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FINAL EVALUATION OF
COMMUNITY OWNED MICRO FINANCE PROGRAM IN BANKE DISTRICT

(Final Report)

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EXECUTIVE SUMMARY

This document evaluates the Community Owned Microfinance Programme (COMP) implemented by Plan Nepal in partnership with Nirdhan Uthan Bank Limited (NUBL) in Banke district. COMP is one of the innovative initiatives that introduces new development i.e. SRG model which is a combination of Grameen Bank (GB) and Village Bank (VB) model in Nepalese microfinance sector. This model has comparative advantage compared to other models implemented in Nepal to implement in conflict situation. As a new initiative, the COMP based on SRG model is effective, relevant and moderately efficient with significant impact albeit prospects for long-term sustainability that addresses the issue of equity and empowerment adequately.

Overall status of the programme on achieving its goals, purpose and outputs has been mixed. For instance, critical assessment of the programme indicates that of the 7 specific objectives of the programme, 2 were fully achieved, three were dropped and remaining two was loosely achieved.

The programme was designed without adequate feasibility study on basic features and prerequisites of SRG model. The programme was quite successful on social mobilisation, group formation and microfinance operation but less effective on linking SRGs with business literacy programme, operationalization of MIS at SRG level and linking complementary services among SRG members for their livelihood improvement.

The implementation of the COMP based on SRG model requires staff with specialised understanding on SRG philosophy, entirely different aptitude than implementing GB model, exposure to technique of SRG capacity building and capacity on knowledge transfer to SRG level. However, most of the staff working in this programme is regular NUBL staff experienced on GB model usually transformed from other branches and this was not appropriate as far as human resource management is concerned. It was found that most field assistants and branch managers are inclined to integrate the feature of GB model in the programme and as a consequence dominance of GB model is evident compared to VB model at the implementation level. This is one of the areas requiring reform if the modality is to be replicated in other parts of the country.

Efficiency, effectiveness and eventual sustainability of the programme is in general the function of the socio-economic and demographic characteristics of the households and awareness and education level of the SRG members. More specifically, the model is very effective in areas inhabited by highly aware and educated people while it can't be implemented effectively in communities where less aware and uneducated people live. Analysis of the programme features revealed that the model is neither efficient nor effective on achieving sustainability. This is evidenced by couple of concerns that exist in the programme. Firstly, the active loan client to savings client ratio with NUBL is less that 55% which is very low due to their low credit absorptive capacity. Increasing credit absorptive capacity of SRG members as well as increasing active loan clients to savings clients ratio should received priority for successful implementation of this model. Second, over 44% SRGs still depends on NUBL's field assistants for their operation and remaining 56% SRGs are also not fully capable to operate their transaction confidently. This is partly due to lack of business literacy among SRG members. As this modality expects that the group should run the programme from respective members, they need to educate through business literacy and enhance their skill on account keeping and group management. It is seen only successful wherever good literate members are available to lead the group. In view of this there should be renewed focus on strengthening the capacity of SRGs. Thirdly, only 3143 Plan families are able to be the SRG members which is 25% of the total clients served by Plan in the areas and there is a need to devise mechanism to include more Plan families (at least 75% of the total plan families) in the programme. Fourthly, the depth of outreach of the programme is relatively shallow, implying that the SRGs are comprised of not only poor and vulnerable but also well off

and elite. Their dominance over the poor in the group is observed that hinders the way of their betterment with respect to leadership, governance and inclusion. Hence, in most cases the decisions among members are not taken in participatory way rather than it is taken by few elites of group and field assistants.

The programme has been very effective to uplift the livelihood of SRG members. This is clearly evident by quite vivid and significant client level impact of microfinance services. There are cases where over 95% clients have improved their livelihood through their participation in this programme. Loan clients surveyed under this assessment have earned incremental income of over Rs. 100,000 per year, improved their livelihood and used the incremental income for asset creation (land purchase, house improvement, purchases of consumer durables, increase the number of livestock head), sending children to school, health care, clothing, household consumption and buying ornaments by promoting self-employment. This has been instrumental to promote economic, social, political and legal empowerment of loan clients.

The SRG model implemented in Banke district is quite unique and this warrants that this model should not be replicated in other areas without adequate feasibility study on its basic features and pre-requisites. Special care should be provided to package the programme so as to ensure more comprehensiveness including advance level of social mobilisation as well as formation of social and human capital at local level. The programme should be designed in such a way that the social preparation including SRG formation, social and human capital formation, etc. should be done by other specialised promoting agency well verse on SRG model and MFI (NUBL) should only be involved to provide microfinance service based on rating of SRGs and proven capacity of providing microfinance services to their members. In order to institutionalize real essence of SRG model, the MFI should provide wholesale loan to SRG rather than lending to individual clients of the SRG. This strategy has jeopardized the capacity building of the SRG on microfinance operation.

