

# Impact Assessment of SACCOSs in Nepal's Hill Districts

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Findings of an action research

## Research Team

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Centre for Micro-Finance (Pvt) Limited  
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# Preface

The hilly areas of Nepal lack roads and other infrastructure in contrast to its Tarai, or plains. Access to formal financial services is limited, and in most areas people have to walk for a day or two to reach a bank or any other financial institution. There is an urgent need for increased access to financial services in Nepal's hills.

One of the main micro-finance models practised in Nepal is the Grameen Bank (GB) model. Although this model can address poverty issues efficiently, it is too costly for replication in the hills, where population density is low and the scale of operation is limited. Without optimal scale of operation, the GB model cannot achieve financial sustainability. In contrast, savings and credit cooperative societies (SACCOSs) have proven to be an effective model for providing financial services in the hilly districts, though their outreach and number are still low.

A best practice study conducted by the National Savings & Credit Development (SA/CRED) project in 1997 affirmed that community-based SACCOSs are viable and potentially important players in the micro-finance sector in Nepal. Compared to other highly subsidized credit programmes and institutions, the SACCOSs model is a cost-effective model for providing financial services for those segments of the population that have little or no access to other formal financial services.

On the basis of the findings of the best practice study conducted by the SA/CRED project of CECI and other relevant work of Centre for Micro-Finance (Pvt) Ltd (CMF), we conducted an extensive impact assessment of a SACCOS each in four hilly districts of Nepal. The overall objective of this assessment was to prove that hill-based SACCOSs have made positive socio-economic impact on their members and improved their ability to provide their members with the services they need.

We hope this report will be helpful to micro-finance practitioners and promoters/donors in assessing the impact of micro-finance services, developing strategies to provide better services and implementing those strategies in a sustainable manner. The report, it is hoped, will help the country's policymakers and regulating bodies to design suitable micro-finance services in the hills.

I am thankful to the study team, consisting of Namrata Sharma, Navraj Simkhada and Roshan Shrestha, for successfully carrying out this study. The tireless efforts made by the team to ensure that information is collected properly, even during a period when the travel was unsafe, is praiseworthy. Similarly, the team worked hard to ensure that the feedback of the practitioners and promoters in this field is incorporated. I would also like to thank Prahlad Mali, Deputy Chief Executive Officer of CMF, for helping in finalizing this report. Last but not the least, I am grateful to the Ford Foundation and the Institute of Development Studies (IDS), Sussex University, for providing financial and technical support for accomplishing this study.

**Shalik Ram Sharma**  
Chief Executive Officer

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**Namrata Sharma**, Team Leader  
**Navraj Simkhada**, Coordinator  
**Roshan Shrestha**, Senior Programme Officer

## List of Abbreviations and Acronyms

ADB/N	Agricultural Development Bank of Nepal
AGM	Annual General Meeting
BISCOL	Bindhasvasini Savings Fund Co-operative Society Limited
BoD	Board of Directors
BWMCL	Barahi Women Multipurpose Co-operative Limited
CBO	Community Based Organization
CBS	Central Bureau of Statistics
CMF	Centre for Micro-Finance (Pvt) Limited
DoC	Department of Cooperative
FGD	Focus Group Discussion
FSTA	Financial Sector Trend Analysis
GB	Grameen Bank
GO	Governmental Organization
GTZ	German Technical Cooperation
HMG/N	His Majesty's Government of Nepal
IDS	Institute of Development Studies
INGO	International Non-Governmental Organization
JSACCOS	Janasachetan Savings & Credit Co-operative Society
MDG	Millennium Development Goal
MF	Micro-Finance
MFI(s)	Micro-Finance Institution(s)
MFO(s)	Micro-Finance Organization(s)
NEFSCUN	Nepal Federation of Savings & Credit Cooperative Unions Ltd
NGO	Non-Governmental Organization
NIS	Newly Independent States
NRB	Nepal Rastra Bank
PRA	Participatory Rural Appraisal
RMDC	Rural Micro-Finance Development Centre
SACCOS	Savings & Credit Cooperative Society
SA/CRED	National Savings & Credit Development
SCG	Savings & Credit Group
SCO	Savings & Credit Organization
SFCL	Small Farmer Co-operative Ltd
SIESC	Seasonality of Income, Expenditure, Savings & Credit
SLC	School Leaving Certificate
TA	Technical Assistance
VDC	Village Development Committee

# Executive Summary

## Introduction and Methodology

Centre for Micro-Finance Pvt Ltd (CMF) has carried out an extensive impact assessment of four savings and credit cooperative societies (SACCOSs) operating in some hill districts of Nepal. The overall objective of this impact assessment was to prove that hill-based SACCOSs had generated socio-economic impact on their members and improved their ability to provide their members with the services they needed and wanted.

CMF developed and adapted various quantitative and qualitative impact assessment tools for carrying out this study. These included institutional audit, village profile, structured questionnaire, Participatory Rural Appraisal (PRA) tools, case studies and observation method. A total of 600 respondents, which included 400 cooperative members (10 per cent of the total members) and 200 non-members, were selected from different clusters of four SACCOSs.

## Findings

### ***Beneficiaries of SACCOSs***

The programme-promoted SACCOSs had wider reach compared to the self-promoted ones as they had poverty alleviation as their objective, whereas the latter had no such objective.

### ***Loan Utilization***

Loans were mostly taken for productive purposes, social activities, purchasing and repairing assets, and for repaying previous loans. In particular, women borrowers mostly took loans for social activities and for repaying previous loans. In most cases, loans were used for the stated purpose; in some cases, however, loans taken for one purpose were diverted to other purposes. Women members often did this to spend money on the most needy aspects of the household.

### ***Sources of Loan***

Members approached other financial service providers if the loan products offered by their SACCOSs did not meet their financial needs. Such financial service providers included banks, other cooperatives, savings groups, moneylenders, friends, neighbours

and relatives. Non-member households were more dependent on moneylenders than member households were. Due to the loan services provided by the cooperatives, member households were less likely to approach other sources of loan than non-member households were.

### ***Repayment Problem***

There were a few repayment problems. Most of the borrowers who had problem in repaying their last loans had invested them in non-profitable activities. Those members who had repayment problem had taken loans from other financial sources. This suggests that, in such cases, they had used the loans to repay the loans taken from their cooperatives or had used the loans taken from their SACCOSs to pay the loans taken from other sources.

### ***Diversification, Profitability and Profit Use***

Those members that had taken their last loans for a number of different purposes usually had made profit out of them. Higher profit was generated when members used higher amount of last loan in diversified income-generating activities. In addition, the larger the size of the last loan taken and the number of skill development training inputs received, the higher was the profit.

The most important use of profit was seen as ploughing it back into the enterprise. Other uses included purchasing food and other household stuffs, which was the best thing they could do with their profits.

### ***Increase in Income***

The incomes of cooperative members noted higher increases since they joined the cooperatives as compared to non-member households. This fact was supported by evidences of higher increases in the assets of member households compared to non-member households.

### ***Expenditure Pattern***

The per capita expenditure on food consumption of member households was higher than that of non-member households. This suggests higher income of member households compared to non-member households.

Health expenditures of member households were lower than those of non-member households. One possible reason for this is that the member households were more aware of preventive health than non-members were due to the intervention by SACCOSs. This indicates that the cooperatives have contributed substantially to making their members more aware of their own as well as their family members' health.

Expenditures of member households on purchasing of assets such as land, gold jewellery, house, vehicles, etc were higher than those of non-member households. This indicates greater increase in the incomes of member households than those of non-member households.

Similarly, expenditure of member households on their children's education was more than that of non-member households. This shows that members gave more priority to their children's education than non-member households did. This may be mainly because of two reasons: first, now they had the money to do so, and, second, the attitude of member households towards the schooling of their children had seen a positive change compared to non-member households.

### ***Well-being Status***

Member households consumed nutrient food items such as meat, milk, egg, fruits, etc more frequently than non-member households did. Similarly, the diet of most of the member households had improved.

It is assumed that children are not sent to school because of poverty, lack of awareness of importance of education and engagement of children in household chores. The proportion of teenage children attending school was higher for member households as compared to non-member households. Interestingly, however, among non-member households, more female than male children were sent to school, whereas the reverse was the situation in the case of member households.

Member households were more likely to have *pukka* (cemented with tin roof) latrines than non-member households.

### ***Empowerment***

Women's involvement in decision-making in different matters, including household decisions, was taken as a proxy indicator of their empowerment. Involvement of women members in decision-making in various matters, such as opting for family planning, buying and selling assets, participating in community development, participating in community meetings, voting, taking loans, using loans and profits, was higher than that of non-member women. In addition, women members were more informed about human rights and women's rights than non-members were. Their involvement in various exposure programmes and community development activities of cooperatives had made their mobility much higher than that of non-members. This had helped women members to increase their knowledge of different issues, which, in turn, had contributed to their empowerment.

### ***Wider Impact***

The micro-finance and other services provided by the SACCOSs had generated impact not only on the livelihood of members at individual and household levels, but also on the community. The impact was in terms of decrease in interest rates, principally those charged by moneylenders, within the community; availability of better financial services in the hills; establishment and expansion of markets in the community; and build-up of social capital.

## **Contribution towards the Millennium Development Goals (MDGs)**

The financial services provided by the SACCOSs had contributed to increasing the incomes of the people in the hills. Similarly, capacity-building activities such as technical services, training, etc provided by SACCOSs for their members had contributed to creating self-employment opportunities and increasing their incomes. In addition, their activities had contributed to women's empowerment, educational status, health and sanitation situation, and asset accumulation of the client base, thus improving the well-being of the people living in geographically difficult areas. These, in turn, had contributed to the government's poverty alleviation efforts. In addition, the involvement of SACCOSs in community development activities had contributed to the development efforts of the country as well as to addressing the development issues of the Millennium Development Goals (MDGs).

## **Policy Implications**

### **Socio-economic Impact**

The SACCOSs model was effective in providing financial and social services for the community people living in the hills. This model has, therefore, a role to play in poverty reduction and development in remote hill areas.

Therefore, the government programmes and/or I/NGOs should continue to promote the poverty-focused SACCOSs model to improve access of financial services to the poor in the remote hill areas.

### ***Self-promoted versus Programme-promoted Cooperatives***

The self-promoted cooperatives had better financial performance and better performance in book- and record-keeping than the programme-promoted ones had. The programme-promoted cooperatives, on the other hand, were strong in community development and in reaching the poor. The self-promoted cooperatives were strong in financial management because the promoters of these cooperatives were social elites who had experience in the field of micro-finance, banking and cooperatives. On the other hand, the programme-promoted cooperatives were strong in the areas of community development and targeting the poor because of the mandatory provision of their promoters. Again, the self-promoted cooperatives had better outreach in terms of membership size and were providing a greater variety of savings and credit products to their members in comparison to the programme-promoted ones. Looking at conditions such as geographical remoteness, low level of cooperative education, high illiteracy, lack of financial management skills in remote hilly areas, the self-promoted SACCOSs model, without any capacity building and technical assistance package, may not be widely replicable.

Therefore, the government and non-government programmes should promote SACCOSs in rural hilly areas, along with capacity building and technical assistance package, for the first few years so that they can serve the poor people as sustainable micro-finance institutions (MFIs).

■ The donor agencies should focus their support on promoting international best practices adapted to the national context.

### ***Improvement in SACCOS Services***

Many SACCOS members were found seeking different sources of loan, which implies that the existing financial services provided by SACCOSs were not sufficient to cater to the needs of their members.

■ Therefore, SACCOSs should diversify their financial products as per the needs of members, for which they should conduct market research.

Although the sample SACCOSs intended to provide diversified loan services, they could not do so for insufficient capital base.

■ Therefore, they should raise the required capital either internally or by accessing funds from external lending agencies.

The programme-promoted SACCOSs had more focus on social intervention than the self-promoted ones.

■ Therefore, the self-promoted SACCOSs should initiate social intermediation programmes such as literacy, health awareness campaign, skill development training and community development activities to motivate as many community people as possible. It is not possible to meet such expenses from their own funds. They should explore additional resources from NGOs and donor agencies for the initiation of social intermediation programmes.

■ The GOs and/or I/NGOs operating in such areas should develop a forum that facilitates information exchange mechanism for SACCOSs at local level.

### ***Targeting the Poor***

Although SACCOSs, especially the self-promoted ones, had relatively great outreach, they had problems in reaching the ultra poor in their working areas. Their membership being voluntary, those who were aware and literate joined the programme and the poor were left behind. They had no special programme that emphasized motivating the poor to join them. Similarly, the existing products and services were not affordable for the poor community people.

■ Therefore, SACCOSs should address these problems by developing strategies that would motivate the poor people to join them.

■ SACCOSs should receive training and technical assistance either from their own resources or through support of their promoters to increase their institutional capacity.

### ***Wider Impact***

The activities of SACCOSs were found effective in generating wider impact in their areas of operation in addition to the general impact on the livelihood of members at individual

and household levels. Enhancing institutional capacity of hill-based SACCOSs would increase their scope for generating wider impact. Furthermore, promotion and strengthening of SACCOSs in remote hilly areas of the country would not only contribute to have wider impact but also to achieve the MDGs.

Therefore, the government should design and implement policies that focus on the promotion and strengthening of SACCOSs in rural hilly areas.

### ***SACCOSs as an Appropriate Micro-finance and Development Model in the Hills***

SACCOSs are owned and managed by the members themselves. The development and poverty reduction programmes implemented through SACCOSs had produced relatively high impact at low cost. Programme beneficiaries themselves being involved in planning, designing, implementing and monitoring of activities, the feeling of ownership was relatively high.

There is a common tendency among GOs and I/NGOs to seek and/or create new NGOs to deliver non-financial services in their areas of operation. Creating additional institutional set-up for such services would certainly be expensive. It would save the institutional set-up costs, including the costs of recruiting core staff, if the existing SACCOSs were used. Simply equipping SACCOSs with technical staff would ensure successful implementation of the project.

In SACCOSs, subcommittees are formed by board of directors (BoD) to perform additional assigned activities, if required. A subcommittee usually consists of three members, including two from the BoD of the SACCOS concerned and one representing the user group concerned with that particular project.

Therefore, the GO and/or I/NGO should use SACCOSs as their partners in implementing their poverty reduction and development programmes in the country. Furthermore, SACCOSs should maintain separate accounts for such interventions from financial service delivery programmes. The surplus generated from such development programmes should not be distributed amongst members but should be used for expanding the business or set aside as reserve funds.

# 1. Background

The main aim of any micro-finance programme is to reduce poverty. In the past, the effectiveness of a micro-finance programme was assessed solely in terms of the profitability and quality of portfolio of the micro-finance institution implementing it. However, this did not tell us whether or not the services micro-finance institutions provided for their clients helped alleviate their poverty and improve their well-being. Why should we solely rely on these financial performance measures if they do not tell us whether or not we are achieving our mission! Therefore, a good impact assessment should answer the following questions:

- ❑ Have the economic and social conditions of the clients of the micro-finance institution improved following the intervention?
- ❑ Is the target population being reached?
- ❑ Are there any untapped opportunities in the field where we operate?
- ❑ What are the obstacles to our clients' development?
- ❑ In the light of an impact assessment, do we need to change our strategy and objectives?

To find answer to questions such as those listed above, the Centre for Micro-finance Pvt Ltd (CMF), carried out an action research on impact assessment of four savings and credit cooperative societies (SACCOSs). SACCOSs are community-based financial organizations that are owned and controlled by their members, operate primarily on the funds generated through members' savings, and have savings and credit supply as their main activity. The four SACCOSs that were the subject of action research are: Bindhavasini Savings Fund Cooperative Society Ltd (BISCOL), Janasachetan Savings & Credit Cooperative Ltd (JSACCOS), Small Farmer Cooperative Ltd (SFCL) and Barahi Women's Multipurpose Cooperative Ltd (BWMCL). All these cooperatives are located in the hilly districts of Nepal. The action research was carried out from 1 April 2001 to 31 March 2004.

The action research conducted on the four SACCOSs mentioned above was part of a global research on impact assessment of micro-finance services being implemented by a consortium of three universities in the United Kingdom and thirty-one micro-finance organizations (MFOs) in twenty countries all over the world. The project is called Improving the Impact of Microfinance on Poverty (*Imp-Act*). The three UK universities are Sussex, Sheffield and Bath. Institute of Development Studies (IDS), Sussex University, is the secretariat of the project. The participating MFOs are grouped into five regional groups,

viz Latin America; East and South Africa; West Africa; Asia; and Central and Eastern Europe and the Newly Independent States (NIS). The CMF was the regional coordinator of the Asia region at that time. The project was funded by the Ford Foundation.

Among the four SACCOSs, **BISCOL** is located in Kavre district. BISCOL operates in four wards of two municipalities and sixteen village development committees (VDCs). Most of its working areas are situated 25 to 40 kilometres (km) east of Kathmandu, and are connected by tarmac and gravelled roads. The total population of the operating area of BISCOL is about 65,000 (source: Village Profile). The major caste and ethnic groups are Brahmin, Newar, Tamang and some so-called low castes. Agriculture is the major source of income. Paddy, maize, millet and wheat are the principal cereal crops, whereas potato and vegetables are the principal cash crops grown in the area. Livestock for milk production is another major income source. The Newar ethnic group is mainly involved in trade, transport and hotel businesses. Compared to other hilly districts, people living in this area have plenty of economic opportunities because of its proximity with Kathmandu, the capital of the country.

**JSACCOS** is located in Kavre VDC of Dolakha district, which is situated 165 km north-east of Kathmandu. Dolakha is one of the relatively remote hilly districts of Nepal. Although the Lamasangu-Jiri road touches two of the three VDC areas where JSACCOS operates, most of the working clusters of JSACCOS are not connected by road. The total population of the working areas of this cooperative is 15,520 (source: Village Profile). The major caste and ethnic groups are Brahmin, Sherpa, Tamang and some so-called low castes. Agriculture is the major income source in the area. Paddy, maize, millet, wheat and barley are the principal cereal crops, whereas potato, ginger and garlic are the principal cash crops. People living in the working areas of JSACCOS have fewer economic opportunities compared to those of BISCOL.

**SFCL**, promoted by the Agricultural Development Bank of Nepal (ADB/N) under its Small Farmer Development Programme (SFDP), is situated in Nawami village, ward no. 3 of Jeetpur VDC, Ilam district. Ilam district is nearly 700 km east of Kathmandu and adjoins Darjeeling of India. From the district headquarters one has to walk for six hours to reach Nawami village. The village is linked by a narrow muddy road, which is used only in the winter to transport agricultural produce. About 5,000 people live in this VDC (source: Village Profile). The major caste and ethnic groups are Brahmin, Chhettri, Newar and Limbu, most of whom are small farmers or petty traders. Agriculture is the major income source. Paddy, maize, millet, wheat and barley are the major cereal crops, whereas potato, oilseed, tea, cardamom and ginger are the principal cash crops. Jeetpur VDC has suitable land for tea and ginger production. These two produce are the major income sources for the inhabitants of this VDC.

**BWMCL** is located in Jamune VDC of Tanahu district. It lies about 175 km west of Kathmandu. The VDC is linked by the national highway. One has to walk for about three hours from the highway to reach some of the working areas of this cooperative. The total population of this VDC is 5,958 (source: Village Profile). The major caste

groups are Brahmin, Chhettri and some so-called low castes. They are mostly small farmers. Agriculture is the major occupation. Paddy, maize, millet and wheat are the principal cereal crops, whereas potato and vegetables are the principal cash crops. Milk production through livestock is another source of income for the people of this VDC.

### **Rationale for Selecting SACCOSs for Impact Assessment**

Fifty-two per cent of Nepal's population lives in the hills<sup>1</sup>. Because of limited infrastructure and difficult terrain, livelihoods are difficult to maintain, and, as a result, most people are extremely poor. Without appropriate economic interventions, this situation is not likely to improve in the near future.

Most of the hilly region does not have roads and other infrastructure that usually exist in the tarai (the agriculturally productive lowlands in the south of the country). Areas near road-heads have a comparative advantage over those farther away. Access to formal financial services is limited, and in most areas people have to walk for a day or two to reach the nearest bank.

It is generally accepted that financial services are useful tools in poverty reduction. The Grameen Bank model can address poverty issues efficiently, but this model is too costly for replication in the hills. In sparsely populated areas, the scale of operation is severely limited. Without optimal scale of operation, the Grameen Bank model cannot achieve financial sustainability. In contrast, SACCOSs have proven to be an effective model for providing financial services in the hills and sparsely populated areas despite their small outreach and number.

In spite of limited market infrastructure, all hilly areas have economic activities of varying magnitude. For centuries people have accessed financial services offered by private moneylenders as well as by traditional revolving fund schemes.

A large number of savings and credit schemes have emerged in hilly areas since the early 1990s. Out of approximately 25,000 savings and credit organizations (SCOs) operating in Nepal<sup>2</sup>, 2,375 are registered as SACCOSs. Some of them are promoted by government programmes or national or international non-governmental organizations (NGOs/INGOs), whereas others have been formed on their own initiative. The latter type of cooperatives is mostly managed by the community or user groups, and members' savings are their sole source of capital. Those promoted by external organizations tend to rely on matching or revolving funds or loans. Although a number of such schemes are running satisfactorily, they are not equipped with the required expertise and capabilities to scale up their operations and meet all their members' needs.

In 1997, the National Savings & Credit Development (SA/CRED) project, which laid the foundation of the CMF, conducted a best practice study of twenty-five SACCOSs

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<sup>1</sup> CBS. 2001. *Statistical Year Book of Nepal*. Kathmandu: Central Bureau of Statistics.

<sup>2</sup> CMF. 2003. *Directory of Micro-Finance Institutions in Nepal*. Kathmandu: Centre for Micro-Finance.

operating in both the tarai and hills. The findings of the study affirm that community-based SACCOSs are viable and potentially important players in the micro-finance sector in Nepal. Furthermore, compared to other highly subsidized credit programmes and institutions, the SACCOSs model is a cost-effective approach to providing financial services for those segments of the population that had little or no access to other formal financial institutions.

On the basis of these findings, the CMF conducted an extensive impact assessment of four SACCOSs operating in some hilly districts of Nepal. The information collected by the study will be used to help SACCOSs improve and expand their operations.

### **Objectives of Impact Assessment**

The overall objective of this impact assessment was to assess whether or not the services provided by SACCOSs had helped to improve the living conditions of their members, as well as the quality of their services.

The specific objectives of this study were to:

- ❑ understand the impact of the services of SACCOSs on their members;
- ❑ help SACCOSs improve their ability to provide their members with the services they need;
- ❑ identify the best practices for Nepal, communicate to other SACCOSs and develop relevant micro-finance models for the hills of Nepal; and
- ❑ provide feedback to promoters and policymakers.

### **Methodology**

#### **Selection Criteria for SACCOSs**

For the impact study, one SACCOS from each of the four hilly districts of Nepal was identified as a sample organization. On the basis of their suitability to represent the broadest range of SACCOSs operating in the hilly districts, the SACCOSs were carefully selected according to the following criteria:

- ❑ representing different existing models of SACCOSs in Nepal
- ❑ operating for at least five years
- ❑ having more than 100 members
- ❑ serving the poorest communities
- ❑ relatively accessible
- ❑ targeting either only women or mixed membership, and
- ❑ representing different hilly areas.

**Table 1. Comparative Information on *Imp-Act* Partner SACCOSs**

<b>Name, District and Year Founded of SACCOS</b>	<b>No. of Members at the Time of Selection (July 2001)</b>	<b>No. of Members at Present (July 2003)</b>	<b>Brief Description</b>	<b>Relative Degree of Economic Opportunities/ Remoteness</b>	<b>Non-financial Services</b>
BISCOL Kavre 1993	1 800	2 600	Mixed membership, self-promoted, near Kathmandu valley	High degree of economic opportunities. Most of the working areas are near Banepa and Kathmandu	Membership training, livestock raising and agriculture training occasionally in coordination with line agencies
JSACCOS Dolakha 1993	1 824	2 421	Mixed membership, self-promoted, central hill district	Medium degree economic opportunities. Most of the working areas are far from the district headquarters and not linked by road	Ambulance service, scholarship for members, campaign against social evils, etc
SFCL Ilam 1998	278	477	Male-dominated, promoted by ADB/N, eastern hill district	Medium degree economic opportunities. Six hours' walking distance from district headquarters	Agriculture and livestock training, literacy and health awareness campaign
BWMCL Tanahu 1996	287	484	All women, promoted by PCRW, western hill district	Medium degree of economic opportunities. Only few working clusters are near the national highway	Literacy, drinking water, reproductive health, nutrition, forestation, etc

Four SACCOSs were selected based on the above criteria. The selected SACCOSs provided different financial and non-financial services. Information on their services, working areas, membership and other details are provided in Table 1.

## **Research Tools**

To gather information for the study, the CMF carried out research using both qualitative and quantitative methods. For this, it developed, adapted and applied the following impact assessment tools:

- ❑ Institutional audit
- ❑ Pre-coded structured questionnaire
- ❑ PRA
  - ◆ Well-being ranking
  - ◆ Focus group discussions (FGDs)
  - ◆ Financial sector trend analysis
  - ◆ Gender-disaggregated seasonal calendar on income, expenses, savings and credit
- ❑ Case studies

In addition, information was collected from village profiles and observation visit reports. These impact assessment tools and other sources of information are briefly explained below:

### **a) Institutional audit tool**

The institutional audit tool was employed to assess the status of the cooperative in respect of the following seven functional areas:

*Membership base:* It provided information on the distribution of membership, gender-disaggregated members' size, growth rate of membership, drop-out rate of members and whether the cooperative encompassed target people or not.

*Governance and structure:* It provided information on the availability of necessary policies, implementation status of the activities of the SACCOSs in accordance with their policies, structures, decision-making processes, and usual agenda and frequency of general assembly meetings. Similarly, it threw light on the process of formation of executive committee and subcommittees, awareness and sensitivity of members of executive committee and subcommittees in relation to their roles and responsibilities, transparency of decisions made and existence of a system of reviewing the decisions made. In addition, it examined the availability of allowance provision, scenario of women's participation in the general assembly meeting, ratio of women's representation on the executive committee and gender sensitivity in staff structure.

*Future vision:* It provided information on the availability of vision, mission, goals and objectives of the SACCOSs, availability of annual action plan, financial plan and long-term plan of the SACCOSs, process of reviewing the progress and plan, and availability of projected balance sheet and income/expenditure statement.

