



Rural Self-Reliance Fund (RSRF): An Innovative Approach in Micro-finance

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I. Background:

∞ Set-up in Feb. 1991 by HMG/N

∞ Initial Corpus Fund provided by

HMG/N

Rs.10 million (1991)

Rs.10 ,, (1992)

Total : Rs.20 million


II. Organizational setup and Operation of RSRF:

Board of Directors: Composition

1. **Deputy Governor, NRB** - Chairman
2. **Joint Secretary MOF** - Member
3. **" " MLD** - "
4. **Mr.B.B.Adhikary** - "
5. **Executive Director, MFD/NRB** - Member-Secretary

Secretariat of the Fund is located at MFD/NRB

Operation is also carried-out by the staff of NRB District Offices.

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- ∴ **Loan Committee & Sub-Committee for approval of loan proposal.**
 - ∴ **Board is fully responsible to carry-out its activities including to make policies, by-laws and rules and regulation.**
 - ∴ **No fees & commission are charged for RSRF transaction by NRB.**

III. Objectives of RSRF:

- Ω Mobilize corpus fund and seed capital received from HMG/N and NRB for involving rural poor and deprived group in income generating activities through SACCOPs, NGOs and other specific financial institutions.
- Ω Provide longer term credit to ADB/N for Tea and cardamom plantation and processing, Cold-storage and medium term wholesale credit to MFDBs for on-lending to deprived sector people.
- Ω Perform other functions for supplementary socio-economic development of the deprived sector people.

IV. Resources of RSRF:

Rs. Million (As of Mid-Feb. 2004)

- Corpus Fund from HMG:	20.00
- Seed Capital* from NRB:	174.80
- CGISP (ADB-Manila Loan):	<u>30.22</u>
Total:	<u>225.02</u>

* NRB has adopted a policy of allocating 5 percent amount to the Fund each year out of its net profit.

V. Target Group of RSRF:

Ω For SACCOPs and NGOs:

- Individual having less than a hector of land.
- Individual with no regular income that can not feed himself and his family .
- Dalit, backward and scheduled caste.
- Deprived sector women.
- Member of the self-reliant group of deprived sector.



Ω For Specific organization: ADB/N and MFDBs

- Tea and Cardamom plantation and processing, Cold-storage etc.
- Wholesale loan for on-lending to deprived sector people.

VI. Loan Types, Size and Limit:

∞ For SACCOPs and NGOs: (Wholesale Loan)

- **First Loan** Rs.1 million not exceeding 10 times of share capital and savings
- **Second Loan** Rs.1.5 million not exceeding 10 times of share capital and savings
- **Last Loan** Rs.2.5 million not exceeding 15 times of share capital and savings



Ω For ADB/N: longer term credit

- As per Business plan of the bank (approval is based on the seed capital amount received from NRB)

Ω For MFDBs: Wholesale medium-term credit

- Maximum Rs.10 million

VI. Individual Credit Limit of SACCOPs and NGOs

1. **RSRF has restricted the individual credit limit of SACCOPs and NGOs clients as under:**

1. First Loan:- Rs. 30,000 maximum per borrower
2. Second Loan:-Rs. 35,000 ,, ,,
3. Third Loan:- Rs. 40,000 ,, ,,
4. Group Loan for Micro-enterprises/ :- Rs.100,000 per scheme/Group



VII. Financing Policy: For Approved Loans

- **80 percent by RSRF**
- **20 percent by Partner organization**

4. VIII. Interest Rate Policy:

Interest Rate of RSRF:

