

## PROJECT FACTSHEET

<b>Title of project</b>	<b>SCBF 2012-11: Down-scaling to increase outreach to microfinance clients</b>
<b>Country/ region</b>	<b>Nepal</b>
<b>Financial Intermediary</b>	<b>NMB Bank Limited</b> , Commercial Bank regulated by the Central Bank of Nepal
<b>Competence Centre mandated for execution</b>	<b>Micro-Credit Ratings International Limited</b> , 602, Pacific Square, 32nd Milestone, NH-8, Gurgaon, India Referred by SDC
<b>Overall project budget</b>	CHF 250,623 ( <b>40%</b> self-contribution by partner)
<b>SCBF contribution</b>	<b>CHF 149,953</b> (60% SCBF funding share)
<b>Date of project approval</b>	Approval in principle: 26.11.2012 / Final approval: 11.02.2013
<b>Project period</b>	02.2013 until 01.2015
<b>Context</b>	Nepal is a landlocked country and one of the least developed economies of the world. It ranks 157 out of 180 countries covered with a score of 0.458 on the HDI of UNDP. Nepal has a fast growing financial sector. During 2005-11, there was a substantial increase in the number of all the four major categories of regulated institutions, A to D Class (as specified by the central bank). There are concerns of multiple lending and over-indebtedness among clients in some of the densely populated areas like the Kathmandu valley and many of the <i>terai (plains)</i> districts. According to the World Bank's FINDEX study, Nepal has only 25% financial inclusion (including microfinance coverage) – M-CRIL estimates that just over half of this is provided by the formal microfinance sector (microfinance review 2012). Commercial banks are supposed to lend 3.5% of their total assets to the 'Deprived' sector of the country. Presence of commercial banks in rural areas especially in hills is limited, so most of deprived sector lending is done through lending to Category 'D' microfinance banks. Category 'D' banks however, have limited legal mandate, finances and technology to offer a full range of products, incl. savings.
<b>Current status</b>	NMB Bank is a commercial bank (Category A – the most regulated financial institution in Nepal). NMB is a profitable and well capitalised bank. Its current customer base is around 10,000. The bank intends to create a niche for itself, reaching out to a wide range of customers by offering a variety of products and the use of technology and networks. Currently, NMB meets its deprived sector targets mainly by lending to MFIs. The Bank has obtained approval from the Central Bank and has currently started branchless banking from two locations. At the end of June 2012, it lent directly to 287 individuals including 97 individuals trained by Employment Fund's "Training and Employment" providers. The bank has decided to obtain PoS (point of sales) technology and related services from a microfinance technology service provider FINO. It has also identified a large animal feed company to source distribution network of agents.
<b>Objective and main activities</b>	NMB's <b>objective</b> through this project is downscaling its operations through branchless banking and agent model to reach the large unbanked population of Nepal. With this new delivery mechanism, NMB bank will be in a position to offer many banking services to its clients which cannot be offered by MFIs because of legal, managerial and financial constraints. The main <b>activities</b> of this project are: <ul style="list-style-type: none"> <li>• To develop plans, operational strategies and process manuals for NMB's microfinance lending model.</li> <li>• To design suitable products and services for targeted client groups.</li> <li>• To train operations staff and agents and to develop training modules and other HR systems and instruments.</li> <li>• To make the POS technology and MIS suitable for the microfinance programme.</li> <li>• To impart financial literacy to microfinance clients with support from a competent local (Nepali) agency.</li> <li>• To establish client feedback and grievance redressal systems in order to mitigate some of the risks associated with operating through the agent model.</li> </ul>