*Service to members:* It provided information on the office facilities available for the day-to-day operation of administrative activities, diversity of savings and loan products available as per members' needs, availability of effective service delivery mechanism, and access of women, lower caste and ethnic groups to available services.

*Bookkeeping and accounts:* It provided information on the recording system of day-to-day transactions of the SACCOSs, practice of preparation of trial balance and financial statements, the process followed in the accounting of expenses, practice of verification of individual passbooks and ledger, monitoring of delinquent loans, auditing practice and practice of sharing and discussing audit reports at executive committee and general assembly meetings.

*Financial health:* It provided information on the status of share capital, savings, investments, including loan investments, repayment rate, loan yield rate, delinquency rate, profit and loss status, and provisions against delinquent loans.

*Equal access and community involvement:* It provided information on the members' knowledge of cooperative principles, reflection of special needs of women, lower caste and ethnic groups in by-laws and policies, status of reaching the poor and deprived sections of society, allocation of some parts of surplus to community development activities, running the programme through the support of long-term funding sources such as governmental agencies and linkages with different governmental organizations (GOs), NGOs, financial institutions and networks.

The institutional audit tool assisted the research team in assessing the status of partner cooperatives in the seven functional areas mentioned above over the years, apart from helping the team in accordingly developing training and technical assistance plans for the partner SACCOSs. The training and technical assistance provided by the project made the partner SACCOSs aware of their status and provided them with opportunities to improve their outreach and financial health.

#### **b) Pre-coded structured questionnaire**

The pre-coded structured questionnaire was adapted from the Assessing Impact of Micro-enterprise Services (AIMS) tools. The questionnaire consisted of the socio-economic information on the respondents, loan use strategy of members, access to and use of financial services, well-being and empowerment status of the member and non-member households.

#### **c) Participatory rural appraisal (PRA)**

The PRA tools were adapted from the MicroSave Africa (MSA) toolkits. Qualitative impact indicators such as change in the demand for and popularity of financial services

of the SACCOSs in relation to other financial service providers over the years, gender-disaggregated information on the access to and control over income, expenses, savings and credit in the member and non-member households, information on awareness of human rights, child nutrition, and participation in election and decision making. The tools also provided information on the reasons behind non-member households not joining cooperatives. Moreover, these tools also helped in disaggregating data on the community people by their socio-economic status.

#### **d) Case study**

The case study helped in identifying and describing with reasons the cases of success and failure of the members.

In addition, village profiles contributed to understanding the relative degree of economic opportunities and remoteness of the working areas of the four partner SACCOSs. The profiles covered a number of villages and wards covered by each SACCOS for programme implementation within the area of a VDC, numbers of member and non-member households, household size, number of children--boys and girls, occupations of household members, total number of members of the cooperative, numbers of water taps, schools, temples, markets, roads, health posts, post offices, households with access to electricity, GOs and NGOs operating in the village, numbers of boys and girls going to school, literate and illiterate people by sex, people with higher education (SLC and above), prevalence of natural resources, cultivated land with major crops and size of livestock in each household.

The research team also collected information through observation and informal conversations during field visits.

### **Training in Research Tools**

To involve the SACCOSs in the impact assessment process even beyond the project period and create a feeling of ownership among them, the board members and staff of SACCOSs were involved in the research. For this two sets of orientation were imparted to them.

#### **■ Orientation for CMF staff**

The team leader, coordinator and programme officers from the CMF were trained in research methodology and analysis both in-house and by a team from the IDS.

#### **■ Orientation/training for board members and staff of cooperatives**

To effectively carry out the study, the CMF trained four board members and four staff--two from each sample SACCOS--in using the research tools mentioned above. The training consisted of two-day classroom course sessions and two-day field exercises. After six months, those board members and staff were given day-long classroom refresher training and three-day field exercises on research tools. The CMF deployed local enumerators who had sound knowledge of local social dynamics and economy. To control any possible bias, the CMF staff regularly monitored data enumeration.

## Sample Design

The following four steps were followed in the sampling process:

- Step 1.** Four SACCOS--two self-promoted and two programme-promoted ones--representing the existing cooperative models were purposively selected, which fulfilled the criteria for the selection of SACCOSs.
- Step 2.** The working areas of the sample SACCOSs were divided into different clusters at ward level. Purposive sampling was employed in the selection of clusters.
- Step 3.** A well-being ranking exercise was conducted to categorize households into different economic strata. Altogether 540 member and 270 non-member households were selected for this purpose through the Probability Proportional to Size (PPS) sampling method.
- Step 4.** Four hundred member and 200 non-member households were selected from among the households identified in Step 3 through the simple random sampling method for the administration of the pre-coded structured questionnaire. The distribution of sample respondents by well-being status is presented in Table 2.

Qualitative data from the respondents that were selected randomly from the clusters identified above were collected through PRA methods.

**Table 2. Distribution of Sample Respondents by Well-being Status**

<b>SACCOS</b>	<b>Status</b>	<b>Well off</b>	<b>Poor</b>	<b>Total Respondents</b>
SFCL	Members	16	59	75
	Non-members	10	40	50
	<i>Total</i>	26	99	125
BWMCL	Members	28	47	75
	Non-members	21	29	50
	<i>Total</i>	49	76	125
JSACCOS	Members	62	63	125
	Non-members	7	43	50
	<i>Total</i>	69	106	175
BISCOL	Members	57	68	125
	Non-members	18	32	50
	<i>Total</i>	75	100	175
<b>Grand Total</b>		<b>219</b>	<b>381</b>	<b>600</b>

## Research Process

A systematic research process was followed to understand both partner SACCOSs and their operating areas. Since the objective of this study was to prove, and improve, the impact of the activities of the partner SACCOSs on their members in particular and community people in general, the following steps were adopted to gather relevant information.

### Step 1. Institutional Audit

The objective of the institutional audit was to assess the strengths and weaknesses of each SACCOS and then develop a strategic plan for its institutional strengthening. It was done through FGDs with board members, general members and staff of the SACCOS. The information so collected was used to improve the quality of service and institutional efficiency of the SACCOS. The information received was taken as baseline data, which was then compared with the data collected later to assess the SACCOS's institutional progress.

### Step 2. Development of Village Profiles

The field staff of the CMF, together with the representatives of cooperatives, developed village profiles of the working areas of the SACCOSs. The CMF's impact assessment team provided training and technical assistance (TA) to the field staff in applying this tool. The village profiles captured the socio-economic information on the working areas of the partner SACCOSs.

The village profiles provided a basis for undertaking a well-being ranking. In addition, it also helped in crosschecking some of the information obtained through institutional auditing.

### Step 3. Selection of Clusters

After obtaining the information described in Steps 1 and 2, the working areas of the cooperatives were divided into different ward-level clusters. Purposive sampling was then done to select clusters. The selected clusters met the following pre-determined conditions:

- ❑ Consist of both members (at least three years in the SACCOS) and non-members as a control group.
- ❑ Represent different geographical locations, caste, ethnicity and economic backgrounds.

### Step 4. Well-being Ranking

After completing Step 3, a well-being ranking was done in the selected clusters to categorize households into different socio-economic strata, identified by the community itself (see Annex 6 for the method of doing a well-being ranking exercise). Altogether 540 member and 270 non-member households were selected through the PPS sampling method for this exercise. This PRA tool also provided information on whether the cooperative was

**Table 3. Sample Respondents**

Name of SACCOS	Number of Interviewees		
	Members	Non-members	Total
BISCOL	125	50	175
JSACCOS	125	50	175
SFCL	75	50	125
BWMCL	75	50	125
<b>Total</b>	<b>400</b>	<b>200</b>	<b>600</b>

able to encompass its target people or not. In addition, the well-being ranking helped to obtain samples from each stratum for the administration of the questionnaire.

### Step 5. Selection of Sample Respondents

After Step 4, a total of 600 respondents were selected from the SACCOS: 400 cooperative member and 200 non-member households. The respondents were selected from each economic stratum through simple random sampling method. Each control group consisted of 50 non-member households. The details are provided in Table 3.

To determine the causality of cooperative's services, non-members were interviewed and the changes in the lives of member and non-member households were compared. To do this, clusters were selected where the numbers of member and non-member households of comparable socio-economic conditions were sufficient.

### Step 6: Collection and Analysis of Data

Information was collected through the administration of questionnaires and PRA exercises, and subsequently triangulated. First, a pre-coded structured questionnaire was developed, pre-tested and finalized. Then, it was administered on the 600 households selected in Step 5. The data obtained through the questionnaires were edited in the field and entered into a database.

A series of FGDs and financial sector trend analysis were conducted separately with both board and general members of SACCOS and non-member households. Finally, two seasonality analyses of income, expenses and savings and credit were separately conducted with member and non-member households.

In addition, the case study helped in identifying the cases of success and failure of the members and the reasons behind each case. Information was also collected through observation and informal conversations during field visits.

Other sources of information were the SACCOS' records and secondary sources, which included:

- ❑ Financial and portfolio reports
- ❑ MIS reports
- ❑ Progress reports
- ❑ Literature on micro-finance

## **Limitations**

1. The non-members taken as a control group were also found to be members of other cooperatives and/or I/NGO-promoted micro-finance programmes. It was difficult to find those non-members who were not members of other SACCOSs or I/NGO-promoted micro-finance programmes. Due to security reasons, the team could not go to remote areas where there was a high possibility of finding such non-members. However, the study team assumed the non-member households of studied SACCOSs as a control group for this study.
2. The findings based on the four sample SACCOSs may not represent the status of all SACCOSs operating in Nepal.
3. Recall and comparison method was employed to measure the impact.

## 2. Introduction of SACCOS Model

### Working Modalities of SACCOSs

SACCOSs are community-based and self-controlled (ie controlled by members) and self-managed (managed by members themselves) micro-finance institutions (MFIs). People living in the same community start with the formation of peer groups and regularly mobilize small amounts of savings they can afford. There are some fairly standard phases of development that most SACCOSs pass through. However, it is not necessary that all SACCOSs pass through these phases. Some groups start at the bottom of the ladder and stay there, that is, remain dormant. Others start halfway along the ladder and then move up. Occasionally, some SACCOSs move up the ladder by skipping steps. It generally takes three to five years for a SACCOS to mature. The sustainability of a SACCOS also depends on how systematically it has been built. The three main phases of development of SACCOSs are as follows:

#### **Phase 1. Savings & Credit Group (SCG)**

In the first phase, a few like-minded people gather and discuss the possibility of improving their economic status. After one or two meetings they decide to form a group and contribute equal amount of savings (eg twenty rupees a month) at a fixed time interval. These savings are usually deposited in a group account or a cash box. The collected money is lent out and is not normally withdrawn. Interest is charged on loans but is not usually paid on savings. All the savings collected and interest earned on loans are put in the same pot and equally owned by all members. If some members leave their groups (usually in case of migration and death), s/he can get her/his collected savings plus the interest earned. Non-members willing to join an existing mature group need to deposit an equal amount of savings as the old members if s/he wants to join the group. The amount is calculated on the basis of the savings collected and the interest earned by the individual member at that time. Depending on the maturity of the groups, there may, therefore, be a possibility of the need to pay a large amount of money for becoming a member. Therefore, very few people join an already existing mature group. They prefer to form new groups instead.

The group elects an executive committee to manage its day-to-day work. The executive committee members assume almost all responsibilities and carry out most of the work on voluntary basis. The chairperson takes charge of all primary group activities; the secretary arranges meetings and keeps record of minutes; and the treasurer maintains accounts and other records. General rules are set up but may be changed according to the situation. Group meetings are held at appropriate time and venue, and decisions are

made unanimously at such meetings. At this stage, most SCGs have 15 to 40 members and funds of Rs10-50 thousand.

### **Phase 2. Savings & Credit Organization (SCO)**

At this stage, the membership starts growing in two ways. First, the already existing SCG in nearby areas enter the process of amalgamation and form larger savings and credit organizations (SCOs). Second, the SCG allows other interested people to join the group by allowing them to deposit only the monthly savings they can afford, rather than depositing the amount that is equal to the accumulated amount of old members. This way increase in membership takes place within the group itself.

The SCO then starts to formalize its operations. Some decision-making responsibilities, for example disbursing loans, are decentralized to subcommittees or individuals. It is mandatory for the SCO to formulate written policies and procedures to guide its operations. There may be different savings and loan products (eg voluntary savings, emergency loans, etc). Members may transact financial activities at different times and not only at monthly meetings.

During the second phase, executive committee members cannot perform all the responsibilities on voluntary basis. At this stage, the membership and variety of transactions increase and consequently record-keeping becomes increasingly complex. Most SCOs start employing trained bookkeepers—mostly on part-time basis—and maintain written policies and rules. Usually the membership increases to more than 100 and the fund to more than Rs100,000. To manage the salary of their bookkeepers, SCOs expand their outreach and increase the amount of regular savings. At this stage, most SCOs are ready to register or are in the process of registering with the Department of Cooperatives (DoC) to become legal entities and thereafter are termed as SACCOSs.

It usually takes one to two years to move from Phase 1 to Phase 3, that is, during one to two years' period an SCG change into an SCO.

### **Phase 3. Savings & Credit Cooperative Society (SACCOS)**

During this phase, after registering with the DoC, the SCO gets the legal status of a SACCOS, having its own constitution (by-laws) and policies. The SACCOS builds its capital by selling shares to its members. Usually, it operates from its own building, or a rented office, with a full-time accountant or manager. The cooperative is now legally obliged to undergo an external audit each year and submit regular financial reports to DoC. After registration, the SACCOS has the option of becoming a member of the Nepal Federation of Savings & Credit Cooperative Unions Ltd (NEFSCUN). In such a case, it also has to send its audit report to NEFSCUN. The legal identity and better management help the SACCOS to expand its membership, diversify various savings and loan products and also provide other social services. The legal entity also enables it to access external loans from banks and other financial institutions to fulfil the financial needs of members. During this phase, most SACCOSs become financially sustainable provided they follow the best practices of financial service delivery mechanism in their areas.

During this phase, a substantial number of SACCOSs raise their membership to a range of 150 to 500, and increase their capital base by diversifying the source of fund from only savings to savings, shares, retained earnings, external loans and grants to a range of Rs.300,000 to Rs1,000,000.

Usually, it takes one to two years to move from Phase 2 to Phase 3, that is within a year or two, an SCO changes into a SACCOS. During this phase, those SACCOSs that have not yet developed necessary technical skills and lack managerial capacity may disintegrate. Also, as the business grows, the chances for corruption and/or abuse of authority also increase, and if necessary control measures are not in place, the SACCOS may face severe corruption and delinquency problem. Each of the four studied SACCOS was in Phase 3.

As mentioned earlier, it is not necessary that all groups start at the exact phase mentioned above or go through each of these phases. The development of groups and increasing of their capacity depend on a lot of things such as the availability of potential members, capacity of members, clarity of vision among promoters, availability of qualified staff/members, willingness of members to grow and so on.

### **Services offered by SACCOSs**

The various savings and loan products, micro-insurance and social services offered by SACCOSs to their members are discussed in the following sections. SACCOSs usually provide such financial and non-financial services during their third phase.

#### **a. Savings products**

SACCOSs offer a variety of savings products to their members. They start their savings products from compulsory savings, and gradually introduce voluntary and other purposive savings. These savings products are designed to develop thrift among members, generate internal fund for on-lending and make savings available to members in times of emergency.

Savings products are gradually introduced in SACCOSs on trial and error basis. There is also the practice of adopting various products of advanced SACCOSs by moderate SACCOSs. Generally, members cannot withdraw compulsory savings up to an agreed term or till they give up membership. SACCOSs cannot return compulsory savings because these are their main sources of capital and they are also considered collateral against loans. To fulfil members' financial needs, SACCOSs gradually introduce other purposive savings products.

SACCOSs issue passbooks to their members once they start depositing savings. Passbooks are filled and signed by the staff concerned.

#### **b. Loan products**

SACCOSs offer a variety of loan products to their members such as productive, social and emergency loans. The loan products are described in detail in Table 5.

Members are eligible to borrow loans three to six months after acquiring membership. In the case of self-promoted SACCOSs, more than one member from the same family

**Table 4. Savings Products offered by SACCOSs**

<b>Products</b>	<b>Purpose and Product Definition</b>	<b>Interest Rate Range (per annum)</b>
Compulsory savings	Old age provision and loan guarantee for members and regular sources of investment fund for SACCOS. The minimum fixed amount must be deposited each month. These savings can be withdrawn only upon termination of membership.	8-12%
Demand deposit	For emergencies and for lump sum investments. Members can withdraw stated amount mentioned in the policy.	7-10%
Fixed deposit	For depositing surplus income of members and higher returns from the savings. Members can withdraw after termination of a pre-negotiated period and can borrow up to 90% of accumulated amount by paying 2-3% extra interest pa.	9-14%, depending upon the period
Daily savings	Savings services for daily income earners. Must deposit fixed amount thereof per day. Withdrawal after specified period when the amount becomes substantial.	6-10%
Educational savings	To meet future education expenses of children. Must deposit fixed amount per month. Withdrawal when child reaches 16 years.	8-12%
Festival savings	To meet festival expenses. Must deposit fixed amount per month. Withdrawal in specified festivals.	8-10%
Group savings	Designed for groups of poor women, men and occupational castes. Each group must save a specified amount or more.	7-10%

can become a member, but only one can get loan at a time. S/he can acquire another loan only after the repayment of the previous loan, but in emergencies, s/he can avail of emergency loans. In the case of programme-promoted SACCOSs, however, only one member from a family can become a member.

In the case of self-promoted SACCOSs, any member who needs a loan may apply to her/his SACCOS with an application and the required fee. The loan subcommittee reviews the loan applications based on the existing policy and forwards them to BoD, the final body for approving or disapproving loans, with necessary recommendations. Generally, it takes one week to approve or disapprove a loan application. The loan subcommittee is authorized to approve or disapprove loans up to the amount of Rs14,200 (US\$200). The maximum loan size is generally Rs95,850 (US\$1,350), but for successful entrepreneurs loans up to Rs287,550 (US\$4,050) may be provided for investing in small-scale enterprises.

**Table 5. Loan Products offered by SACCOSs**

<b>Loan Products</b>	<b>Purpose</b>	<b>Interest Rate</b>
Agriculture loan - Farm activities - Horticulture, tea cultivation and cultivation of broomstick plant - Livestock and fisheries	Provided for buying seeds, seedlings, fertilizer, implements and livestock. Divided mainly into three categories: short term (6 months), medium term (up to 18 months) and long term (more than 18 months). Short-term loans are generally given for seasonal farm activities, medium-term for livestock and long-term loans for horticulture.	Interest rate ranges from 16 to 20% pa on declining balance method. Interest rates are higher for housing and social loans and lower for agricultural, enterprise and emergency loans. Fines are charged for late repayment.
Micro enterprise and trade - Petty trade - Trading in agricultural produce - Agricultural produce processing and cottage industry	Loans for petty trade and trading in agricultural produce are given for short term, while those for running cottage industries are given for long term. Cottage industries include construction of warehouse and cold storage.	
Housing, latrine and bio-gas	Given for building new houses, improving old houses, constructing latrines and installing biogas. This loan is long term.	
Land purchase	Available only in a few SACCOSs. Given to buy land for building houses and using land for productive purpose. This loan is long term.	
Social loan	This loan is given for social purposes such as for consumptive purpose and for organizing rituals and festivals.	
Emergency loan	Given for emergency purposes, eg during illness of family members, accidents, natural disaster, etc. This loan is provided only for short period (3-6 months)	
Loan against collected savings	Given against fixed deposit, compulsory savings and purposive savings of members.	
Group loan for women and occupational castes	Mainly given on group guarantee for various purposes mentioned earlier.	

In the case of programme-promoted SACCOSs, a member who needs a loan first applies with an application and the required fee at a group meeting. The meeting forwards approved applications to the inter-group with recommendation. The inter-group discusses the loan applications received from groups, and forwards the approved applications to the loan subcommittee with recommendations. The loan subcommittee reviews the loan applications as per the existing policy and forwards them to BoD with necessary recommendation. BoD is the final body for approving or disapproving loans. The maximum loan size is Rs19,170 (US\$270) in the BWMCL and Rs47,925 (US\$675) in the SFCL.

In both types of SACCOSs, loans are paid back in instalments. The frequency of instalments is designed according to the purpose of loan, and ranges from monthly to six monthly. However, in emergencies, borrowers can pay lump sum at the end of the loan period.

#### **c. Insurance products**

Some SACCOSs had introduced simple insurance products for the welfare of their members. These insurance services were not provided through authorised agencies. Among the various insurance products offered in this way, life insurance covered the funeral cost, outstanding loan and transitional<sup>3</sup> costs. Besides this, voluntary and other purposive savings products and subsidized emergency loans also helped members to manage both predictable and unpredictable future risks.

The CMF has started linking formal life insurance through an insurance company to members of micro-finance institutions. BISCOL has been included in this life insurance project. This insurance covers funeral cost, outstanding loan and transitional costs of the family under shock.

#### **d. Social services**

SACCOSs provide a broad range of social services through their own resources or in coordination with development agencies for the benefit of their members. These services can be categorized under the following headings:

(i) *Training in income-generating activities:* SACCOSs have organized, in coordination with different NGOs and district line agencies, mainly with district veterinary office, district agricultural office and cottage industry development committee, training in various income-generating enterprises such as seasonal and off-season vegetable cultivation, livestock (eg pig, goat, poultry, buffalo) raising, horticulture, knitting and weaving.

(ii) *Preventive and curative health services:* These services include implementation of drinking water projects, granting of loans for constructing pakka (permanent) latrines and requiring every member household to have a pit latrine and a kitchen garden. They also provide soft loans for health treatment and emergency purposes. Some SACCOSs have also purchased in coordination with local authorities stretchers and ambulances. The CMF has, along with some partner MFIs, also commenced a partnership linkage programme on HIV/AIDS and micro-finance.

(iii) *Community development activities:* SACCOSs have mobilized their members for improving local infrastructure such as construction of village roads and school buildings, establishment of communication services, expansion of electricity lines, etc.

(iv) *Awareness-raising activities:* SACCOSs have organized adult literacy classes for their members. Besides, they have organized various campaigns and talk programmes on gender equality, girl's education, pre- and postnatal care, etc. In addition, many SACCOSs have organized exposure visit programmes for their members.

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<sup>3</sup> The periodic cost for running household expenses after the death of insured members/clients.

## **Institutional Information on Partner SACCOSs**

The Cooperative Act, which was enacted in 1992, offers SCGs an opportunity to register themselves as formal SACCOSs. Table 6 provides information on the services provided by the studied SACCOSs, their membership size, repayment rate and sustainability status.

As indicated in Table 6, BISCOL and JSACCOS, both of which are self-promoted SACCOSs, had offered more financial services and were able to mobilize more capital. The reason behind this is that the self-promoted SACCOSs are initiated by ex-bankers, teachers, business people and community leaders. The community people trust them more and their promoters have clear vision of providing client-friendly financial services. This kind of SACCOSs puts higher emphasis on generating profit by providing various financial services, rather than focusing their activities on social development services. However, the BWMCL and the SFCL, both of which were programme-promoted SACCOSs, offered fewer financial services but focused more on social development activities as per the mandate of their promoters. In addition, this kind of SACCOSs lacked clear vision of offering client-friendly diversified financial services.

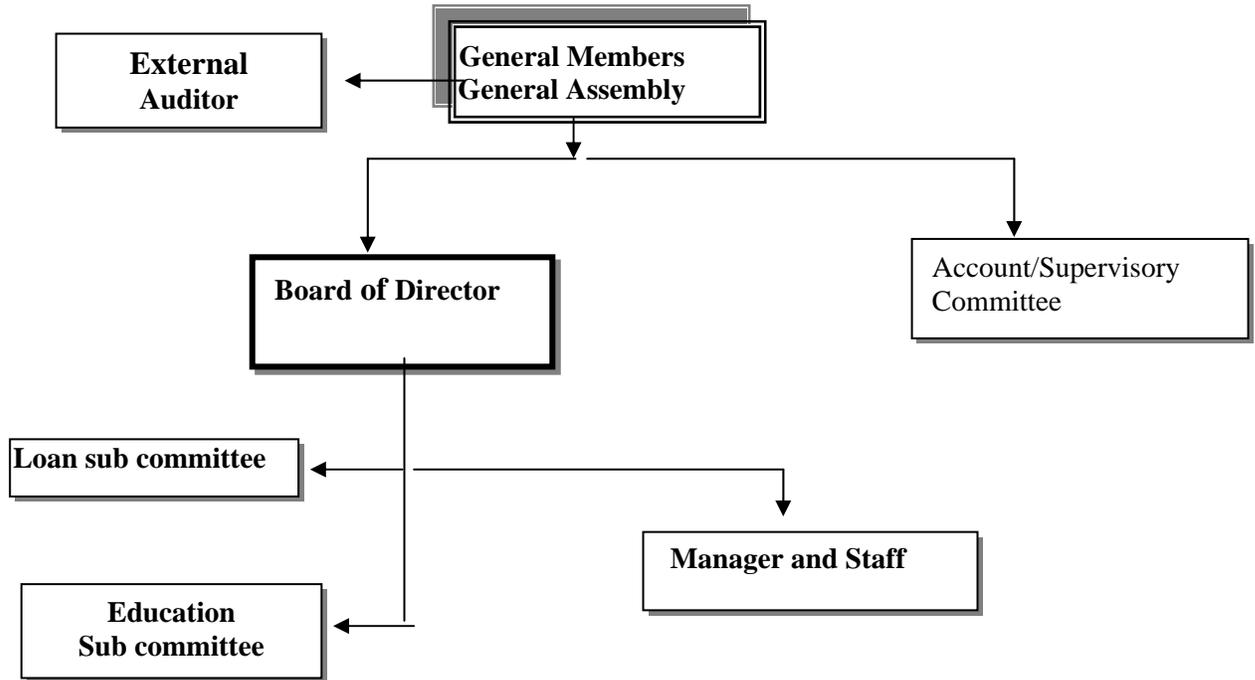
## **Organizational Structure of SACCOSs**

The general assembly elects a seven- to eleven-member BoD and a three-member account supervisory committee for a three- to five-year term. There is, however, a slight difference in the process of formation of BoD in programme-promoted SACCOSs. In this kind of SACCOSs, community people first organize themselves into different groups within a cluster (ie ward). There are nine wards in a village development committee (VDC). The different groups within a ward federate into a ward-level inter-group. Again, these ward-level inter-groups federate to form a VDC-level apex body, which functions as a BoD. Thus, a representative of each ward-level inter-group was represented on BoD. Fig. 1 and 2 show the process of formation of BoD in either type of SACCOSs.