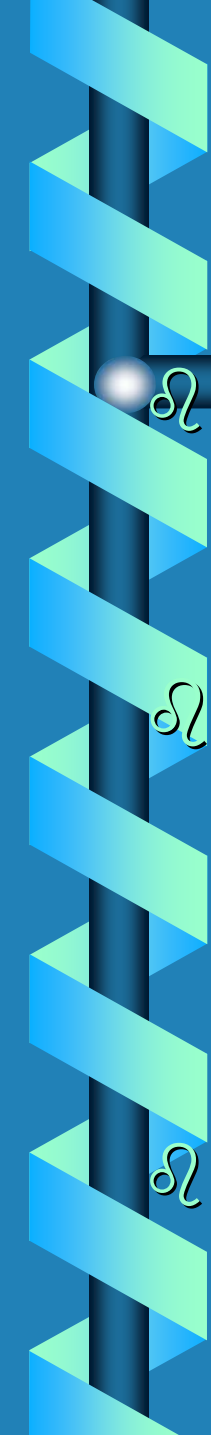
- ∞ For SACCOPs and NGOs: 8% per annum
- ∞ For Longer term credit to ADB/N : At par with NRB's Lowest re-finance rate i.e. 4.5% p.a.
- ∞ For Medium term wholesale Credit to MFDBs: 4.5% per annum
- ∞ Partner organizations (Pos) are free to fix their own rates on savings and credit.
- ∞ SACCOPs and NGOs are given back 75% of the interest paid by them to RSRF, if they maintain cent percent repayment to RSRF. This policy is known as "Administrative Grants Policy" for capacity building.

IX. Priority Criteria for Credit Approval:

- ∞ Area under poverty mapping of NPC.
- ∞ Area where there is no banks and financial institutions.
- ∞ Area where majority of 'Dalit', Depressed caste and tribes live.
- ∞ Organizations (SACCOPs + NGOs) situated in rural area.

X. Important Criteria to be met by SACCOPs and NGOs before seeking Loan from RSRF:

- Ω Organization must be registered under the prevailing legal framework (e.g. Co-operative Act-1992 and Society Registration Act- 1979).
- Ω Organization must have the provision of savings mobilization, credit expansion and resource collection.
- Ω An experience of at-least one year for savings mobilization, where at least 70 percent member should have a record of regular savings.



∞ Overdue of the out-standings loan should not exceed by 20 percent for the first loan and 10 percent for the 2nd and 3rd loan.

∞ Organization must adopt double entry bookkeeping system and the external auditor must audit its financial statement.

∞ Independent in making loan decision, etc.

XI. Monitoring and Supervision by RSRF:

∞ Monitoring and supervision are carried out in different stages such as:

- 1. Pre-feasibility study and inspection before sanctioning a loan,**
- 2. Utilization inspection before disbursing 2nd and 3rd installments of the loan sanctioned**
- 3. On site inspection by Inspection and Supervision Department of NRB and**
- 4. Off-site monitoring through the financial statements supplied by POs on regular basis.**

XII. Achievement of RSRF (As of Mid-Oct.2003)

<u>Total Loan (For SACCOPs & NGOS)</u>	<u>Amount (Rs. million)</u>
–Sanctioned	79.3
–Disbursed	63.3
–Repaid	44.8
–Outstanding	18.5
<u>Repayment Rate</u>	<u>(In Percent)</u>
–SACCOPs	94.6
–NGOs	88.0

(1) Outreach (In No.)

(1) District Covered 44

(2) Total Client Organization 196

(3) - SACCOPs 147

(4) - NGOs 49

(5) Total Beneficiary Clients
(family no.) 8,496

(6) Population covered 48,000

(2) Longer term credit (Rs. Million)

(1) Loan Approved to ADB/N 100.00

(2) Loan Approved to MFDBs 20.00

(3) Loan Disbursed to MFDBs 10.00

XIII. Conclusion:

- ∞ Micro-credit has left greater impact on the socio-economic improvement of the rural people.
- ∞ Rural deprived sector people still lacks financial services
- ∞ Regular supply of micro-credit is needed.
- ∞ SACCOPs and FINGOs could be best alternative vehicles for rural micro-financing.
- ∞ Presence of rural financing institutions is greatly needed.
- ∞ Policy support from NRB and HMG/N is highly desirable.

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Kathmandu