

BHUTAN DEVELOPMENT FINANCE CORPORATION LTD (BDFCL)

“The Bank That Makes Difference - Let’s Grow Together”



MR. NAWANG GYETSE
MANAGING DIRECTOR



**BDFCL HEAD OFFICE BUILDING,
THIMPHU**



MR. NIMA WANGDI
CHAIRMAN
DG, MOF

INTRODUCTION

The Bhutan Development Finance Corporation Limited (BDFCL) was incorporated by Royal Charter on 31st January 1988 with the assistance of the Asian Development Fund (ADB) to function as a development finance institution (DFI). In December 1990, BDFCL was registered as a company under the Companies Act (2000) and as a financial institution under the Financial Institutions Act (1992).

Being the only development finance institution in the country, it is mandated by the government to provide financial services with special focus on rural population.

As a company registered under the Companies Act, its operations are governed by its Articles of Incorporation approved under section 5 of the Company's Act. Initially, the Royal Government of Bhutan owned 87% of its paid up capital and in June 2009 the RGOB again injected an additional paid up capital of Nu. 100 million and now the RGOB owns 93.50% and remains BDFCL's largest single shareholder. The main objective of the BDFCL is to promote the industrial, agriculture and commercial development of the economy of Bhutan by promoting, providing financial, technical and advisory assistance to enterprises and mobilizing external and internal capital for such purpose.

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The Corporation provides financial assistance mainly to those projects, which on the basis of its own analysis; appear to be economically viable and profitable. Special attention is given to the quality of management and market prospects of the project.

BDFCL as a Developmental Financial Institution is also expected to strongly support the government with the provision of the vital services in the form of credit and other expertise especially in the declared objective of Self Reliance, Improving the Quality of Life and in the Privatization and Private Sector Development.

CREDIT POLICY STATEMENT

- BDFCL will promote the expansion of the economic and social advancement of Bhutanese people by making loans and in its discretion giving financial, technical and advisory assistance to entrepreneurs in the industrial, forestry, agricultural and commercial sectors of the economy of Bhutan.
- As a development financial institution, BDFCL will place greater emphasis on borrower's character and feasibility of the project rather than collateral based.
- BDFCL will provide credit with the dual goal of ensuring institutional sustainability and maximizing client outreach particularly in the rural areas.
- In support of RGOB's priority to develop the private sector, BDFCL will promote micro, small, medium and large enterprise development through credit and other financial instruments.
- The Corporation will conduct its operations within the general

framework of the economic policies, plans and priorities of the Royal Government of Bhutan (Source: BDFCL "Statement of General Business Policies").

CAPITAL STRUCTURE AND MEANS OF FINANCE

The shareholders of the Corporation consist of Royal Government of Bhutan (RGOB), Bank of Bhutan Limited (BOBL), Royal Insurance Corporation of Bhutan Limited (RICB) and Bhutan National Bank Limited (BNBL).

AUTHORISED SHARE: Nu. 300 Million

PAID UP CAPITAL: Nu. 200 Million

FACE VALUE :Nu. 1,000 per share

The shareholding pattern are as follows:

RGOB	187.00 million:	93.50%
BOBL	7.50 million:	3.75%
RICBL	3.00 million:	1.50%
BNBL	2.50 million:	1.25%
Total	Nu. 200 million	100.00%

GOVERNANCE

A Board of Director governs the Corporation with its Chairman appointed by the government. The Board members consist of representatives from various related organizations such as Ministry of Finance, Dzongkhag Administration, Ministry of Economic Affairs, National Pension & Provident Fund Bureau (NPPF) and People's representative (representing the general public). The Managing Director who is the Chief Executive Officer of the Corporation functions as the Member Secretary and manages the day to day affairs of the Corporation

NETWORK OF OFFICES

BDFCL has its head office located at Thimphu, the capital of Bhutan. In order to increase its outreach and accessibility of its financial services to the rural population, BDFCL has and is the only financial institution that has extended credit to rural agricultural and animal husbandry sector. An extensive network from where BDFCL operates are as follows:

HEAD OFFICE- THIMPHU

3 REGIONAL OFFICES:

Western Region based in Paro

- 9 Branch Offices

Central Region based in Trongsa

- 7 Branch Offices

- 1 Sub Branch office

Eastern Region based in Trashigang

- 8 Branch Offices

- 1 Sub Branch Office

The BDFCL in the year 2010 proposes to open 4 new branch offices within the country.

DECENTRALIZATION AND MOBILE BANKING FACILITY

To improve the efficiency and effectiveness of its services, BDFCL opened 3 regional offices and has decentralized the credit delivery system to the regional, branch and even to the geog (block) at the grass-root level in the rural areas. This methodology based on the social and developmental mandate greatly reduced time and costs for rural clients and increased accessibility of loans in the rural areas. Further, BDFCL introduced Mobile

BDFCL's special poverty alleviation scheme, the Group Guarantee Lending and Saving scheme is for the poorer section of the rural population.

Banking Services in the rural areas to further increase access to credit and also to bring the financial services on the doorsteps of the clients.

The staff of BDFCL go to the geog (block) centers monthly on a predetermined time, date and place regularly to conduct mobile banking services. As the mobile banking services incurs lots of cost to the Corporation, the staff carries out various other credit activities such as collection of new loan applications, appraisal of loan proposals, promotion of credit activities, conduct geog level credit committee meetings, monitor and recovery of loans as well during the said visits.

MANPOWER

There are currently a total of 228 staffs working in BDFCL out of which the main branch housed within the Head office has 19 staff and 79 in the Head office and the rest is in 26 branches and 3 regional offices spread throughout the country.

