ANNUAL REPORT 2021

RENEW MICROFINANCE

We care for your future

RENEW Microfinance Pvt. Ltd.

ANNUAL REPORT
2021

RENEW MICROFINANCE PVT. LTD.

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Foreword

Bernd Baehr
Chief Executive Officer

2021 was another challenging but a very successful year. The savings increased by around 20%, while the loan portfolio grew by 11%.

The last two years taught us, how important it is to have some savings. The Corona-Virus changed the lives of so many people around the world. The problems of a shop owner here in Bhutan are the same as in Europe, America or Africa. Out of a sudden they had to close and had no income anymore. But if you have some savings, you will still be able to pay your rent or feed your children. The clients of RENEW Microfinance were lucky to have saved in the last years and have some reserves now.

In combination with the financial literacy concept, RENEW Microfinance helps rural people in Bhutan to take charge of their own lives, make good business decisions and build up their own livelihood. The last year has shown that agricultural enterprises are resilient - the economic consequences of the Corona Pandemic were less severe for these companies. At the same time, these companies are indispensable for Bhutan, as they ensure the supply of food for the population. Our clients have learned to build up reserves, to manage their often very small income and stand on their own two feet financially. This makes them vital members of their communities.

More than 25,000 clients are regularly served at 365 access points in 99 gewogs. Only if everyone is financially included, involved and educated we can reach our goal of social sustainability.

I would like to express my sincere thanks to RENEW Organization, the Board of Directors, the Deutsche Sparkassenstiftung für internationale Kooperation and the Whole Planet Foundation. This fruitful cooperation has contributed decisively to the success of the institution and I am sure it will be continued for the benefit of RENEW Microfinance customers. Besides, I wish to thank our clients for their trust and the RENEW Microfinance staff, who has worked hard in this very challenging year.

Thank you la

Foreword

Tshering Uden Penjor
Chairperson of the Board

Kuzuzangpola!!

What a year to look back upon! While there is surely no need to remind anyone of the COVID-19 pandemic that took the world by storm in the early months of 2020. We must applaud the extraordinary resilience demonstrated by RENEW Microfinance Pvt. Ltd considering these events. The adaptability and flexibility it displayed, and ultimately the efforts made by the staff and management to mitigate the impact on the most vulnerable and their businesses, are some of the many reasons to feel not only proud but also optimistic about the post-Covid era.

One of the best examples is probably when the lockdowns hit we adapted to the situation by turning the available resources towards seeking and implementing solutions to ensure business continuity for our clients. The support granted by the Druk Gyalpo's Kidu fund from the very beginning of the crisis played a crucial part in nurturing the flexibility of our services.

RENEW Microfinance also implemented a new service, so called Rural Development Loan. This loan is offered to micro- and small businesses for their long-term working capital, growth or expansion to realize their full business potential.

To further promote a good savings culture, we celebrated the World-Savings-Day on the 31st of October – for the second time in Bhutan. This year we had more activities during the whole month of October.

In conclusion, to say that these were and still are challenging times is an understatement, nevertheless in the face of such uncertainty, one can only feel optimistic when being part of a such a vibrant, flexible, and dedicated network, committed to helping the most vulnerable as summarised in the present Annual Report. I wish you all a pleasant read!

Tashi Delek

About RENEW Microfinance

RENEW (Respect, Educate, Nurture and Empower Women) founded by Her Majesty the Queen Mother Gyalyum Sangay Choden Wangchuck, in 2004, is a CSO dedicated to the empowerment of women and girls in Bhutan, especially the victims and survivors of domestic and gender-based violence. In 2012 RENEW introduced the Microfinance Project, which was undertaken by the Deutsche Sparkassenstiftung für internationale Kooperation (DSIK) and funded by the German Ministry for Economic Cooperation and Development, Germany. The project aimed at establishing a sustainable microfinance institution, which takes into account the needs of women in rural areas.