In order to institutionalize SRG model within entire system, NUBL should institute separate unit in head office in planning and human resource management to develop specialised cadre of human resources and devise mechanism to address emerging issues of operationalizing SRG model. It should discontinue transforming staff trained on GB model to work in SRG model. The training package for capacity building of the staff working in SRG model should be separate and only resource person with specialised knowledge on SRG model should be used for staff training.

NUBL should explore some alternative to implement this model in communities inhabited by less aware and uneducated people. Over 44% SRGs who still depends with field assistant of the NUBL are mainly from such communities. Arranging paid book keeper could be one option to reduce the dependency of these groups with field assistants. Other option could be transforming SRGs of such communities into GB model. For the sustainability of the model a system of auditing transactions of SRGs by local external auditors should be started so as to ensure that book keeping and accounting system of these SRGs are uniform and meet minimum standard.

NUBL should increase the ratio of active loan client to savings client by enhancing credit absorptive capacity of loan clients through their linkages with other complementary services through capable business development services providers. This ratio should be at least 90% for long term viability. NUBL should provide special focus on polishing targeting mechanism adopted by the programme so as to exclude well off and elite to be SRG member. Further, there is a need to increase the number of Plan families from 3143 to at least 75% of the total to be SRG members. Such a strategy will foster improving leadership, governance, inclusion and reaching the un-reached by the programme.

SRGs are not uniform and even SRGs who operate independently with out support from field assistant of NUBL lack required capacity for their operation and management. In this context, NUBL should have renewed focus on strengthening capacity of such SRGs. To start with these SRGs should be rated and linked to the tailor made capacity building support that should be based on their current status. Though client level impact has been quite satisfactory but it is not equitable. In this context, NUBL should establish business linkages with business service providers to provide required services such as technology, market, raw materials and business consultancy to the clients residing in interior areas of the VDC.

Though current phase of the Plan-NUBL partnership on COMP was ended in March 2008, Plan should explore the possibility of continuing support to NUBL to implement recommendation mentioned above. More specifically support are required for enhancing the capacity of the SRGs, increasing the number of plan families from 3143 to over 75% of the total plan families of Banke district as SRG members, arranging paid book keeper or transforming programme from SRG based lending system to GB based system and making provision or developing external auditor locally to carry out external audit of the SRG transaction at least once every six month.

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ACRONYMS AND ABBREVIATIONS

CGT	Compulsory Group Training
COMP	Community Owned Microfinance Programme
DEPROSC	Development Project Service Centre
FGD	Focus Group Discussion
GB	Grameen Bank
GDP	Gross Domestic Product
GRT	Group Recognition Test
HH	Households
IEC	Information, Education and Communication
IG/MEA	Income Generating/Microenterprise Activity
MEA	Microenterprise Activity
MFI	Microfinance Institution
MIS	Management Information System
NGO	Non Government Organization
NUBL	Nirdhan Uthan Bank Limited
OSS	Operating Self Sufficiency
ROA	Return on Assets
SHG	Self-Help Groups
SRG	Self Reliance Group
SLC	School Leaving Certificate
SWOT	Strength, Weakness, Opportunities and Threats
VB	Village Bank
VDC	Village Development Committee
WB	Women Bank
WBI	Women Banking Institute

1. INTRODUCTION

1.1 Background

Plan Nepal initiated Community Owned Microfinance Programme (COMP) in partnership with Nirdhan Uthan Bank Limited (NUBL). The programme started in April 2003 and completed in March 2008. The programme aimed at providing access to micro finance services to families living in 28 Village Development Committees (VDCs) and one municipality of Banke district. The programme targeted to organize 10,000 women into 305 self reliant groups (SRGs) and federate these SRGs into 15 Women Banking (WB) Institution. In the middle of 2005, Plan phased-out 8 VDCs east of Rapti River due to intensification of conflict which made Nirdhan almost impossible to start its' program; as a consequences, plan and NUBL mutually agreed to relocate the programme to new VDCs in the western parts. The idea of forming Women Banking Institution was dropped out in response to the realisation that promoting women banking institution may unnecessarily increase operational cost in addition to growing skepticism on efficiency of such organizations as cooperatives formed in such a way largely failed due to management inefficiency.

Plan has conceived COMP as a conflict sensitive model in Banke district while country was under intense political conflict. The model carries some features from Village Bank (VB) and some from Grameen bank. The SRGs are independent village banks governed by an executive committee elected democratically by members. NUBL has provided SRGs with required level of group and fund management skills and knowledge. They mobilize their internal savings as loan and also borrow wholesale loan from NUBL. The SRGs are independent to take decisions including negotiation for loan terms with NUBL.

