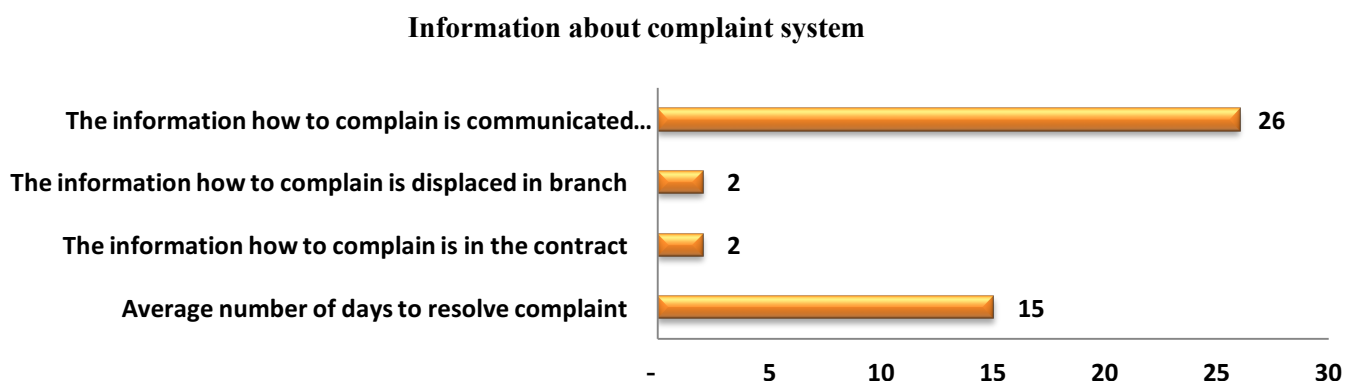
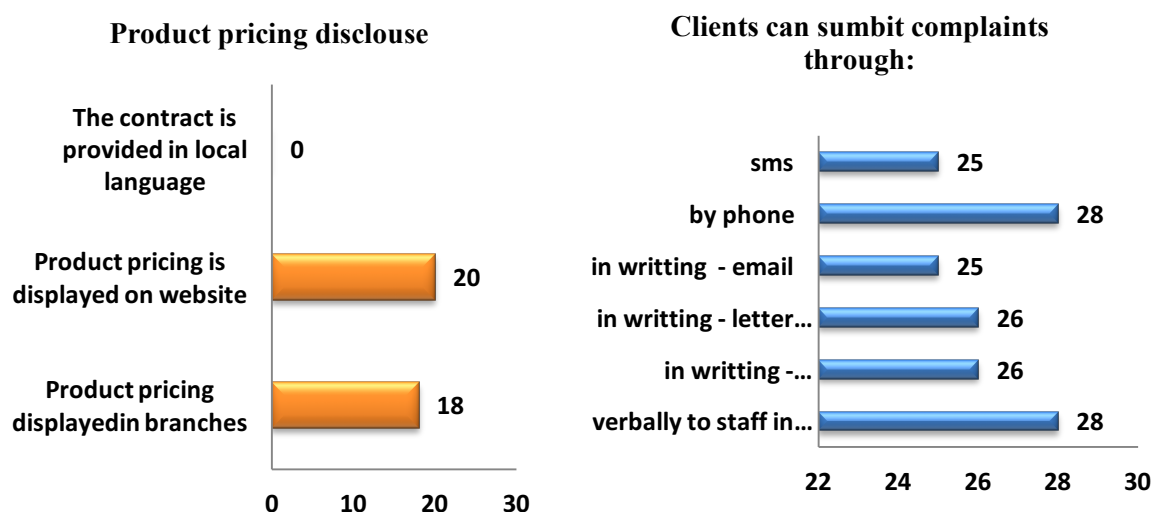
Client protection is the concern of the regulatory body, which issues regular directives mandating that MFIs incorporate client protection while formulating policies. Most of the MFIs have taken part in one or more trainings on client protection principles (such as the SMART Campaign). The NRB has asked that MFIs classify their risk into three categories: risk related with liquidity, interest rate, and credit and investment. It is mandatory for the MFIs to set up a client protection fund with 1 percent of annual profit and 25 percent from exceeding dividends above 20 percent if the proposed annual dividend distribution for the year is above 20 percent. Financial literacy programs have recently become one of the government's priorities. The portfolio at risk (PAR) of the industry stands at 1.51 percent. MFIs provide emergency loans at a nominal interest rate to cover incidents like accidents, hospitalization, and other emergencies.