This project could be finalized by 31st of March 2021 successfully: The Royal Monetary Authority, the Central Bank of Bhutan, has certified RENEW Microfinance Project to lend micro loans to public on 21st May 2016 and RENEW Microfinance Private Limited is the first Microfinance Institution in Bhutan to receive the Deposit-Taking License from Royal Monetary Authority on 21st August 2018. RENEW Microfinance Private Limited has been incorporated as a Private Limited Company under the Companies Act of Bhutan 2016 on 27 September 2017. Today the company covers ten Dzongkhags with 365 access points. Out of 205 Gewogs in the country, RENEW Microfinance is operating in 99 Gewogs. RENEW Microfinance serves to those, who are overseen by other financial institutions and have limited access to finance. The Head Office is in Thimphu.

Vision, Mission and Objective

VISION

"To become a leading provider of financial services to low income women and their families in the kingdom of Bhutan"

MISSION

Improving the quality of life and the status of vulnerable women and their families, mainly in rural areas by providing credit products and savings. Insurance and other services would be introduced in the near future, thus creating favorable opportunities for the clients to participate in social-economic activities, thereby improving their income and enhancing their role in the society

OBJECTIVE

The business objective of RENEW Microfinance is to ensure long lasting access to finance for the benefit of the target groups.

To achieve a long-term sustainable solution for providing financial services to needy people the remote areas.

- Educate people in rural regions on financial products and services.
- Impart knowledge on income management to households with low income.
- Provide continuous access to financial services by organizing and empowering women.

Our Products and Services
A. Financial Literacy

RENEW Microfinance actively supports the elevation of financial literacy in rural regions. This enables the rural population to save and to take up loans wisely. For the clients of RENEW Microfinance, basic financial literacy modules have been developed. The modules encompass topics such as setting of financial goals, saving methods and techniques, expenditure management, borrowing decisions and budgeting. The briefings are conducted during the center meetings. In the following month during the center meetings the clients receive a budgeting book and then the field staff demonstrates and explaines how to use it best.

Especially for vulnerable people it is important to understand the benefit of saving money and to learn about the details of loans. Therefore, RENEW Microfinance partners with the German Savings Bank Foundation for International Cooperation in the new Project Rural Development Bhutan, which is focused on financial literacy for rural areas and financial inclusion of farmers.

The Second World Savings Day in Bhutan

31st October 2021

The World Savings Day was established on October 31, 1924 during the 1st international Savings Bank Congress in Milan, Italy. It is now celebrated across the globe. In 2020 RENEW Microfinance Pvt. Ltd. organised the event for the first time in Bhutan and even Covid-19-restrictions could not harm the happy atmosphere. On 31.10.2021, RENEW Microfinance celebrated the World Savings Day for the second time in Bhutan. The celebration took place in front of the RENEW building in Thimphu and in all Dzongkhags, that we operate in.

The aim of the celebration is to spread the awareness about the importance of savings and giving a starting point for financial literacy.

Financial literacy training for children in schools during the World Savings Day 31.10.2021 in Dagana

Celebrating World Savings Day with Special Children

Painting Competition for the students at Wangsel Institute for the deaf in Paro and at the Draktsho vocational Training Center for Special Children and Youth.

Bhutan's famous actor Tshering Phuntsho, who worked in 35 Bhutanese movies, graced our Painting Competition and awarded the prizes and certificates to the winners.

Piggy-Bank-Competition

Children at the age from 4 to 10 in all the 10 Dzongkhags that we operate, created and designed their own wonderful Piggy Banks to start their savings.

All the participants were awarded with certificates and attractive prizes.

The three best clients* from all the 10 districts were honored with certificates and prizes in their respective branches on 31.10.2021. The best clients from each center were also awarded with prizes.

*The “best clients” are not those with the highest savings deposits, but the ones who actively support our work and encourage other clients to save money.

Celebrating World Savings Day in the Branches

Dagana

Samtse

Punakha

Celebrating World Savings Day in Schools

RENEW Microfinance, in collaboration with the German Sparkassenstiftung for International Cooperation and its Project for Rural Development (PRuDent) has educated and trained 701 students in 9 distinct Dzongkhags (Bumthang, Trongsa, Mongar, Trashigang, Wangdue, Punakha, Dagana, Tsirang and Zhemgang) through a high-level-training called “Savings Game” to celebrate and mark the World Savings Day for the second time in Bhutan on 31st October 2021.