Since the programme was completed in March 2008, Plan was interested to carryout its independent assessment to find out if the program methodology is conflict sensitive, is adaptable / replicable to sparsely populated areas and is owned by members in addition to assessment of whether the project met targeted outputs and created some level of outcomes and impacts.

1.2 Objective of the Evaluation

The evaluation aims at assessing appropriateness and suitability of SRG model and the projects status against desired outputs/outcomes as stated in project proposal. The specific objectives of the evaluation are the following.

- Review the project components such as methodology, saving and credit operation, business literacy program, micro insurance, operationalization of management information system (MIS) of NUBL and SRG, linking of complementary services to micro finance program and sustainability and viability of the model in the context of both NUBL and SRG.

- Assess the effectiveness, relevance, efficiency, impact and sustainability of the programme with special emphasis on equity and empowerment of target communities.

1.3 Scope of Evaluation

Under this program, NUBL is providing microfinance services to target communities of Banke district through five branch offices (Kohalpur, Ranjha, Paraspur, Udayapur and Khajura) and one area office located in Nepalgunj. These branches cover all the twenty eight VDCs and one municipality of the district. This evaluation has covered the microfinance operation and SRG formed under all five branch offices as of February 2008 assessed the microfinance operation and viability at three levels (regional office, branch

offices and SRGs). Further, the impact of the microfinance operation on improving livelihood of the clients served by the programme has also been assessed. While the overall assessment of all the five branches of the NUBL was done, the SRGs within the branches were purposively selected considering the meeting day of the SRGs. Operational and financial performance of 14 SRGs was assessed during field study. From each SRG, four members/clients (loan) were selected randomly to assess the impact of the programme on improving their livelihood. During the field study, project components such as methodology, saving and credit operation, business literacy program, micro insurance, operationalization of management information system of NUBL and SRG, linking of complementary services to micro finance program and sustainability and viability of the model in the context of both NUBL and SRGs were assessed.

1.4 Approach and Methodology

1.4.1. Approach of the Evaluation

This evaluation was done covering aspects such as relevance, effectiveness, efficiency, sustainability, empowerment, equity and impact. A matrix showing the approaches to assess above dimensions of evaluation is provided in Annex 1.

1.4.2. Methodology of Evaluation

Key aspects of methodology adopted in this evaluation are summarized hereunder.

1.4.2.1. Data Sources

The data required for conducting this evaluation was obtained both from secondary and primary sources. The secondary sources includes review of relevant documents, project document, progress reports and other published and unpublished documents related to the project. The primary information was gathered by conducting the field studies and surveys.

1.4.2.2. Data Collection Methods

Review of relevant documents: Mainly project document and various progress reports were reviewed that supported further investigation process that helped to accomplish the objectives of evaluation.

Focus group discussions: Most of the information required for this evaluation was gathered through focus group discussion with SRG members, their family members, social leaders, school teachers, etc.

Performance Review: The periodic progress report of NUBL and progress of SRGs was reviewed to assess the performance of the programme on ensuring access to financial services on a sustainable way.

Organisational assessment: Operational and financial performance of SRGs and branch offices were assessed to ascertain sustainability of the project after phasing out.

Individual interviews: Individual interview of the 56 clients (SRG members) and their family members were done to ascertain the impact of the microfinance services on improving their livelihood.

Key informant interviews: Interview schedule was organised with NUBL staffs, NGO personnel, SRG chairperson, VDC officials, Plan staff and others who are directly or indirectly associated with the project implementation.

Conduct field visit: Field visit was conducted to gather first hand information on branch and SRG operation as well as observe the progress of the project and verify these progresses with concerned people and stakeholders.

1.4.2.3. Sample Size

Fourteen SRGs, representing best, average and poor were selected from five branches of NUBL in Banke districts for in-depth assessment. Organisational and institutional dynamics of these SRGs was analyzed in order to assess their operational and financial situation and viability. From each SRGs 4 clients (SRG members) were randomly selected to assess the impact of access to microfinance services to uplift their livelihood.

1.4.2.4. Data Collection Tools

Information was collected using both quantitative and qualitative data collection tools to compare the information collected and find out qualitative justification of quantitative findings. One questionnaire and four checklists: (a) assess operational and financial performance of (i) regional office, (ii) branch office and (iii) selected SRGs and (b) gather information from key informants (leaders, managers/CEOs, and NUBL staff) was prepared to collect the information required for this research. The questionnaires and checklists used in this study are attached in Annex 2.

1.4.2.5. Study Process

This study was undertaken with the assistance of one microfinance professionals from Plan Nepal who assisted in the design and carrying out the field work and collecting secondary databases relevant to the scope of this evaluation.