Our members work to prevent client over-indebtedness

In pursuant with the provision set by the NRB, our members maintain a loan loss provision of 1 percent for pass loan, 25 percent for sub-standard loan, 50 percent for doubtful loan, and 100 percent for loss loan for unprotected loan, each with a loan ceiling. Though NRB has required MFIs to be members of the Credit Information Bureau; send the information of defaulting clients to the bureau and keep on updating every three months until the loan is recovered; and provide loan only after acquiring the client's credit information from the bureau - this mechanism has not been effective due to technical hindrance i.e. unavailability of appropriate software. MFIs use source of income, cash flow analysis, business plans, collateral, field inspection etc. as major source of information for providing loan.



A loan is issued or renewed following multiple inspections and analysis. All MFIs conduct repayment capacity analysis for every cycle to discourage default rate. The internal audit monitors and verifies the status regularly. Board members also make field visits and take an overall impression of the performance of clients in respective branches. Clients are informed about the entire loan process. Their rights, obligations, complaints, and feedback are often discussed in the central meeting. MFIs adopt non-discrimination policies to provide services to marginalized clients. Despite this effort multiple borrowing is a growing challenge faced by microfinance institutions. The graphs below depict other useful information about client protection.



Some of the practices to be emphasized by the MFIs of Nepal to ensure informed and satisfied clients are as follows:

- MFIs need to disclose and update product pricing in the branches and website so that the client remains informed too often.
- A formal mechanism of client complaints management should be initiated so that the complaints are recorded, tracked and analyzed to resolve it.

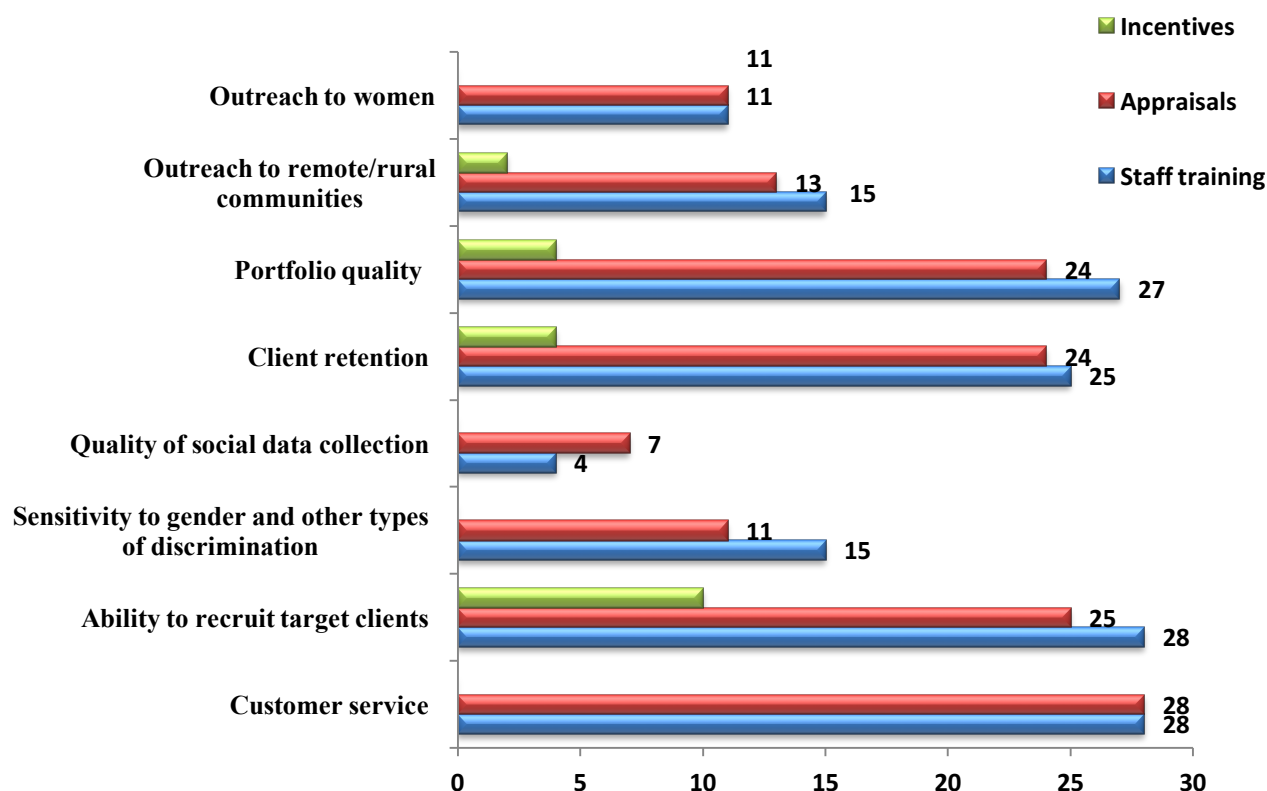
- MFIs should dedicate a convenient digital means for the purpose of receiving complains like toll free number, SMS service, email etc.
- The information about their right to complain should be relayed to the clients via different means. Clients should be encouraged to file complaints by other formal means too rather than only verbally.