Tshering Denkar from “Denkar’s Getaway” was one of the promintent Saving-Advocates who visited and promoted our Savings-Games in the schools.

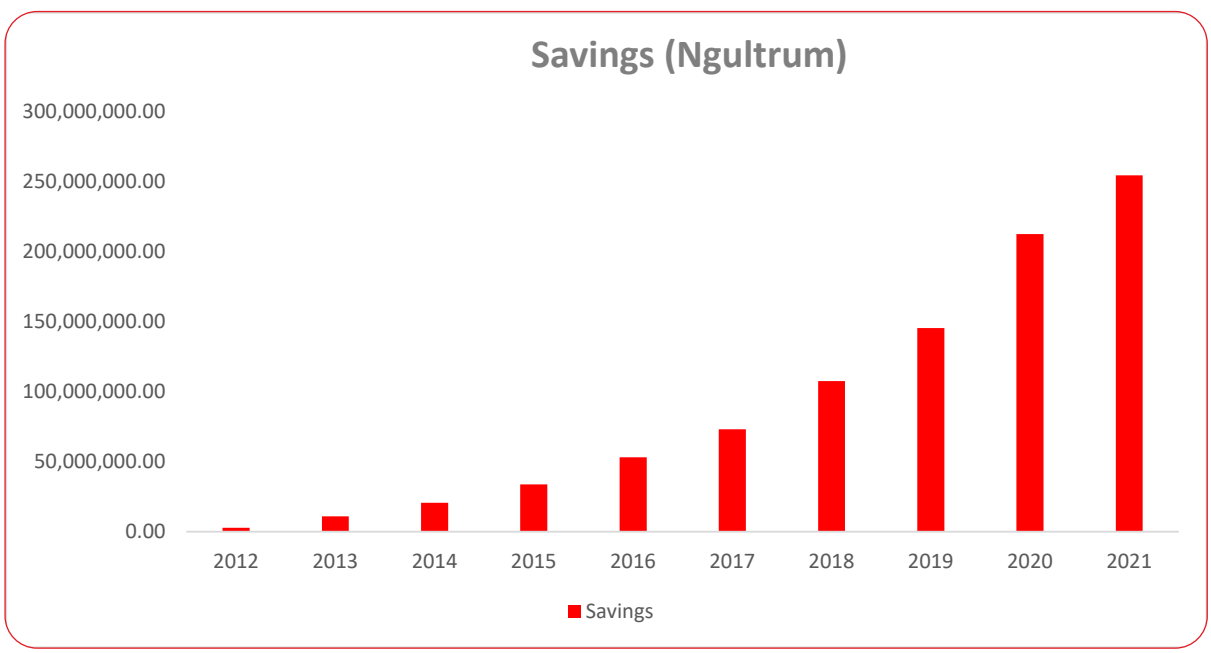
Celebrating World Savings Day in Monasteries

We also trained more than 150 monks on financial literacy.

B. Savings

As the first licensed micro finance institution in Bhutan, RENEW Microfinance is also the first Deposit Taking Micro Finance Institution in Bhutan. Savings help clients to overcome emergencies. They can also be used as collateral for customer loans.

The overall volume of savings has rapidly increased from Nu. 2,947,000 in 2012 to Nu. 254,743,589 in 2021.



Membership Savings Types

Compulsory Savings

- In order to build their own assets and to improve their saving habits, the clients must save Nu. 100 per month.
- Clients are not allowed to withdraw the entire amount from the compulsory savings unless the member resigns, or the membership is terminated.
- Currently an interest rate of 5% p.a. is credited half-yearly on monthly savings. In case of closing the account, the interest will only be paid for the last interest calculation period.