1.4.2.6. De-briefing

Findings of the field study was de-briefed to all five branch managers and one regional manager in NUBL regional office in Nepalgunj. Further findings were also de-briefed to Plan Nepal Banke Programme Office Staff (Programme Office Coordinator and Microfinance Staff) in Nepalgunj.

1.4.2.7. Information Processing and Analysis

Information collected from different sources were compiled, consolidated and analyzed both under quantitative and qualitative assessment framework. The appropriateness and suitability of SRG model and projects status was evaluated against desired outputs / outcomes stated in the project proposal based on the key dimensions such as effectiveness, relevance, efficiency, impact, sustainability, equity and empowerment.

1.5 Report Organization

This report is organized into seven sections. After this introductory section, section two provides overview of the programme including the review of programme components. Section three assesses the performance of branch offices while section four provides similar assessment of the performance of the SRGs. An assessment of the impact of microfinance services to the clients are provided in section five while section six assesses the effectiveness, relevance, efficiency, impact and sustainability of the programme with special emphasis on equity and empowerment of target communities. The conclusions and recommendations of this study are provided in section seven.

2. OVERVIEW OF COMMUNITY OWNED MICRO FINANCE PROGRAM

2.1 Overview

Community Owned Microfinance Program (COMP) in Banke district is the result of series of assessment and studies done in the past in order to full-fill the demands of community people in establishing an organization where they could save their small cash surplus and could burrow small loans. In 1996, Plan Banke with the help of DEPROSC carried out a feasibility study on designing sustainable savings and credit program. The study recommended that promoting local organizations as financial intermediary and linking them with specialized financial institutions as one of the best alternative for providing effective financial services to the rural poor. The study further suggested that promoting and institutionalizing existing producer groups such as vegetable farmers' groups is essential for the sustainable livelihood impacts. Similarly, a comparative advantage analysis was carried out in collaboration with Capital College and Research Centre to find out the relative advantages of Plan families on promoting enterprises in Plan working area.

Finally, Plan and Nirdhan developed COMP as a modified village-banking model in line with the recommendations provided by several studies. The long-term objective of the programme lies at developing a self-sustaining Plan community owned and managed financial service program to increase benefit to children and families with immediate (short-term) objectives to (i) enroll maximum number of PLAN families to receive financial services, (ii) make at least 20 self sustaining Women Banks (WBs), (iii) link these WBs to higher level financial institutions, (iv) integrate PLAN's other nonfinancial services to these WBs and (v) attain the WBs' financial sustainability by the fifth year of operation. The programme was designed to cover 28 VDCs and clusters of Nepalgunj municipality within Plan working areas. Further, the programme targets to benefit 10,000 households by providing sustainable financial services in local level. Origional design of the programme expects to organize over 10,000 members into over 305 SRGs and federate these SRGs into 15 Women Banking Institutions (WBIs).

As of June 2008, the programme has been operating through one regional office in Nepalgunj and five branch offices in Kohalpur, Ranjha, Udayapur, Paraspur and Khajura. While regional office at Nepalgunj is responsible for overall management of the project, the branch offices are involved in retail lending to SRG members. Staffing in the Regional Office consist of a regional manager, a programme officer and one office/account assistant and that of branch office consists of a Branch Manager, Accountant, 2-4 field assistant and one messenger.

The programme has organised 12,725 members into 385 SRGs, higher than the target set in approved proposal. Number of active loan clients is 6,932 which are 54% of the total clients enrolled into SRGs. Proportion of active loan clients to total clients is quite low and must be increased for the viability of branch offices. The idea of federating SRGs into WBs was dropped owing to the realisation that promotion of WBs may unnecessarily increase the cost of operation and growing skepticism on efficiency of such organizations as cooperatives formed in such a way largely failed due to management inefficiency.

2.2 Programme Methodology

NUBL is working in Plan focused VDCs targeting to the most disadvantaged and marginalized population. Clients are the Plan families or local resident having similar socio-economic conditions. NUBL has collected a list of Plan families from Plan Office and a group of 25-30 women were formed involving both plan and non-plan families. Each SRG consisted of Chairperson, Secretary, Treasurer and alternative treasurer. After forming the SRG, NUBL conducts a 7-day Compulsory Group Training (CGT) for the group which will be qualified after the group pass the Group Recognition Test (GRT)

administered by the Regional Manager. Nirdhan staffs regularly attend fortnightly group meeting held for an hour or more. The Micro-finance Monitoring Officer and other concerned Plan staffs also monitored SRG meetings.