PROTECTING AND MANAGING STAFF

Our members train and support staff to deliver excellent social and financial results

Our members believe in an effective management system to reach organizational goals by delivering quality services. In order to maintain an effective management system, MFIs regularly run employee trainings to update them on the latest issues in the sector as well as to enhance their job-related skills. The NRB formulated a clear “Employee Service Bylaw” which regulates all human resources policies at MFIs. The figure below depicts the social performance factors considered for employee appraisals by our MFIs:

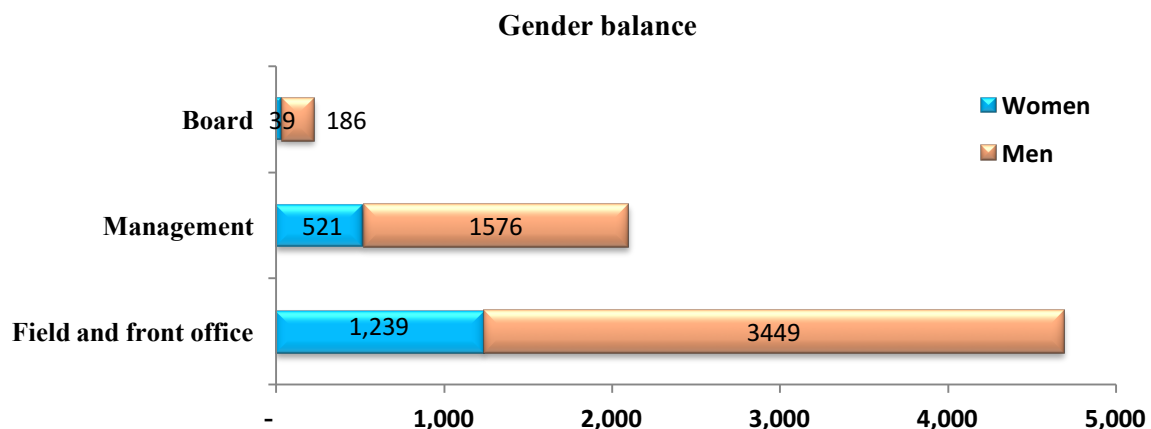
Social Performance factors considered for employee appraisals



The most common trained-and-apprised topics include customer service, ability to recruit target clients, client retention and portfolio quality. The MFIs provide incentives to promote customer services, to maintain good client retention, portfolio quality and extend outreach to remote communities.

