

Resource Mobilization in Financial Cooperatives (Nepal)

Practices and Way Forward



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Training Objectives

- **Understand resource mobilization concept**
- **Identify major sources of resources**
- **Understand NRB regulatory limits**
- **Improve safe and sustainable mobilization practices**

What is Resource Mobilization?

- **Process of collecting and managing funds**
- **Mainly from members in cooperatives**
- **Used for savings, loans and services**
- **Backbone of cooperative sustainability**

Why Resource Mobilization is Important

- **Ensures availability of loanable funds**
- **Protects member savings**
- **Supports local economic development**
- **Enhances financial inclusion**

Major Sources of Resources

- **Share Capital**
- **Member Savings**
- **Reserves and Surplus**
- **Borrowings**
- **Grants and Subsidies**

Share Capital – Key Points

- **Base capital contributed by members**
- **Determines savings and lending capacity**
- **Non-refundable during membership**
- **Builds ownership and responsibility**

Member Savings – Core Resource

- **Largest and cheapest source of funds**
- **Regular, fixed and recurring savings**
- **Accepted only from members**
- **Trust-based mobilization**

NRB Limits on Savings

- **Savings mobilization limited to 15 times share capital**
- **No public deposit collection**
- **Interest rates approved by Board & GA**
- **Avoid aggressive interest competition**

Reserves & Surplus Management

- **At least 25% of surplus to general reserve**
- **Risk fund and education fund**
- **Used to absorb losses**
- **Strengthens long-term stability**

Borrowings – Cautious Use

- **Supplementary source only**
- **Borrowed from banks or federations**
- **Borrowing limit: 5% of total assets**
- **Used mainly for short-term liquidity**

Grants & Subsidies

- **Received from government or donors**
- **Used for training, inclusion programs**
- **Recorded separately**
- **Not distributable as profit**

Supporting Non-Financial Resources

- **Human resources: Board & staff**
- **Social capital: trust & participation**
- **Technology: MIS & digital systems**
- **Physical infrastructure**

Regulatory Framework in Nepal

- **NRB Unified Directives**
- **Cooperative Act, 2074**
- **Provincial cooperative laws**
- **Focus on depositor protection**

Common Problems in Practice

- **Over-dependence on deposits**
- **Weak governance and controls**
- **Liquidity mismatch**
- **Poor loan recovery**

NRB Limits on Resources of Financial Cooperatives in Nepal

*Based on NRB Unified Directives
(SACCOS)*

Share Capital (Primary Capital)

- **Foundation of cooperative resources**
- **No maximum ceiling on total share capital**
- **Savings mobilization linked to share capital**
- **Fully paid and non-withdrawable during membership**

Member Savings / Deposits

- **Savings accepted only from members**
- **Total savings \leq 15 times primary capital**
- **Individual deposit limits as per internal policy**
- **Interest rates approved by Board & General Assembly**

Borrowings (External Loans)

- **Supplementary source only**
- **Total borrowing \leq 5% of total assets**
- **Allowed from banks and cooperative federations only**
- **Not allowed from individuals or unregulated sources**

Reserves & Retained Earnings

- **At least 25% of annual surplus to general reserve**
- **At least 5% to cooperative education / promotion fund**
- **Risk fund and loan loss provisions mandatory**
- **Strengthens long-term stability**

Loan Deployment Controls

- **Loans should remain within savings base**
- **Single borrower exposure capped (% of capital)**
- **Sectoral limits on real estate & share loans**
- **Priority to productive sectors**

Grants & Subsidies

- **Allowed from government or donors**
- **Must be recorded separately**
- **Cannot be used for dividends**
- **Purpose-specific utilization only**

Summary of NRB Limits

- **Savings: $\leq 15\times$ Share Capital**
- **Borrowings: $\leq 5\%$ of Total Assets**
- **Reserves: $\geq 25\%$ of Annual Surplus**
- **Members-only savings collection**
- **Prudent lending and risk control**

Resource Mobilization in Financial Cooperatives in Nepal

- **Existing Practices and Way Forward**

Presentation Outline

- **Concept of resource mobilization**
- **Existing practices**
- **Regulatory framework**
- **Challenges**
- **Way forward**
- **Conclusion**

Meaning of Resource Mobilization

- **Process of raising financial resources**
- **To support lending and services**
- **Ensures sustainability of cooperatives**

Importance for Cooperatives

- • **Liquidity management**
- • **Credit expansion**
- • **Member confidence**
- • **Financial stability**

Types of Financial Cooperatives in Nepal

- **• Savings and Credit Cooperatives (SACCOs)**
- **• Multipurpose Cooperatives**
- **• Agricultural Cooperatives**

Major Sources of Resources

- • Share capital
- • Member savings
- • Fixed / term deposits
- • Retained earnings

Share Capital

- **Mandatory member contribution**
- **Forms primary capital**
- **Basis for deposit mobilization limit**

Member Savings

- **Regular savings**
- **Compulsory savings**
- **Voluntary savings**
- **Main source of funds**

Fixed & Term Deposits

- **Higher interest products**
- **Longer maturity**
- **Improves fund stability**

Retained Earnings & Reserves

- **Surplus from operations**
- **Statutory and general reserves**
- **Strengthens capital base**

External Borrowings

- **Limited borrowing from banks**
- **Wholesale credit lines**
- **Highly regulated**

Regulatory Framework

- **Cooperative Act 2074**
- **NRB Directives**
- **Local government oversight**

NRB Deposit Mobilization Limits

- **Deposits linked to primary capital**
- **Deposit ceiling to ensure safety**
- **Disclosure of large deposits**

Borrowing Restrictions

- **External borrowing limits**
- **Asset-based caps**
- **Risk containment**

Current Practices (Summary)

- **Member-based mobilization**
- **Limited diversification**
- **Low digital usage**

Key Challenges

- **Low capital base**
- **Liquidity risk**
- **Governance issues**
- **Trust deficit**

Liquidity Management Issues

- **Short-term deposits**
- **Long-term lending**
- **Weak ALM practices**

Governance & Transparency Gaps

- **Weak disclosure**
- **Poor internal control**
- **Limited professional management**

Way Forward – Short Term

- **Strengthen compliance**
- **Improve disclosure**
- **Liquidity buffers**

Way Forward – Medium Term

- **Capital enhancement**
- **Product diversification**
- **Digital savings**

Way Forward – Long Term

- **Institutional strengthening**
- **Wholesale funding access**
- **Cooperative consolidation**

Role of Technology

- **Digital payments**
- **Mobile savings**
- **Core banking systems**

Policy Recommendations

- **Supportive regulation**
- **Capacity building**
- **Access to refinancing**

Expected Outcomes

- **Stable funding**
- **Stronger cooperatives**
- **Increased member trust**

Best Practices for Safe Mobilization

- **Strong internal control system**
- **Transparent financial reporting**
- **Balanced savings and lending growth**
- **Continuous member education**

Best Practices for Safe Mobilization

- **Sustainable resource mobilization**
- **Key to cooperative resilience**
- **Balanced growth with regulation**

Role of Board & Management

- **Approve policies and limits**
- **Ensure NRB compliance**
- **Monitor liquidity and risk**
- **Build member trust**

Key Takeaways

- **Member-based funding is safest**
- **Capital strength is essential**
- **Borrowing should be minimal**
- **Compliance builds long-term trust**

Discussion / Interaction

- **What challenges does your cooperative face?**
- **How can savings mobilization be improved?**
- **What steps ensure NRB compliance?**

End of Session



THANK YOU