Voluntary Savings

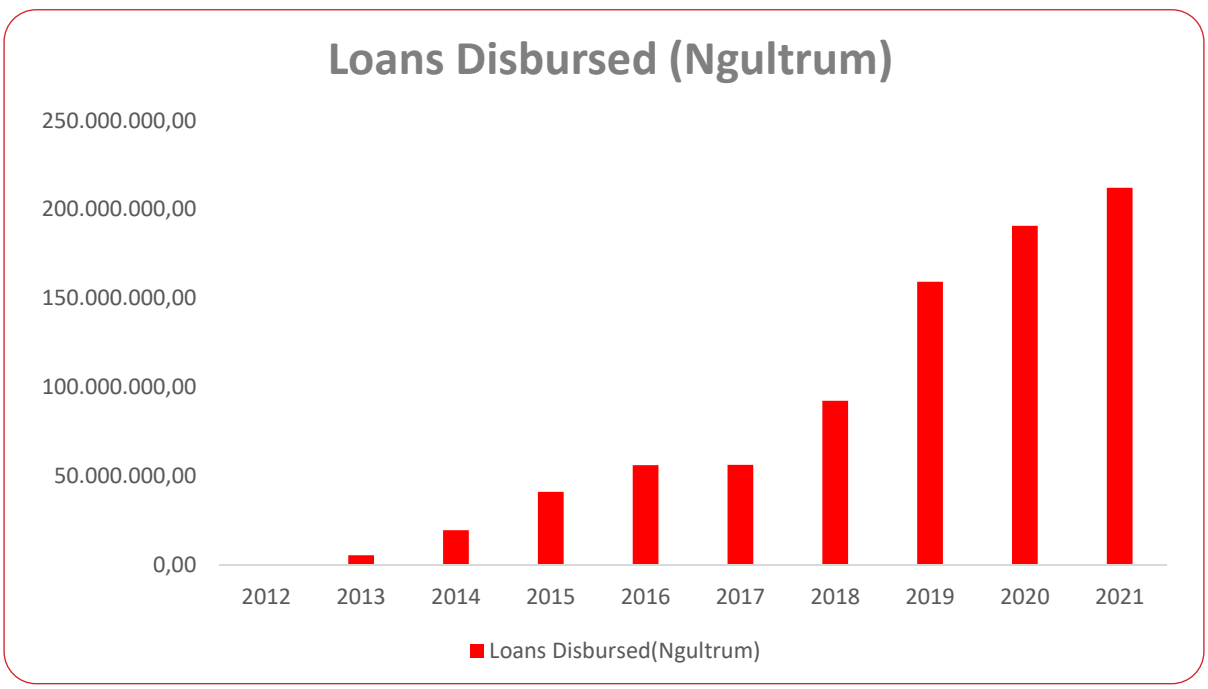
- The clients are also encouraged to contribute voluntary savings. The total savings of a client should not be more than Nu. 500,000.
- Clients may withdraw the whole amount at any time (the client should inform the field officer in advance – either in a center meeting or at least one week before the next meeting).
- An interest rate of 5% p.a. is credited half-yearly. In case of closing the account, the interest will only be paid for the last interest calculation period.

C. Loans

RENEW Microfinance provides micro loans to its clients to support women, who startup their own business. Additionally emergency and agriculture loans are offered.

The number of loans rose from 26 in 2012 to more than 3,400 in 2021. The current outstanding balance of all loans is Nu. 212,218,489.

In the last nine years RENEW Microfinance disbursed 18,646 loans totaling Nu. 1,038,253,892.



Introduction Rural Development Loan (RD loan)

Mr. Deo Raj Rai is one of our RD loan (Rural Development Loan) clients from Tsirang. He started his career as a Mechanical Electrician in one of the Automobile Workshops at Punakha. Later gaining more experiences in the field, he came back to his hometown in pursuit of new business plan in his mind.

He started his business (i.e., *Automobile Workshop)* year back in 2017. Now the business has been 5 years plus running and it is successful in the market with serving nearby community reaching most of the customer needs and it is not dominant in its field of operation.