Our members are tackling the gender divide

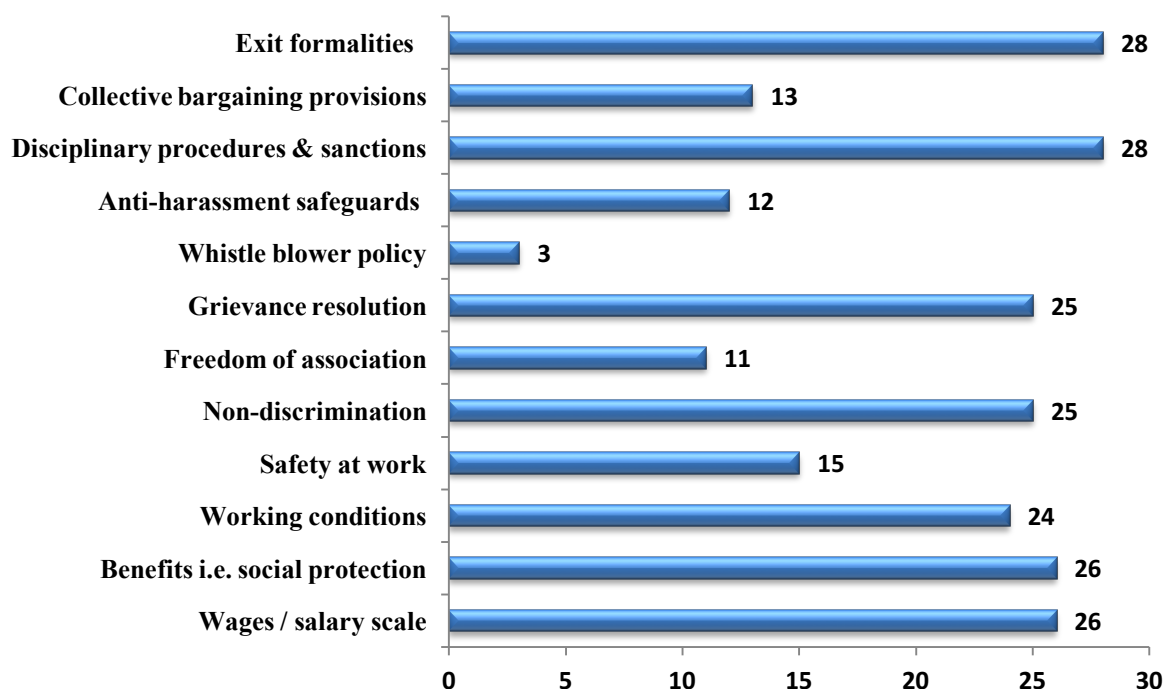
The majority of MFIs have a largely female clientele. The impact of microfinance services in the lifestyle of members is yet to be supported by quantitative research. The present level of female participation in financial activities reflects the changing dynamics of Nepalese. Similarly, the involvement of women in other sectors is a growing trend. The gender composition within MFIs is still unbalanced, but has greatly improved over the past twenty years. MFIs are committed to ensure the participation of women in all aspects of their projects. The participation of women as field and front office staff, management officials, and board members is increasing, with the government also promoting female participation.