BRANCH PROFIT CENTER CONCEPT

In a move to make the operations sustainable, BDFCL has launched the Branch Profit Center Concept in the year 2002. Under this concept, each branch office is considered as a profit center and need to sustain its operations on its own besides making a decent level of profit. The Branch Managers are required to undertake budgeting of their respective branch offices and manage the funds as well. All the costs related to the concerned branch are also booked against the particular branch office and the performances are also gauged based on individual and branch basis.

LOAN SCHEMES

(a) Group Guarantee Lending & Savings Scheme:

BDFCL's special poverty alleviation scheme, the Group Guarantee Lending and Saving scheme is for the poorer section of the rural population who are landless, asset less and do not have collateral but are willing to work hard and earn income to improve their livelihood. The number of members in the group ranges between 3-7 and a financial assistance to a maximum amount of Nu. 100,000 is given to a members based on Income generating activity. It enjoys the lowest interest rate which is 10% per annum.

(b) Small Individual Loan Scheme:

The Small Individual Loan Scheme is for rural farmers and the loans are given on an individual basis. To be eligible for this loan, a farmer needs to have land holding/cattle or other assets in the

rural areas. The maximum loan under this scheme is Nu. 100,000. The rate of interest is 12% per annum.

(c) Industrial & Commercial Agriculture Loan Scheme:

The activities financed under this scheme are related to the following sectors and are mainly for commercial purposes. The sectors eligible under this loan Scheme are general trade, manufacturing, service, real estate, construction project, handicraft and cottage industries, agriculture, animal husbandry, mining & quarrying, housing, mining, wood based industry, Service sector like Tourism, Hotel and guesthouse, Transport, Share financing, Personal and equity finance. The rate of interest range between 12% - 16% depending on the type of project.

BANKING SERVICE

Coinciding with the United Nations "International Year Of Micro Credit-2005", the BDFCL launched three deposit schemes; saving, fixed and recurring deposits. However, as per the terms laid by the Royal Monetary Authority of Bhutan (RMA), the schemes were to be operated only in rural areas of Bhutan. On 25th March 2010 with objectives of increasing BDFCL's financial outreach and at the same time build its capital base from

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domestic sources, the RMA issued a specialized deposit taking banking license by which BDFCL can now mobilize deposits from urban areas as well. It is a specialized license in the sense that BDFCL is allowed to provide banking services only within geographical boundaries of Bhutan. BDFCL will now provide various deposit schemes such as saving, recurring, fixed and current deposits, cheque facilities and remittance services. With 25 branch offices and 2 field offices spread across the country, BDFCL is the only rural finance service provider and the only financial institution that has branch offices in all the 20 districts. Further, with the introduction of

monthly/bimonthly mobile banking services where BDFCL staff go to geog and village centres on pre determined time and place to provide door step services, not only accessibility of its services by farmers have enhanced but also save their transaction costs and time. BDFCL will be opening more branch and field offices in all the feasible drungkhags (sub districts) and geogs (blocks).

To keep up with growing needs of the customers BDFCL since 3rd quarter of 2009 BDFCL has gone into real time business and customers can now repay loans, deposit or withdraw money from their deposit accounts from any its branch offices and not necessarily from the branch office that maintains the accounts.

FUTURE OUTLOOK

Under the parliamentary democracy introduced in Bhutan, BDFCL is committed to closely collaborate with the new government to offer improved services in the most efficient and effective manner in the years ahead. BDFCL also looks forward to receiving greater support and financial assistances from the new government to reach out to the poorest of the poor providing excellent services in the future.

Currently there are four commercial banks and two non bank financial institutions (NBFI) in Bhutan. Other than BDFCL, the commercial banks and two NBFIs; the RICBL and the BIL focus only in urban areas. As a result, for want of services in rural areas and banking being one of them, inter regional (between urban and rural) gap is widening. To address this issue, the government is already taking measures

PARTICULARS	2008	2009	REMARKS
Portfolio growth	16%	12.72%	Decrease
PAR	18.22%	13.60%	25% Improvement
Net Profit	93 mill	150 mill	61% Increase
Total Outstanding (Loan Receivable)	2,500 mill	2,817 mill	15% increase
Total Asset	2,514 mill	2,965 mill	17% increase
Saving	136 mill	266 mill	96% increase

BDFCL OVERALL PERFORMANCE – 2009

by shifting the focus of development from centre to the periphery. But with financial resources mostly concentrated in urban areas, there is very little the government can do to reduce inter regional disparity merely by giving technical and advisory services.

Private sector development has been one of the development strategies in all development plans but despite many years of development, Bhutan's private sector is still in its infant stage. Studies on private sector development in Bhutan show difficulty in accessing formal financial services as one of the impediment to its development.

The economy is expected to grow rapidly triggered mostly by export of electricity to India. There will be a concerted effort made to progressively increase the utilization of power for domestic value addition and the

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generation of additional employment opportunities. Increased investments are expected to materialize in the infrastructure sectors of power, telecom, and roads. This should enhance the

linkages between rural producers and the markets in urban centres.

The MSME sector will witness a greater effort on the part of the government to improve extension services to this sector, with the implementation of the measures identified under the proposed ADB program loan. BDFCL's credit line, approved by ADB for disbursement exclusively to the MSME sector will also result in an increased flow of funds to the sector.

In light of this important developmental perspective of BDFCL, it is committed to work closely with the government and other development partners and make its role more economically vibrant in the future. ■

INTRODUCING Bhutan Development Finance Corporation Ltd.



Your Development Bank to Provide Financial
Assistant to Industrial, Commercial and
Agricultural Projects in Bhutan

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