In general, the meeting is being held biweekly in a place where all group members can attend on time. The group meeting is held in the similar way as in Grameen Bank. Though initially it has been designed that NUBL staff will be responsible to conduct the SRG meeting in the initial phase (first 6 month) wherein they will train SRG members about conducting group meeting, processing and appraisal of loan application, savings collection, accounting and bookkeeping, loan utilization checking, etc. Specially, the group chairperson and treasurer are trained on accounting and bookkeeping. However, this does not worked well in practice. It took more than six months for NUBL staff to enhance their capacity.

All transactions will be done in SRG's center meeting. Nirdhan and Plan had a facilitating role in group saving and group meeting process. The SRG members themselves decide compulsory saving amount, meeting time and venue. The treasurer and alternative treasurer is responsible for keeping books of accounts and cash box. By design, role of NUBL staff after 6 month is just facilitator.

2.3 Programme Components

2.3.1. Programme Outreach, Social mobilization and Group formation

The social mobilization part that includes rapport building, group concepts and programme information were carried out jointly by Plan and Nirdhan before group formation. The programme has enrolled about 12,725 members into 385 SRGs from 28 VDCs and one municipality. The group size ranges from 19 to 49 persons. There are still some communities and deprived groups that are yet to be organised into SRGs.

2.3.2. Microfinance Services

NUBL provides micro-savings, micro-credit and micro-insurance services to SRG members. Since the institutional capacity is the most crucial factor in its ability to achieve its goal, the NUBL has prepared loan and saving operation procedure manual that will include overall operating methodologies, record keeping and control system. The financial procedure manual, personnel manual and other manuals are also in place.

2.3.2.1. Micro-savings

Micro-saving is the most important activity in the SRGs. Two types of savings schemes prevail: compulsory saving and voluntary savings. The saving amount per meeting differs from group to group which ranges from Rs. 10 to 100 per meeting. The total savings amount of 385 SRGs was Rs. 21,591,000. Internal fund mobilization within the group is effectively taking place. In the initial period, it is observed that the purpose of loan is in meeting consumption and emergency needs such as treatment, food grains, marriage etc. However in some cases, it is for school fee, dress and stationary items. The interaction with SRG members showed that there is a substantial need for loan to start income generating activities such as rickshaw pulling, livestock, vegetable farming, small tea shops, vending, etc. Considering and assessing security situation, NUBL started its lending to SRGs.

Compulsory saving: The NUBL has introduced compulsory saving product to organize members in a specific place. Compulsory savings is bi-weekly saving amount ranging between Rs. 10.00 and Rs. 100 per member. In general savings amounts are reviewed after completion of at least 8 meetings. If the group members want to increase or decrease compulsory saving amount, they will be free to decide the amount. The account

of compulsory savings is maintained by SRG itself, which does not provide interest on such savings however SRG members can get bonus at the end. Generally the withdrawal of compulsory saving will take place incase of emergency only.

Personal voluntary saving: NUBL also encourages clients to save from their surplus. A client can open her account with a minimum of Rs.10. In the center meeting, members can deposit their money and the field assistant records the transaction in the member's passbook and NUBL branch offices maintain the accounts of such savings. NUBL provides 6% interest on such savings. Clients are allowed to collect or withdraw any amount during branch office hours whenever they want.

2.3.2.2. Micro-loans

Loan is the main product of NUBL. Loan is provided to eligible members of the SRGs for starting any income generating activities and/or to meet their financial need for social and emergency purposes. NUBL has provided different loan products to SRG members. General loan is the predominant product among different kinds of loan products. In addition to general loans, NUBL has also provided seasonal business and agricultural loans, sanitary loans, housing loans, and microenterprise loans.

General Loan: The general loan is a one year loan with fortnightly repayments. Clients make payments mostly during fortnightly SRG/center meetings. One SRG is treated as a centre for meeting and microfinance operation. NUBL charges two rates to SRGs: 15% interest to those that can operate and manage their SRGs independently and 18% to those SRGs that requires NUBL support for their operation. Interest is calculated on declining basis. In general SRG on lend loan to members on 24% interest rate calculated on declining balance. SRG members are eligible for a bonus on the margin (9%) that they maintain for on-lending. Initial loan size is Rs. 10,000 (maximum) in the first cycle that goes on increasing in the subsequent cycle to a tune of Rs. 15,000, Rs. 20,000, Rs. 25,000, Rs. 30,000 and Rs. 40,000. When the loan for the first cycle is for the purchase of milching cow or buffalo, the maximum loan amount is increased to Rs. 15,000.

Seasonal Agricultural Loan: This loan is used for purchasing chemical fertilizer, seeds, and other agricultural inputs and is accessible to clients who have repaid 6 months of the general loan with good repayment performance. Maximum loan size is Rs. 3,000 each year with a loan term of one year at 15% and 18% interest rate depending on capacity of SRG to be repaid in a fortnightly equal installment.