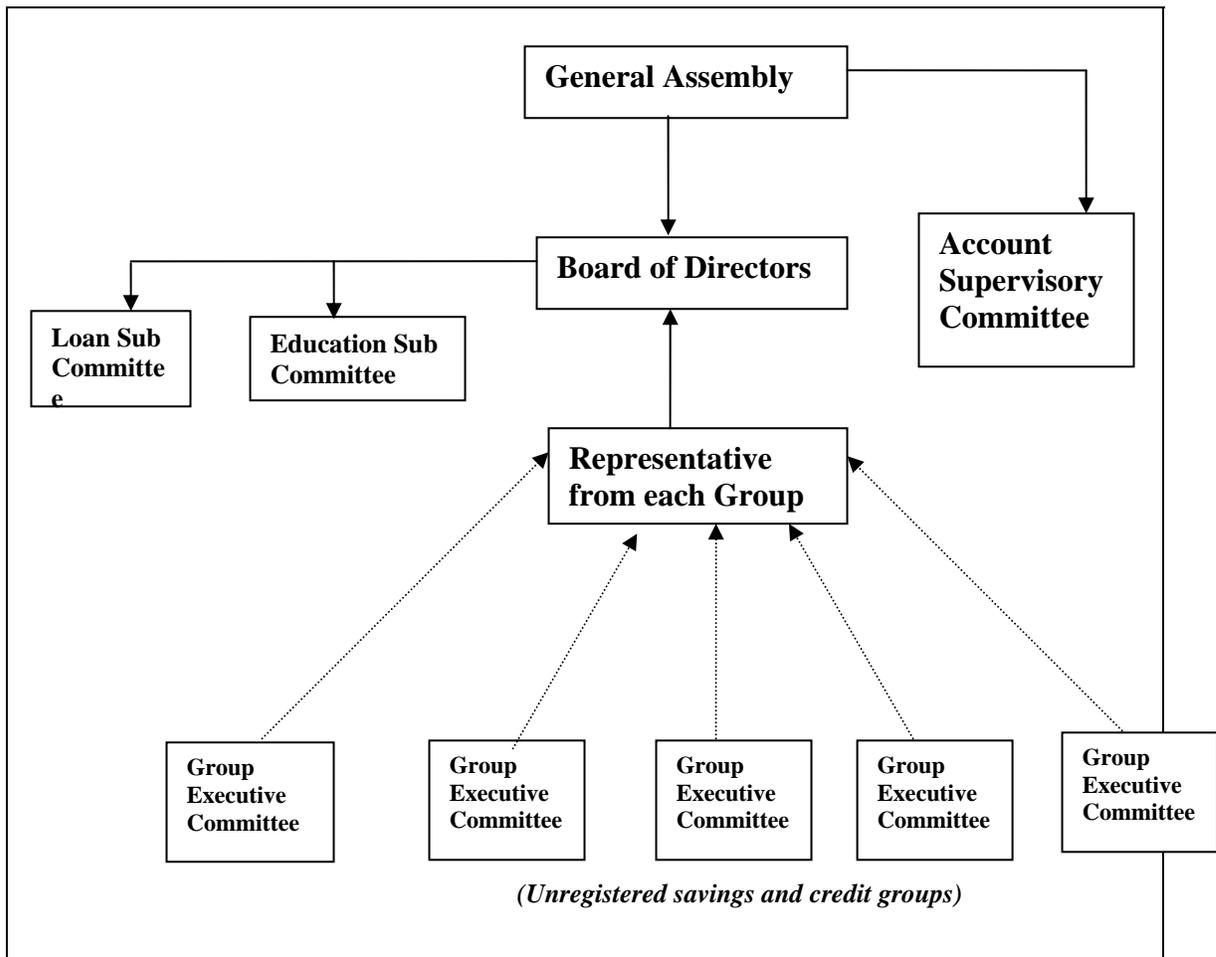
**Table 6. Services and Institutional Information on Partner SACCOs**

Particular	Names of Partner SACCOs			
	BISCOL	JSACCOS	BWMCL	SFCL
<b>1. Services</b>				
<b>1.1 Savings</b>				
Compulsory savings	Yes	Yes	Yes	Yes
Demand deposits	Yes	Yes	No	No
Fixed deposits	Yes	Yes	No	No
Daily savings	Yes	No	No	No
Educational/child savings	Yes	Yes	Yes	No
Festival savings	Yes	No	No	No
Special savings	Yes	No	No	No
Group savings	Yes	No	No	Yes
Staff provident fund	Yes	Yes	No	No
<b>1.2 Loans</b>				
Agriculture and livestock	Yes	Yes	Yes	Yes
Micro enterprise and business	Yes	Yes	Yes	Yes
Construction/repair of house, latrine and biogas	Yes	Yes	Yes	Yes
Land purchase	Yes	Yes	No	No
Social and emergency purpose	Yes	Yes	Yes	No
Loan against savings and deposit	Yes	No	No	No
Group/member guarantee	Yes	Yes	Yes	Yes
Loan to other SACCOs	No	Yes	No	No
Loan to repay loan	No	No	Yes	No
<b>1.3 Insurance (Micro life and health)</b>	Yes	No	No	No
<b>1.4 Social Services</b>				
Training in income-generating activities	Yes	No	Yes	Yes
Health and nutrition	No	No	Yes	Yes
Community development activities	Yes	Yes	Yes	Yes
Awareness raising and literacy	No	No	Yes	Yes
<b>2. Institutional Information</b>				
Membership size at the time of selection	1 800	1 824	278	287
Membership size at present	2 600	2 421	484	477
Number of loanees	1 321	1 358	254	366
Average loan size	Rs31 950 (US\$450)	Rs27 225 (US\$385)	Rs4 189 (US \$59)	Rs19 170 (US\$270)
Outstanding loans	Rs42 205 950 (US\$594 450)	Rs37120 930 (US\$522 830)	Rs1 064 006 (US\$14 986)	Rs7 023 249 (US\$98 919)
Repayment rate	94%	97%	99%	74%
No. of staff	14	7	3	3

**Fig.1: One-tier Organizational structure of SACCOS**



**Fig. 2: Two- tier Organizational structure of SACCOS**



## 3. Findings

The findings in this section are drawn from the information received from the administration of structured questionnaires and application of PRA tools.

### Target Beneficiaries of SACCOSs

The well-being ranking exercise conducted with the four hill-based SACCOSs showed that both poor and well-off people were members of SACCOSs. However, the membership size by well-being status differed between self-promoted and programme-promoted SACCOSs. The programme-promoted cooperatives were able to encompass more poor people than the self-promoted ones were, ie the programme-promoted SACCOSs were providing services for a larger proportion of poor people than the self-promoted ones. The programme-promoted SACCOSs, because of the mandate of their promoters, focused on providing their services, both social and financial, for as many poor people as possible, whereas the self-promoted SACCOSs mainly focused on providing financial services, rather than social services, for their members. In short, the programme-promoted SACCOSs had more social interventions and greater impact than the self-promoted ones had. Tables 7 and 8 provide glimpses of membership and non-membership coverage of the CMF's hill-based partner SACCOSs by their well-being status.

The SACCOSs presented in Table 7 were programme-promoted ones, whereas those in Table 8 were self-promoted ones. Although the programme-promoted cooperatives reached relatively large numbers of poor people, they still needed to reach many more poor non-member households in their working areas. Eighty per cent of all sample non-member households in the working areas of the SFCL and 58 per cent in the

**Table 7. Target Beneficiaries of Programme-promoted SACCOSs**

SACCOS	Status	Well off		Poor		Total	
		No.	%	No.	%	No.	%
SFCL	Members	26	22	94	78	120	100
	Non-members	12	20	48	80	60	100
	<i>Total</i>	<i>38</i>	<i>21</i>	<i>142</i>	<i>79</i>	<i>180</i>	<i>100</i>
BWMCL	Members	44	37	76	63	120	100
	Non-members	25	42	35	58	60	100
	<i>Total</i>	<i>69</i>	<i>38</i>	<i>111</i>	<i>62</i>	<i>180</i>	<i>100</i>

**Table 8. Target Beneficiaries of Self-promoted SACCOSs**

SACCOS	Status	Well off		Poor		Total	
		No.	%	No.	%	No.	%
JSACCOS	Members	79	49	81	51	160	100
	Non-members	11	14	69	86	80	100
	<i>Total</i>	<i>90</i>	<i>38</i>	<i>150</i>	<i>62</i>	<i>240</i>	<i>100</i>
BISCOL	Members	64	46	76	54	140	100
	Non-members	25	36	45	64	70	100
	<i>Total</i>	<i>89</i>	<i>42</i>	<i>121</i>	<i>58</i>	<i>210</i>	<i>100</i>

working areas of the BWML were poor (Table 7). The same trend held true for the self-promoted cooperatives: the proportion of non-member households was 86 per cent in the working areas of JSACCOS and 64 per cent in the working areas of BISCOL (Table 8).

The community had both similar and dissimilar views on categorizing themselves as well-off and poor according to geographical location. The following were the common views about the well-off and poor households in the working areas of all of the four partner cooperatives.

- ❑ Well-off households, unlike poor households, owned houses not only within the village but also outside it.
- ❑ Drop-out of children from school was higher among poor households than among well-off households.
- ❑ Poor households were mostly involved in wage labour.
- ❑ Well-off households had diversified and more than one source of income.
- ❑ Well-off households inherited assets, whereas poor households inherited debts.
- ❑ Agricultural production of poor households was not sufficient to feed their family year-round, whereas well-off households had surplus agricultural production.

The well-off and poor categories identified by the community were in terms of relative poverty. Although many people were identified as well-off, they had purchasing power less than Rs71 (US\$1) a day and worked on the farm from dawn to dusk for survival. Even when some families had salaried income, the average salary of a family was less than Rs5,325 (US\$75) per month.

### Stated Purpose and Actual Loan Use

An attempt was made to investigate whether the loans were used for the purpose approved. Table 9 shows the percentage of members who had received loans from their SACCOSs. Tables 10 and 11 show the distribution of members by purposes and use of loan respectively.

**Table 9. Percentage of Members Ever Received Loan**

Name of SACCOS	Percentage of members ever-received loan from SACCOS
SFCL (n=75)	100
JSACCOS (n=125)	71.2
BISCOL (n=125)	67.2
BWMCL (n=75)	93.3
<b>Total (n=400)</b>	<b>79.5</b>

Note: n indicates number of respondents

Most of the members (79.5 per cent) had taken loans from their cooperatives (Table 9). However, the proportion of such members varied from cooperative to cooperative. Hundred per cent of the members of the SFCL, 71.2 per cent of the JSACCOS, 67.2 per cent of BISCOL and 93.3 per cent of the BWMCL had taken loans from their respective cooperatives.

Table 10 shows the distribution of borrowers by stated purpose of last loan taken from cooperatives. Most of the borrowing members had taken loans for income-generating activities, which included running business, undertaking animal husbandry, agricultural production (cash and food crop production) and running domestic enterprises. Among these four income-generating activities, most of the members had taken loans for agricultural production, followed by animal husbandry.

Looking at the distribution of borrowers by cooperatives, 80 per cent of the SFCL members had taken loans for agricultural production. In principle, the SFCL does not provide loans for social purposes.

**Table 10. Stated Purpose of Last Loan**

Stated Purpose of Last Loan	Percentage of members				
	SFCL n=75	JSACCOS n=89	BISCOL n=84	BWMCL n=70	Total n=318
* Business investment	9.3	28.1	38.1	2.9	20.8
* Animal husbandry	8	40.4	20.2	17.1	22.3
* Agriculture production	80	4.5	8.3	5.7	23.6
* Domestic enterprise	1.3	-	-	-	0.3
Asset purchasing/repairing	-	18	21.4	1.4	11
Social purpose	-	-	3.6	52.9	12.6
Pay-off previous loans	-	-	-	11.4	2.5
Multiple reasons	-	-	1.2	5.7	1.6
Personal investment/education	-	3.4	1.2	1.4	1.6
Medical purpose	-	5.6	-	-	1.6

Note: n indicates number of respondents

\* Income-generating activities.

**Table 11. Actual Use of Loan**

Stated Purpose of Last Loan	Percentage of members using last loan in:								
	buying food	buying clothes	giving/lending to spouse or others	buying medicine/health treatment	holding festivals/ceremony	Education	IG activities	investing in assets/land	Repaing loans
Business investment	6.3	3.1	0	6.3	1.6	0	81.3	6.3	0
Animal husbandry	8.4	1.4	1.4	8.4	1.4	4.2	71.8	8.4	1.4
Agriculture production	2.7	2.7	0	0	1.3	6.7	92	0	0
Domestic enterprise	0	0	0	0	0	0	100	0	0
Asset purchase/repair	11.4	2.9	0	5.7	2.9	2.9	31.4	54.3	0
Social purpose	20	7.5	2.5	20	5	30	10	15	2.5
Pay-off previous loans	25	12.5	0	0	12.5	12.5	12.5	0	25
Multiple reasons	0	0	0	40	0	40	100	20	0
Personal investment/education	0	0	0	0	20	40	20	20	0
Medical purpose	0	0	0	100	0	0	0	0	0

All BWMCL members were women. Most of them had taken loans for social purposes, which included wedding of members of the family, thread-wearing ceremony of boy children, festivals and repaying of previous loans, especially of moneylenders. In Nepal, women carry out not only income-generating activities, but also social and reproductive activities, including household chores and childcare. The findings indicate that the borrowing women had used greater proportion of loans for social purposes and repayment of previous loans.

As shown in Table 11, most of the members had used loans for the approved purposes. Of the members who had taken loans for investment in business, 81.3 per cent had used loans for the purpose approved. Similarly, of those who had taken loans for animal husbandry, agricultural production and domestic enterprises, 71.8 per cent, 92.0 per cent and 100 per cent had used loans for the approved purposes. Among the members taking loans for asset purchase/repair, personal use/education and medical purpose, 54.3 per cent, 40 per cent and 100 per cent respectively had used loans for the approved activities. A few members who had taken loans for social purposes had used loans in activities other than the approved ones. For example, among the members taking loans for social purposes, 10 per cent had used loans in income-generating activities and 15 per cent for purchasing assets. This shows that members taking loans for investing in unproductive activities had used loans in productive activities. This substantiates the finding that micro-finance clients manage their cash flows and apply them to whatever household priority they judge most important for their welfare<sup>4</sup>.

<sup>4</sup> Consultative Group to Assist the Poor (CGAP). January 2003. Focus Note No. 24, Introduction.

## Sources of loan

Besides the sample SACCOs, other financial service providers, such as banks, other cooperatives, savings groups/NGOs, moneylenders, friends/neighbours and other sources, were also functioning in the working areas of the cooperatives. The distribution of cooperative member and non-member households interviewed during the survey is presented by loan sources in Table 12. The table shows that the members had also taken loans from sources other than their own cooperatives. The findings indicate that 37.5 per cent of the members interviewed had taken loans from friends/neighbours and 32.3 per cent from moneylenders. Loans taken from friends/neighbours were often quick, small and for short periods.

As regards non-member households, 46 per cent of them had taken loans from moneylenders and 38 per cent from friends/neighbours. The table also shows that non-member households were more dependent on moneylenders than members were.

An analysis by sample SACCOs showed that 98.7 per cent of the SFCL members that were interviewed had also taken loans from moneylenders and friends/neighbours. The reason cited by the respondents for approaching other sources was that the financial products offered by the SFCL were not sufficient to cater to their needs.

In JSACCOs, 43.2 per cent of the members had taken loans from other cooperatives, 34.4 per cent from moneylenders and 18.4 per cent from friends/neighbours.

Around 28.8 per cent of the BISCOL members had taken loans from friends/neighbours and only 6.4 per cent from other cooperatives. This shows that, for more than a quarter of the BISCOL members, friends/neighbours were popular sources of

**Table 12. Use of Other Sources of Loan**

Names of SACCOs		Percentage of Members by Loan Source					
		Bank	Another cooperative	Savings groups/NGO	Moneylender	Friends/neighbours	Other sources
SFCL	Member (n=75)	0	0	0	98.7	98.7	0
	Non-member (n=50)	2.2	0	0	100	100	0
JSACCOs	Member (n=125)	12.8	43.2	3.2	34.4	18.4	0
	Non-member (n=50)	14	28	4	58	18	0
BISCOL	Member (n=125)	4.8	6.4	4.8	3.2	28.8	3.2
	Non-member (n=50)	4	10	14	12	18	0
BWMCL	Member (n=75)	16	8	9.3	10.7	22.7	8
	Non-member (n=50)	0	8	2	14	16	2
<b>Total</b>	<b>Member (n=400)</b>	<b>8.5</b>	<b>17</b>	<b>4.3</b>	<b>32.3</b>	<b>37.5</b>	<b>2.5</b>
	<b>Non-member (n=200)</b>	<b>5</b>	<b>11.5</b>	<b>5</b>	<b>46</b>	<b>38</b>	<b>0.5</b>

Note: n indicates number of respondents

loan for the quick availability and interest- and collateral-free nature of loan products offered by them. Only 3.2 per cent of the members had taken loans from moneylenders. A similar trend was found amongst the BWML members.

In short, it may be inferred that, despite SACCOSs' financial services, their members were also borrowing from other sources. This indicates that the loan products offered by these SACCOSs were not enough to cater to all the needs of their members.

Even though the tendency of taking loans from moneylenders was not high amongst members in all SACCOSs, there was an indication that the SACCOSs needed to diversify their loan products. In contrast to the loans from SACCOSs, loans especially from moneylenders were quicker and had lower opportunity and transaction costs.

## Repayment

A few members had no problem in repaying the loans they had taken, whereas a substantial number did have. Of the members who had taken loans, 70.4 per cent had no problem in repaying their last loans. Table 13 shows the status of repayment problem of each cooperative.

A significant proportion of the SFCL members (97.3%) had no problem in repaying their last loans. Similarly, 68.5 per cent, 68.4 per cent and 54.3 per cent of the members of JSACCOS, BISCOL and the BWML respectively had no problem in repaying their last loans (Table 13). Comparative data indicate that, amongst the four cooperatives, the members of the SFCL had the least problem in repaying their last loans. However, triangulation of the information on the repayment problem obtained from the questionnaire with the records and other documents of the four cooperatives showed an inconsistency in the records of the SFCL, which showed that the repayment rate of this cooperative to be only 74 per cent. When the SFCL's board members and staff were asked about this inconsistency, they explained that the low repayment rate of the cooperative was not due to the inability of the members to repay loans but due to a policy of the ADB/N, from which this cooperative borrowed wholesale loan for on-lending to its members. On several occasions, the ADB/N had given defaulters heavy discount on the total accumulated interest earned over the years. Whenever the accumulated interest exceeded the principal amount, there were instances of the ADB/N writing off the excess portion if the client repaid the loan within the specified period. Since the

**Table 13. Repayment Problem Status by SACCOS**

<b>Name of SACCOS</b>	<b>Percentage of Members without Repayment Problem</b>
SFCL (n=75)	97.3
JSACCOS (n=89)	68.5
BISCOL (n=84)	68.4
BWML (n=70)	54.3
<b>Total (n=318)</b>	<b>70.4</b>

SFCL was promoted by the ADB/N and also acquired wholesale loan from this bank, most of the SFCL borrowers also waited for heavy discount on the accumulated interest by not repaying loan instalments in time. Such a tendency on the part of the SFCL borrowers caused a high default rate. Furthermore, often on the eve of elections, political leaders would assure voters, especially small borrowers of the ADB/N, of writing off their loans amounting up to Rs14413 (US\$203) if they won. On top of politicians' assurance, the Maoist rebellion had also encouraged small farmers not to repay the loans taken from the ADB/N or the SFCL.

The findings indicate that a higher proportion of the BWMCL borrowers had problem in repaying loans than those of the other three SACCOSs. This was because, in contrast with those of other SACCOSs, most of the members of the BWMCL had taken loans for social purposes (Table 10), which did not generate direct income. In contrast, the BWMCL records showed high repayment rate as its borrowers had taken loans from other sources such as friends/neighbours, moneylenders and banks to repay their loans from the BWMCL (Table 12).

Table 14 presents the causes of the repayment problem. The response on repayment problems, as stated and prioritized by the respondents, were grouped into the first,

**Table 14. Distribution of Borrowers having Repayment Problems by Causes**

Causes of Repayment Problem	Percentage of Borrowers				
	SFCL (n=2)	JSACCOS (n=27)	BISCOL (n=24)	BWMCL (n=32)	Total (n=85)
<b>First Causes</b>					
Loan activity not profitable	50	52	54.2	53.1	53
Sickness in family	50	28	8.3	15.6	18.1
Used loan amount on food and personal use	-	4	-	18.8	8.4
Sold on credit but not repaid in time	-	4	16.7	-	6
Livestock died	-	8	-	9.4	6
Others	-	-	20.8	3.1	7.2
<b>Second Causes</b>					
Loan activity not profitable	-	-	-	20	9.1
Sickness in family	50	-	-	20	18.2
Used loan amount in food and personal use	50	-	25	20	27.3
Sold on credit but not repaid in time	-	-	25	20	18.2
Others	-	-	50	20	27.3
<b>Third Causes</b>					
Used loans for food/personal use	100	-	-	-	33.3
Others	-	-	100	100	66.7

second and third causes. The first causes included non-profitable loan activity; ailment of one or more members of the family; spending loan amount on food and other personal uses; credit sales but not received payment in time; and death of livestock. Most of the borrowers (53 per cent) mentioned use of loans in non-profitable activities as the first cause of repayment problem.

Similarly, the respondents mentioned the second causes of repayment problem as: investment of loan in non-profitable activities; ailment of one or more members of the family; spending of loan on food and other personal uses; credit sales but not received payment in time, and others. Spending of loan money on food and other personal purposes remained the second cause of repayment problem for most of the borrowers (27.3 per cent).

Use of loans on food and other personal matters was cited as the third cause of repayment problem. Altogether 33.3 per cent of the borrowers cited this as the cause for repayment problem of the last loan, whereas 66.7 per cent cited other personal matters.

Table 15 shows that most of the members (23.8 per cent) having repayment problem with their last loans had taken loans for social purposes. However, as mentioned earlier, most of the members who had taken loans for social purposes had used them on the education of their children, followed by the medical expenses of the members of the family, purchase of food items, and purchase and repair of household assets, all of which were activities that didn't generate cash income. This information is consistent with the causes mentioned above by the members.

Around 22.6 per cent of the borrowers who had repayment problems had taken loans for business investments. Lack of knowledge of business development services (BDS) was cited as the reason for loss in the business, leading to repayment problem.

**Table 15. Distribution of Borrowers having Repayment Problem by Purpose**

Stated Purpose	Percentage of Members having Repayment Problem				
	SFCL (n=2)	JSACCOS (n=27)	BISCOL (n=24)	BWMCL (n=32)	Total (n=85)
Business investment	0	22.2	50	3.2	22.6
Animal husbandry	0	29.6	12.5	9.6	16.7
Agriculture production	100	3.7	4.2	12.9	9.5
Domestic enterprise	0	-	-	-	0
Asset purchase/repair	-	37	25	0	19
Social purpose	-	-	8.3	58.1	23.8
Pay-off previous loans	-	-	-	12.9	4.8
Multiple reasons	-	-	0	0	0
Personal investment/ education	-	0	0	3.2	1.2
Medical treatment	-	7.4	-	-	2.4

This finding was triangulated with the information received from the application of PRA tools, and the success and failure stories of members.

A substantial proportion of the members who had used loans on social purposes had faced repayment problem. Some of them took loans from the available sources and used those loans for repaying loans taken from their own cooperatives. The major reasons for borrowers seeking loans from other sources were as follows:

- SACCOSs were not able to meet the emerging additional credit needs of their members.
- Provision was not made by SACCOSs for second or subsequent cycles of loan unless the last loan was fully paid by borrowers.

### Primary Sources of Loan Repayment

Although the questionnaire captured three sources from where the borrowers made repayment—primary, secondary and tertiary, this report covers only the primary source. The question of primary repayment source was put only to those members who had taken loans and had already repaid them.

On the whole, about 50 per cent of the borrowers had repaid their loans from the incomes generated by the enterprises in which loans were invested. A little more than 26 per cent of the borrowers had repaid their loans from other sources of household income such as salary, wage earning, sale of agricultural produce other than those in which the loan was invested. However, more than 80 per cent of the BWMCL borrowers had repaid their loans from multiple income sources and by borrowing from other sources. This was because women borrowers mostly used loans for social purposes.

### Profitability and Use of Profit

On the whole, a little more than 50 per cent of the members who had taken their last loans from their cooperatives for diverse purposes were found to have earned profit

**Table 16. Primary Sources of Loan Repayment by Members**

Name of SACCOS	Primary Repayment Method (in percentage)				
	Income from enterprise	Multiple income sources	Withdrawal from savings	Selling assets	Borrowing from other sources
SFCL (n= 73)	95.9	1.4	0	1.4	1.4
JSACCOS (n= 76)	36.8	34.2	0	6.6	22.4
BISCOL (n= 60)	46.7	25	1.7	8.3	18.3
BWMCL (n= 65)	15.4	47.7	0	4.6	32.3
<b>Total (n= 274)</b>	<b>49.6</b>	<b>26.6</b>	<b>0.4</b>	<b>5.1</b>	<b>18.2</b>

**Table 17. Profit earned on the Last Loan**

<b>Name of Cooperative</b>	<b>Percentage of Members Who had made Profit from the Use of the Last Loan</b>
SFCL (n=75)	98.7
JSACCOS (n=89)	51.7
BISCOL (n=84)	36.9
BWMCL (n=70)	22.8
<b>Total (n=318)</b>	<b>52.5</b>

from their investments. However, the number of such members varied from cooperative to cooperative. Viewed by sample SACCOSs, 98.7 per cent of the SFCL members had earned profit from their last loans. The SFCL was followed by the JSACCOS, with 51.7 per cent of its members earning profit. The BWMCL was at the bottom with 22.8 per cent of its members earning profit from the use of their last loans (Table 17).

A simple linear regression analysis of the ‘amount of last loan’ on the ‘amount of profit generated from the use of that loan’ indicated a significant relationship between the variables (Table 18). This indicates that the more the amount of the last loans used in various income-generating activities, the more was the amount of profit generated from that loan. In addition, there was a significant effect of the interaction between the amount of the last loan taken and the number of skill development training received on the amount of profit generated through the use of that loan. This also indicates that increases in the amount of the last loan and the number of skill development training received help to increase the amount of profit earned.

