



**M-CRIL**

incorporating EDA Rural Systems  
*inclusive microeconomics*

## Integrating the Practice of Client Protection Principles in MFIs of Nepal



M-CRIL is pleased to engage with UKaid Sakchyam Access To Finance Programme in Nepal for conducting Client Protection Principle (CPP) Certification assignment of four microfinance organisations as the first ever Client Protection assessments in Nepal. As a part of the Smart Certification process, field assessments of four partner MFIs (Chhimek Laghubitta, Unique Nepal, Kisan Cooperative and Sahara Nepal SACCOS) of UKaid Sakchyam were conducted by two teams from M-CRIL recently. The assessors visited a total of 9 branches and observed centre meetings where they interacted with the members of the MFIs. The interaction focused on evaluating the knowledge of the clients on the financial products and services provided by the MFIs. Similarly, the team interviewed the staff of the branches to understand and evaluate the operational processes and features of the financial products. They also reviewed documents related to savings and loans at the branches. However, due to travel constraints during lockdown period, M-CRIL completed the management discussion virtually, with cooperation from the four MFIs. All the four MFIs have shown enthusiasm to address the gaps and revise their policies & procedures to align with the CPP certification requirements in preparation to receive the internationally recognised Smart Certification developed by Smart Campaign.

UKaid Sakchyam Access to Finance programme has been working towards enhancing financial inclusion in the remote/rural areas through capacity building interventions for MFIs. The programme has also been promoting financial literacy to help the rural population make informed decisions while availing financial services. To further these objectives on both demand and supply sides, the programme also initiated dialogue with the MFI industry to focus on client protection. Developed by the Smart Campaign, the CPPs are the minimum standards that clients should expect to receive while availing financial services from Financial Institutions (FIs). Its adoption ensures that the MFIs serve the clients following the globally accepted practices for transparent financial services and respectful treatment of the clients. Smart Certification is awarded to those MFIs that fulfil the minimum criteria.

The three areas Smart Certification could help MFIs in Nepal are:

- 1 CPPs offer broader ranges of client protection practices which may not have been covered by the existing regulation,
- 2 Smart Certification gives a global accreditation that MFIs are adhering to CPPs thereby indicating the minimum standards that clients should expect to receive while availing financial services from the certified MFIs
- 3 Once a few MFIs receive the Smart Certification, it is expected to create a ripple effect in the Nepalese MFI industry to adopt CPPs.

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