Seasonal Business Loan: This loan is used for seasonal opportunities like purchasing and selling of agricultural products and animals in festival seasons and is accessible to clients who have successfully completed one cycle of general loan with on-time repayment. Maximum loan size for this loan is Rs. 10,000 each year with a loan term of six months at 15% and 18% interest rate depending on capacity of SRG calculated on a declining balance to be repaid in a fortnightly equal installment.

Tube-well/Sanitary Loan: NUBL provides a loan to install tube-wells and toilets in order to improve the health of clients and decrease default related to poor health. It is available to clients who have successfully completed the first loan cycle of the general loan and is only available once for each member. Maximum loan size of this loan is Rs. 3,000/ Rs. 6,000 and a loan term of two years at 15% and 18% interest rate depending on capacity of SRG calculated on a declining balance to be repaid in a fortnightly equal installment.

Housing Loan: NUBL has used a very specific targeting strategy to ensure that all first-time clients are very poor. As one of the targeting criteria is the absence of cement walls or ceiling in client's house, there is a strong demand for various types of housing loans. Hence, NUBL has made provision to provide housing loans to its members using

collateral. The clients must maintained strong credit discipline in the previous years to access housing loans, belong to a center with no arrears for 2 years, have improved economic condition from previous loans, and be willing to contribute at least 20 percent equity (10 percent cash and 10 percent in-kind). Because of the non-productive nature of this loan, NUBL charges a lower rate of 18 percent on a declining balance with fortnightly/weekly repayments.

- House Construction Loan: available to clients who meet above requirements and have completed the forth loan cycle of general loan. Members generally construct a new house on their current property with this loan. Maximum loan size for this loan could be Rs. 50,000 with a loan term of 2-6 years at 15% interest rate calculated on a declining balance to be repaid in a fortnightly equal installment.

- House Repair Loan: available to clients who meet above requirements and have completed the second loan cycle of general loan. This loan is used to make capital improvements like replacing a roof on a current house. Maximum loan size for this loan could be Rs. 15,000 with a loan term of 2 years at 15% interest rate calculated on a declining balance to be repaid in a fortnightly equal installment.

- Home-stead Purchase Loan: available to clients who meet above requirements and have completed the second loan cycle of general loan. This loan allows members to purchase a small amount of land. Maximum loan size for this loan could be Rs. 15,000 with a loan term of 2 years at 15% interest rate calculated on a declining balance to be repaid in a fortnightly equal installment.

Microenterprise Loan: NUBL targets micro-enterprise loan to graduates of collateral free loans. The clients eligible for this loan must have completed the second loan cycle, maintained strong credit discipline, belong to a SRG with no arrears in past two years, have improved economic condition from previous loans, be willing to contribute at least 20 percent equity (10 percent cash and 10 percent in-kind), submit collateral, and demonstrate an ability to operate a micro-enterprise. The loan size for this loan is Rs. 100,000 with a loan term of 2-3 years at 15% interest rate calculated on a declining balance to be repaid in a fortnightly equal installment.

Generally, NUBL provide loan at 15% interest rate to SRG that can operate independently and 18% interest rate to SRG to be managed by strong support of NUBL field assistants to start any income generating activities. NUBL is not rigid on loan use so that client can use loan for consumption and emergencies purposes. They collect installment in a biweekly meeting. The interest rate on loan is decided by groups depending on availability and cost of funds and loan period. At present, the interest rate charged by SRGs for loans to its members is 24% calculated at a declining basis.

As of June 2008, NUBL has made total disbursement of Rs. 290,952,000.00 of which Rs. 213,990,000.00 has already been recovered and there is an outstanding loan balance of Rs. 76,970,000.00. There is an overdue amount of Rs. 76,000.00 in one branch office.

2.3.2.3. Micro-insurance

NUBL is providing micro-insurance product to its clients to address their needs for risk management. In general, these clients are highly vulnerable to economic shocks caused by events such as death of family member, illness and destruction of valuable asset or a disabling injury. Currently Nirdhan has provided two types of micro-insurance products.

Livestock Insurance: NUBL has linked up with a local agency (Deposit Insurance and Credit Guarantee Corporation) to provide livestock insurance service. When clients take out a loan for livestock, they pay 3% of value of livestock to agency and government

matches it with an additional 3% payment. If the animal dies and it is verified by a veterinary office, the agency indemnifies 80% of insured amount.

Micro-life Insurance: NUBL in collaboration with formal insurance company, the National Life and General Insurance Company, provide micro-life insurance to its client, her husband, mother and father in-laws. NUBL collects premium annually from clients and deposits the amount in the insurance company's bank account. The policy is for one year and can be continued with a subsequent premium payment. NUBL has found that insurance and other new financial services can respond to a households' need to reduce their vulnerability, while concurrently improving its credit and savings portfolios. The insurance benefit is as under:

Premium per year	**Benefit**
Rs. 70.00	Rs. 10,000.00
Rs. 140.00	Rs. 20,000.00
Rs. 280.00	Rs. 40,000.00

If the death of insured is due to accident the benefit is double of the above amount.