According to Mr. Deo Raj Rai, it was very difficult for him to get a credit for the expansion of his business from FSPs due to his underway documentation (*Especially CID*). He said, "Thanks to RENEW Microfinance who supported my business expansion with funds. I believe that RD loan plays a vital role in one's business growth and expansion. The RD loan helped me to achieve what I dreamed for my business. It is a dream come true for me."

Types of Loans

Business Loan
A Business Loan assists the clients starting up a small business or expanding an existing one. This may be a loan for the production, trade or services or to diversify sources of income.

Agriculture Loan
The Agriculture Loan serves to finance the cultivation of crops and other businesses such as livestock and farming.

Multipurpose Loan
The Multipurpose Loan intends to assist the clients by providing finance for sending their children to school, meeting school fees and investing in their own house.

Emergency Loan
The Emergency loan is provided to clients in emergency circumstances such as fire, accident, serious illness, death / funeral expenses and other critical situations. The amount is small and it is given in time of dire need.

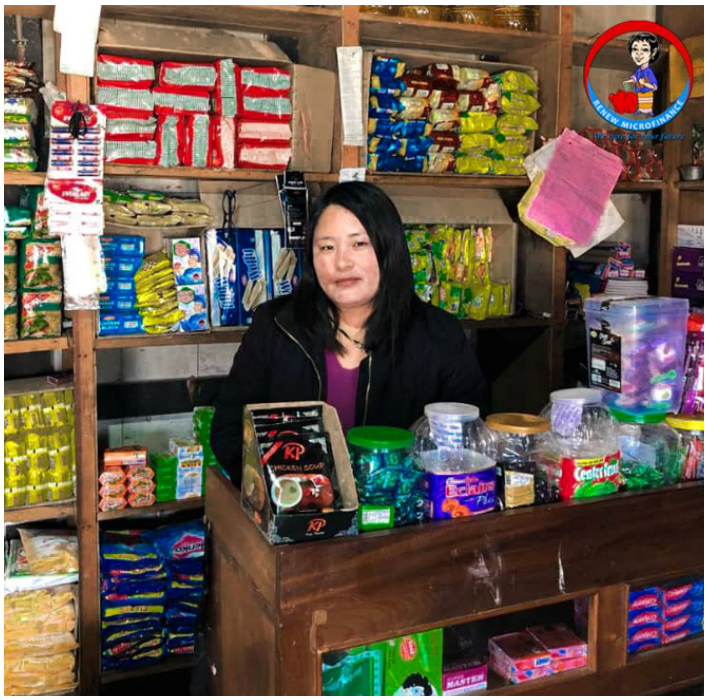
Power Tiller Loan
The power tiller loan is a special collaboration with Karma One Stop Shop: No cash is paid out. Instead, Karma One Stop directly delivers the power tiller to our clients and RENEW Microfinance makes the full payment to the Karma One Stop. The clients repay the monthly installment to RENEW Microfinance.

Rural Development (RD) Loan
This credit facility is offered to micro and small businesses for their long-term working capital, growth, or expansion needs. It can be extremely useful for small businesses to realize their full potential through appropriate funding, especially for women– run businesses which may otherwise find it difficult to get funding. The amount ranges from Nu. 151,000 to Nu. 500,000.

OUR LOANS:

Come without collateral
Do not need extensive documentation
Carry no hidden charges

Success-Stories from our Clients



Ugyen Choden is a mother of three and she lives in Bartsham, Trashigang. She runs a general shop, which she says she started focusing more on after her divorce. She joined RENEW Microfinance as a savings client.

After four months of saving, she took out a loan to start her shop. She runs the business successfully and has taken on more credit for expansion. She is passionate, reliable and covers her family's expenses on her own, thanks to her smart business acumen.

Pabitra Devi Chettri is 28 years old and has two children, who live with her in Ballaygang in Dagana. Her first association with RENEW Microfinance was as a member in 2018 when she started saving with us. She wanted the savings to be a reliable source of emergency funds if her family ever needed them.