The uses of profit were categorized into three categories: the most important use, the second most important use and the third most important use (Table 19). The most important use, as perceived by the members, was the highest frequency of the use of profit. Most of the members who had generated profit from the use of their last loans had frequently ploughed back profits into their enterprises. This was true for all SACCOSs other than the BWMCL, where the profit-making members had frequently used their profits in buying food.

As the second most important use of profit, most of the profit-making members of BISCOL, JSACCOS and the BWMCL had used their profits in meeting educational expenses, whereas in the case of the SFCL, most of the profit-making members had used their profits in livestock raising.

**Table 18. Effect of Last Loan and Training on Profit Made**

<b>Effect of the Following Variables on Profit Made</b>	<b>F-value</b>
Amount of last loan	9.831*
Amount of last loan and number of skill development training received	4.16*

\* Significant at 5 per cent level.

**Table 19. Use of Profit**

Use	Percentage of Members				Total
	SFCL	JSACCOS	BISCOL	BWMCL	
<b>Most important use</b>	<b>n = 74</b>	<b>n = 46</b>	<b>n = 31</b>	<b>n = 16</b>	<b>n = 167</b>
Re-invest in enterprises	79.7	28.3	38.7	12.5	51.5
Buy food	6.7	23.9	6.4	43.7	14.9
Buy items for house	1.3	3.6	12.9	25	7.2
Pay health expenses	0	2.2	3.2	6.2	1.8
<b>Second most important use</b>	<b>n = 66</b>	<b>n = 12</b>	<b>n = 18</b>	<b>n = 11</b>	<b>n = 107</b>
Livestock raising	86.3	8.3	0	0	54.2
Pay school expenses	0	25	27.8	27.3	10.3
Buy clothes	3	16.7	16.7	9.1	7.5
<b>Third most important use</b>	<b>n = 5</b>	<b>n = 9</b>	<b>n = 16</b>	<b>n = 6</b>	<b>n = 36</b>
Saving	0	44.4	6.2	16.7	16.7
Pay health related cost	20	22.2	18.7	0	16.7
Pay school expenses	20	11.1	12.5	16.7	13.9

As the third most important use of profit, some profit-making members (16.7 per cent) had used their profits in savings and in meeting health-related expenses.

The above information suggests that profits were used in productive activities (ploughing back in enterprises and livestock raising), consumption items (purchasing food, clothes and other households stuffs, and bearing health-related expenses) and in savings. However, most of the profit-making members used their profits in productive activities, consecutively followed by consumption and savings activities. Interestingly, 52.9 per cent of the BWMCL members had taken loans for social purposes and at the same time 43.7 per cent of its profit-making members had used loans in buying foodstuffs. This clearly indicates that women members gave more priority to household consumption and well-being of the members of the family. This implies that women members of the BWMCL not only took loans in their names but also controlled the use of profit. Triangulation with information gathered through PRA tools also supports this finding.

### **Increase in Income**

Survey findings indicated increases in the incomes of 61.7 per cent of the sample SACCOS members since they joined their cooperatives. SACCOSs' savings and credit services provided an opportunity for their members to undertake different enterprises, including micro-enterprises. This helped the members to generate self-employment and increase their incomes, thereby contributing towards reducing their poverty to some extent.

The SFCL's policy was to provide loans for productive purposes, such as cereal and cash crop production, micro-enterprises and agro-based trading activities. This policy

**Table 20. Increase in Income by Membership Status**

Membership Status	Increase in Income (%)				Total
	SFCL	JSACCOS	BISCOL	BWMCL	
Members (since joining cooperative)	100 (n=75)	42.4 (n=125)	55.3 (n=123)	66.7 (n=75)	61.7 (n=400)
Non-members (since establishment of cooperative)	24 (n=50)	14 (n=50)	38 (n=50)	4 (n=50)	20 (n=200)

compelled all SFCL borrowers to use their loans only for productive purposes, which helped them increase their incomes. However, in the case of JSACCOS, borrowers didn't have the compulsion of using loans in income-generating activities. As a result, only 42.4 per cent of its borrowing members had increased their incomes (Table 20). In addition, its operating areas lacked economic opportunities in comparison to those of the other three SACCOSs.

Table 20 also shows that increases in the incomes of members since they joined cooperative were higher than those of non-member households since the establishment of cooperatives. Non-members also noted increases in their incomes since the establishment of cooperatives. It was because of their involvement in various income-generating activities after observing the involvement of cooperative members in those income-generating activities and their gaining knowledge and skills from them. Therefore, increase in the incomes of non-member households was a spill-over effect of the activities of the cooperatives.

### Increase in Assets

Acquisition of assets, such as, land, cow, buffalo, gold/jewellery and small livestock (goat, sheep, pig, etc), since joining and/or establishment of cooperatives was considered

**Table 21. Increase in Assets**

Assets	Mean values of assets acquired since joining/ establishment of cooperative by	
	Members	Non-members
Land (in <i>ropani</i> ) <sup>1</sup>	3.8	4.1
Cow (in heads)	1.4	1.3
Buffalo (in heads)	1.3	1.2
Gold/jewellery (in <i>tola</i> ) <sup>2</sup>	1.9	1.8
Small livestock (goat, sheep, pig, etc) (in heads)	3.8	2.9

<sup>1</sup> 1 *ropani* = 0.05 hectare; <sup>2</sup> 1 *tola* = 11.67 gm.

a proxy indicator of increase in income. Rural people in Nepal acquire these assets either for undertaking or expanding income-generating activities or for accumulating assets. After assessing the data on the assets of low and moderate value, it was decided that only high value assets would be included as there were too many factors affecting ownership of relatively cheap assets that didn't correspond to relative wealth. Table 21 shows the values of such assets that member households acquired since they joined cooperative or non-member households acquired since the establishment of cooperative.

Member households had accumulated marginally more assets in the form of cow, buffalo, gold/jewellery and small livestock, whereas non-member households had accumulated marginally more assets in the form of land. Most of the member households had invested their surplus in enterprises, whereas non-member households had invested in land. The maximum land holding of non-member households was 10 *ropanis* (1 *ropani* = 0.05 hectare) and that of the member households 20 *ropanis*. Since non-member households also acquired these assets since the establishment of cooperatives and there was very little difference in the mean values of these assets in comparison with those of member household, this might be a spill-over effect of the activities of the cooperatives.

### **Expenditure Pattern**

Household expenditure was considered a proxy indicator of income. Obviously, the higher the food expense of a household, the higher has to be the income of that household. As shown in Table 22, the per capita expense on food consumption was higher for member households than for non-member households. This indicates that the incomes of member households were higher than those of non-member households. Independent sample t-test of the difference in per capita expense on household food consumption between member and non-member households was significant for the SFCL, whereas it was insignificant for the other three cooperatives. Although the statistical test showed the difference in per capita expenses on household food consumption to be insignificant, the difference of a magnitude of Rs892 (US\$11.4) in JSACCOS and of Rs560 (US\$7.2) in BISCOL cannot be considered insignificant from the perspective of Nepalese rural economy.

Had the member households not generated increased incomes, they could not have met the increased expenses on food consumption. On this ground, it may be inferred that SACCOSs had helped to increase member households' incomes.

The health expenses of member households were lower than those of non-member households, though the difference was not significant. The ratio of health expenses to total expenses was found to be 6.44 for member and 6.84 for non-member households. Health expenses included the expenses on health treatment during illness of respondents themselves and/or members of their families. This indicates the fact that cooperative members (and the members of their families) were more aware of health-related matters than non-member households (and the members of their families) were. In other words, members were more conscious of adopting preventive rather than curative measures,

**Table 22. Expenditure Pattern**

Name of Cooperative		Expenditure pattern			
		Per capita expense on household food consumption	Ratio of health expenses to total expenses	Ratio of main asset purchase to total expenses	Ratio of educational expenses to total expenses
SFCL	Member	Rs9 088 (US\$128)	5.98	12.05	7.75
	Non-member	Rs7 952 (US\$112)	6.95	4.24	5.74
	Member vs non- member (t-value)	2.86 *	-1.2	2.27 *	1.64
JSACCOS	Member	Rs8 591 (US\$121)	5.31	8.59	6.80
	Non-member	Rs7 810 (US\$110)	6.33	3.96	3.97
	Member vs non- member (t-value)	1.78	-0.68	1.52	2.01 *
BISCOL	Member	Rs11 005 (US\$155)	8.47	11.66	10.18
	Non-member	Rs10 508 (US\$148)	6.69	5.08	8.54
	Member vs non- member (t-value)	0.731	1.01	1.937	1.036
BWMCL	Member	Rs9 159 (US\$129)	5.38	10.64	8.74
	Non-member	Rs9 017 (US\$127)	7.38	3.59	4.14
	Member vs non- member (t-value)	1.164	-1.25	1.97	2.46 *
<b>Total</b>	<b>Member</b>	<b>Rs10 488</b>	<b>6.44</b>	<b>10.58</b>	<b>8.40</b>
	<b>Non-member</b>	<b>Rs9 703</b>	<b>6.84</b>	<b>4.22</b>	<b>5.60</b>
	<b>Member vs non- member (t-value)</b>	<b>2.48 *</b>	<b>-0.52</b>	<b>3.66 *</b>	<b>3.36 *</b>

\* Significant at 5% level

US\$1 = NRs71

which require higher medical expenses. Information obtained through the FGDs also showed that members were more aware of the importance of preventive measures, such as better nutrition for their children, pre- and post-natal care of mother and children, better sanitation, and measuring the weight and height of children on a regular basis. Furthermore, the relatively high per capita expense on food consumption of member

households might have contributed to better nutrition and preventive healthcare of member households compared to non-member households. However, BISCOL was an exception where the ratio of health expenses to total expenses was higher for member households than for non-member households. It might be because BISCOL lacked activities emphasizing awareness raising on preventive measures.

Land, house, jewellery, vehicle (car and motorcycle) were considered as the main assets. The ratio of purchase of main assets to total expenses was 10.58 for member and 4.22 for non-member households. Higher expenses of cooperative members on purchasing main assets also indicated increases in their incomes.

The ratio of educational expenses to total expenses was significantly higher for member than for non-member households. The ratio turned out to be 8.40 for member households and 5.60 for non-member households. This indicates that member households spent more on the education of their children than non-member households did. In other words, member households gave higher priority to their children's education than non-member households did.

### Well-being Status

Frequency of consumption of nutrient food, improvement in diet, educational status and prevalence of *pakka* latrines were considered as indicators of the well-being status of both member and non-member households. Among the nutrient food items, meat, egg and dairy products were included in the study as these contain relatively high nutrition.

**Table 23. Consumption Pattern**

Consumption of	Frequency of consumption	Percentage of members and non-members in									
		SFCL		JSACCOS		BISCOL		BWMCL		Total	
		M (n=75)	NM (n=50)	M (n=125)	NM (n=50)	M (n=125)	NM (n=50)	M (n=75)	NM (n=50)	M (n=400)	NM (n=200)
Meat	Daily	0	4	0.8	2	0.8	2	2.7	2	1	2.5
	Twice a week	0	0	11.2	2	20	20	10.7	6	11.8	7
	Weekly	78.7	70	51.2	54	39.2	30	44	28	51.4	45.5
Egg	Daily	10.7	12	8	0	15.2	4	8	0	10.8	4
	Twice a week	0	0	7.2	8	31.2	28	14.7	22	14.8	14.5
	Weekly	12	16	8.8	10	12	4	16	8	11.8	9.5
Dairy product	Daily	92	76	64	54	84	84	53.3	44	73.7	64.5
	Twice a week	0	0	2.4	0	3.2	0	1.3	6	2	1.5
	Weekly	2.7	0	2.4	0	2.4	2	4	0	2.8	0.5

Note: M--Members; NM--Non-members

### Consumption Frequency of Nutrient Food

Table 23 presents the picture of consumption frequency of nutrient items by member and non-member households in the working areas of the sample cooperatives.

In general, 1 per cent of the member households consumed meat daily, 11.8 per cent twice a week and 51.4 per cent once a week. The corresponding proportions of non-member households who consumed meat daily, twice a week and once a week were 2.5, 7.0 and 45.5 respectively. Although more non-member households consumed meat daily than member households did, their percentage was very low. However, more member households consumed meat twice a week and weekly than non-member households did. In addition, more member households consumed egg and dairy products than non-member households did. This shows that members preferred more balanced diet than non-member households did.

### Improvement in Diet

Improvement in diet was taken as positive impact of cooperatives on the well-being of member households. On the whole, 64.5 per cent of the cooperative members had experienced improvement in their diet after joining cooperatives, whereas the status of diet of 34 per cent had remained the same and an insignificant proportion (0.5 per cent) had experienced worsening status (Table 24).

It was found that 98.7 per cent of the members of the SFCL, 52 per cent of JSACCOS, 56.8 per cent of BISCOL and 64 per cent of the BWMCL had experienced improvement in their diet since they joined their cooperatives. Around 46.4 per cent of the members of JSACCOS, 42.4 per cent of BISCOL and 32 per cent of the BWMCL didn't experience any improvement in their diet since they joined the cooperatives. None of the SFCL and JSACCOS members and very few of the BISCOL and BWMCL members experienced deterioration in their diet.

### Educational Status

In rural Nepal, children in the 13-19 year age group are more likely to attend school than those from any other age group. School children often complete their schooling (up to class 10) by the age of 19 years. Therefore, this age group was considered for assessing the impact of the programme on the educational status. It was assumed that children were not sent to school because of poverty, lack of awareness of the importance of

**Table 24. Member Households' Diet Status**

Name of SACCOS	Percentage of members whose diet		
	worsened	stayed the same	improved
SFCL (n=75)	0	1.3	98.7
JSACCOS (n=125)	0	46.4	52
BISCOL (n=125)	0.8	42.4	56.8
BWMCL (n=75)	1.3	32	64
<b>Total (n=400)</b>	<b>0.5</b>	<b>34</b>	<b>64.5</b>

**Table 25. Pattern of School Attendance**

Name of Cooperative		Number of School-going Children within Age Group 13-19			Number of Household Members			Proportion of Teenage School-going Children		
		M	F	Total	M	F	Total	M	F	Total
SFCL	Member	53	46	99	247	225	472	0.21	0.20	0.21
	Non-member	29	29	58	159	146	305	0.18	0.19	0.19
JSACCOS	Member	52	46	98	323	339	662	0.16	0.13	0.14
	Non-member	16	19	35	125	110	235	0.12	0.17	0.14
BISCOL	Member	57	46	103	348	349	697	0.16	0.13	0.14
	Non-member	20	19	39	137	133	270	0.14	0.14	0.14
BWMCL	Member	34	33	67	210	202	412	0.16	0.16	0.16
	Non-member	13	10	23	137	122	259	0.09	0.08	0.08
<b>Total</b>	<b>Member</b>	<b>196</b>	<b>171</b>	<b>367</b>	<b>1128</b>	<b>1115</b>	<b>2243</b>	<b>0.17</b>	<b>0.15</b>	<b>0.16</b>
	<b>Non-member</b>	<b>78</b>	<b>77</b>	<b>155</b>	<b>558</b>	<b>511</b>	<b>1069</b>	<b>0.14</b>	<b>0.15</b>	<b>0.14</b>

Note: M=Male; F=Female

education and the need to involve children in household chores. Gender disaggregated information on the proportion of teenagers who were students is presented in Table 25.

It can be seen from Table 25 that the proportion of teenage school-going children was higher in member households than in non-member households. This indicates that member households gave more priority to their children's education than non-member households did. It might be because of the increase in the incomes of member households and their participation in literacy classes, which helped them to understand the importance of education for their children. Moreover, SACCOSs provided educational/child savings and loan products for children's education for their members. Lower proportion of children sent to school from non-member households might be due to lack of awareness of education, lower income and greater involvement of children in domestic chores in these households. However, this needs to be further explored.

This finding of higher proportion of member households sending their children to school than non-member households was also consistent with the higher ratio of educational expense to total expense in member households. Interestingly, more female (15 per cent) than male (14 per cent) children were sent to school from non-member households, whereas more male (17 per cent) than female (15 per cent) children were sent to school from member households. This was true for the SFCL and JSACCOS. However, in BISCOL, the proportions of male and female school-going children (14 per cent) were equal. This might be because girl children were sent to school at later ages, whereas male children were sent to school at early ages. On the other hand, female

children were more involved in household chores than male children; consequently, they had very little time for study, resulting in high chance of failure and remaining in the same class for many years. However, these aspects need to be explored further.

In the BWMCL, the proportion of teenage school-going children was higher in member households than in non-member households. This was because of members' participation in literacy and other awareness-raising programmes, which contributed to their becoming aware of the importance of education for their children. Moreover, women members often used loans in social activities, including education. However, the proportion of teenage school-going children was the same for member and non-member households in the working areas of JSACCOS and BISCOL. This was a spill-over effect of cooperative activities. From the FGDs, it was found that children were sent to school by many non-member households when they found member households regularly sending their children to school. In addition, member households also shared information on the importance of education (what they learned from their respective cooperatives) with non-member households, which motivated them to send their children to school.

#### **Prevalence of *Pakka* Toilets/Latrines**

The prevalence of *pakka* toilets/latrines, which require money to build, was also considered one of the indicators of well-being of both member and non-member households. Distribution of member and non-member households with *pakka* toilets/latrines by sample SACCOSs is presented in Table 26.

On the whole, 52.5 per cent of the member and 24 per cent of the non-member households had *pakka* toilets/latrines. Among the sample SACCOSs, BISCOL ranked first in terms of the member households with *pakka* toilets/latrines, followed by JSACCOS, BWMCL and SFCL.

Among the SFCL members, most of the households had pit latrines. Constructing a *pakka* toilets/latrines was relatively expensive in the SFCL working area, which was remote and far from the road-head.

**Table 26. Distribution of Member and Non-member Households having *Pakka* Toilets/Latrines**

<b>Name of SACCOS</b>	<b>Status of Membership</b>	<b>Percentage of Member/Non-member Households who had <i>Pakka</i> Latrines</b>
SFCL	Member (n=75)	12
	Non-member (n=50)	8
JSACCOS	Member (n=125)	58.4
	Non-member (n=50)	16
BISCOL	Member (n=125)	79.2
	Non-member (n=50)	50
BWMCL	Member (n=75)	38.7
	Non-member (n=50)	22
<b>Total</b>	<b>Member (n=400)</b>	<b>52.5</b>
	<b>Non-member (n=200)</b>	<b>24</b>

## Empowerment

Empowerment of women depends on the range of services they receive from the cooperatives and their ability to have access to and control over income, expenses, savings and credit, and household decision-making. CMF's *Imp-Act* project partner cooperatives provided both financial and social services for their members; however, the intensity of these services varied from cooperative to cooperative.

### Services provided by SACCOSs

#### (a) Financial services

Financial services offered by the sample SACCOSs varied between the self-promoted and programme-promoted cooperatives. JSACCOS and BISCOL—both of which were self-promoted cooperatives—had various regular, voluntary and purposive savings products such as compulsory savings, demand deposit, fixed deposit, daily savings, educational savings, festival savings, child savings and group savings. Similarly, these cooperatives had diverse loan products to cater to the credit needs of their members. Their loan products were agricultural loan, micro-enterprise and trade loan, housing, latrine and biogas loan, land purchase loan, social loan, emergency loan, loan against collected savings, and group loan for women and occupational castes. In addition, BISCOL had micro life insurance product. Interestingly, the SFCL and the BWMCL—both programme-promoted cooperatives—had limited savings products, such as compulsory savings (also popularly known as group savings) and child savings. These cooperatives had income-generating loan and social loan products. In short, the self-promoted cooperatives offered diverse micro-finance products as compared to the programme-promoted cooperatives.

#### (b) Social intermediary services

SACCOSs offered a broad range of social services apart from financial services. However, the sources for providing such services varied from SACCOS to SACCOS. The self-promoted SACCOSs were providing such services partially from their own resources and partially by linking such services with other service providers. In case of the programme-promoted SACCOSs, social services were provided through the resources gained from the promoting organizations or programmes. These services can be categorized under the following headings:

*(i) Training in income-generating activities:* SACCOSs had organized various income-generating training such as seasonal and off-season vegetable cultivation, livestock raising (pig, goat, poultry and buffalo), horticulture, knitting and weaving in coordination with various NGOs and district line agencies. The district line agencies were mainly the district veterinary office, district agricultural office and cottage industry development committee. The programme-promoted cooperatives provided this kind of training more frequently with donor funding—a feature the self-promoted cooperatives lacked. The BWMCL had imparted some specific training to its borrowing members. For example, if a member took a loan for buffalo raising, she was imparted buffalo-raising training. Success stories show that this kind of training helped members to generate more income.

(ii) *Preventive and curative healthcare services:* These services included provisions for the implementation of drinking water projects, granting loans for constructing *pakeka* latrines and requiring members to have pit latrines and kitchen garden. The cooperatives also provided soft loans for health treatment and emergency purposes. Since donor organizations' health programmes were implemented through government and NGOs, the BWMCL, being a government-promoted cooperative, implemented many health programmes, including reproductive health programme. These health services were mainly related to child nutrition, measuring the height and weight of children, pre- and post-natal care of women, clean drinking water, sanitation and health awareness. Since the self-promoted cooperatives didn't have sufficient funds for implementing such kinds of health activities, prevalence of health activities was very low among these cooperatives. However, JSACCOS was an exception in purchasing an ambulance and a stretcher for carrying patients. This cooperative offered its members high discount on the use of these services. These services helped the community people in times of emergency.

(iii) *Community development activities:* SACCOSs mobilized their members for improving the local infrastructure such as construction of village roads and school buildings; establishment of communication services; expansion of electricity lines; construction of rest places; establishment of community forests, etc. The involvement of the programme-promoted cooperatives in community development activities was higher than that of the self-promoted ones as the former had more social intervention programmes with budgets allocated. The self-promoted cooperatives carried out such activities on voluntary basis and did not have separate funds for community development activities.

(iv) *Awareness-raising activities:* All the sample SACCOSs organized adult literacy classes for their members. But the programme-promoted SACCOSs organized literacy classes for all members and more frequently, whereas the self-promoted SACCOSs organized such classes for limited number of members and less frequently. Besides, they also organized various training, campaigns and exposure visit programmes to successful SACCOSs, as well as talk programmes on gender equity, girl's education, women's empowerment, etc. In comparison with the self-promoted cooperatives, the programme-promoted cooperatives implemented more awareness-raising activities on preventive and curative health, nutrition, reproductive health, bio-gas plant installation, including exposure visit programmes for having funds from donor agencies through their promoters.

### **Women's Involvement in Decision-making and Access to Financial Resources**

For the purpose of this study, empowerment of women was defined as the ability of women to have access to and control over income, expenses, savings and credit, and household decision-making.

Women's involvement in decision-making in issues related to family planning, buying and selling of assets, community development, community meetings, voting, borrowing and use of loans, and use of loan profit was taken as a proxy indicator of empowerment. In this study, impact of cooperatives' activities on women's empowerment was arrived at by calculating the percentage of women members involved in various areas vis-à-vis

**Table 27. Proportion of Involvement of Women Members and Non-members by Area of Empowerment (In percentage)**

Area of Empowerment	Member (n=171)	Non-member (n=41)
Family planning	71.3	61
Buying/selling assets	85.4	70.7
Community development	84.2	43.9
Community meetings	28.7	14.6
Voting	93.6	87.8
Taking loans	85.3	48.8
Using loans	83.04	51.2
Loan's profit use	83.6	48.8

women non-members. Table 27 presents the findings on the involvement of women members and non-members in the above-stated areas. The findings indicate higher proportion of women members' involvement in all of these areas than that of women non-members. This finding was also substantiated by the information collected through the administration of PRA tools. During the PRA exercise, the research team observed that women members were more vocal than non-members in giving information on various issues. Moreover, the female members of women-headed households (widows, wives of migrant men and divorced women) were more empowered in various areas. The finding supports the Consultative Group to Assist the Poorest (CGAP) research report's view that access to financial services can empower women to become more confident, more assertive, more likely to participate in family and community decisions, and better able to confront systemic gender inequity (Source: Focus Note No. 24, CGAP, January 2003).

### **Level of Awareness of Political and Human Rights**

It was found from the FGDs that the women members of the sample SACCOSs were more informed about human rights, including women's rights, than non-members were. Not only they were informed about the women's rights issues, but they were also applying their knowledge into practice in their daily lives. Women's involvement in various income-generating activities through better financial services contributed not only to increasing their household income, but also to their economic empowerment. As a result, women members' involvement in household decision-making in different areas also increased in comparison with that of non-members. Table 27 also supports this finding. Similarly, their participation in cooperatives' various exposure programmes and community development activities increased their mobility compared to non-members. This, in turn, helped them to enhance their knowledge of different issues and thereby contributed towards their empowerment.

The level of empowerment was higher among the members of the programme-promoted cooperatives than those of the self-promoted cooperatives. It might be because

of more social intervention programmes carried out by the programme-promoted cooperatives.

## Wider Impact

The micro-finance and other services provided by SACCOSs not only had impact on the livelihoods of members at individual and household levels, but also generated wider impact within the geographical working areas of the sample SACCOSs. The areas of wider impact are discussed in the following sub-sections.

### Decrease in Interest Rate

The relatively low interest rates on loan products of the sample cooperatives had forced moneylenders to reduce their interest rates. One of the reasons put forward by the respondents for moneylenders, SCOs and other SACCOSs lowering their interest rates was the financial services offered by the sample SACCOSs. Even moneylenders accepted this reality.

The interest rates charged by moneylenders before and after the establishment of the sample SACCOSs are presented in Table 28. The mean annual interest rates charged by moneylenders on their loans before the establishment of the SFCL, JSACCOS, BISCOL and BWML were 46.63 per cent, 49.90 per cent, 32.62 per cent and 51.42 per cent respectively. After the establishment of these sample SACCOSs, moneylenders' interest rate decreased from 46.63 per cent to 34.21 per cent in the SFCL area, from 49.90 per cent to 30.55 per cent in the JSACCOS area, from 32.62 per cent to 20.53 per cent in the BISCOL area and from 51.42 per cent to 33.67 per cent in the BWML area. There were many other SACCOSs, especially in the working areas of JSACCOS and BISCOL, which also contributed to decreasing moneylenders' interest rates. The financial sector trend analysis, presented in Annex 3, also confirms these findings.