Our members protect and support staff

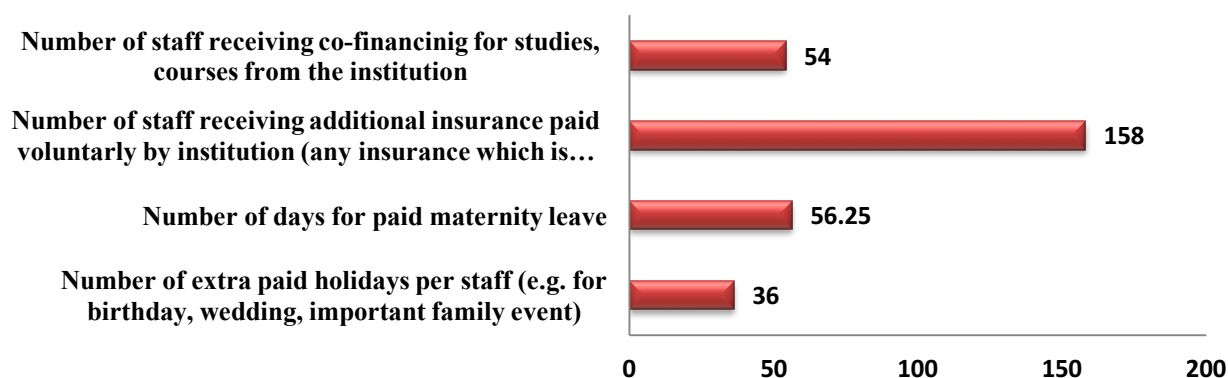
The protection and support of staff is emphasized by the NRB, which has a clear framework under “Employee Service Bylaws” to regulate major issues like recruitment procedures and conditions, work environment, facilities and benefits, evaluation criteria, transfer and promotions requirements, training and promotional activities, ethical/disciplinary considerations, handling grievances, and exit formalities. For example, under the section “code of conduct and good governance,” MFIs are required to setup a good governance unit and review the status of good governance of an organization on a monthly basis. The status of contractual rights for staff is as depicted by the graph below:

HR Policy: Contractual rights for staff



The HR policies of majority of the MFIs are clear and include provisions for a variety of scenarios. Collective bargaining, anti-harassment safeguards and safety at work are practiced by MFIs, though are not explicitly mentioned in HR policy of some of the MFIs.

Benefits for staff



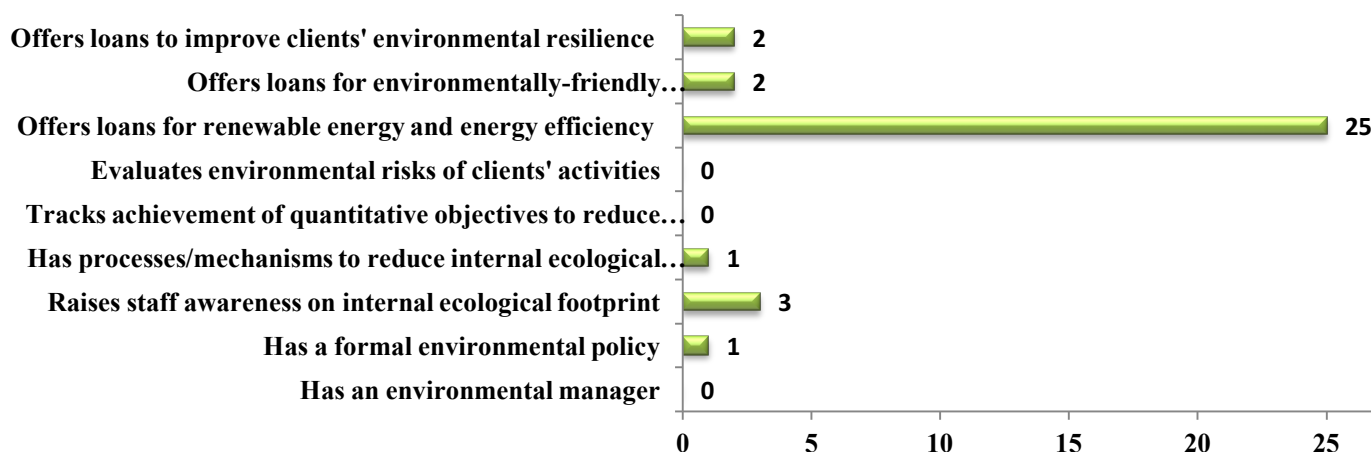
GREEN MICROFINANCE

The government of Nepal encourages use of LED bulbs with international quality marks instead of high power consuming traditional bulbs and CFL. 85 percent capital subsidies is provided for the construction of agriculture production collection center, agriculture trading center, primary processing center, warehouse/go-down and business training center. These are some of the moves of the Government of Nepal directed towards preserving the environment.