She'd also always planned on starting a business of her own, but a lack of funds kept her from it. And when she eventually asked RENEW Microfinance a micro-loan was approved. She was able to start a home-based garment business. In the three years since she started the business, she's been able to help finance her sister's education, help with family expenses, and recently, started a general shop on her own.

Kinley Zangmo from Rubesa in Wangdue studied at a nunnery before she became a mother. She has survived domestic violence and overcome depression. When she finally filed for a divorce, she found herself in the difficult position of having to raise a family on her own.

In 2018, when RENEW Microfinance opened its Wangdue branch, Kinley became a savings client immediately. After saving small amounts for a few months, she applied for a microloan - and this began the process of rebuilding her life. She used the loan to buy and sell groceries in her locality. She was extremely smart and prudent about saving her profits and reinvesting. She's used her money cleverly and set up a grocery shop and built a house.

Kinley is now happily remarried and has three children. To secure her children's futures, Kinley opened a savings account for each of them and makes sure to deposit in them regularly. Because of her story, we recognized her as a top client for the Wangdue branch in 2021. She says she is grateful to RENEW Microfinance for giving her the tools and courage to build her life. She appreciates that our loans are collateral-free since that can often be a barrier for most people. We are so incredibly proud of Kinley and everything she has built.

Jas Maya Rai has not had an easy life. Her father left their family in 2012, while she was still in primary school. The burden of raising the family fell on her single mother. After Jas Maya finished 10th grade in 2016, she stopped studying so she could help her family. She worked as a sales associate in a shop in Tsirang. And while her monthly salary of Nu 3500 helped the family, Jas Maya knew they needed more.

Jas Maya's mother worked as a wage worker in PWD and has been a long time member of RENEW Microfinance. After Jas Maya decided to leave her job to start a vegetable vending business, her mother, as a RENEW Microfinance member, helped her secure several microloans.

Even under the shadow of the pandemic, Jas Maya has been able to turn profits in her business each year. She has not only paid her loan back, but she now supports two of her siblings who are studying in colleges in Thimphu and Lobesa. Jas Maya plans on saving and buying land and a house for the family.

Kinzang Lhamo is from Nadang in Mongar Dzongkhag. She has been a RENEW Microfinance client for almost three years now, and in that time, besides being an active member, she has also been a proactive centre leader. She was our first loan client from her gewog (Chaskhar), when she took out a loan to expand her grocery shop.

She says she has used the loan as rolling money to keep the business going. She has also helped her husband with his LPG Gas Station business. She believes that all women should be financially independent, and aims to build bigger businesses in the future.

“I am attaining financial growth through RENEW Microfinance,” says Tashi Dema, a seasoned businesswoman from Tshogkorna in Punakha.

She runs a bar, a general shop and a vegetable farm, which cultivates mushrooms as well. When the pandemic affected her bar and shop, she transitioned to focus on her farm instead, and with the help of RENEW Microfinance, she's been able to keep all her businesses afloat.

Voices from our Staff

What I love the most about my job is that we walk the talk! We cater essential banking services to remote and vulnerable communities with respect and dignity. I have experienced substantial improvement in the confidence level and socio-economical aspects of the people we serve.
RENEW Microfinance has not only acted as an accessible and convenient form of banking for the rural regions in Bhutan, but it has also acted as a medium of educating women, men, and through them their children, about the significance of saving and investing. RENEW Microfinance has now become an integral part of the rural society that empowers women to become financially independent and unlocks more opportunities for them.

Saving means opportunity, empowerment, change and a sign of growth. It gives me immense pride to not only be a part of a change of perspective but to also be one of the reasons for the change.

Tshering Dema
Deputy CEO

I am proud of the company for keeping our operations flowing during the pandemic. We have given people credit and at the same time, kept our cash withdrawals open. I think both have saved lives."

Sangay Dorji
Branch Manager Trashigang

I've been with RENEW Microfinance since March of 2020, and the past two years have just gone by me so fast. I'd always dreamt of becoming a social worker, and now I am one. It is so thrilling to get to live your dream every day. It's not just the work, but the people I work with - the clients I deal with and the friends I've made at work - that have made the last two years of my life blissful.