2.3.3. Business Literacy Program

NUBL has tried to implement business literacy programme among SRGs promoted by the programme in collaboration with Plan. Budget was prepared in such a way that business literacy classes are conducted in all SRGs and agreement was that NUBL will be responsible for SRG formation and provide books/materials for business literacy while Plan will be responsible for financing other cost related to implementation of business literacy classes by hiring suitable service providers. This arrangement worked initially and a total of 30 SRGs (10 each from Kohalpur, Ranjha and Udayapur branches) participated in this course conducted by a local NGO named ENRUDEC while NUBL provided text book and materials. The programme was discontinued later.

As an alternative to business literacy classes, NUBL provided basic book keeping and accounting training to SRGs executives. Such training was provided to 356 SRGs promoted by NUBL that was quite effective on enhancing SRG's capacity on book keeping and accounting. This training was basically designed to enhance their capacity on maintaining (i) meeting minutes, (ii) savings and loan ledger, (iii) savings and credit passbook, (iv) daily loan/savings transaction (red) form, (v) complete loan deeds, (vi) maintain main ledgers, etc. The training conducted by NUBL to SRG executives was highly effective to increase their capacity on book keeping and accounting.

2.3.4. Operationalization of Management Information System

NUBL has its own automated MIS that prepares both the financial and non-financial statements. For financial statements, generally accepted accounting principles are applied. Financial statements includes: a) income statement, b) balance sheet and c) cash-flow statement. Though these statements are generally prepared every month and reporting has been done accordingly, these statements can be generated as and when required. MIS of NUBL also generates following types of non-financial statement.

- Number of VDCs covered
- Number of SRG formed
- Number of PLAN families enrolled
- Number of non-PLAN families enrolled
- Savings mobilized, during the period
- Total savings balance
- Number of loans disbursed
- Amount of loan disbursed

- Amount of loan repayment
- Amount of loan outstanding
- Loan amount in arrears
- Loan amount in risk
- Number of staff

NUBL also prepare non-financial statements in monthly basis. However, indicators are added as per requirement. These reports/statements are being used by NUBL and PLAN International for informed monitoring of the project progresses.

MIS at SRG level is still paper based. An average SRGs promoted by NUBL maintain minutes of meeting, savings and loan ledger, update savings and credit passbook of the clients and compile daily loan/savings transaction form. There are hardly any SRGs that have capacity to maintain main ledgers. In most SRGs, either main and savings ledgers are not maintained or in case they are maintained, they are rather incomplete or full of errors. Due to very low level of education of SRG members in general and SRG executives in particular, over 65% SRGs promoted by NUBL lack capacity to maintain their books of accounts and even minutes of meeting. They have difficulties even for their signature. Field assistant of NUBL are assisting SRGs to perform all activities related to their operation and management.

2.3.5. Linking of Complementary Services to Micro-finance Program

By design, Plan and NUBL seek to develop SRG as focal point for any type of services with Plan families receiving the first priority over services. On behalf of SRGs, NUBL was expected to play a facilitating role in coordination with other service providers. In this approach, NUBL identified SRG's requirement and approached to other service providers. NUBL also provided identified needs to Plan, Nepal to fulfill these needs. As per the experience gained from its existing working areas, NUBL realizes that literacy is the most important for poor. Realizing this, it requested Plan to implement Information, Education and Communication (IEC) program in those areas.

Linking complementary services to microfinance programme could not be very effective due to varied interest and expertise of service providers as well as lack of their understanding on overall mechanism and pain behind microfinance operation.

3. PERFORMANCE OF BRANCH OFFICES

3.1 Overview

As of June 2008, the programme was implemented through one regional office (Nepalgunj) and five branch offices (Kohalpur, Ranjha, Udayapur, Parashpur and Khajura). While regional office at Nepalgunj is responsible for overall management and providing technical backstopping support to branch offices, branch offices are involved in retail lending to SRG members. Branch offices are the primary unit of providing microfinance services to the clients. Table 3.1 provides information on overview of the programme by branches.