Our members are in early stage of developing activities positively impacting the environment

Green microfinance was recently introduced in Nepal and is still in the development phase. Renewable energy technologies such as biogas, improved cooking stoves, mini/micro hydropower production, and solar energy technologies have been widely promoted in Nepal. Organizations like AEPC (Alternative Energy Promotion Centre) and other international agencies work with MFIs to distribute and set up these technologies. MFIs have yet to formulate their own formal environmental policies and allocate resources to carry them out. The most common green products provided by 90 percent of MFIs are solar energy and biogas loans. Organic farming is becoming popular among many MFI members.

Green microfinance policies and processes



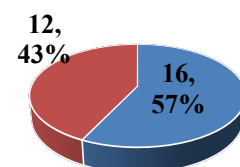
RESPONSIBILITY TO THE COMMUNITY

The central bank of Nepal has provisioned the MFIs to make the interest rate on both credit and saving public by publishing it in their notice board. On the other hand, the interest rate on loan for the marginalized group should be exempted by 1 percent in any kind of loan.

Our members have occasional programs to support to the community

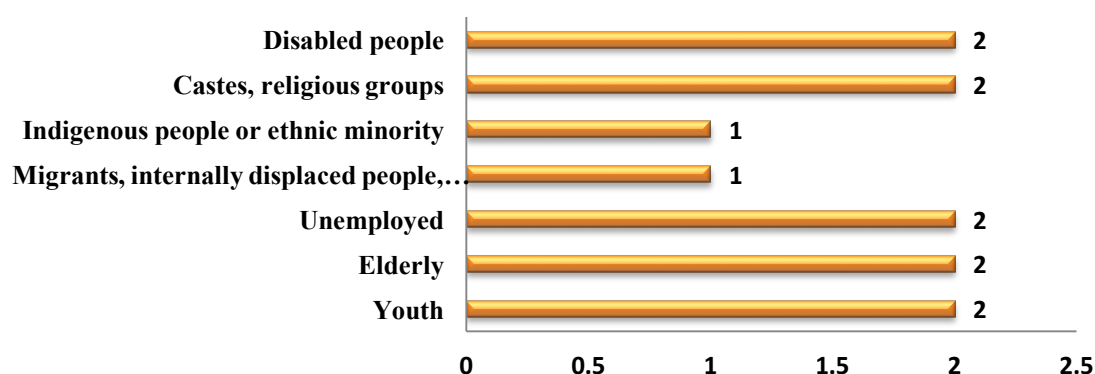
As part of their social responsibility the MFIs in Nepal are found contributing in the welfare of community through their financial and voluntarily services. 57 percent of MFIs have affirmed of helping to the community while others had it informally. However, none of the MFIs have maintained a historical database to study the level of contribution and actual number of beneficiaries. MFIs are involved in supporting different communities though the programs vary annually.

Number of institutions supporting local community



■ Yes ■ No

Support to excluded population



About the Centre for Microfinance (CMF), Nepal

Centre for Microfinance (CMF) Nepal is a private company registered in Nepal in the year 2000 after operating as an entity within CECI since 1998. According to its Article of Association, CMF remains a not-for-profit organization whereby the profit earned by the company shall be deployed for the development of the microfinance sector and poverty alleviation programs and shall not be distributed as dividends to the shareholders. Its vision is “sustainable access to microfinance services for the poor.” Its mission is to promote and strengthen microfinance services through capacity building, training, knowledge management, research, advisory services, networking and advocacy. CMF-Nepal strengthens microfinance Institutions (MFI), such as, microfinance development banks, financial intermediary NGOs, Small Farmers Agriculture Cooperative Ltd, and financial cooperatives that serve the poor, particularly women and hitherto excluded groups, and enhances service delivery capability of development partners that promote the microfinance sector.

CMF Nepal is a member of local, regional and global networks of microfinance institutions and professionals. It is a member of the SEEP Network, Banking with the Poor Network (BWTP) and South-Asia Micro-Enterprise Network, SPTF etc. Within Nepal, its shareholding members include 25 microfinance experts, 7 microfinance development banks and one

microfinance association. Its associate members consist of one Financial Intermediary NGO, 30 MFIs and more than 100 financial cooperatives. Among the cooperatives is a network of 80 women entrepreneurs' cooperatives that produce a range of products such as: EM1, organic fertilizer, Lapsi candy, artwork from agriculture by-products, turmeric, Nepali nettle paper, decorative items, Pashmina shawls, organic vegetables and other cash crops.

