

Issues & problems on microfinance in Nepalese context Facing by microfinance Banks

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Poverty alleviation is the top priority of the government of Nepal. Government policy came vividly to fight against poverty vigourously after the restoration of democracy. Realizing to uplift the poor family's socio-economic status Microfinance Banks, institutions & cooperatives are opened. It was Nepal Rastra Bank (NRB) initiated and led to setup Microfinance Banks regionally with the share capital of Govt , NRB & commercial Banks as Grameen bikas banks & directed & systemized to commercial Banks to provide deprived sector loan three percent of their transaction I.e, loan to microfinance banks & institutions in simple interest rather than other business loan. And then many Mf Banks & institutions came into exist. Again the direction of deprived sector loan is 2 percent to Dev Banks & 1.5 to finance companies. Apart from this NRB provides a little loan to MF Banks & institutions from RSRF. Thus mf banks operated in rural area providing micro credit & saving mobilization, informal education, first aid health services training on skill development

With the pace and expansion of microfinance in the villages & rural areas the program gain popularity because of office stationed in village, contact to the poor family, select women in the group member, access of micro credit without collateral & other development activities. Agriculture, livestock development, small irrigation, products marketing, & renewal energy are the main products in credit component as well as saving mobilization of the members and group center's meetings informal education which learned to plan their activities.

Despite these activities Microfinance Banks are facing some issues & problems as follows.

Issues on microfinance is that it has not reached the ultra poor, remote areas, hills and not inclusive. But basically microfinance is based

on the poor, inclusive and villages & slowly reaching the hills & inner side of terai It is surveyed & selected women from poor family, begins credit providing from 10/20 thousands without collateral. Offices are stationed in village level & objective is to uplift socio-economic status of the poor. Priority of the program is women, janjati & other backwards families. But the program is costly, lacking of infrastructure scattered house & risk is comparatively high. Therefore the Program is seeking & waiting the address & help from Gov & NRB.

Microfinance Banks are moving ahead facing the problems as follows,

1. Resource (fund) constraint:

According to the direction of NRB, Commercial banks, dev banks & finance companies has to provide deprived sector loan 3 pc, 2 pc & 1.5 pc of their transaction to mfis but credit on micro hydro, hospital, youth for employment & small housing is countable in microfinance which is almost half of the resource altered for mfis from last year. MF Banks are expanding areas in villages & unreached districts but resources are going to be limited. NRB & Government should deeply initiate to the fact that 3 pc deprived sector loan must be available to mfis.

2. High interest on deprived loan

Micro finance program is one of the major tools of poverty alleviation, analyzing the fact NRB set the deprive sector policy to provide resources for the MFIs. Every commercial Banks, Development Bank and Financial companies has to provides 3, 2 and 1.5 percentage of their transactions in low interest rate (3-5%) But now these Bank revised their deprive sector lending rate (6-9%) which is the very higher rate for the MFIs. Due to high interest rate cost of funds has increased that poverty alleviation program has directly affected and has been difficulties to MF Banks to sustain. So NRB should take effective steps to reduce deprive sector lending rate to strengthening of MF Banks so that these banks could reach further remote areas.

3. High tax rate :-

All financial institutions are divided into four categories by NRB. MFIs are in category "Gha" In these categories there are different types of rules for their establishment, maintain CRR and other aspects. But the corporate tax is equal to other commercial banks.

The profit of MF Bank's is lower than other banks, in this profit Nepal Government charged 30-% corporate tax which is maximum higher rate for MFIs. If Nepal government exempted corporate tax for MFIs, the rebate amount of tax would be used to have expansion service on poor family, institutional strengthening and capacity building of its staffs as well as client too.

4. Capacity building

Study, research & information are weak in micro finance banks. without these progressive phenomena banks are in difficulties to achieve the objective of poverty alleviation, the top priority program of the Govt. That is why

Capacity building is one of the burning issues of MFIs To provide microfinance services to the rural poor in long-term, micro finance institutions should be strong and sustainable. When MFIs are being strong, they would be able to provide new products and services to the rural poor. For that NRB, Nepal Government and other related agencies should be committed to enhance the capacity building of Micro Finance Banks vertically & horizontally that is intuitional capacities, staffs capacities and as well as client's skill development.

5. Public deposit:

Bank & financial institution act 2006 has provision that Micro finance Banks can accept public deposit with the approval of NRB. It has been essential that public deposit be opened to maintain the fund scarcity. However NRB is positive. Now it is collected some deposit from the members which is small amount & is to learn the banking transaction to the poor. In other South Asian countries like

Bangladesh have been permitted continuously & successfully activating public deposit.

6. Voice not heard.

Policy level has not heard the voice of micro finance. There are problems and prospects in this program as development phenomena. Current problems and constraints in this program has been presented to the Government for years but Government has not taken it seriously and studying the trend and prospects. Big and Government owned bank's loan were written off more than 6 billion at the rate of 30 thousand loan and interest and also the interest up to 100 thousand. It affected to the micro finance banks directly but not a single pie and any sympathy was prevail to MFIs.

7. Sustainability and viability:-

Due to all the surroundings & policies microfinance banks are in cross-road. Tax is equal to commercial bank, Interest on Deprived sector loan is increasing highly day to day, lack of infrastructure, scattered houses reaching, motivation & service provide to poor in center/group level (ward/block) is costly and atmosphere is not supporting to MF banks. Knowing the fact that microfinance is the significant tool to reduce poverty micro finance development Banks/institutions should sustain & viable that is why GOvt. & NRB should decide to exempt tax and resource availability soon. So that poor family will understand that the policy level is for poor.