

KUENSEL

THAT THE PEOPLE SHALL BE INFORMED

FRIDAY, MAY 26, 2017 • Nu 15



His Holiness the Je Khenpo and the Central Monk Body arrived at the Semtokha Dzong yesterday from their winter residence in Punakha Dzong and will move to their summer residence at the Tashichhodzong today

Assembly to endorse budget today

Pay revision for LG leaders and fiscal incentives will also be endorsed

By Subba

The National Assembly will endorse the annual budget 2017-18 today with deliberations on it concluding yesterday.

Along with it, Fiscal Incentives 2016 and the proposed pay hike for local government members will also be endorsed. They will be forwarded to the National Council for deliberation.

The third pay commission has proposed a 40 percent increase in the basic salaries of local leaders. A hike in their daily subsistence allowance and sitting fees has also been proposed. **Pg.2**

Micro-finance to reach the unreached

Tshering Dorji

While micro-financial institutions are key in catering to the financial needs of low-income populace, in Bhutan's context the cost of fund could lead to issues that could result in even higher interest rates.

From the experience of other countries shared during the second day of international summit on financial inclusion yesterday, the cost of financing increased with sparseness of the population density.

Micro-financial institutions usually borrow from the bigger commercial banks and finance the needs of the unreached populace to help income generation. In the process, to cover the financial and operational cost, the interest rate is

often high. Subsidies, and incentives help keep the interest low. The cost is generally low if the population density is high.

While the Royal Monetary Authority (RMA) has recently come up with rules and regulations on deposit-taking micro-finance institutions and regulations on microloan institutions, the country has other non-government organisations (NGO) functioning as micro-finance institutions.

But, with the new rules and regulations, NGOs functioning as micro-finance institutions must be registered with the central bank and comply by the rules.

The story of Bandhan Bank in India is an example of how an NGO evolved from non-banking financial institution to deposit-taking micro financial institution and **Pg.2**

Announcement

There will be no Kuensel issue on May 31, June 1 and 2 because of the Population and Housing Census. The next issue will be on June 3.

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DZONGKHAG

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Weather

Thimphu	
Max	Min
27	9
Kanglung	
Max	Min
29	15



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Micro-finance to reach the unreached

g.1 became a commer- that caters to low- pulance.

ef executive officer n Bank, Chandra sh, said that peo- low-income group emergency financial the business capi- by the institutions. ance, education of nd health expendi- ne an issue later borrowers cannot e loan. But since roduced education loan with no inter- eeds are taken care on-performing ed by manifolds. e population den- n, Chandra Shekar that the cost would her side and com- uld not be made ountries as long as rcial banks support ncial institutions model.

led that a good n and monitoring would support the ty of micro finan- ons. "For a micro- titution, it is advis- one or two simple

products covering maximum clients, because multiple products not only confuse the clients but also the employees."

The chairperson of Sana Development Bank of Sri Lanka, Muditha Samadanie Kiriwandeniya, said: "The proliferation of micro-financial institutions has created a myth that micro-financing alone can eradicate poverty."

She said that it is nice to make people happy but it will not make a community grow and compete in the global market when everyone wants to be an entrepreneur.

She added that it is imperative to get the package right from the beginning and that before looking at the external model it is important to look at the country's own model. She indicated that the country should be mindful of which industries to promote and to think comprehensively rather than looking at the segmented piece and making people happy.

Sharing Nepal's perspective, Prakash Raj Sharma, the CEO of Laxmi Laghubitta Bittiya Sanstha Ltd, said that Bhutan should learn from Nepal's micro-financial institu-

tions because the geography and population density is comparable. Micro-financial institutions, he said, are more concerned about their sustainability even before the operation, and land up charging higher interest rates.

To keep the cost low, he said that digitisation provides alternative delivery channel.

RENEW, started micro-financing in 2011 in partnership with Savings Banks Foundation for International Cooperation, Germany. The project director of RENEW-Microfinance, Bernd Baehr, said their services started where the Bhutan Development Bank's services stopped.

He said that micro-finance in Bhutan cannot be profitable unless the infrastructure and technology keep up with the pace of development. The field officers, for instance, have to drive six hours on difficult road to reach the clients, resulting in loss of productive time and increased cost.

Bhutan Association of Women Entrepreneurs (BAOWE), another newly registered micro-financial institute, is also aiming to keep its cost low. The organisation al-

ready has a scheme to provide financing to street vendors and farmers catering to unbanked citizens.

Although a registered micro-finance institution, BAOWE is still not operational as it is awaiting its proposal to be approved by the largest bank in the country. Damchae Dem, the founder of BAOWE, said that most of the ground works are done by the government.

Panellists from abroad

said that many people not included in the formal financial system are construed as not creditworthy. But experiences of successful micro-finance institutions reveal that these sections of the society have the least instance of loan default.

Trust and mentoring, some panellists said, is crucial because no businessman will start a business with the intention to make loss.

Assembly to endorse budget today

From Pg.1

However, after the finance committee raised the issue, the Assembly decided that thrompons would lose their house rent allowance from the new financial year.

Thrompons, whose basic salary starts from Nu 45,785, today enjoy 20 percent of their basic salary as house rent allowance.

The finance committee found that local leaders including thrompons are not entitled to a house rent allowance as per the Local Government Members' Entitlement Act, 2015.

Some MPs said it was also important to revise the civil servants' salaries if local leaders' salaries are to be increased. Finance Minister Namgay Dorji, however, said that the country did not have enough revenue to give civil servants a salary hike.

"The decision to increase local leaders' salaries was made after a careful study of the country's economic situation," the finance minister said.

The house also deliberated on the proposed stabilisation fund of Nu100 million to maintain stability of the economy. Opposition Leader Pema Gyamtsho (PhD), however, said there was no legal basis to set up a stabilisation fund and that doing so could set a wrong precedent.

Prime Minister Tshering Tobgay responded saying that establishment of the fund

would help a developing economy like Bhutan address its challenges. "The Health Trust Fund has benefited the country and the stabilisation fund will help Bhutan in the same way," he said.

The house also deliberated on the country's external debt situation. Opposition MPs argued that the country's external debt has grown since the government took office in 2013.

According to International Monetary Fund, the country's debt increased from 93.64 percent of GDP in 2013 to 112.87 percent of GDP in 2017. In absolute terms, the total outstanding debt as of June 2016 was Nu160.562 billion (B). Of this total debt, Nu 155.9B was external debt.

Education Minister Norbu Wangchuk said non-hydro debt has actually decreased for the first time in Bhutan's history and that it was important to treat hydro and non-hydro debts differently. Non-hydro debt, according to the budget report is only 23 percent of GDP.

The house resolved that the Fiscal Incentives 2016 would come into effect from May 8 2017. Fiscal incentives include tax holidays, income tax exemptions, exemptions on tax deducted at source and tax rebates.

The total proposed budget for the financial year is Nu 60.77B.



Thousands of devotees paid their last respect to the late Khenpo Karpo, whose cremation ceremony was conducted by His Eminence Dzongsar Jamyang Khyentse Norbu, Takila, Lhuentse, in front of the tallest Guru Statue yesterday. Khenpo Karpo, who passed away on January 18 in Thailand built the giant bronze statue of Guru Nangsey Yangmichu.