Yashoda Baraily
Loan Officer Thimphu Branch

Thomas J. Watson said, “You can get capital and erect buildings, but it takes people to build a business.” No matter how clever, crafty, or successful we may be, our business and its future are in the hands of the people we hire. Our company has a culture where we believe in hiring character and training skills. RENEW Microfinance, with its small staff, has achieved milestones and overcome every hurdle on the way and it is all thanks to the very committed and versatile staff, each playing very important parts in the company.

Chhimi Wangmo
Human Resources Officer

RENEW Microfinance is the ideal combination of social commitment and financial topics. Women empowerment and independence is what we strongly believe and support. Financial literacy and customer service are the two things that we offer to our clients, I think we are not only the leading microfinance institution in Bhutan but also the best customer service provider. Customer Service is our top priority and that is what makes us very special and unique.“

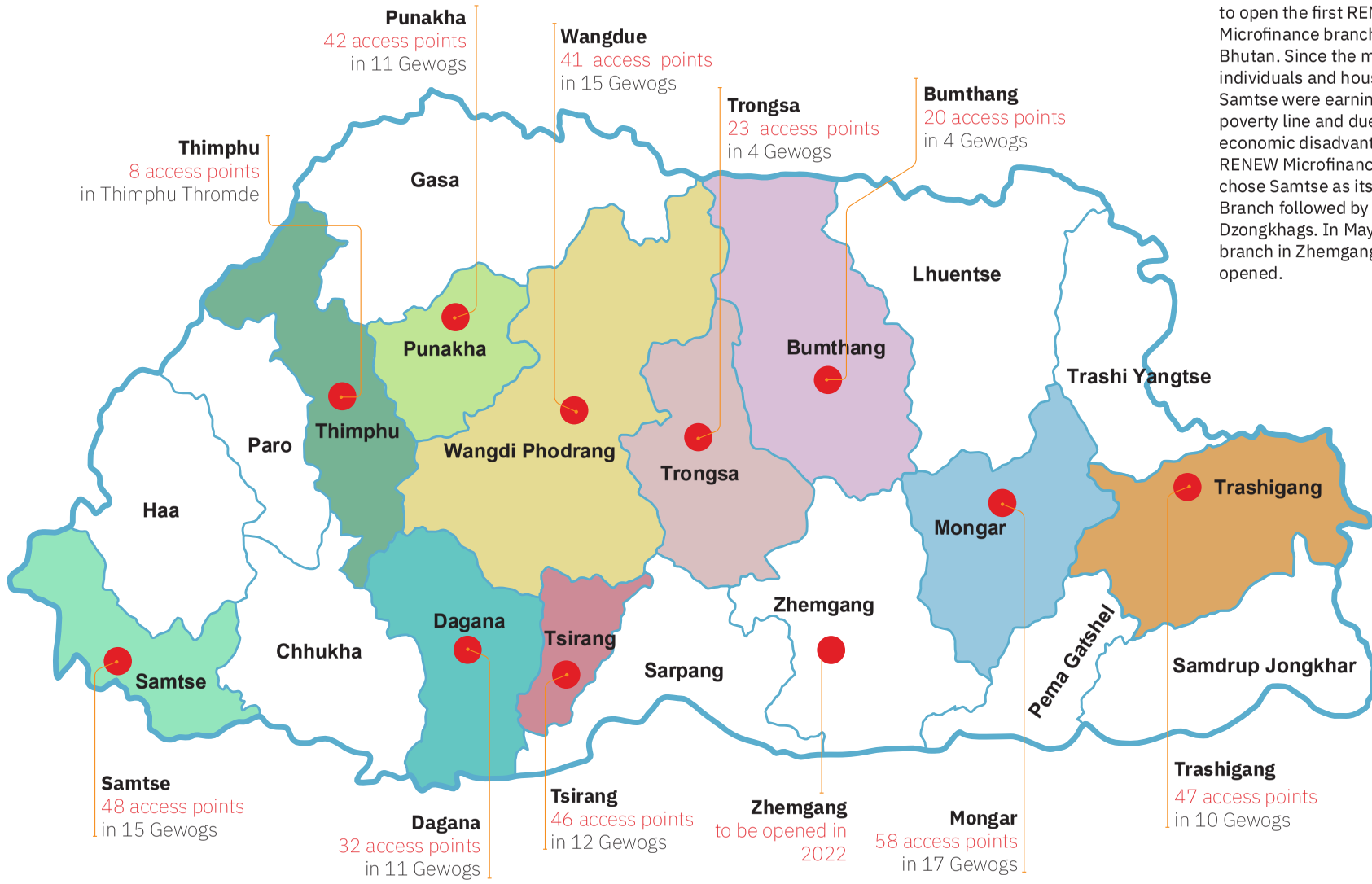
Sunita Biswa
Executive Secretary

Reaching rural Bhutan, the unbanked society. Travelling, walking for hours, crossing rivers, mountains, and leech-infested paths, dealing with all different kinds of people, supporting them, being with them and making them happy in all kinds of situations. All of the above always makes my day. And that is what RENEW Microfinance is all about.“

Kuenga Tshering
Tsirang Branch Manager

Outreach–Being close to our Clients

Initially, a survey was conducted in 2012 in three Dzongkhags (Haa, Zhemgang and Samtse) in order to find the most suitable place to open the first RENEW Microfinance branch in Bhutan. Since the majority of individuals and households in Samtse were earning below poverty line and due to their economic disadvantage, RENEW Microfinance chose Samtse as its first Branch followed by other 9 Dzongkhags. In May 2022, the branch in Zhemgang will be opened.