### Better Financial Services in the Hills

Because of the difficult geographical terrain in the hilly areas, there were very few financial institutions providing financial services for the community people. Among the financial

**Table 28. Change in Moneylenders' Interest Rates**

	SFCL		JSACCOS		BISCOL		BWML	
	Before joining/esbt co-op	After joining/esbt co-op						
Mean	46.63	34.21	49.90	30.55	32.62	20.53	51.42	33.67
Median	48.00	36.00	60.00	36.00	36.00	20.00	50.00	36.00
Mode	48	36.00	60	36.00	36	20.00	60	36.00
Minimum	36	20.00	24	20.00	22	13.00	36	24.00
Maximum	48	36.00	60	36.50	60	30.00	60	40.00

esbt: establishment

institutions, almost all of the government/semi-government financial institutions were based at the district headquarters. People had to walk a day or two to reach the district headquarters to access the financial services of banks and other financial institutions. In the working areas of the sample SACCOSs, they had to walk for 30 minutes to 6 hours to reach the district headquarters to access such services from financial institutions (mostly government-owned). In order to access the financial services of headquarters-based financial institutions, the villagers had to meet incidental costs such as bus fare (wherever applicable), food and lodging expenses when they had to stay overnight in addition to the normal interest cost and the forgone wages. Physical collateral was a must to get loan from these financial institutions, and the processing of loans, including restraining of collateral from the Land Revenue Office and completion of other administrative formalities, was highly time-consuming.

People also acquired loans from local moneylenders, for which they had to offer some form of collateral—tangible or intangible—acceptable to moneylenders. The loan from moneylenders was usually not available to all. It was available only to those people who had good relations with moneylenders or whom moneylenders trusted. Those who qualified received loans from local moneylenders at a very short notice and without much hassle. In other words, there was not much extra cost other than the normal interest rate for borrowers.

The normal interest rates charged by moneylenders were much higher than those charged by the headquarters-based financial institutions. But, if the other costs associated with travel, food, lodging and the forgone income of borrowers were also added to the normal interest rates, the borrowing costs from the headquarters-based financial institutions were not that low as one would normally think.

The financial services provided by the sample SACCOSs addressed these problems to a large extent. The sample SACCOSs provided financial services for the community people at local level. Their members did not need to go to the district headquarters for borrowing small loans from banks and other financial institutions. Availability of savings and credit services at the local level had saved member borrowers additional costs of transportation, food and lodging. Members didn't have to offer physical collateral for small loans. SACCOSs' intervention had provided opportunities for poor people to access loan and other financial services (savings and insurance). SACCOSs also offered higher interest on members' savings than formal banks did and charged lower interest on loans than moneylenders did.

The financial sector trend analysis indicated that the competition in the local financial market had led to an improvement in the quality of financial services. In addition, the popularity of, and demand for, micro-financial services from semi-formal organizations such as SACCOSs was gradually increasing.

#### **Establishment/Expansion of Market in the Community**

Increased financial services helped in increasing the cash crop production and their market outlets, which, in turn, offered initiatives for establishing and expanding market in the

working areas of SACCOSs. It was found that the members had changed their crops from cereals (rice, wheat, millet, maize) to cash crops (potato, garlic, ginger, tea, cardamom) and also from the traditional techniques to modern methods of cultivation. Loans were used mostly in cash crop cultivation. Improved access to road networks, although it was not so good, had also contributed to the expansion of market and shifting of cropping pattern.

### **Social Capital Building**

Establishment of SACCOSs had brought about group solidarity among members and had increased their confidence to advocate against social evils. SACCOSs, being legal entities, had been able to access VDC and various other government funds. The BWMCL had acquired funds from the VDC for the construction of a waiting place for the passengers of public transportation. It had also received land and building from the VDC for planting trees and for setting up its office. Similarly, the SFCL had acquired land from the VDC to construct its own office building. In addition, the treasurer of JSACCOS was elected as the chairperson of the VDC, which shows group solidarity among members.

### **Millennium Development Goal (MDG) focusing on Poverty and Development Issues and SACCOSs' Contribution to Address those Issues**

The fifty-fifth session of the General Assembly of the United Nations, held in 2000, adopted many declarations, including the Millennium Development Goals (MDGs). The MDGs emphasize, among others, the development and poverty eradication issues that were discussed and agreed upon at international conferences and world summits during the 1990s.

The financial services provided by the SACCOSs had contributed to increasing the incomes of hill-based community people. Similarly, technical services in the form of training, imparted to members, had improved their skills, which again had helped in creating self-employment and increasing their incomes. In addition, activities of the SACCOSs also contributed to women's empowerment, education, health and sanitation; asset purchase and well-being of the people living in geographically difficult areas. If the practices followed by the sample cooperatives with appropriate improvements are replicated in the hills of Nepal, it would certainly contribute to meeting the MDG of halving the proportion of the poor by 2015.

### **Problems and Constraints**

Problems and constraints mentioned here were mainly gathered in the course of conversations with the board members, staff and promoters of sample cooperatives and many other organizations during field visits. The problems and constraints mainly pertained to legal and practical areas. Some of the problems and constraints identified were as follows:

- ❑ It is mandatory for all cooperatives to keep four accounts, namely assets, liabilities, income and expenses accounts under the Cooperative By-laws 2049. These accounts have limited columns. It has made it difficult for big cooperatives to record all transactions in these limited columns. The SACCOSs involved in micro-finance need to keep record of loan loss and other reserves, separate good loans from bad loans, and follow up on defaulters; however, the accounts prescribed by the DoC have no room to record these transactions.
- ❑ SACCOSs are required to take the approval of the DCO concerned for the appointment of auditors each year. They have to go through lengthy administrative formalities to obtain such approval from the DCO. Again, since not all DCOs are authorized to give approval, SACCOSs, especially from hill areas, have to spend more than a day to reach the authorized DCO office. This has caused wastage of time and also costs burden of travelling, lodging and food expenses for SACCOSs.
- ❑ Around 163 SACCOSs had access to wholesale funds from the Rural Self-reliant Fund (RSRF) and Rural Micro-finance Development Centre (RMDC). The respondents expressed their concern about the time taken by the RSRF to approve a loan. According to them, it takes at least six months to get loans approved from the RSRF. The waiting time of six months is too long for SACCOSs who need loans immediately. Only four of the 2,375 SACCOSs had access to wholesale loans from the RMDC, whereas there were many SACCOSs that were in need of wholesale loans.
- ❑ Many promoting agencies have formed SCGs and promoted cooperatives in the working areas of the existing SACCOSs. This has not only created duplication of savings and credit activities but also caused wastage of resources, apart from leading to unnecessary and sometimes unfair competition.
- ❑ The study was hampered by the current political situation in Nepal. The Maoist problem became more serious during 2001-2003. Field research was postponed several times. During field research, the CMF staff could not visit some of the working areas of partner SACCOSs due to this problem. In several instances, during field exercise, the Maoists interrupted activities and asked the research teams several harassing questions. Whenever the Maoists interrupted the exercise, the participants were frightened to continue the interview. One sample cluster of BISCOL had to be replaced due to this problem. In Ilam, one FGD had to be conducted at Ilam Bazaar rather than in the village for security reasons. CMF had communication problems with its field staff in Dolakha, Ilam and Tanahu districts since the Maoists had destroyed telephone towers in these districts.

It was often difficult to reach the field, especially during monsoon, when landslides blocked the roads. Frequent trips to far-off fields and arranging meetings with respondents during harvest season were difficult.

# 4. Conclusion and Recommendations

## Lessons Learnt

A number of lessons were learnt while conducting the impact assessment. Such lessons are elaborated below:

### **a. Training and technical assistance, unless designed properly through systematic training need analysis, does not necessarily improve the performance of MFIs.**

The BWMCL members received more training in micro-finance and social intervention, conducted by agencies, among others the Department of Women Development (DWD)—the promoting organization of the BWMCL—than the other three SACCOSs. However, the training did not seem to have produced the desired impact. The low level of impact was mainly due to:

- ❑ Improperly designed training packages.
- ❑ Lack of adequate knowledge and skills on the part of the promoting organization (in this case, the DWD) of promoting a sustainable micro-finance programme. This includes lack of knowledge of the technical aspects of micro-finance such as financial management, business planning, management information system (MIS), loan management, cooperative management, etc.
- ❑ More focus on classroom training than on need-based technical assistance in the field.
- ❑ Supply-fed rather than demand-led nature of training.
- ❑ Low educational level of the members of BoD and staff of women-managed SACCOSs.

Based upon the findings of the institutional assessment of the BWMCL through the application of the CMF's institutional auditing tool, different training and technical assistance needs of the sample SACCOSs were identified.

The CMF provided training and technical assistance in the areas for improvement identified through institutional audit tools, such as book-keeping, financial management and business planning. As a result of these training interventions, noticeable changes were observed in the outreach and financial performance of the BWMCL. The outreach increased by 6 per cent between 2000 and 2001 and by 60 per cent between 2001 and

2002. Similarly, the growth in equity was substantial, whereas the liabilities remained constant during the same period. The overall assets increased according to the increase in equities and liabilities. For details see Annex 7.

Similarly, the training and technical assistance needs of the other three SACCOSs were identified during the project period, and the CMF provided such training and technical assistance to those SACCOSs. These interventions helped to improve the outreach of these SACCOSs.

#### **b. Thorough market research is needed before launching new products.**

Even though JSACCOS introduced demand deposit, other savings and loan products, those products were not as popular as in BISCOL. The reasons cited by the board members and staff of JSACCOS were:

- ❑ The members of JSACCOS had fewer economic opportunities than those of BISCOL due to the relative remoteness of their working area.
- ❑ Many members were not familiar with the voluntary and purposive savings products due to the lack of member education programme.
- ❑ Members residing far from the JSACCOS office found it difficult to travel to office to deposit their savings.
- ❑ There were six other SCCs operating within the same geographical area. Duplication and unnecessary competition between cooperatives were limiting the savings collection.
- ❑ Mistrust was developing among depositors towards JSACCOS as there had been in the past a few instances of some informal groups and cooperatives disappearing with depositors' money.

The *Imp-Act* project provided SACCOSs with opportunities to take part in the process of identifying the needs of their members. This helped them to design new products that were member-friendly.

The SFCL offered a group savings scheme to its members. Savings were treated as a loan guarantee fund. Members could withdraw such savings only after the termination of their membership. During the business planning training provided by the CMF under the *Imp-Act* project, the best practices of savings mobilization were thoroughly discussed. Various savings products introduced by different cooperatives were discussed with the board members and staff of the SFCL. Upon being convinced, they made a plan to introduce individual savings and child savings schemes in their cooperative. By January 2003, about 50 members had already participated in individual savings and about 30 children in child savings. The SFCL plans to market these two products—individual savings and child savings—more aggressively in the future.

#### **c. *Imp-Act* project contributes to appropriately targeting the poor**

Involvement of board members and staff in the research activities under the *Imp-Act* project enabled them to apply various PRA tools, including the well-being ranking, FGDs,

Financial Sector Trend Analysis (FSTA) and Seasonality of Income, Expenditure, Savings & Credit (SIESC) on their own. From the well-being ranking exercise, the cooperatives were able to understand the socio-economic classes of their members and non-members. Their involvement in the well-being ranking exercise made them realize that a large number of poor households in their working areas were still deprived of accessing cooperative's services as well as enabled them to develop strategies to reach greater numbers of poor households.

Similarly, the FSTA helped the cooperatives to understand the trend of demand for, and popularity of, the services provided by different financial institutions available within the community over the years. This made the participating cooperatives aware of the likes and dislikes of the services provided by them and by other organizations within their working areas.

The SIESC made the cooperatives aware of the incomes, expenses, savings and credit patterns of both member and non-member households. Through the application of this tool they came to know the months in which incomes and expenditures were high or low. Similarly, they came to know the months in which there were high potential for savings and high use of credit. This enabled SACCOSs to review the strengths and weaknesses of their existing savings and loan products and to develop new products according to the needs of the poor clients.

**d. Regular repayment of loans by clients does not necessarily indicate their well-being.**

This learning is taken from the failure story of Sukumaya BK (see Annex 1, failure story no. 4), a member of the BWMCL, who often repaid the loan instalments regularly by selling her goats and pigs that were not purchased with the loan amount. Because of her household problem (her husband had settled in India with another wife), she was compelled to divert her loan meant for income-generating activities towards food consumption and education of her children. This decreased her assets, resulting in decline in her economic well-being.

**e. For success or failure of a business mostly the micro-finance institution and to some extent the borrowing clients are responsible.**

- ❑ Businesses are successful when loans are properly utilized and are repaid in time. Full cooperation of members of family is also an important factor (see Annex 1, success story no. 1).
- ❑ Investment in an enterprise in which the borrower has sufficient knowledge and skills contribute to the success of the enterprise (see Annex 1, success story no. 2).
- ❑ Loans provided to clients after skill development training are more beneficial and productive (see Annex 1, success story no. 5).
- ❑ Ploughing back of profit by clients in their business helps to expand the business and generate additional income (see Annex 1, success story no. 3).
- ❑ Negligence in business, inability in cash flow management and habit of over-spending might lead to failure in business (see Annex 1, failure story no. 1).

- ❑ Over-ambition in making profit within a short span of time might doom a business (see Annex 1, failure story no. 2).
- ❑ The programme design is as much responsible as the borrower for the success or failure (see Annex 1, failure story no. 4).

## **Conclusion and Recommendations**

### **Socio-economic Impact**

The SACCOSs model was found effective in providing financial and social services for the hill-based communities. SACCOSs' financial services helped communities (through direct and spill-over effects) in increasing their incomes, which thereby contributed to reducing their poverty. Similarly, technical services in terms of training provided by SACCOSs to their members helped in enhancing their skills, which also indirectly contributed to increasing their incomes. In addition, undertaking of adult literacy classes contributed to making illiterate adults literate. SACCOSs' community development activities were recognized in the community. Increased incomes and knowledge generated by training and exposure programmes helped in empowering the women members. The SACCOSs model has, therefore, a role to play in poverty reduction and development in remote hill areas.

Therefore, the government programmes and/or I/NGOs should continue to promote the poverty-focused SACCOSs model to improve access of financial services to the poor in remote hill areas.

### **Self-promoted versus Programme-promoted Cooperatives**

The self-promoted cooperatives had better financial performance and better performance in book- and record-keeping than the programme-promoted ones had. However, the programme-promoted cooperatives were strong in community development activities and in reaching the poor.

The self-promoted cooperatives were strong in financial management because the promoters of these cooperatives were social elites who had experience in the fields of micro-finance, banking and cooperatives. On the other hand, the programme-promoted cooperatives were strong in the areas of community development and targeting the poor because of the mandatory provision of their promoters. Again, the self-promoted cooperatives had better outreach in terms of membership size and were providing various savings and credit products to their members in comparison to the programme-promoted ones.

Looking at conditions such as geographical remoteness, low level of cooperative education, high illiteracy, lack of financial management skills in remote hilly areas, the self-promoted SACCOSs model, without any capacity building and technical assistance package, may not be widely replicable. In such areas, replication of the programme-promoted SACCOSs model would be more appropriate.

Therefore, government and non-government programmes should promote SACCOs in rural hilly areas, along with capacity building and technical assistance package, for the first few years so that they can serve the poor as sustainable MFIs.

The donor agencies should focus their support on promoting international best practices adapted to the national context.

### **Improvement in SACCOs Services**

Many SACCOs members were found seeking different sources of loan, which implies that the existing financial services provided by SACCOs were not sufficient to cater to the needs of their members.

Therefore, SACCOs should diversify their financial products as per the needs of their members for which they should conduct market research.

Although the sample SACCOs intended to provide diversified loan services, they could not do so for insufficient capital base.

Therefore, they should raise the required capital internally or by accessing funds from external lending agencies.

The programme-promoted SACCOs focused more on social intervention than the self-promoted ones did.

Therefore, the self-promoted SACCOs should initiate social intermediation programmes such as literacy, health awareness campaign, skill development training and community development activities to motivate as many community people as possible. It is not possible to meet such expenses from their own funds. They should explore additional resources from NGOs and donor agencies for the initiation of social intermediation programmes.

The GOs and/or I/NGOs operating in such areas should develop a forum that facilitates information exchange at local level for SACCOs.

### **Targeting the Poor**

Although SACCOs, especially the self-promoted ones, had good outreach, they had problems in reaching the ultra poor in their working areas. Their membership being voluntary, those who were aware and literate joined the programme and the poor were left behind. They had no special programme that emphasized motivating the poor to join them. Similarly, the existing products and services were not affordable for the poor community people.

Therefore, SACCOs should address these problems by developing strategies that would motivate poor people to join them.

SACCOSs should receive training and technical assistance, either from their own resources or through support of their promoters, to increase their institutional capacity.

### **Wider Impact**

The activities of SACCOSs were found effective in generating wider impact in their areas of operation in addition to the general impact on the livelihood of members at individual and household levels. Wider impact included but was not limited to the following areas:

- ❑ decrease in existing interest rates, especially of moneylenders, in the working areas of SACCOSs;
- ❑ availability of better financial services for the people in the hills;
- ❑ establishment and expansion of markets in communities;
- ❑ creation of social capital such as group solidarity among members;
- ❑ use of solidarity for exerting pressure against social problems;
- ❑ gaining access to funds available from various governmental and semi-governmental sources, including VDCs, for community benefit; and
- ❑ increase in women's involvement in household decision-making process.

Enhancing the institutional capacity of hill-based SACCOSs would increase their scope for wider impact. Furthermore, promotion and strengthening of SACCOSs in remote hilly areas of the country would not only contribute to have wider impact but also to achieve the MDGs.

Therefore, the government should design and implement policies that focus on the promotion and strengthening of SACCOSs in rural hilly areas.

### **SACCOSs as an Appropriate Micro-finance and Development Model in the Hills**

As mentioned above, SACCOSs are owned and managed by the members themselves. The development and poverty reduction programmes implemented through SACCOSs had produced high impact at low cost. Programme beneficiaries themselves having been involved in planning, designing, implementing and monitoring of activities, the feeling of ownership was relatively high.

There is a common tendency among the GOs and I/NGOs to seek and/or create new NGOs to deliver non-financial services in their respective areas of operation. Creating additional institutional set-up for such services would certainly be expensive. If the existing SACCOSs are used, it would save the institutional set-up costs, including the costs of recruiting core staff. Simply equipping SACCOSs with technical staff will ensure successful implementation of the project.

In SACCOSs, subcommittees are formed by BoD to perform additional assigned activities, if required. A subcommittee usually consists of three members, including two from the BoD of the SACCOS concerned and one representing the user group concerned with that particular project.

Therefore, the GO and/or I/NGO should use SACCOSs as their partners to implement their poverty reduction and development programmes in the country. Furthermore, SACCOSs should maintain separate accounts for such interventions from financial service delivery programmes. The surplus generated from such development programmes should not be distributed amongst the members and should be used for expanding the business or set aside as a reserve fund.

## Success Stories

### **1. Ganga Prasad Ghimire Towards Self-reliance**

Ganga Prasad Ghimire was born in 1962 in a middle class family that lived in ward no. 7, Namdu VDC, Dolakha district. His family consists of his wife, Lilamaya, daughters, Indira and Sunita, and sons, Ramsharan and Kiran. All his four children go to school.

Ganga Prasad's sole means of livelihood was farming until 2000—the year he set up a mill. Although he lives in ward no. 7, he runs his business from ward no. 3, which is more viable for his type of business. His whole family lends him a helping hand in both farming and business.

Ever since JSACCOS was established and started expanding its activities in Namdu, Kavre and Mirge, Ganga Prasad wanted to become its member. When other villagers from these areas who had already joined it told him that if he became a member of the cooperative and started saving money early, he could use the savings in rainy days, he made up his mind to join it. Eventually, on 20 February '94, he joined the cooperative. Since then, he has been saving Rs100 every month. He was so impressed by the success of the cooperative society that he also encouraged his wife, Lilamaya, to join it. Lilamaya has also been depositing Rs100 every month in her savings account with the cooperative. Apart from his wife, he has persuaded about 15 villagers to become its member.

For a few years after joining the cooperative, Ganga Prasad was engaged only in farming. He borrowed his first loan—an amount of Rs15,000—from the cooperative society to set up a mill. After operating the mill for a few years, he sold it at a profit to buy a piece of land for Rs80,000. He grew both paddy and wheat on that land and the harvest was so good that it yielded him up to 20 *muri* (1 *muri* is equal to 70 kg) of paddy and wheat, which were more than enough to sell in the market after keeping back some for consumption at home. Similarly, he earns Rs400-500 a month by selling *ghen* (clarified butter), Rs5,000-6,000 from his shop and occasionally by working as a carpenter. Earlier, when he worked only as a carpenter, he couldn't earn more than Rs2,500 a month. Now, his total earning sometimes exceeds Rs7,000 a month.

Ganga Prasad's economic condition has vastly improved since he joined the cooperative. Whereas he couldn't save a single penny in the past, he now saves Rs600 every month, including in other cooperative societies. He has paid off the loan of Rs22,000 that he had

borrowed for buying a piece of land. Furthermore, he has launched a retail business in veterinary medicines after receiving training in livestock development, organized by ECARDS, an NGO. His shop now has goods worth Rs250 thousand, accumulated after intermittently borrowing loans from the cooperative society and investing in business. Now, he also owns a buffalo and about half a dozen goats.

Along with his economic status, Ganga Prasad's social status has seen an upswing. Besides JSACCOS, he is a member of Chetansheel SACCOS and chairperson of the Pakha Community Forest Users' Group. In addition, he has been working as the ward chairperson of his VDC for the past seven or eight years, and has been actively participating in various social and community development initiatives such as awareness raising, health, hygiene and sanitation, and so on. He has also participated in the educational camps organized and conducted by the cooperative society, where he learnt the process of establishing a cooperative society, its advantages, types of committee within it, its operation and organizational structure, and several other aspects of a cooperative society. Ganga Prasad has been able to send all his four children to school with the earnings from his farming and retail business. Thus, he has been living a comfortable and self-reliant life, thanks to the cooperative societies.

Ganga Prasad's life has seen an upswing, both economically and socially. He was successful in business because he always properly utilized the loans borrowed by him and was careful to repay loans within the repayment period. At the same time, he wouldn't have been so successful but for the unflinched cooperation of the members of his family.

## **2. Chandra Bahadur Darjee Life Sees a Sea Change**

Chandra Bahadur Darjee was born in 1946 in Jyamire, ward no. 4, Kavre VDC, Dolakha district, in a family of Darjees, a caste which is considered of low economic and social status. He has since been living in his birthplace. His family consists of his 45-year old wife, Ratnamaya, two sons and their wives, three grandsons and granddaughters. The principal income source of his middle class joint family is tailoring. At present, he is running a tailoring shop, named Himganga Tailoring Centre, at Kavre-6. Apart from him, his two sons are continuously engaged in that business.

Although JSACCOS was established way back in 1993, poverty didn't allow his family to become its member. He owned only 7 *ropanis* of farmland, which was too little to produce even for the subsistence of his family. So, Chandra Bahadur used to sew the clothes of villagers, operating from his home because he couldn't afford a shop. In exchange, he would get 1 *pathi* (3.5 kg) of food grain once a year from every household in the village. As this, too, was not sufficient for his family, he used to work on wages during his leisure, along with other members of his family.

After being persuaded by the then executive committee of JSACCOS, particularly its chairperson, that one could save money for the future in the cooperative society and also start an income-generating enterprise by borrowing loans from it, he became a member on 6 September '94. He had worked as a wage labourer in the fencing work of the village school and had become a member with the wages earned from that work.

Since becoming a member, he has been regularly saving Rs100 in his account in the cooperative society. He has also helped three other members of his family to join the cooperative society, and they have also been saving money in their individual accounts.

Six months after joining the cooperative, Chandra Bahadur borrowed his first loan—an amount of Rs6,000—which he invested in buying cloth. He sold the cloth and sewed clothes for villagers. His profit after paying off the loan amounted to Rs1,000. He spent that money on household consumption. Thereafter, in October '95, he borrowed Rs10,000, with which he bought an interlock machine and with the remaining amount cloth. He paid off that loan with the profits made from his business and also earned a profit of about Rs1,500. This time also, his profit was spent on household expenditures. Again, in September 1997, he borrowed Rs15,000, with which he bought a big machine for Rs5,000 and cloth. His profit this time was only Rs800 or 900. Thereafter, he borrowed Rs20,000 in 1999 to buy another machine and made a profit of about Rs3,000. He had to spend a part of this profit on medical expenses and, for the first time, also saved some money. His tailoring business, as well as his self-confidence and entrepreneurship, had greatly risen, as is evident by the loan of Rs80,000 he borrowed in July 2001, with which he bought cloth and stitched uniforms for schoolchildren and the staff of the agriculture office. This time, his profit was a whopping Rs10,000. He bought a machine with that money and gave it to his daughter and her husband so that they could set up a tailoring shop of their own. The couple has set up a tailoring shop at Mainapokhari. Since that loan had yet to be paid off and therefore he couldn't borrow again in his name, he borrowed Rs100,000 through his son, Deep Bahadur—also a member of the cooperative society—in 2001 and purchased 14 *ropanis* of land with that amount. He paid off that loan in January 2003 with the profit earned from his business.

Since joining the cooperative, Chandra Bahadur has been saving Rs600 a month: Rs100 each in his own name and in the names of his wife, two sons, daughter and son-in-law. The savings now total Rs15,452 in his account, Rs7,282 in son Deep's account, Rs7,327 in son Roop's account and Rs3,657 in Ratnamaya's account. He now intends to also enrol his two daughters-in-law in the cooperative.

After joining the cooperative, Chandra Bahadur's life has seen a sea change. Before joining the cooperative, it was really difficult for his family to make both ends meet. Now, his wife and daughters-in-law work only in the field and help him in his tailoring business only during Dasain when he is overloaded with work. Despite additional land, the income from farming is sufficient only for a few months and the earnings from the tailoring business support the family the rest of the year, and in addition help them save money, pay back loans and meet other expenses. In the past, the family had to bank upon local moneylenders and neighbours even in times of small crises, but now their earnings are enough to tide any kind of crisis over. Before, he couldn't earn more than Rs500 a month, leave alone save money, but now he earns up to Rs8,000 a month from his tailoring business, is able to save money and doesn't have to work as a wage labourer.

Similarly, his social life has also seen a transformation. Unlike in the past when he socialized with very few people, his social circle has now considerably expanded. Participation in general assemblies has expanded his knowledge of how the cooperative works as well as of the benefits of its membership. He has also been participating in community development activities; he recently contributed labour towards the construction of a trail near his house. He has also been regularly participating in meetings of a community forest users' group, where he has learnt that all should contribute to conserve forests and receive the benefits of forests.

