



Saving and Credit Co-operatives

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Savings and Credit Co-operatives : *an alternative source of financing for the rural people*

Dawa Tshering, DAMC



a rural setting in Bhutan

What is a Savings and Credit Co-operative (SCC)?

It is like any other co-operative formed voluntarily by a group of people with a common purpose. The members pool their savings together and provide loans to any member requiring a loan at very reasonable interest rates.

A corollary benefit of such a group is that it educates members on the

prudent investment and use of their money –which will raise their income level and uplift them socially and economically. Like any other co-operative, the members of the group own, control and run their organization on their own.

Why SCCs?

SCCs are member owned and managed based on the co-operative

principles where every member has equal say. Getting access to finance to enhance their livelihood, e.g. buying a cow, or investing in a business, e.g. starting a grocery shop is a major challenge for the marginalized rural community in Bhutan. Because there are no banks in the vicinity or they do not have the necessary collaterals, or because the interest rates are too high,

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Savings and Credit Co-operatives

most rural folks cannot avail loans from formal financial institutes. In such situations, SCCs become a boon.

Besides lending, SCCs also provide savings services to its members. Availability of such services inculcates a habit of saving among the members. Any excess cash that they do not require immediately, say, after they sell their farm produce, if deposited with SCC will not only ensure safety of their cash but also generate additional revenue through interest income over time.

Since they are local and normally have low administrative costs, they have the potential to provide faster and cheaper loan as compared to commercial banks.

History of SCCs in Bhutan

In 2013, the DAMC established a working partnership with the Association of Asian Confederation of Credit Unions (ACCU) and received fund support to form and strengthen five credit cooperatives in Bhutan. In January 2015, a MoU for a two year project on credit cooperative development in Bhutan was signed.

The RORUM (Respect, Ownership, Reliable, Union and Member), registered as the first ever SCC in Bhutan, was spearheaded by 21 women street vendors; and today, RORUM has 87 full-time members. RORUM has till date disbursed Nu. 0.46m as loan to its members to start and expand small businesses, to meet the education expenses of their children and for other emergency needs and has a balance of Nu. 0.27 m in the bank. They started with a meager amount of Nu. 2,500 injected as the seed capital.

Dompola Savings Group in Punakha was an informal group providing such a service to its 15 members, way before RORUM started, since 2002. One of the beneficiaries, Ms.

Namgay Bidha, got a loan Nu. 0.1 m that she desperately needed at that time to send her children to school. She says she repays the loan in small amounts through the sale of vegetables and dairy produce on a regular basis.

To start a small vegetable business in Khuruthang town, Mr. Kinley Penjor took a loan of Nu. 50,000 and later an additional loan to expand his business. He is running a successful agri-business in Punakha.

Initially, Dompola Savings Group required their members to save Nu. 60 per month but now, has increased to Nu. 100 per month. The group has disbursed Nu. 1.250 m loan and has savings of Nu. 1.5m.

Furthermore, the DAMC has already identified three more groups looking to register as a SCC within this year.

Trials and tribulations and the way ahead

This is not to say that saving co-operatives are smooth sailing all the way. There are several inherent challenges in forming and running a savings co-operative in Bhutan:

- The concept of such savings group is new in Bhutan and to get members interested in such a scheme is a challenge. This mainly emanates from the difficulty in trusting other people with one's money.
- Generally, Bhutanese people do seem to be independent and do not seem to see the merits of working in a group. Such innate characteristics cannot be changed overnight and does take time.
- While being guided by the Co-operative Act, the Rules and Regulations, there are no separate regulations governing SCCs; and this may lead to conflicts among members in the future if due

diligence is not taken during the formulation of the by-laws.

- Because of the low number of members and low financial capacity of households, it would be a challenge to grow SCCs into large profitable co-operatives.

Nonetheless, the benefits of SCC to its members and the local community is well known, and if the merits are to be reaped and extended to the larger section of the population, strategic interventions have to be made by the government.

- First and foremost, proper rules and regulations governing SCCs have to be developed and put in place,
- Advocacy on the merits of working in groups and savings with SCCs have to be made, along with strengthening the capacity of the group members – particularly of the office bearers,
- Hand-holding and constant supervision of the group by the government is imperative, particularly at the initial stages.

Globally, Savings and Credit Co-operatives have been identified as the vehicle for delivery of financial services with demonstrated successes in aiding the rural poor access rural finance.

Data from the 2015 Statistical Report of the World Council of Credit Unions shows that there are 60,500 credit unions in 109 countries around the world. Collectively, they serve 223 million members with US\$1.8 trillion worth of assets.

Considering the many benefits of such groups and co-operatives, the Department of Agricultural Marketing & Co-operatives accords top priority in the establishment of groups that have the potential to sustain and grow in years to come.

*A warm welcome
to all*



4th Royal Bhutan Flower Exhibition

26-29 April 2018

Venue: Thangzona, Punakha



Free Shuttle Services for 4th RBF E at Punakha

The Royal Bhutan Flower Exhibition Committee is pleased to announce that free shuttle services will be provided for visitors visiting the 4th Royal Bhutan Flower Exhibition held at Thanzgona, Punakha from 26-29 April 2018.

The shuttle services will run every hour from **Bajo, Lobeysa, Khuruthang, Sirigang and Samdingkha in Punakha till Thangzona (behind the Choekhang) from 8.30 am till 3.30 pm.**

Two parking areas have been identified, one at the Archery Range and other behind the Choekhang from Changyel Bridge. Traffic personnel will be available at the sites to direct and guide visitors.

For further information, please contact Rinchen Samdrup, Assistant Dzongkhag Education Officer, Punakha at 17670774.

