



Development Nepal Newsletter

Spring 2017 Edition

The UB Co-operative: the story so far

Development Nepal works with the poorest individuals and communities in the Sunsari district of Nepal. Our aim is to help people in Sunsari access essential resources and opportunities, and to build greater resilience and independence through education, healthcare, rights awareness, infrastructure and micro-finance and livelihoods in a programme called Ujyalo Bhabisyia (meaning 'A Brighter Future').



Since 2015 we have focused increasingly on our micro-finance and livelihoods initiative, with the establishment of an Ujyalo Bhabisyia Co-operative to encourage and manage savings and loans in a community-owned enterprise.

The local Nepali team has been working hard to establish and grow the Co-operative, and April 2017 has seen the membership of the Co-operative pass the **800** person mark. A year ago, the the Co-operative had 250 members. The objective over the next 8 months is to surpass this level of absolute increase.



Community membership, ownership and benefits

To be a member of the Co-operative an individual needs to commit to saving at least 100 Rupees (75p) a month. After a period of saving the individual qualifies to be able to take a loan, subject to funds being available within the Co-operative and approval of their Savings Group.

An interesting aspect of the Co-operative is that we have maintained the link with community Savings Groups - a key part of our Programme Ujyalo Bhabisyia. To join the Co-operative a person has to join a community Savings Group, with a Savings Group varying in the number of individuals from 5 to 50, but

always focused on a specific geographically located community. Savings Groups meet on a monthly basis, to collect the month's savings, and to decide which member can borrow the collective savings. The structured nature of these meetings encourages regular savings, while the peer lending component reduces the risk of default, as community members have proven to be very aware of their fellow Saving Group members' ability to repay loans.

In time, the profit generated by the Co-operative will in part come to support the traditional Programme Ujyalo Bhabisya activities and therefore establish a sustainable pathway to delivering the wider educational benefits to communities which has been at the heart of our work.



Reaching the parts that others can't

Our target beneficiaries are the ultra-poor. These are people who would never have access to basic financial services as they are too poor to be considered of interest to financial institutions, and working hand-to-mouth have very few tangible assets to use as collateral for a loan. We have sought to make both our savings and loan facilities accessible to the ultra-poor. We do this working in the following way:

- ✓ A member of our Nepali team visits each community when the Savings Group meets - to facilitate the Savings Group meeting, provide support to the maintenance of the savings balances for members and loan application process, and to collect excess funds not required to be borrowed, or make available funds from other Savings Groups that are surplus to the requirements of those Savings Groups. *The vast majority of co-operatives work through individual members, and require individuals to come to a central point to deposit savings or collect a loan. Our model recognises and responds to the lack of time available to the poorest, by taking banking to the poorest.*
- ✓ Having a minimal charge to open an account. The charge entitles a saver to be a member of the Co-operative, with the associated rights and responsibilities, and contributes in a small way to the cost of facilitating the savings and loan process. *We have made the barrier to entry to membership and full participation in the Co-operative as low as possible.*
- ✓ Not requiring collateral for the small loans that our members take. Recognising that the ultra-poor rarely have tangible collateral, our model builds on the social and trust capital that is established between members of a community. *We believe we have enabled even the very poorest communities to have access to savings and loan facilities.*
- ✓ Offering a very reasonable interest rate. The corollary of providing a loan is that the money that is being loaned out is earning interest for the savers. Nepali co-operative law regulates the levels of interest rates that can be applied, and within these constraints our rates are very reasonable. *We believe we have made micro-finance available to the ultra-poor at very reasonable rates and this is evidenced by the excess demand for loans, and the continued growth in numbers wishing to save and become members of the Co-operative.*

Case study: Shanti Sah



Shanti is 45 years old and lives in Mahendranagar-9 in Sunsari. She has been a member of the Shantinagar Saving Group for around 3 years during which time she has saved over 11,000 Rupees (GBP 85).

She runs a small grocery shop in the village which she has built up with the benefit of loans from the Co-operative. In the time she has been a member she has already taken out and repaid two loans of 25,000 and 30,000 Rupees to improve the business and income from her shop. She currently has taken a third loan of 30,000 Rupees and with the profits that the shop has now generated she has bought a nearby paddy field and will be producing rice which she can sell in her shop.

Shanti credits the Co-operative with much of her success and has found that the Co-operative has delivered significant opportunities for her. She is particularly complimentary of the Co-operative's model of community-based transactions and member ownership and the opportunity that savers with even low amounts have to take out relatively larger loans without collateral. This type of access to loans is not otherwise available. She appreciates too the focus on encouraging good savings habits through regular deposits and receiving a good level of interest. The fact that the community as a whole will in due course benefit from Co-operative funded educational programmes is an added bonus.

Development Nepal support



Development Nepal has been working hand in hand with our small local Nepali partner, UCHEP, to develop and launch the Co-operative from our prior successful Savings Group model.

We engage with our Nepali team via email and Skype on a regular basis which is augmented by (trustee-funded) visits to Nepal. Our most recent visit to Sunsari was to facilitate a process with our Nepali team to increase efficiencies in management of the Co-operative at the same time as working through the strategy for expanding numbers of members, and absolute savings levels. The agreed activities and project

plan to achieve the efficiencies and expansion will be carefully monitored by the Development Nepal trustees.

Supporting Development Nepal

If you would like to support our work, or to find out more about what we do, please visit our webpage: www.developmentnepal.org/support

Development Nepal is a UK registered charity, which provides the strategic direction and fundraising to Programme Ujyalo Bhabisyia, and the Ujyalo Bhabisyia Co-operative with all time and expertise given voluntarily, and without charge, by trustees and advisers in the UK.