After setting up businesses, Deep Bahadur went to Kathmandu at his own expense and Roop Bahadur went to Charikot on the sponsorship of VDC to receive three-month training in tailoring, which they considered necessary. When the cooperative society made it mandatory for every member to build a latrine in her/his house, Chandra Bahadur also built a latrine, being fully convinced that it was a must to lead a healthy life. His success can be measured by the fact that no less than 20 people have joined the cooperative either at his persuasion or by being impressed by the progress in his life.

Since joining the cooperative, Chandra Bahadur has built his capacity to live in a self-reliant manner by pursuing his own business, along with the capacity to solve problems. All these have made his life much easier and smoother than ever before.

Chandra Bahadur was successful in business for more than one reason. First, he invested in an enterprise he and his family were well familiar with, which shows the importance of right selection of income-generating activities. Second, he would always plough back the returns into the business, thus expanding it further.

### 3. Radha Pahari

## Insuring for the Future

Thirty-eight year old Radha Pahari lives in Panauti-12, Khopasi, Dangghat. Her family consists of her 38-year old husband Shyam Sundar Pahari, eldest son Kumar, 21 years, and his wife Shanti, 18 years, and youngest son Brihaspati, 17 years. All the members of her family work on wages. To supplement the little income of her family, Radha works at the Sericulture Development Project on daily wages. Her husband performs petty jobs at households, whereas her eldest son catches fish and works as a seasonal farmhand. They own a small house and a small piece of land, which yields no more than two *doko* (bamboo basket carried on one's back) of maize. Their mud-and-stone house with a tin roof was built only recently.

In 1996, Radha joined Dang-Ghateswor Women Savings Group. At the time of joining it, she didn't know anything about the concept of cooperative. Initially, when other women of the village suggested to her that they form a group and start saving money, she started

saving money without understanding the idea behind it. Later, when she started participating in various training organized by the cooperative society, she gradually learnt that the cooperative society belonged to all. Radha currently saves Rs1,200 a year in her account in the cooperative and earns an interest of 10 per cent annually on this amount. She has also taken out an insurance policy in the belief that it will ensure a secure future for her children, although she doesn't know much about the policy.

Until ten years ago, her life was unbearable to her. In times of emergency—and they were quite frequent, she had to plead with local moneylenders to lend her loans. Even for small amounts of money moneylenders used to charge her exorbitant interest. She didn't know anything about groups and hadn't heard of cooperative societies. Those are now bygone days. As she has joined a group, her friends come forward to help her in times of need by providing group guarantee on the condition that she repay the loan in time. The group provides collateral-free loans for poor members like her who do not have any assets, which has made life much easier for them. Even until 1995, she lived in a small hutment that had a thatched roof. She couldn't fulfil her wish of buying and raising livestock. If she didn't get work as a wage labourer or caught fish, she and her family had to forego the next meal. At that time, she had never imagined that she would ever be able to erect a tin roof over her house and send her sons to school.

Since joining the group in 1996, she has been borrowing loans against group collateral, and investing them in cattle raising, poultry farming and leasing other's land for growing potato. Within a short span of time, she earned considerable amounts of profit and with these profits, she built a concrete house and had a tin roof fixed on it. She has also started the lucrative business of milk sale and also sends both her sons to school. She no longer has to plead her neighbours to lend her small sums of money and has also started saving bigger amounts. Similarly, her family's food intake, and consequently health, has improved. In the past, many a times the family had to sleep on empty stomach and had sleepless nights fearing how to arrange for the next meal. But now it has become much easier for them to procure food. Furthermore, she has become confident that if her family supports her she can borrow bigger amounts of loan so that she can buy more cattle and sell milk.

Her savings have now reached Rs1,200 a year. She has been ploughing back her profits into her livestock business; that's why, despite her capacity, she hasn't been saving more than Rs1,200. However, she might increase her savings if her profits increase.

Radha owes her success to her farsightedness in business. She has understood that, rather than depositing her profit in her savings account, if she invested them for diversifying and expanding her business, she could earn much more money. In all her decisions and actions, she is guided by her vision of a secure future for her children. And that has paid her.

## 4. Dhruba Das Ulak

### Resourcefulness Pays

Forty-five-year old Dhruba Ulak and his 40-year old wife, Thuli Kanchhi, residents of Panauti municipality 12, Khopasi, Kabhre, have set up a grocery shop and an eatery, which they have been successfully running. Till a few years ago, this couple, which had left its home and started a small teashop by renting a small room, had never thought that it could ever build and own a house of its own or set up a shop or an eatery. But, it has become possible today, thanks to the family's hard work, commitment and judicious use of loans. Owning only 5 or 6 *ropanis* of non-irrigated land, which didn't produce enough, and, therefore, working on wage labour for living, which also was not sufficient to make the two ends meet, the Ulak couple has bought a piece of land worth Rs200 thousand and built a house at Khopasi at a cost of Rs400 thousand.

Till a few years ago, they were scared of borrowing loans from moneylenders. They had seen many families forced to hand over their land and houses to moneylenders and migrating from the village because of their inability to pay the loans borrowed from moneylenders at exorbitant interest. Scared of borrowing loans, they had been living on the earnings of the teashop they had set up, cursing their fate.

But dame luck eventually smiled on them when BISCOL was established in 1993 and the cooperative expanded its service to cover all the villagers. Thuli Kanchhi became a member of the cooperative through a women's group of which she was a member. When she borrowed Rs10-20 thousand sometime after becoming a member and expanded the business, her husband, too, became interested and became a member of the cooperative. He began by taking a loan of Rs30,000, with which he started trading in *lapsi* (a kind of citrus fruit grown in the hills of Nepal) and orange. The business was profitable and it didn't take him long to pay off the loan with the profit earned. Thereafter, they would engage in business according to the season and in the teashop rest of the year. They are at present earning good profit from both the eatery and grocery shop. They have no intention of giving up either of these businesses, and, on the other hand, plan to diversify them. They have been supporting the education of their three children: eldest daughter, 20-year old Radha, who is studying IA, the youngest daughter, 15-year old Rita, who is studying in class 6, and son, who has passed SLC and is now giving them a helping hand in their growing business. Once shy of borrowing loans, the couple now thanks BISCOL and its loans for their transformed economic condition.

Dhruba Ulak's case shows how a poor couple, when provided with loans, could become successful entrepreneurs through sheer hard work, commitment and proper utilization of loans. It also shows that, like the Ulak couple who undertook income-generating activities according to season, one needs to be resourceful and enterprising in carrying out income-generating activities.

## 5. Kul Kumari Gurung

### Diversification of IGA helps earn Profit

Kul Kumari Gurung from Bakhre, Jamune-9, Tanahu, is a migrant from Gorkha district. Her husband was a wage labourer. He had to go to Pokhara and Damauli for wage labour. So, she also used to go to these places with her husband for wage labour. In due course of time, she opened and ran a petty shop at Damauli. In the meantime, she gave birth to a daughter. It was, however, difficult for her and her husband to manage household expenses from the income of the petty shop and wage labour. So, they shifted to Bakhre village in Jamune VDC, where Kul Kumari heard about the Production Credit for Rural Women (PCRW) programme. This programme provided collateral-free loans for poor women for undertaking income-generating activities. To join this programme, women had to form groups of at least five members from the same locality and deposit group savings in a bank.

She formed a group of five women and joined this programme in 1992. She borrowed her first loan—an amount of Rs2,500—for goat raising. She bought three goats with that loan. With painstaking efforts in goat-raising, she succeeded in earning profit and repaying the loan within a year and a half. She borrowed her second loan—an amount of Rs5,000—and bought five more goats. With her hard work, she earned higher income from the goat-raising enterprise. Some income was used in meeting household expenses and some in repaying loan instalments. She thus repaid this loan within the loan repayment period of five years.

During this period, she participated in various training such as basic training, sanitation training, nutrition training, goat-raising training, etc, and adult literacy classes, being a member of the Barahi Women's Multipurpose Cooperative Ltd. This helped her in internalizing the importance of savings and credit, sanitation and nutrition, and developing goat-raising skills. At the same time, the cooperative had provided a forum for discussing problems with other members and explore their solutions.

She took her third loan—an amount of Rs2,000—for the education of her daughters and son, which she repaid within six months with the income generated from goat-raising. From the same income source, she also set up a petty shop. She borrowed her fourth loan for starting ginger farming and trading. She has been making good profit from these activities.

She thus got success in generating income, building knowledge and skills of savings and credit, sanitation and nutrition, and became able to read and write. She is now a member of the executive committee of the cooperative.

Her integrity and painstaking efforts towards income-generating activities helped her in acquiring success. In addition, investment of loans in diversified income-generating activities and participation in various training, including skill development training, also helped her in becoming a successful entrepreneur.

## 6. Kunta Maya Adhikari

### Family Support Leads to Success

Kuntamaya Adhikari joined a cooperative in 2001. However, she has been associated with one of the groups of the cooperative since 1988. She used to save along with some friends among themselves and disburse loans among themselves in times of need before she joined a group promoted by the PCRW programme. She became quite excited upon coming to know of the implementation of the PCRW programme and its savings and credit activities in her VDC. Therefore, she formed a group of five women and started saving money.

Kuntamaya participated in the adult literacy programme conducted by the Women Development Section (WDS) of the Department of Women Development and became able to read and write. Impressed by the success of other members in income-generating activities through the use of easily accessible and collateral-free loans, she took her first loan—an amount of Rs5,000—for goat raising. The loan repayment period was of five years. At the same time, she attended training in goat-raising, which developed her goat-raising skills. Thereafter, she purchased five goats from that loan. With her own efforts and those of other family members, she increased the number of goats to thirty-six within five years. She repaid the loan from the profit generated by selling goats. It was exciting for her to generate such income through goat-raising. This inspired her to take another loan.

She borrowed her second loan—an amount of Rs5,000—for ginger farming. She again received training in ginger farming to develop its knowledge and skills. She bought two oxen for ploughing the field, ginger seeds and fertilizer with that loan. Again, with her own and other family members' efforts, and proper use of knowledge and skills gained from the training, production of ginger was high. Although she made profit by selling ginger, because the price of ginger in the market was low, it was not as satisfactory as expected. Nevertheless, she repaid the loan within three years' period. However, she considers two oxen and ginger seeds her profits.

She then took her third loan—an amount of Rs5,000—for goat-raising. She purchased five more goats with that amount. Within five years, she made a profit out of it and repaid the loan within the repayment period. The profit earned from goat-raising was also used in repaying other loans taken for meeting household expenses.

With the continuous earning of profit, she realized that if loans were properly used, it would improve the financial condition of the family, and, if misused, would deteriorate it. With this realization, she borrowed a loan of Rs10,000 for running a petty shop. This loan was borrowed in the name of three members, including her, as the cooperative would not provide such a big amount to one single member. She made profit from this petty trade. Incomes from several sources such as goat-raising, ginger farming and petty shop helped her to secure the release of the landownership certificate, which was kept as collateral with other organizations. In addition, she now has a cemented house with a tin roof, apart from two *tolas* (23 gm) of gold. She repaid the loan of Rs10,000 within the repayment period of

five years. She got this success with the help of her husband, who joined hands with her in every effort of hers.

She again took a loan of Rs4,000 from the cooperative to re-invest in her trade. She thinks that if loans are properly used, there can be no loss. Looking at the success gained by her, some women have also started running petty trade.

She has not only gained success in earning income, but has also become aware of the sanitation, environment and nutrition aspects, and put her knowledge into practice. She got a pit latrine constructed after receiving sanitation training. She has now built a proper latrine with stone walls and tin roof, which she made from the earning of various income sources. She has dug a pit in her land to dispose of domestic waste. In addition, she is involved in community development activities such as helping other villagers to learn how to construct smokeless stoves, involving in taking weight of children and creating awareness of nutrition among women.

Thus, acquisition of necessary skills prior to running any enterprise and proper use of loan help in running that enterprise smoothly. In addition, family support is one of the keys to success for any enterprise.

## **7. Ananda Maya Adhikari**

### **From Poverty to Dignity**

Ananda Maya Adhikari has been a share member of the Barahi Women Multipurpose Cooperative Ltd since 1999. In the beginning, only her husband earned income, which was very little and not sufficient to feed the couple and their six children and provide education and clothing for them. Therefore, her family pledged land as collateral with moneylenders for obtaining loans.

A ray of hope emerged for her when the PCRW programme was implemented in the VDC as this programme provided collateral-free loans on group guarantee basis for income-generating activities. She joined one of the groups in 1988 and took her first loan—an amount of Rs8,000—for buffalo raising. Prior to investing this loan in buffalo-raising, she participated in buffalo-raising training organized by the WDS to learn the various skills needed in this activity. She bought a buffalo and raised it by using the knowledge and skills gained from this training. She made profit by selling milk and *gheu*. In course of time, the buffalo gave birth to eleven calves. She then sold that buffalo and started raising buffalo calves. In addition, she participated in an exposure visit programme to gain knowledge of buffalo-raising, which she applied in her life. She thus earned income through buffalo-raising.

She got excited with the income earned from the use of loan. Therefore, she took her second loan—an amount of Rs3,000—for ginger farming. Again, before starting farming,

she received training in ginger farming and applied the knowledge and skills acquired. As a result, the production of ginger was high, which earned her high profit. This helped her in repaying the loan within a year. Income from both buffalo-raising and ginger farming helped in meeting household expenses such as those on food, clothes, education, etc.

Income from both buffalo-raising and ginger farming encouraged her to undertake vegetable farming. Therefore, she took her third loan—an amount of Rs5,000—for this purpose. As usual, before launching this enterprise, she received vegetable farming training. She properly applied her knowledge and skills in vegetable farming and produced huge quantities of vegetables. As she sold vegetables at her price, she made high profit out of it. She did not need to go to market for selling vegetables, but vegetable traders visited her house for buying her vegetables. In addition, exposure tour groups from many areas of Nepal would come to her house to observe her success in vegetable cultivation, which also encouraged her. Therefore, she started cultivating varieties of vegetables. In the beginning, she used to cultivate only cabbage and cauliflower; now, she cultivates beans, green leafy vegetables, radish, potato, brinjal, etc. Income from vegetable cultivation also helped her pay back loans and get the collateral back from moneylenders.

She is now involved in buffalo-raising, ginger farming and vegetable production. She does not need to take loan for these activities. However, she sometimes takes small loans for the education of her children and re-investing in her enterprises. She married away her three daughters and purchased two *tolas* (23 gm) of gold with the income from these enterprises. Now, she realizes that if she had fewer children, she would have more savings. Her son has also started earning after joining the Royal Nepal Army.

Ananda Maya is involved not only in savings and credit activities of the cooperative, but also in various community development activities. She participated in adult literacy classes, and health and sanitation campaigns organized by the WDS and cooperative. As a result, she has become able to read and write; has a pit latrine; keeps her courtyard and utensils clean; and takes precaution in drinking water.

## **8. Bishnu Maya Khanal**

### **Earning Income and Respect**

Bishnu Maya Khanal is the chairperson of Barahi Women Multipurpose Cooperative Ltd. She has been a member of one of the groups of this cooperative since 1992. She received inspiration to form the group from her mother and daughter-in-law at her mother's home as they were involved in savings and credit activities by forming groups.

As she had taken training in sewing, she took a loan of Rs5,000 and bought a sewing machine. She did all the sewing work of her family such as sewing of school uniforms of her children, blouse and other clothes. Although it did not generate direct income, it saved

the expenses required for it if the work was given to professional tailors. She considers it her indirect income. In addition, it has helped improve her sewing skills. She repaid the loan within a year and a half. Her husband, who is a jobholder, helped her in repaying the loan.

She took her second loan—an amount of Rs15,000—for cattle farming. She bought a cow, which she insured. Due to good taking care of cow, milk production was high—4 litres at a time. She used to sell some of this milk and make *gheu* from some, whereas the rest was consumed at home. By selling milk and *gheu*, she earned income, which was used for repaying loan instalments, keeping savings and meeting household expenses. Unfortunately, that cow died within the sixth or seventh month. But since it was insured, she received Rs12,000 after deduction of the balance loan amount. From this activity, she had neither profit nor loss.

She then decided to run a petty shop; so, she took a loan of Rs2,500 and opened a petty shop. She kept and sold household goods, confectionery, toiletries and stationery. She made profit from this petty shop, which she used in repaying loan instalments and re-investing in the shop. She has continuously been earning profits from this shop until now. She repaid the loan from this profit and used profit in keeping savings and spending on household needs. She now has a relatively big shop in the village. She thinks that it is not difficult to gain profit if loans are properly used in the right place.

She borrowed a loan of Rs5,000 for the education of her two daughters. She repaid this loan with the profit made by the shop and from her husband's salary. She again took a loan of Rs10,000 to re-invest in her shop. She has continuously been making profit from this re-investment in her shop, which has been used in repaying loan instalments and meeting household expenses.

She has also been a member of an agriculture group promoted by District Agriculture Office. Being a member of that group, she has received training related to farming. She has been applying the knowledge and skills received from this training in vegetable cultivation in her kitchen garden. Most of the vegetables produced are consumed within the household, which saves her the expenses needed for buying vegetables. On the other hand, consumption of fresh vegetables has made the family members healthy, which has also saved medical expenses. She considers these benefits as indirect benefits. As direct benefit, she earns income by selling some vegetables.

In addition, she has been involved in various community development activities such as creating awareness of the importance of sanitation, child weight (child nutrition) and other community development activities run by the cooperative. She not only is active in creating awareness of the importance of sanitation, but also applies it at her home. She has installed a biogas stove and built a latrine in her house after participating in biogas installation and latrine construction programmes run by the WDS. She shares her knowledge and skills with other community women. Therefore, community women respect her.

## Failure Stories

### **1. Shiva Prasad Dahal** **Never learnt his lesson**

Shiva Prasad Dahal was born in a lower middle class family at Ranipokhare, ward no. 6, Kavre VDC, Dolakha district in 1956. His family consists of seven members: his 32-year-old wife Renuka, sons Tanka Prasad and Mahendra, and daughters Sabita, Kabita and Laxmi. He and his wife are members of a cooperative.

He makes his living from farming and wage labour. Other members of his family are also engaged in farming. As the produce from his farm is not sufficient to support his family for more than five months of the year, he also works as a wage labourer. Although he had launched a business by borrowing a loan from the cooperative society he was a member of, he had to later give it up as it couldn't be run profitably due various reasons.

Shiva Prasad had joined the cooperative in October 1997 on his own initiative by applying for membership amidst a tough competition. He had started saving Rs100 a month, but had to discontinue it for sometime when he had to pay fine on an overdue loan he had borrowed earlier. After paying off the loan, he resumed his savings and also encouraged his wife to become a member. Renuka's savings have now reached Rs1,430 and that of Shiva Prasad Rs6,979.

After becoming a member, Shiva Prasad borrowed his first loan—an amount of Rs12,000—from the cooperative in June 1998 to buy a buffalo. He paid off that loan by selling the milk of that buffalo, and spent the profit of about Rs2,000 from the sale of milk on meeting household expenses. He took another loan—an amount of Rs20,000—in December 1998 to launch a garment business and Rs15,000 in April 1999 in the name of another member, Mankumari Dahal, for the same purpose. A part of the latter loan was spent on purchasing cloth and a part on other expenses. In spite of these investments, which were huge by his standard, he wasn't serious in his business. He would sell goods on huge credits and spend extravagantly. He would sell cloth only at *baats*, wasn't regular in setting up shop and spent the little income he made from his business on unproductive expenses instead of ploughing it back into business. No wonder, due to his negligence and lack of commitment, he had to pay fine not only on the Rs20,000 loan borrowed by him, but also on the Rs15,000 loan he had borrowed in the name of Mankumari. When he had to pay fine on these loans, he stopped depositing his regular savings midway and had to also pay fine on his savings. Eventually, he had to sell the little land that he had for Rs74,000 to pay off the loans. After paying off the loans, he resumed his regular savings. With the remaining amount, he opened an eatery at Mainapokhari Bazaar. However, he didn't mend his old way of operating and as a consequence had to suffer heavy losses and eventually had to give up the restaurant business.

Shiva Prasad had too many children to afford their schooling. When he couldn't pay their fees, one son and one daughter were expelled from school. He is now back to his old livelihoods: working in the field and working as a wage labourer. As he had to sell a part of his land to pay off loans, his income from farming has greatly shrunk and he has difficulty making both ends meet. Had he been frugal in his expenditures and dedicated to his business, he would never have faced failure. But, he never learnt his lesson.

But, we have learnt valuable lessons from Shiva Prasad's failure. Shiva Prasad was never serious, dedicated and persistent in the enterprises he had initiated. In spite of one setback after another, he never learnt his lesson and persisted with his old way of operating. For example, after every setback he would switch over to another business with which he was equally unfamiliar; he lent goods on credit even to the point he couldn't sustain; and the little income that he made was all spent on unnecessary household consumption.

## 2. Jagat Lal Shrestha

### Swimming in Unfamiliar Water is Risky

Forty-five-year old Jagat Lal Shrestha joined the Sayapatri Youth Savings Group on the persuasion of Krishna Kumar KC, the coordinator of the group. Shrestha's family consists of his wife Sarjurani, and two sons Rajesh and Roshan. His family, which was fairly well-to-do, had migrated to ward no. 4, Ugratarata VDC, in 1999. Business was a profession familiar to the family; naturally, the family had been engaged in business in the past. His wife lends him a helping hand in his business.

Although he had joined BISCOL way back in 1995, he had been only saving money in it and not taking loan because he didn't need to. However, in 1998, when one of his close friends suggested to him that renting out vehicles was a very lucrative business, so they should buy a vehicle, he borrowed Rs150 thousand—the amount of money he fell short of buying the vehicle—from BISCOL. Unfortunately, on the way to get the registration of the vehicle transferred to his name, Rs100 thousand got stolen. He somehow persuaded the vehicle owner to transfer the vehicle by assuring him that he would pay the remaining amount within a few days.

To pay the remaining amount to the vehicle owner, he borrowed Rs100 thousand from the co-operative against some collateral, ostensibly for business purpose, and paid off the earlier loan. However, his bad days were not yet over. As the vehicle was second-hand, it broke down after a few days. He sold 1 *ropani*, 10 *anna* of his land and paid off the loan with the money and profit from business within the repayment period. He once again borrowed Rs100 thousand from the co-operative in 2000, which he spent on repairing the vehicle. This loan was paid off by borrowing money either interest-free or at low interest from close friends and relatives whom he had financially helped in the past.

According to other members of BISCOL, he is not a bad businessman, but he failed because, in his greed for acquiring huge profits, he tried to swim in unknown waters. Had he invested in the business he had experience in, he would never have failed and would have made huge profits. By blindly trusting friends and treading on unfamiliar grounds, he kept on incurring debts after debts. The cooperative also kept lending him loans because every time he would borrow for investing in business, he would always pay off his loans within the repayment period. He did so by borrowing another loan either from friends or relatives, or both.

Jagat Lal failed despite being a good businessman because he was heedless. In his greed for making a lot of money within a short span of time, he tried his hand at an enterprise with which he was totally unfamiliar and without adequately assessing its viability.

### **3. Laxmi BK**

## **Misuse of Money drives towards Poverty**

Laxmi BK has been a member of the BWMCL since 1996. Observing her neighbours save money in their groups, participate in various training organized by the WDS, discuss women's rights, improve the sanitation situation of their households and undertake income-generating activities by taking loans from the cooperative, she was encouraged to become a member of the cooperative. In the beginning, she participated in each and every activity carried out by the cooperative in association with the WDS. She put the knowledge acquired through the programme into practice, ie, she regularly used to take the weight of her three years old child, took care of the nutrition of her children, constructed a pit latrine in her house, kept her house clean, etc.

Her family earns from the plumbing work of her husband and her wage labour. They have to support their five-member family, which includes two daughters and one son, from their little income. Therefore, Laxmi decided to take a loan from the cooperative to start goat-raising and earn more income. She took a loan of Rs2,000 and bought a goat. Unfortunately, she could not earn profit from that activity. She found it difficult to repay loan instalments. As the loan repayment period was for six months, she repaid the loan from the income of her husband and money borrowed from others. It was very difficult for them to run the family smoothly from that very little income. Therefore, she decided to undertake poultry farming by taking a loan from the cooperative. She again took a loan of Rs2,000 for poultry farming. Since she already had taken loans from others to repay the loan and meet household expenses, some of this loan amount was used in repaying the previous loans and the rest in meeting household expenses. She, therefore, could not use that loan in poultry farming. Again, she had problem repaying the loan instalments to the cooperative.

Due to the pecuniary condition of her family, her husband went to a Gulf country to earn money. They borrowed a loan from a moneylender for this. So, her family was burdened

with loan from a cooperative as well as a moneylender. Situation became more critical after her husband went to the Gulf country as there was no income source in her family. She used to buy goods on credit, borrow loans from others for repaying the cooperative's loan instalments, and again borrow loans from the cooperative for repaying the loans. Her husband then sent some money from abroad, which she used to repay the loans taken from the moneylender and to meet household expenses. When her husband started sending money, shopkeepers began trusting her and giving goods on credit. Her husband again sent some money from abroad. She used that money for repaying the credit taken from the shop for household consumption and for repaying the loan instalments of the cooperative. She started sending her children to English medium schools. There were signs of progress in her life. She used to take loans from the cooperative time and again to use them in the education and treatment of her children. Some members sometimes asked her to use loans in income-generating activities. She, however, gave more priority to using loans in the education of her children. Her husband came back after three years. He used some of the money he had brought for repaying the credit taken from shops and spent the rest on unnecessary things such as consuming delicious food, purchasing expensive clothes, etc, instead of using it in productive activities. He also brought in a second wife. It increased household expenses at a time when there was no income. Similarly, quarrels started to take place in the family. Due to these, her family's economic condition started deteriorating. They could not afford to send their children to English medium schools and so transferred them to government schools. Her husband started cheating others by showing fake visas to prove that he was again going abroad for work so that he could take loans for his enjoyment. Her family's condition became worse than ever before. She thought of launching other income-generating activities by taking loans from the cooperative. However, she couldn't do that because her husband would misuse the loan. Now, she, along with her children, is suffering from grave poverty. Due to her inability to use loans properly in income-generating activities, as well as lack of support and seriousness of her husband, she is continuing to live in poverty.

