



## Nepal Rastra Bank Press-News

Governor Dr. Yuba Raj Khatiwada addressed the Opening Ceremony of Association of Asian Confederation of Credit Unions (ACCU) Pre-Forum Workshop on Credit Union Issues, today in Kathmandu.



Addressing the program, Governor Dr. Khatiwada highlighted the role of credit unions in the economy as well as the issues to be addressed during the workshop. Following are the extract points of his speech:

Credit unions can play a critical role in inclusive and equitable economic growth. They can fill in the development void emanated from the activities of the state and the private sector. For the people who do not possess any other productive assets than labour and enterprising spirit, credit unions can readily make them participate in economic activities including in production through the provision of credit, thereby ensuring inclusion in the economic growth

process. However, unlike other financial institutions:

1. Credit unions should be doing social business i.e. socially responsible profit making activities; should not be indulging in extorting members in terms of fees and charges in the fund based lending and account holding; should be friends, motivators, and financial trouble shooters of their members; should encourage members to be enterprising and support their entrepreneurship.
2. Credit unions should be complementing rather than competing with the formal financial institutions, particularly the banks; they can serve the clients missing lower middle income group who are yet to be bankable; the whole SME sector could be catered by credit unions.
3. Credit unions must retain social credibility by taking people worth more than money and helping improvement of their clients' wellbeing rather than just focusing on profitability.
4. Credit unions should be innovative in designing new instruments and should be working with other stakeholders to facilitate other financial service (such as insurance and money transfer) needs of the members; they should be using the IT based financial services along with conducting financial literacy campaign.

5. Credit unions must also follow basic norms of financial institutions like capital adequacy, credit deposit ratio, liquidity, risk diversification and management, loan loss provision, and sectoral exposure of credit.
6. Credit unions should be lobbying for proper legal and regulatory framework so that their service becomes transparent, accountable and visible. Besides, they must ensure that they are self-regulated with democratic and able representation in the board, effective internal control system in place, timely audit and AGMs and submission of

annual reports to the oversight agency in time.

Governor Dr. Khatiwada stressed on the grassroots business orientation and business ethics of the credit union CEOs and employees. He said that the employees have to be proactive and guide the members towards initiating viable business enterprises and to work hand in hand with them to make their business a success along with the credit union's growth and financial strength.

**Office of the Governor**

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