Financial Strength

RENEW Microfinance Pvt. Ltd.

Statement of Comprehensive Income for the Year ended 31st December 2021

Particulars	2021 (Nu.)
Interest Income	53,363,479.13
Interest Expense	22,820,189.25
Net Interest Income	**30,543,289.88**
Fees and commission Income	15,258,351.88
Fees and commission Expense	4,767876.43
Net Non-Interest Income	**10,490,475.45**
Total Operating Income	**41,033,765.33**
Other Income	0.00
Net Operating Income	**41,033,765.33**
Personal Expenses	20,111,195.44
Depreciation	1,393,005.96
Other Operating Expenses	14,146,807.47
Total Operating Expenses	**35,651,008.87**
Profit before Tax	**5,382,756.46**
Tax Expenses for the Current Year	1,345,689.11
Net Profit for the Year	**4,037,067.34**

Financial Strength

RENEW Microfinance Pvt. Ltd.

Statement of Financial Position as at 31st December 2021

Particulars	2021 (Nu.)
ASSETS	
Cash and Cash Equivalents	400,00
Placement with other FIs	18,894,696.10
Loans and Advances to Customers	212,218,488.58
Financial Investments	136,900,000.00
Other Assets	14,415,338.57
Other Receivables	1,371,466,35
Property, Plant & Equipment	6,124,518.47
Intangible Assets	1,095,860.65
TOTAL ASSETS	**391,020,768.72**
LIABILITIES	
Due to Customers	254,743,588,98
Current Tax Liabilities	1,345,689,11
Other Liabilities	89,157,460,37
Specific Provisions	5,232,822,79
Retirement Benefit Obligations	2,408,615,00
Total Liabilities	**352,888,176,25**
Issued Capital	25,000,000.00
Retained Earnings	11,106,731.87
General Provision	2,025,860.59
Total Equity	**38,132,592.46**
TOTAL LIABILITIES & EQUITY	**391,020,768.72**

Our Shareholders

The Gyalyum Charitable Trust

Finanzgruppe
Sparkassen International Development Trust

Our Partners

German Sparkassenstiftung
FOR INTERNATIONAL COOPERATION

WHOLE PLANET FOUNDATION

Our Network

RENEW MICROFINANCE

We care for your future

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