#### **4. Sukumaya BK**

### **Absence of Family Support Causes Poverty**

Sukumaya BK has been associated with one of the groups of the BWMCL since 1992. She belongs to one of the poorest families in her village. She needed money to launch an income-generating activity. She could not acquire a loan from moneylenders or banks as they would ask for collateral, which she did not have. In the meantime, she joined a group when she came to know that one of the banks offers collateral-free loans to members of a group formed under the PCRW programme. She then requested the WDS for a loan of Rs2,500 for goat-raising. On the recommendation of the Women Development Officer, Nepal Bank Ltd provided her with a loan, with which she bought a goat. She raised the goat with a lot of efforts and earned profit, which she used in repaying loans and meeting household expenses. After repaying the loan within the prescribed period, she took another

loan—an amount of Rs5,000—from the bank, again for goat-raising. However, she used that loan for meeting household expenses. She would show her other goats to the bank staff who came for monitoring the utilization of the loan. In the meantime, her husband married the second time and stayed back in India. He abdicated all his responsibilities towards the family. It became difficult for her to run the family alone. At the same time she needed to repay the loan to the bank. Due to her poverty she could not repay the loan in time.

After some time, she quit saving at the bank and instead started saving in the cooperative as the PCRW programme had the provision that members deposit savings in the cooperative and take loans from it, for which the programme provided a revolving fund to the cooperative. She then took a loan of Rs1,000 from the cooperative for goat-raising. She repaid the loan within the six-month period according to the cooperative's rule. In the meantime, the bank sent a warning letter to her to repay the loan of Rs5,000. She brought that letter to the cooperative and asked for a loan to repay the bank's loan. The cooperative issued her a loan of Rs2,000 for this purpose. She, however, paid only Rs1,000 to the bank and spent the remaining Rs1,000 on household needs. It was not a wise thing to do, but she had no alternative. She repaid the loan of Rs2,000 taken from the cooperative within six months by selling her goat. It was difficult for her to meet the household expenses, including the educational expenses of her children and occasional treatment expenses. Therefore, she again took a loan—an amount of Rs3,000—for education and treatment expenses. She repaid this loan by selling her goats and pigs. She then started goat-raising by taking others' goats on share basis.

She took loans from the cooperative time and again. However, due to lack of support from her husband, combined with misuse of loans and very little income, she was compelled to use most of the loans in household expenses, including the education of her children. As a result, she could not fully use the loans in income-generating activity and thereby became unable to earn good income. Now, she needs to repay the loan instalments of Rs3,500 taken from the cooperative on different dates and she has quit depositing regular savings in the cooperative for the past six months. In addition, because of her family problems, she could not properly use the knowledge and skills received from different training. Therefore, family support and proper use of loans in stated purpose are required to attain success. In addition, the cooperative needs to monitor how its borrowers are using and also repaying loans.

## ANNEX 2 Impact Indicators

Level of Impact	Economic	Social
Member	<p>Increased food sufficiency            Increased income            Increased in assets            Accessibility to repeat loans            Increased savings rate            Use of different savings products            Increased business volume            Increased alternative enterprise opportunities</p>	<p>Increased literacy level            Improvement in health conditions            •Health expenses            •Health awareness            •Consumption of clean drinking water            Improved sanitation            •Increased number of latrines            Increased participation in SCO meetings            Members elected to VDCs            Increased decision making            Increased awareness of human rights/women's rights            Increased awareness of gender equality            Increased participation in social activities            Enhanced knowledge and skills            •No. of training received            •Use of skills learnt            Status of women            •Control in income/resources            •Involvement in decision making</p>
Household	<p>Increased assets            Improved housing            Increased household income</p>	<p>Children, especially girl children, attending school            Participation in community activities            Improved living conditions            •Increased expenditure on health            •Increased expenditure on food            •Increased expenditure on clothing            •Increased expenditure on education            •Increased consumption of vegetables</p>
	<b>Internal</b>	<b>External</b>
Institutional	<p>Increased outreach            Increased loanable funds            Awareness of cooperative's concepts and principles            Recognition of cooperative in the community            Increased savings            Increased institutional funds            Increased staff size            Increased profits            Increased financial self-sufficiency</p>	<p>Decreased visit to moneylenders            Decreased local interest rate            Crop diversification            Increased micro enterprise in the area            Access to VDC funds            Increased networking (linkage with line agencies, increased access to amenities)            Impact on local formal financial institutions</p>

Targeting the poor	Increased access to markets (chilling centre, collection centre, etc)
Increased financial services for the poor	
Accessing funds from external agencies	Participation in community development activities
Use of savings and credit products by members	•Road construction
Institutional viability	•Forestation
Member participation in SCO activities	•Drinking water
Improved management information system	•Health and sanitation activities, etc
Increased access to training and technical assistance	Improved infrastructure (assets) of cooperative office
Product diversification	Increased repayment rate
Social development services for members	Decreased delinquency rate
	Increased investment of fund

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Within the working area of each partner cooperative, three financial sector trend analysis (FSTA) exercises were conducted: with the board members, staff, general members and non-members. Thus, a total of twelve FSTA exercises were conducted in the four sample cooperatives.

The objective of the FSTAs was to assess the following:

- ❑ Access to and use of financial services by clients and non-clients.
- ❑ Costs of using the services of other existing financial intermediaries, both formal and informal.
- ❑ Demand for and popularity of micro-finance services provided by various micro-finance institutions over the years.

The FSTAs conducted in the four SACCOSs show that, ten years ago, mostly informal financial services (moneylenders, friends and relatives) and formal services (government-run micro-finance programmes) were available. At that time, there were no SACCOSs (semi-formal services<sup>7</sup>). They have become popular in the local community since they started their services. Trends indicate that once SACCOSs appeared, their popularity started growing steadily. Conversely, the outreach of formal and informal micro-finance services started decreasing gradually over the same period.

The facilitators of this PRA exercise asked why some micro-finance services were more popular than others, and why some micro-finance services were increasing, whereas those of others were decreasing. The respondents gave the following explanations:

### **Decrease in popularity of and demand for formal micro-finance services<sup>8</sup>:**

- ❑ Mostly these types of micro-finance institutions provide services on collateral basis. Those who do not have collateral cannot borrow loans.
- ❑ The loan process is complicated and takes a relatively long time to get approved.
- ❑ Higher transaction and opportunity costs increase the cost of loan even though the stated interest rates range between 16 and 20 per cent per annum (p.a.).
- ❑ Bankers often demand bribes for sanctioning loan.
- ❑ Due to Maoist problem, the branch of SFDP—the most visible formal service—left the village (in the case of BISCOL).

<sup>7</sup>'Semi-formal' is defined as an institution providing financial services but not registered as a bank or supervised by the Central Bank of Nepal.

<sup>8</sup>Nepal Bank Ltd offers different savings accounts. People feel more secure to deposit savings with this bank. Thus, many people still deposit savings in this bank, even though it offers low interest rate on savings (4% pa). The bank also provides pension services.

- ❑ Government-run cooperatives used to provide services for agricultural inputs ten years ago. Due to inefficiency they are no more in existence.
- ❑ Weekly instalment of the Grameen Bank is not suitable for clients in the hills because the hill economy is mostly dependent on seasonal agricultural production.

### **Increase in popularity of and demand for semi-formal micro-finance services:**

- ❑ Loans are provided on group guarantee and physical assets as collateral is not necessary.
- ❑ Cooperatives promote savings habit.
- ❑ They offer higher interest rate on savings (12 per cent p.a.).
- ❑ They have simple and quick loan process, hence very low transaction and opportunity costs.
- ❑ The BWMCL charges comparatively lower interest rates on loans, ie 18 per cent per annum.
- ❑ SACCOSs enjoy more trust as they are owned and managed by the members themselves.
- ❑ SACCOSs offer their members education training for the different services they offer, and this provides incentive for becoming a member.
- ❑ SACCOSs offer women members a forum for meeting with each other and sharing their experience and problems.
- ❑ Very poor, poor and illiterate also can become members and enjoy the services offered by SACCOSs and NGOs.
- ❑ NGOs and SACCOSs not only focus on financial services but also provide social development services, eg health, sanitation, clean drinking water, education, etc.
- ❑ They offer a wide range of savings and loan services.
- ❑ BISCOL introduced micro insurance services<sup>9</sup> last year, which motivated a number of people to become members.

### **Decrease in informal micro-finance services:**

- ❑ The current interest rate is 36 per cent p.a., whereas it was 60 per cent p.a. ten years ago. In the case of the working area of BISCOL, the current interest rate in informal financial sector ranges from 20 per cent to 36 per cent p.a.
- ❑ Services are not accessible for all. Friends and relatives provide loans on the basis of personal relationships and trust, whereas moneylenders provide loans against collateral.
- ❑ Moneylenders exploited borrowers by taking free labour or gifts in kind, or both.
- ❑ Loans from friends and relatives usually had shorter loan term.

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<sup>9</sup>Informal micro-insurance is not to be confused with formal insurance provided by insurance companies.

- ❑ Formal and semi-formal financial services are more focused on social and economic development of clients, which informal financial services lack. Thus, the practice of taking services from informal sources is being discouraged and decreasing day by day.
- ❑ People are afraid of keeping cash and gold at home on account of the fragile political situation due to the Maoist movement; gold acts as collateral, and cash can be lent out.
- ❑ *Parma* (exchange of labour) system is decreasing gradually because of unavailability of labour in some households and the shift from traditional agriculture (which needs large labour inputs) to cash crop cultivation and livestock raising.
- ❑ In a few cases, organizers of *Dhukuti* (ROSCAs) run away. Thus, people have less faith in them.
- ❑ Poor people cannot participate in ROSCAs, because the monthly contribution is very high.

### **Changes seen in the financial market after the establishment of cooperatives**

- ❑ Decrease in the interest rate of local moneylenders from 60 per cent to 36 per cent.
- ❑ Availability of various financial institutes in the area, including other cooperatives and groups such as veterinary and agriculture groups.
- ❑ Increase in income-generating activities in the working area of the cooperative such as goat-raising, buffalo raising, tailoring shop, provision shop, vegetable cultivation, etc.
- ❑ Most of the community people have quit borrowing loans from moneylenders.
- ❑ Decrease in the interest rate in the community from 50 per cent to 24 per cent.
- ❑ Easy access to loans.

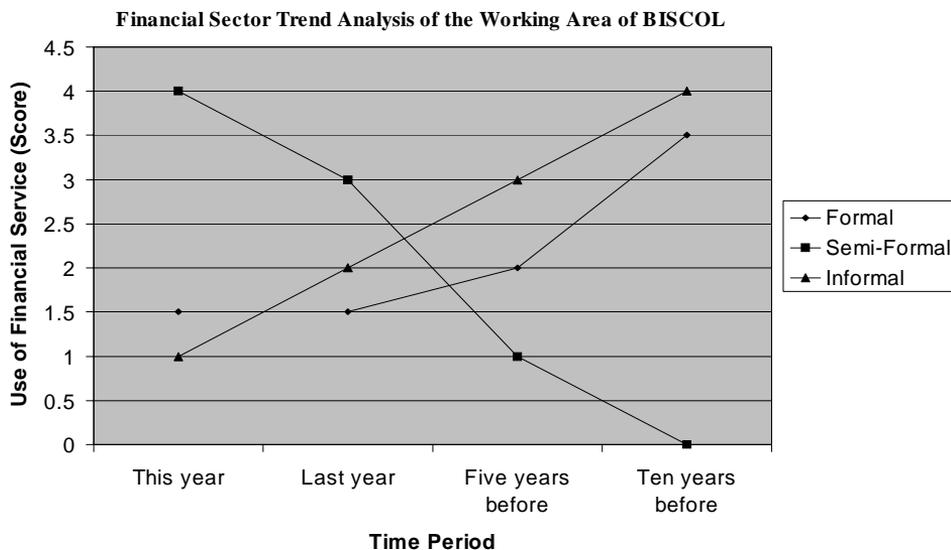
### **Reasons for not acquiring membership of the cooperative**

- ❑ Do not have enough income sources.
- ❑ Have to abide by the rules and regulations of the cooperative.
- ❑ Do not need to take financial services from cooperative.
- ❑ Do not have free time.

### **Financial Sector Trend Analysis by Sample SACCOS**

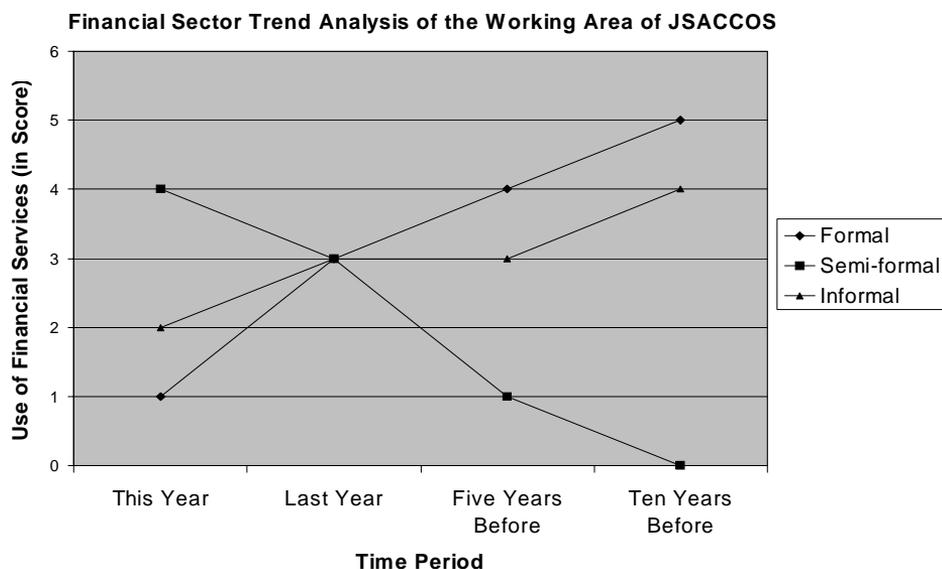
The demand for, and popularity of, formal, semi-formal and informal sources were assessed by assigning scores, 1, 2, 3, 4 and 5, given by the respondents (members and non-members) where score 1 was assigned for the least popular financial sources and score 5 was assigned for the most popular financial sources from among the available financial sources. The results based on such scores by the sample SACCOSs are presented below.

## BISCOL



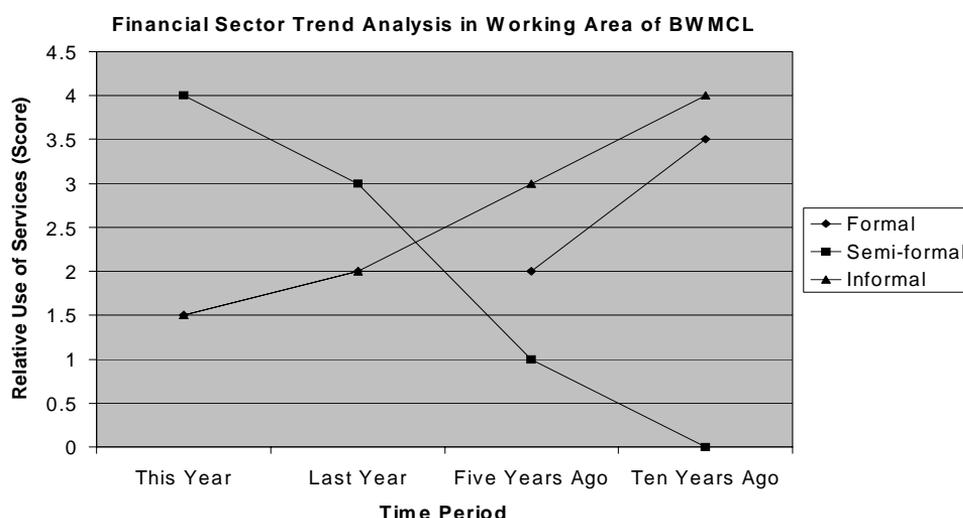
The chart shows that, ten years ago, mostly informal (moneylenders, ROSCAs) and formal financial services (government-run micro-finance programmes) were available. At that time, there were no SACCOSs. Since 1993, SACCOSs, led by BISCOL, started their services and became popular in the local community. Trends indicate that once SACCOSs appeared, their popularity grew steadily until they became the single most popular source of financial services. Conversely, the outreach of formal and informal micro-finance services gradually decreased over the same period.

## JSACCOS



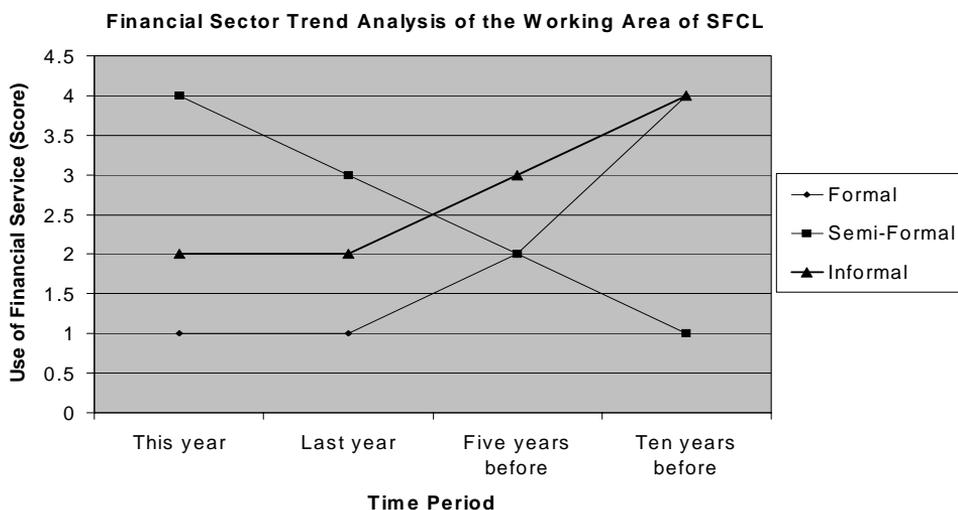
FSTA shows that the demand for, and popularity of, services provided by semi-formal micro-finance institutions, including JSACCOS, and other cooperatives has been increasing over the years in relation to other individuals and finance institutions. It is because of the availability of various client-friendly savings and credit products offered by these cooperatives. In addition, this cooperative provides scholarships for intelligent students, allowances for senior citizens and ambulance facility for members, and is also involved in community development activities.

## BWMCL



The chart shows that, ten years ago, mostly informal (moneylenders, friend and relatives) and formal financial services (government-run micro-finance programmes) were available. At that time, there were no SACCOSs (semi-formal services). Since 1993, SACCOSs, led by BWMCL, started their services and became popular in the local community. Trends indicate that once SACCOSs appeared, their popularity grew steadily, whereas the outreach of formal and informal micro-finance services gradually decreased over the same period.

## SFCL



The graph shows that the demand for, and popularity of, formal and informal financial service providers has been declining over the years, whereas those of the semi-formal micro-finance institutions have been inclining. The main reason behind that is the availability of various savings and credit products of semi-formal financial organizations according to the needs of the clients and other social services provided by these organizations for the community people in general and their members in particular.

The respondents in the exercise mentioned collateral-free loan for some limited amount, convenience in receiving loans, exposure tour opportunities, etc as the main reasons behind the increment in the popularity of, and demand for, semi-formal organizations.

Three focus group discussions (FGDs) were conducted within the working areas of each partner cooperative: with the board members, staff, general members and non-members. Thus, a total of twelve FGD exercises were conducted with the members of board and staff, members and non-members of the four cooperatives.

The exercise brought forth the following impact of SACCOSs on the life of members, non-members and the community as a whole.

### **1. Impact on income generation and management of crisis**

- ❑ The range of loan products offered by SACCOSs has helped members start income-generating activities, ensuring smooth consumption and increasing well-being.
- ❑ Training in improved farming techniques and micro enterprises has helped members shift from traditional agriculture to cash crop production, which yields higher returns.
- ❑ Earlier, members used to raise others' goats, buffaloes and pigs on share basis; now they have their own livestock.
- ❑ Instead of planting rice in one season, ie November/December, farmers have started planting it in two seasons, November/December and March/April. In addition, they have also started planting lentil and wheat.
- ❑ There has been an increase in the savings habit of members.

### **2. Impact on health and sanitation**

- ❑ The awareness of the importance of birth intervals has increased. Members have become more aware than non-members in this regard.
- ❑ Most people in the working areas of the cooperatives have started immunizing their children.
- ❑ Awareness of pre- and postnatal care has increased. They know the importance of regular check-up of pregnant women, taking nutritious food during pregnancy, regular check-up of mother and infant after delivery, taking of nutritious food for both mother and child.
- ❑ Awareness of healthcare, including women and children's health, family planning, sanitation (90% have own latrines) and reduction in smoking, alcohol consumption, etc have increased. At monthly group meetings, women discuss health issues, which they follow in their day-to-day lives.

### **3. Recognition in the community and access to VDC fund**

- ❑ Community people are supportive of cooperative's activities. Most of the community people know about cooperatives and their services. Males of the community provide support to women members to enable them to participate in cooperative's activities by helping them in household chores, reminding them of meeting dates and joining hand in community development activities. The VDC has provided fund to implement the cooperative-initiated activities.
- ❑ All four cooperatives, in coordination with the VDC, have provided non-formal education for the community people.
- ❑ The VDC has provided land to the cooperative for the construction of an office building (SFCL) and has provided an office building (BWMCL).
- ❑ Non-members are proud of the existence of such a big cooperative in the community. Many non-members intend to become member of this cooperative. However, they cannot become members of SACCOSs due to their inability to pay money to get the membership of the cooperative and to do monthly savings.

### **4. Impact on financial market**

- ❑ The availability of loan from cooperatives has helped in reducing the interest rate charged by moneylenders from 60 per cent to 36 per cent in the case of three SACCOSs other than BISCOL, in which case it decreased to 24-20 per cent.
- ❑ Competition in the financial market has helped to improve the quality of service.

### **5. Impact on human rights, gender equity and empowerment**

- ❑ Members have become more aware of gender equality (participants of the FGDs said that men and women are equal in social aspects, women can do the tasks that men have been doing; both sons and daughters should have equal access to education, food and clothing, and they should be treated equally; it is wrong to wait for the birth of a son and increase the family size).
- ❑ Women have become more aware of human rights and women's right issues. They know that violence, both physical and mental, against women should not be tolerated. They have also become aware of their voting rights and right to parental property.
- ❑ The communities have become aware of reproductive rights, the need to have small family size and use of contraceptives.
- ❑ Women's mobility has increased due to their participation in monthly meetings, training, meetings with outsiders and exposure visits. They do not hesitate to meet outsiders, unlike in the past when they had not joined the cooperatives.
- ❑ Women are equally participating in the household decision-making process.
- ❑ Pre-membership training provided by BISCOL has increased mass awareness of cooperatives.

- ❑ Women have become united, able to take loans from the cooperatives by themselves and enjoy increased self-confidence.

## 6. Wider Impact

- ❑ Modification in traditional occupations and mode of payment, eg cash payment for tailoring instead of kind payment.
- ❑ There has been expansion of cash crop farming and development of local market.
- ❑ Increased credit opportunity has helped in increasing trade in the area, which has thereby helped in developing a market in the community.
- ❑ Awareness of political parties, as well as participation in local elections, has increased.
- ❑ BISCOL has taken initiative to build a drainage system, a park, a cremation ground and a bridge, with the help of municipality funds. Along with other cooperatives, it is also engaged in other community development activities such as reforestation, construction of new roads, maintenance of existing roads, providing drinking water facilities, blood donation campaigns, campaign against alcoholism, etc.
- ❑ The feelings of unity and cooperation among members have increased.
- ❑ There is increased sharing of information on other development programmes in the village, as well as on cooperative's financial services and other available financial service providers.
- ❑ The spirit of mutual cooperation has increased among the community people.
- ❑ Inspired by the members doing ginger, cardamom and *amliso* (material to make broomsticks) farming by taking loan from the cooperative, non-members have also started doing these activities. In addition, they have adopted the same technology that the members adopted. These are spill-over effects of cooperative's services for members.
- ❑ Inspired by the involvement of members in different activities, non-members have realized that they should not waste their time without doing any enterprising work. So they have started doing petty trade and business.
- ❑ Involvement of JSACCOS in road construction in different places of the working areas and making provision of scholarships for members' children who are intelligent. JSACCOS also took lead in purchasing an ambulance.
- ❑ Impact on participation in local elections (such as voting, giving candidature, being elected, etc)
  1. Both men and women have become aware of their voting rights. However, women still have to give their candidature for election on their own discretion.
  2. Since some of the members of the cooperatives are also members of political parties, they sometimes share their knowledge of election procedures with other members of the cooperative. This has increased the knowledge of the members of their voting rights and local election procedure.

## ANNEX 5 Seasonality of Income, Expenses, Savings & Credit

A total of eight seasonality exercises were conducted with the members and non-members of the four cooperatives. One seasonality exercise each was conducted: with the general members and with non-members within the working areas of each partner cooperative. The findings of the seasonality exercises are given below.

Particular	Partner SACCOSs			
	BWMCL	BISCOL	SFCL	JSACCOS
Expenses	Most of the expenses occur in September, October and November because different festivals fall during these months. The second highest expenses occur in April, May and June, for medical and agriculture purposes.	Most of the expenses occur in September/October because different festivals fall during these months. The second highest expenses occur in December/January, for potato cultivation and June/July for agriculture costs.	Most expenses occur in September/October because different festivals fall during these months. The second highest expenses occur in March, April and May. New education session also starts in March/April and health-related costs increase during this period.	Most expenses occur in September/October because different festivals fall during these months. The second highest expenses occur in December/January, for potato cultivation and in June/July for agriculture costs (for planting rice).
Income	The highest income occurs in October/November/December, from agriculture activities, including animal husbandry. During December/January, from wage labour.	The highest income occurs in November/December, when rice is harvested and fruit is sold; followed by in May/June, from potato yielding and wheat harvesting; in August/September, from corn and vegetables, and then January/February.	The highest income occurs in December/January, from rice harvest. The second highest income occurs in December, January and February from the sale of broomstick, tea and cardamom.	The highest income occurs in November/December, from rice harvest and sale of fruits. The second highest income occurs in May/June, from sale of potato and wheat harvest. In August/September, income is earned from corn and vegetables and in January/February from sale of off-season potato.