Social performance management is one of the primary focuses of Centre for microfinance (CMF), Nepal. In CMF, the training sessions for MFIs include the principles of Social Performance Management. CMF's past experience related with social performance management include: introductory training on social performance, awareness raising workshops, distribution of promotional materials, and social performance assessment and review of organizational policy to integrate SP related indicators. Similarly, the social performance data from MFIs were collected, analyzed and shared with the mix market and SPTF. Some of the best manual of Nepalese MFIs that included social performance were translated and posted in the website of SPTF. A session was facilitated by CMF to the research department, regulation department and microfinance department of NRB to share about the promotion of SPM in microfinance sector. CMF Nepal participates regularly in the annual meeting of SPTF and year round webinars.

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Universal Standards for Social Performance Management

The Universal Standards for Social Performance Management is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals. The Universal Standards can unite the industry behind a common approach to social performance management and enhance its reputation for responsibly serving people's financial needs.

For information please,
 visit: www.sptf.info



SPI4 tool



The SPI4 is a social performance assessment tool for financial service providers. An excel questionnaire in its current version, the SPI4 helps financial service providers (FSPs) evaluate their level of implementation of the Universal Standards for social Performance Management, including the Smart Campaign Client Protection Principles. SPI4 also offers users with a specific mission focus – green, poverty, rural, gender – to assess their practices, thanks to optional indicators that reflect the latest industry thinking in these areas.

The SPI4 was created by CERISE, in collaboration with its partners since 2001, with constant feedback from SPI users using an iterative, collaborative approach. SPI4 is used by financial service providers and microfinance organizations around the world. SPI4 was launched in January 2014 and updated in July 2016. It is fully aligned with the 6 dimensions of the Universal Standards for Social Performance Management and Client Protection Certification Standards. Since 2003, more than 500 FSPs have used the SPI4 – updated regularly to include sector developments and user feedback – to help assess and improve their practices.

For more information, please visit: www.cerise-spi4.org



About MFC

The Microfinance Centre is a regional microfinance resource centre and network uniting 101 organizations (including 77 MFIs) across 31 countries of Europe, Central Asia and beyond, who together deliver responsible microfinance services to over 1,000,000 low-income clients.

Vision

The vision of MFC is for an industry that is centered around creating benefits for clients and excels at delivering responsible financial services.

Mission

The mission of MFC is to contribute to poverty reduction and human potential development by promoting a socially-oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large number of poor families and micro-entrepreneurs.

To achieve this, the Center works with actors across the microfinance value chain: policy-makers, networks, financial service providers and investors, hoping that by pursuing a multi-prong strategy, we can affect positive and lasting change across the industry, and improve both accountability for results at an institutional level, and positive outcomes for clients.

Currently the work of MFC is organized under five key pillars:

Responsible finance: Advancing responsible finance practice among MFC Members.

Access to finance: Building government capacity to develop evidence-based access to finance policies.

EU presence: Advancing access to finance in the EU in cooperation with the European Commission.

Social innovation lab: Testing new approaches to asset-building and financial education for low-income people

Income generation: Increasing income from our services.

For more information, please visit: www.mf.org.pl

About Social Performance Fund

The SP Fund has been established by MFC in 2011 thank to support from Ford Foundation. It promotes the broad adoption of the Universal Standards for Social Performance Management. The aim is to promote SPM implementation by building the capacity of national associations and MFIs to use the SPI4 tool to manage and report on their social performance.

The SP fund offer includes: off-site technical assistance, grants for MFIs to co-finance SPI4 audit, grants for networks to develop SP country report.

In 2016 the Fund:

- Provided grants to 9 national associations and 11 microfinance institutions,
- Provided off-site TA to 24 organizations,
- Conducted 13 workshops/trainings around the globe about SPM and SPI4 and 11 webinars (in English/Spanish and Russian),

Provided 6 scholarships for national associations

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