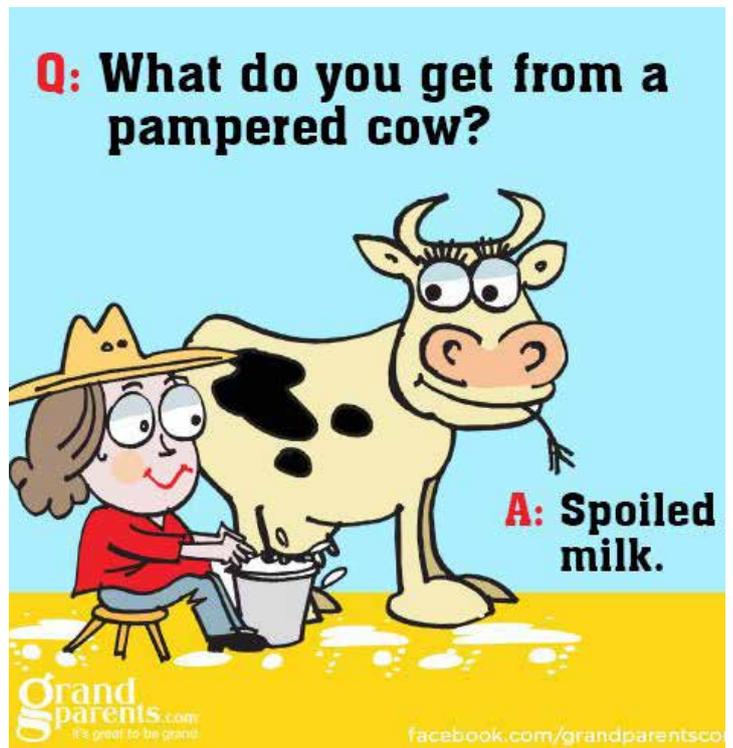
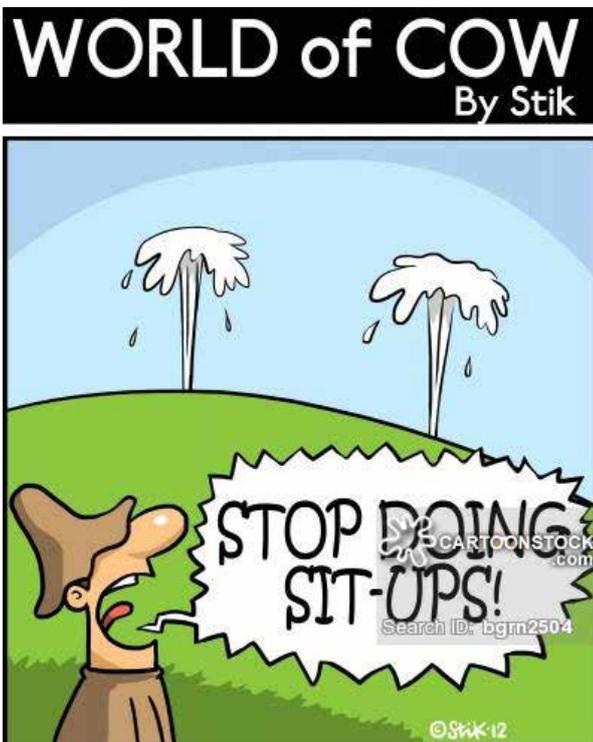
- ICTD

Leisure

PETA

A few years ago, some folks from the PETA (People For Ethical Treatment of Animals) and the U.S. Forest Service were at a farm meeting presenting an alternative to West Virginia sheep producers for controlling the coyote population. It seems that after several years of the farmers using the tried and true methods of shooting and/or trapping the predator, the animal rights folks had a "more humane" solution. What they proposed was for the coyotes to be captured alive, the males castrated and let loose again and the population would be controlled. All of the shepherds at the meeting thought about this amazing idea for a couple of minutes. Finally, an old man in the back stood up, tipped his hat back and said, "Son, I don't think you understand the problem. Those coyotes ain't screwin' our sheep.....they're eatin' 'em."

source: <http://www.jokes4us.com/peoplejokes/farmerjokes.html>



Submit articles for
RNR-Newsletter
to
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The Ministry's week

Nine nature-based products launched

The National Biodiversity Centre (NBC), Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL) and Bio Bhutan in collaboration with UNDP launched the nature-based products at Taj Tashi, Thimphu on April 5 as a part of the framework of Access and Benefit Sharing (ABS). The nine products includes anti-wrinkle cream, balm,

liniment, massage oil, perfume, soaps, and hand sanitiser to support sustainable rural livelihoods. ABS project is supporting collaborations among the government agencies and a private entity by engaging the local communities to support their livelihoods and promote conservation of biological diversity.



Ministry supports affected households in Sarpang

The wind and hailstorms that occurred on March 29 affected 361 households in three gewogs of Singye, Gakiling and Shompangkha. Among the three gewogs, Shompangkha was the worst hit. It blew off roof of six houses and 12 poultry sheds. It affected 329 households with agriculture and 39 households with rearing livestock. It also injured two cattle in Ghisingong village, Sompangkha; killed seven goats and 710 poultry birds and damaged 1500 eggs.



MoAF to roll out new crop-cut methodology for paddy and maize

The present crop-cut methodology adopted across the 20 Dzongkhags is seen to be not uniform, standard and often lacking technical soundness. The selection of the farmers or plots for crop-cut is often done subjectively based on convenience and as such probability concept cannot be applied. Therefore the ministry, led by RNR Statistics Division (RSD), with technical and financial support from FAO, has

recently come up with a standard and technically sound manual that details how crop-cut for paddy and maize should be conducted by the Extension Supervisors in the field. The manual will soon be rolled out in the coming weeks, starting with a Training of Trainers consisting of Assistant Dzongkhag Agriculture Officers (ADAOs), researchers from the



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