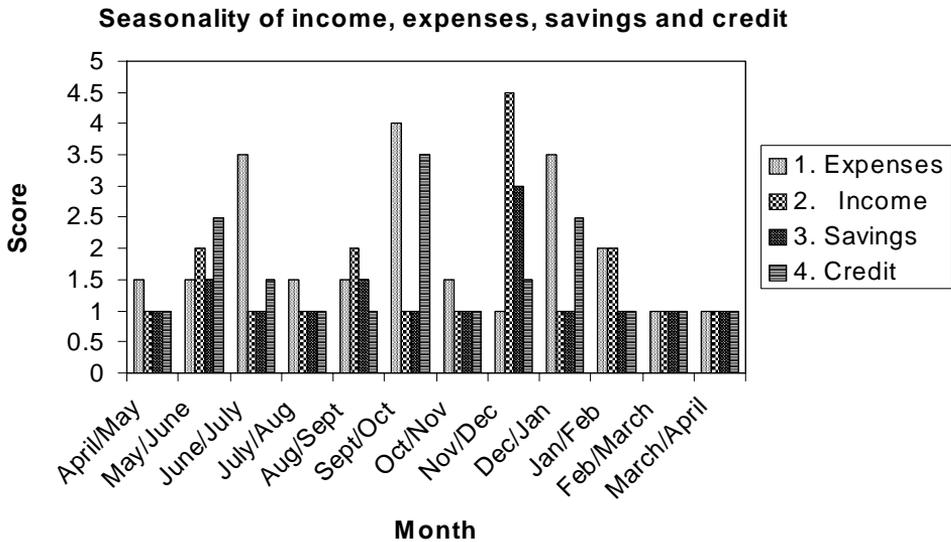
Savings	Most of the savings are done in November/December as income is the highest during these months. Non-members usually save in their homes and banks.	Most savings are done in November/December when income is the highest due to the sale of rice and fruit. The second highest savings are done during May/June and August/September. During these months, income is higher than expenses due to the sale of potato and corn.	Most savings are done in August/September, from the sale of cardamom. The second highest savings are done during December, due to sale of rice.	Most savings are done in November/December when income is the highest due to the sale of rice and fruit. The second highest savings are during May/June and August/September, when incomes are higher than expenses due to the sale of potato and corn.
Credit	Most of the credits are taken during July/August, which are for health treatment; during September/October, for meeting the festival expenses; and during March/April, for meeting educational, treatment and other household expenses.	Most of the loans are taken during September/October for meeting the expenses of festivals, like Dashain. The next important loan periods are May/June and December/January for planting rice, as savings are not sufficient to meet these expenses. Similarly, loans during December/January are taken mostly for potato cultivation.	Most of the loans are taken during September/October for meeting festival expenses, like Dashain. The next important loan periods are March, April and May, which are for meeting health and educational expenses and planting ginger.	Most of the loans are taken during September/October, for meeting the expenses of festivals, like Dashain. The next important loan periods are May/June, for planting rice and December/January, for potato cultivation.
Gender desegregated data on access to and control over	In the case of cooperative members, most of the females do savings in the cooperative, while in the case of non-members	Males and females in member households have equal access to income, expenses, savings	In the case of cooperative members, most of the females do savings in the cooperative and groups, while most of the	Both males and females in member households have equal access to income, expenses, savings and credit.

<p>most of the females do saving at home. Most of the males do savings in banks and take loans from bank in the case of non-members. In the case of cooperative members, both men and women take loans from cooperatives.</p>	<p>and credit, while males and females of the non-member households have access to savings, but only males have access to expenses, income and credit. This shows positive impact of cooperatives' activities on their members regarding women's empowerment. However, even in member households, men are more likely to control income, expenses, savings and credit than women.</p>	<p>females do savings at home in the case of non-members. Most of the males do savings in banks and take loans from banks and moneylenders in the case of non-members. However, in the case of cooperative members, both men and women take loans from cooperatives and groups.</p>	<p>Similarly, both males and females of the non-member households have access to savings and only males have access to expenses, income and credit in non-member households.</p>
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While providing valuable information on impact, this exercise also provided an opportunity for SACCOSs to design new savings and loan products according to the needs of their members. Although SACCOSs are providing a greater variety of savings and loan products in comparison with other financial institutions in the community, there is still room for improvement in the existing products offered by them. The exercise revealed that most expenses occurred during festival and cultivation seasons. Thus, new loan products need to be designed for seasonal activities. BISCOL has already introduced a festival savings product, but the other three SACCOSs do not have such product. So, they should consider doing market research for introducing one. Even in the case of BISCOL, many members do not know of the availability of a range of savings and loan products; so, there is an urgent need to promote the existing products. All four SACCOSs need to promote or introduce a volunteer savings product to capture the seasonal income of members.

## Seasonality Exercise

### BISCOL



The above seasonal calendar shows that most of the expenses occur in September/October. This is because different festivals fall during these months. The second highest amount of expenses occurs in December/January and June/July. Most of the expenses in June/July are due to agricultural costs for planting rice. Similarly, most of the expenses in December/January are for potato cultivation. Other expenses year-round are attributable to household expenditure, small festivals and agricultural activities.

The highest income occurs in November/December, when rice is harvested and fruit is sold. The second highest amount of income occurs in May/June, August/September and January/February. During May/June, income is generated in cash and kind through sale of potato and harvesting of wheat. Corn and vegetables are the main sources of income during August/September. Increase in income in January/February is due to the production and sale of off-season potatoes, which are planted in August/September. Incomes in other months are uniform and earned through the sale of milk and wage labour.

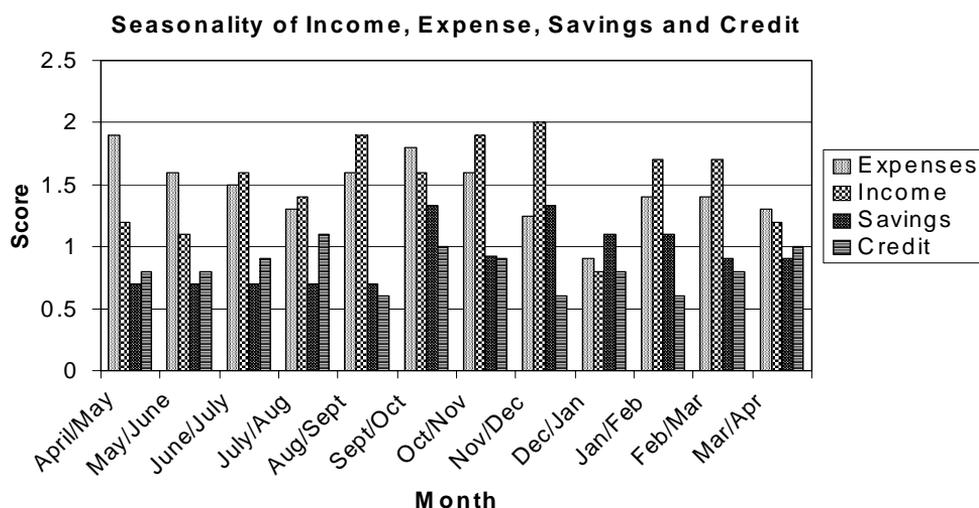
Most of the savings are done in November/December when income is the highest due to the sale of rice and fruit. Thereafter, the highest savings occur in May/June and August/September. During these months, incomes are higher than expenses due to the sale of potato and corn. Members of the cooperative save each month of the year. In contrast, non-members do savings only in May/June and August/September.

The calendar also shows that most of the loans are taken during September/October. During this period, expenses are higher than income. Loans are taken for meeting the expenses of great festivals such as Dashain. The next important loan periods are May/June and December/January. Loans during May/June are taken for planting rice, as savings are

not sufficient to meet these expenses. Similarly, loans during December/January are taken mostly for potato cultivation. During other months, loans are taken for social activities such as marriage ceremonies, other agricultural costs and tiding emergencies.

Other data obtained from this seasonality exercise show that both males and females in member households have equal access to income, expenses, savings and credit. Similarly, both males and females of non-member households have access to savings. However, only males have access to major expenses in non-member households. In addition, in non-member households, most males have access to income and credit. This shows positive impact of BISCOL on its members regarding women’s empowerment. However, even in member households, men are more likely than women to control income, expenses, savings and credit.

## BWMCL



The above seasonal calendar shows that most of the incomes occur in November/December, August/September and October/November. Income is earned through agricultural activities, including animal husbandry, fruit cultivation and wage labour. December/January is the period with the lowest income. In this period, there is no income from agricultural activities.

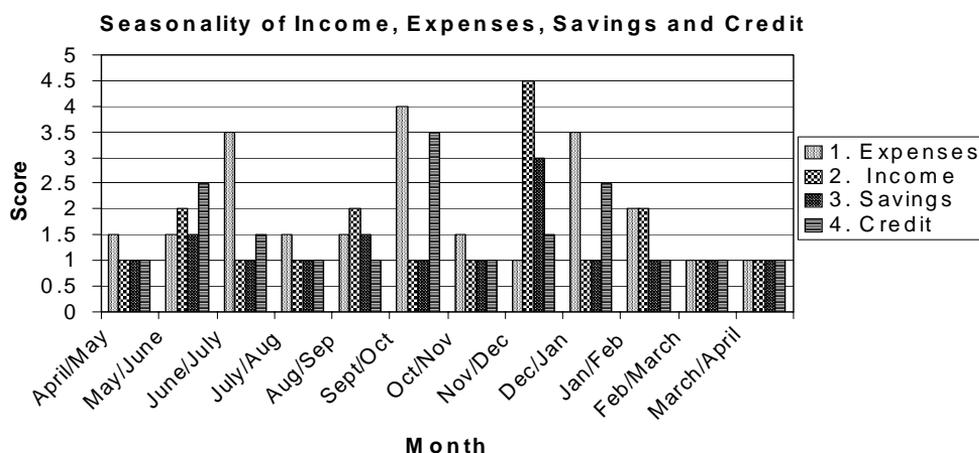
The highest expenses occur in April/May, September/October, August/September, October/November and May/June. The main expenses are on festival, education, health treatment, agriculture and entertainment. December/January is the period having the lowest expenses.

The highest savings are done in September/October and November/December. The highest savings in September/October are interesting. Although expenses are higher than income during these months, savings are high. This is due to the fact that some non-members provide loans to other community people and they take such loan investments as their savings. The cooperative members often save money in the cooperative and non-members usually save at home. Husbands of non-member households usually save at banks.

July/August, September/October and March/April are the periods when the community people take most of the loans from different sources such as cooperatives, moneylenders, banks, neighbours and other groups. Most of the credits in July/August are taken for health treatment, while those in September/October are taken for meeting festival expenses. Most of the loans in March/April are taken to meet educational, treatment and other household expenses. Most of the community people, even cooperative members, approach moneylenders for borrowing loans. However, cooperative members approach moneylenders less frequently than non-members do. In the case of cooperative members, the reason behind approaching moneylenders for loan is need of bigger loan amounts as loan disbursed by the cooperative is relatively low. Cooperative members do not take loan from banks, while non-members take loan from other cooperatives and banks. Non-members approach banks for taking big volume of loan.

Both male and female have access to most of the sources of income and expenses in the case of cooperative members, whereas few women have access to the major income sources and expenses in the case of non-members. In the case of cooperative members, majority of females do savings in the cooperative, groups and at home, while, in the case of non-members, majority of males do savings in the bank. Similarly, in the case of non-members, only men provide loans to other community people, which they consider as their savings. Both men and women of non-member households do savings in other cooperatives, whereas only women do savings at home. Regarding credit, men take loan only from moneylenders in the case of cooperative member households, whereas most of the men take loan from other cooperatives, banks and moneylenders in the case of non-member households. Women take loan only from their groups/*guthi* and neighbours. Men, due to 'prestige' issue, hesitate to approach these credit sources.

## JSACCOS



The seasonal calendar above shows that most of the expenses occur in September/October. This is because different festivals fall during these months. The second highest amount of

expenses occurs in December/January and June/July. Most of the expenses in June/July are due to agriculture costs for planting rice. Similarly, most of the expenses in December/January are due to potato cultivation. Other expenses year-round are attributable to household expenditure, small festivals and agricultural activities.

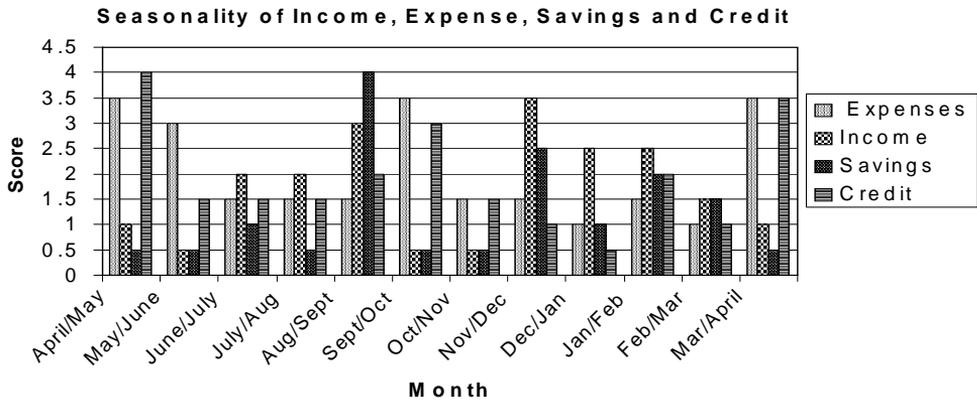
The highest income occurs in November/December, when rice is harvested and fruit is sold. The second highest income occurs during May/June, August/September and January/February. During May/June, income is generated in cash and kind through the sale of potato and harvesting of wheat. Corn and vegetables are the main sources of income during August/September. High income in January/February is due to the production and sale of off-season potato, which are planted during August/September. Income distribution in other months is uniform and earned through the sale of milk and through wage labour.

Most savings are done in November/December when income is the highest due to the sale of rice and fruit. The second highest amount of savings is done in May/June and August/September. During these months, incomes are higher than expenses due to the sale of potato and corn. Members of the cooperative save each month of the year. In contrast, non-members save only during May/June and August/September.

The calendar also shows that most of loans are taken in September/October. During this period, expenses are higher than income. Loans are taken for meeting the expenses on celebrating festivals such as Dashain. The next important loan periods are May/June and December/January. Loans during May/June are taken for planting rice, as savings are not sufficient to meet these expenses. Similarly, loans during December/January are taken mostly for potato cultivation. During other months, loans are taken for social activities such as celebrating marriage ceremonies, bearing other agricultural costs and emergency costs.

Other data obtained from this seasonality exercise show that both males and females in member households have equal access to income, expenses, savings and credit. Similarly, both males and females of non-member households have access to savings; however, only males have access to most of the expenses in this category of households. In addition, in non-member households, most of the males have access to income and credit. This shows the positive impact of JSACCOS on its members as far as women empowerment is concerned. However, even in member households, men are more likely than women to control income, expenses, savings and credit.

## SFCL



The seasonal calendar shows that most of the expenses occur in September/October. This is because different festivals fall during these months. The second highest amount of expenses occurs in the months of March, April and May. Most of the expenses in these months are due to health and education-related costs. Due to dry and warm climate, most of the diseases occur in these months. New education session also starts during March and April, when parents have to bear education-related costs such as admission fees, book, stationery and school uniform. Similarly, costs of planting ginger and weeding of maize also fall during these months.

The highest income occurs in the months of December/January, when rice is harvested. The second highest income occurs in December, January and February. During these months, income is generated from the sale of broomstick, tea and cardamom.

Most savings are accumulated in August and September from the sale of cardamom. The second highest savings are accumulated during December, which is due to the sale of rice.

The calendar also shows that most of the loans are taken in September/October. During this period, expenses are higher than income. Loans are taken mostly for meeting festival expenses such as Dashain. The next important loan periods are March, April and May. Loans during these months are taken for meeting health and education expenses, and expenses for planting ginger.

Other data obtained from this seasonality exercise show that both males and females of member households have equal access to income, expenses, savings and credit. Similarly, both males and females of non-member households have access to savings. In non-member households, however, only males have access to expenses. Similarly, in this category of households, most males have access to income and credit. This shows that women have more access to income, expenses and credit in member households than in non-member households. This indicates the positive impact of the SFCL on its members as far as women empowerment is concerned. However, men are more likely than women to control income, expenses, savings and credit even in member households.

## ANNEX 6 Well-being Ranking Table

SACCOS	Status	Well-off		Poor		Total	
		No.	%	No.	%	No.	%
SFCL	Member	26	22	94	78	120	100
	Non-member	12	20	48	80	60	100
	<i>Total</i>	38	21	142	79	180	100
.....							
BWMCL	Member	44	37	76	63	120	100
	Non-member	25	42	35	58	60	100
	<i>Total</i>	69	38	111	62	180	100
.....							
JSACCOS	Member	79	49	81	51	160	100
	Non-member	11	14	69	86	80	100
	<i>Total</i>	90	38	150	62	240	100
.....							
BISCOL	Member	64	46	76	54	140	100
	Non-member	25	36	45	64	70	100
	<i>Total</i>	89	42	121	58	210	100

Although there were some common views on some points among the community people in categorizing themselves as well-off and poor, there were also differences in viewing these categories according to the geographical location.

The following are the common points in the working areas of all of four partner cooperatives regarding the well-off and poor households:

- ❑ Well-off households own houses not only inside the village but also outside the village, which is not so in the case of poor households.
- ❑ Drop-out of children from school is higher among poor households.
- ❑ Well-off households inherit assets, whereas poor households inherit debts.
- ❑ Poor households are mostly involved in wage labour.
- ❑ Well-off households lend money, whereas poor households borrow money.
- ❑ Agriculture production of poor households is not sufficient to feed their family members year-round, whereas there is surplus agricultural production in well-off households.
- ❑ Well-off households have diversified and enough sources of income.

The following table gives information under some of the indicators that help in the identification of well-off and poor households.

Wealth Level	Food Sufficiency	Income Sources	Physical Assets	Education	Access to Drinking water & Electricity	Health & Sanitation	Size of Family/ Children
Well-off households	Sufficient for whole year	Medium to high paying jobs, pension, shop (cold store, chemists, utensils), remittance, livestock (milk, meat), agricultural produce (grain, vegetables, fruits), business (sawmill, dairy farm), house rent, money-lending, contracts	11-27 <i>ropanis</i> <sup>*</sup> of land, house in village with mud and brick/stone walls and tin/tile roofs, land and <i>pukka</i> house in nearby town and valuable land on the roadside, vehicle, tractors, trucks, buses, motorcycle, bicycle, cash in bank, large copper and brass utensils, radio, television, enough inherited assets. 4-14 <i>tolas</i> <sup>#</sup> of gold and jewellery, livestock (1-3 cows, 1-2 buffalos, 4-6 goats, chickens)	Send children to either government or private schools, a few of their sons studying abroad, adults are educated up to master's degree, but some of the old people and women are illiterate	Most of them fetch water from public tap, whereas some have tap within their houses; almost all have their own electricity connection, a few may have own telephone connection	Own <i>pukka</i> or temporary latrines; sick people go to traditional healer ( <i>Dhami</i> ) than to health post in the village and then Banepa and Kathmandu; aware of cleanliness	Average family size is 5-10 members, including 2-5 children

\* 1 hectare = 20 ropanis;

# 1 tola = 11.66 gm

Wealth Level	Food Sufficiency	Income Sources	Physical Assets	Education	Access to Drinking water & Electricity	Health & Sanitation	Size of Family/ Children
Poor household	Enough for 5-9 months; rest of the months buy food with their other sources of income; few have to buy food for whole year	Day labour (rock breaking), income from livestock (milk, goat), vegetable and fruit cultivation (orange, potato), tailor, petty trade, low-paying jobs, pension and income from share-cropping	Own 2-10 <i>Ropanis</i> of land and a house in the village with mud and brick/stone walls, and tin/tile and thatched roofs; livestock (1-2 buffalos, 1-2 cows, oxen, 2-4 goats, pigs, chicken); radio, few have black & white TV; few have copper and brass utensils, and 1-2 <i>tolas</i> of gold jewellery	Send their children to government or private schools, few adults are literate up to IA but most of the old couple are illiterate	Most of them fetch water from the public tap, whereas a few have tap within their houses. Most of them have electricity connection, and a few have telephone connection	Most of them have their own temporary latrines; sick people go to traditional healers first, then to health post, but they do not take sick people to hospital in time and also do not have enough awareness of sanitation	Average family size ranges from 4 to 9, including 2 to 5 children

## ANNEX 7 Growth in Membership and Other Key Financial Figures

### BISCOL

#### Growth in Membership (in number)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Female	56	78	121	165	232	323	484	529	567	
Male	66	81	438	612	852	954	1 084	1 260	1 373	
Children	0	63	85	90	81	84	88	87	87	
Group	0	1	23	33	35	39	44	38	45	
Poor women	0	0	0	0	0	0	0	260	367	
<b>Total</b>	<b>122</b>	<b>223</b>	<b>667</b>	<b>900</b>	<b>1 200</b>	<b>1 400</b>	<b>1 700</b>	<b>2 174</b>	<b>2 439</b>	
No. of groups	0	0	42	65	95	105	120	130	137	

#### Growth in Capital (in NRs '000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Share capital	62	117	840	1 151	1 796	2 199	3 842	4 834	6 027	
Total savings	53	315	1 339	2 506	5 131	9 027	15 790	25 991	27 511	
Reserves	0	5	19	141	332	1 124	2 180	3 735	5 757	
Loan	0	0	0	0	0	0	0	500	600	
Liabilities	5	13	137	210	391	582	0	0	267	
<b>Total capital</b>	<b>120</b>	<b>450</b>	<b>2 335</b>	<b>4 008</b>	<b>7 650</b>	<b>12 932</b>	<b>21 812</b>	<b>35 060</b>	<b>40 162</b>	

#### Growth in Assets (in NRs '000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Loan portfolio	92	182	915	2 400	4 060	9 352	16 324	26 979	31 283	
Fixed assets	12	55	103	102	105	107	220	312	820	
Investment	10	90	110	120	150	180	185	188	149	
Receivable	4	81	105	120	110	124	358	1 578	1 001	
Bank/cash	2	42	1 102	1 266	3 225	3 169	4 725	6 003	6 909	
<b>Total</b>	<b>120</b>	<b>450</b>	<b>2 335</b>	<b>4 008</b>	<b>7 650</b>	<b>12 932</b>	<b>21 812</b>	<b>35 060</b>	<b>40 162</b>	

#### Income, Expenses and Profit (in NRs '000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Total income	10	39	211	497	920	1 595	2 919	4 717	6 047	
Total expenses	5	27	116	287	529	1 013	1 864	3 557	4 844	
Profit	5	12	95	210	391	582	1 055	1 160	1 203	

## BWMCL

### Growth in Membership (in number)

Particulars	Fiscal Year					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Female	56	74	93	264	280	448
Children	0	0	0	0	0	36
<b>Total</b>	<b>56</b>	<b>74</b>	<b>93</b>	<b>264</b>	<b>280</b>	<b>484</b>

### Growth in Capital (in NRs '000)

Particulars	Fiscal Year					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Share capital	7	8	9	26	28	48
Total savings	20	46	71	155	182	249
Reserves	3	17	32	248	347	490
Loan	0	0	0	310	310	310
Liabilities	2	9	16	4	4	4
<b>Total capital</b>	<b>32</b>	<b>80</b>	<b>128</b>	<b>743</b>	<b>871</b>	<b>1 101</b>

### Growth in Assets (in NRs '000)

Particulars	Fiscal Year					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Loan portfolio	30	77	124	731	217	152
Fixed assets	1	1	1	2	17	30
Investment	0	0	0	0	0	0
Receivable	0	0	0	2	2	5
Bank/cash	1	2	3	8	635	914*
<b>Total</b>	<b>32</b>	<b>80</b>	<b>128</b>	<b>743</b>	<b>871</b>	<b>1 101</b>

\* BWMCSL collected the entire disbursed loan at the end of each fiscal year and deposited in the bank. It disbursed the loan in the beginning of fiscal year. That is why the amount shown in bank is heavy. This is not a good practice, and from now this cooperative collects the loan as per loan agreement instead of collecting the entire loan at once.

### Income, Expenses and Profit (in NRs '000)

Particulars	Fiscal Year					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Total income	5	18	31	58	43	120
Total expenses	2	6	11	26	30	97
Profit	3	12	20	32	13	23

## JSACCOS

### Membership Growth (in number)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Female	15	99	166	199	238	436	677	777	876	
Male	89	233	336	405	466	740	933	1 060	1 176	
Institutions	0	0	0	1	6	9	9	13	13	
Total	104	332	502	605	710	1 185	1 619	1 850	2 065	

### Growth in Capital (in NRs '000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Share capital	12	36	53	126	149	525	959	1 699	2 356	
Total savings	67	353	1 062	2 082	3 270	5 089	8 038	11 943	16 775	
Reserves	3	9	44	123	206	541	960	1 448	2 161	
Loan	0	0	277	145	517	495	165	0	0	
Liabilities	4	0	5	4	0	13	19	46	95	
Total capital	86	398	1 441	2 480	4 142	6 663	10 141	15 136	21 387	

### Growth in Assets (in NRs '000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Loan portfolio	26	342	1 214	2 050	3 458	5 340	8 177	12 743	18 044	
Fixed assets	0	0	74	85	150	202	165	188	228	
Receivable	0	0	0	0	0	38	38	0	0	
Investment	0	0	1	56	63	71	89	140	254	
Bank/cash	60	56	152	289	471	1 012	1 672	2 065	2 861	
Total	86	398	1 441	2 480	4 142	6 663	10 141	15 136	21 387	

### Income, Expenses and Profit (In NRs'000)

Particulars	Fiscal Year									
	1993/ 94	1994/ 95	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	
Total income	9	50	173	380	552	1 097	1 548	2 144	3 043	
Total expenses	6	43	139	285	446	740	1 039	1 690	2 354	
Profit	3	7	34	95	106	357	509	454	689	

## SFCL

### Growth in Membership (in number)

Particular	Fiscal Year		
	1999/00	2000/00	2001/02
Female members	77	77	87
Male members	348	355	390
Total members	425	432	477

### Growth in Capital (in NRs'000)

Particular	Fiscal Year		
	1999/00	2000/01	2001/02
Share capital	155	164	251
Total savings	899	1 154	1 431
Loan from ADB/N	4 591	5 035	5 693
Revolving fund from GTZ	533	310	69
Liabilities/payable	685	754	1 139
P/L account	148	225	143
Total capital	7 011	7 642	8 726

### Growth in Assets (in NRs '000)

Particular	Fiscal Year		
	1999/00	2000/01	2001/02
Loan portfolio	6 022	6 549	7 274
Fixed assets	26	28	21
Receivable	655	877	1 239
Cash	14	49	135
Bank	294	139	57
Total	7 011	7 642	8 726

### Income, Expenses and Profit (in NRs '000)

Particular	Fiscal Year		
	1999/00	2000/01	2001/02
Total income	680	852	483
Total expenses	531	794	482
Profit	149	58	1