Table 3.1: Overview of the Programme as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Centre	No	91	85	78	69	62	385
2	Group	No	91	85	78	69	62	385
3	Members	No.	3333	2697	2591	2156	1948	12725
4	Loan clients	No.	2124	1357	1529	1135	750	6895
5	Loan disbursement	Rs. 000	129143	64739	65426	39218	14863	313389
6	Loan collection	Rs. 000	99519	48894	49790	26034	6365	230602
7	Outstanding	Rs. 000	29624	15845	15635	13184	8507	82795
8	Overdue	Rs. 000	0	50	0	0	0	50
9	Savings collection	Rs. 000	7222	4612	4409	3593	3510	23346
10	Staff	No.	5	6	5	5	4	25
11	Field Staff	No.	3	4	3	3	3	16
12	Branches	No.	1	1	1	1	1	5
13	VDC covered	No.	6	5	9	5	8	33
14	Municipalities	No.	0	1	1	0	0	1
15	District covered	No.	1	1	1	1	1	1

Source: NUBL, Regional Office, Nepalgunj, July 2008

The programme has served about 12725 members of 28 VDCs and 1 municipality of Banke district organizing them into 385 SRGs. In the operational term, each SRG meeting has been viewed as Centre for microfinance operation and making other operational decisions. Transaction is more in Kohalpur branch, followed by Udayapur and Ranjha branches. Operation in the Khajura branch started lately, hence, has minimum transaction among five branches.

3.2 Outreach

Outreach is one of the essential triangle of microfinance operation wherein scale and depth matters. Outreach of these branches was analyzed in terms of outreach of (i) savings services, and (ii) credit services.

3.2.1. Outreach of Savings Services

Outreach of savings services of these MFIs are analyzed in terms of active savings account, savings balances as a percentage of average outstanding loan portfolio, value of average savings account and average savings deposits as a percentage of GDP per capita.

Active savings account ranges between 2156 (Paraspur) and 3333 (Kohalpur). Kohalpur branch has more number of active savings accounts. Plan families as a percentage of total active savings clients is 25% (0% in Khajura and Paraspur, 29% in Ranjha, 37% in Kohalpur and 42% in Udayapur). Total savings as a percentage of outstanding loan

portfolio range between 24% (Kohalpur) and 41% (Khajura) with an average of 28%. Value of average savings accounts ranges between Rs. 1667 (Paraspur) and Rs. 2164 (Kohalpur) with an average of Rs. 1835.

Table 3.2: Outreach of Savings Services as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Active savings clients	No	3333	2697	2591	2156	1948	12725
2	Active savings clients (Plan Families)	No	1245	1135	763	0	0	3143
3	Active savings clients (Ex-Kamaiyas)	No	329	0	0	0	0	329
4	Plan families as a percentage of active savings clients	%	37	42	29	0	0	25
5	Savings balance as a percentage of outstanding loan portfolio	%	24	29	28	27	41	28
6	Value of average savings account	Rs.	2167	1710	1702	1667	1802	1835
7	Average savings balance as a percentage of GDP per capita	%	10.3	8.1	8.1	7.9	8.5	8.7

Source: NUBL, Regional Office, Nepalgunj, July 2008

Likewise, average savings deposits as a percentage of GDP per capita ranges between 7.9% (Paraspur) and 10.3% (Kohalpur) with an average of 8.7%. The average savings balance and average savings deposits as a percentage of GDP per capita is positively correlated.

3.2.2. Outreach of Credit Services

Outreach of credit services was analyzed in terms of active loan clients, active loan clients as a percent of total savings clients, average outstanding loan balance, average outstanding loan balance as a percentage of GDP per capita and average portfolio outstanding. Indicators showing the outreach of credit services are presented Table 3.3.

Table 3.3: Outreach of Credit Services as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Active loan clients (NUBL)	No	2124	1357	1529	1135	750	6895
2	Active loan clients (SRG only)	No	622	1174	899	196	58	2949
	Total loan clients	No	2746	2531	2428	1331	808	9844
3	Active loan clients (NUBL) as a percent of total savings clients	%	64	50	59	53	39	54
4	Active loan clients (SRG only) as a percent of total savings clients	%	19	44	35	9	3	23
	Total loan clients as a percent of total savings clients	%	82	94	94	62	41	77
5	Average outstanding loan balance	Rs.	13947	11676	10226	11616	4680	12008
6	Average outstanding loan balance as a percentage of GDP	%	66.2	55.4	48.5	55.1	22.2	57.0

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
	per capita							
7	Average portfolio outstanding	Rs. '000	23512	13563	10981	7680	4353	60089

Source: NUBL, Regional Office, Nepalgunj, July 2008

In all the branches, active loan clients (NUBL) as a percentage of total savings clients are low. It is 54% in total and it is high in Kohalpur (64%) and low in Khajura (39%). In all the branches there are SRG members that have borrowed from SRG only. In these SRGs, active loan clients (SRG only) as a percentage of total savings clients ranges between 3% (Khajura) and 44% (Udayapur) with an average of 23%. Thus, in total active loan clients (NUBL and SRGs) as a percentage of total savings clients ranges between 41% (Khajura) and 94% (Udayapur and Ranjha) with an average of 77%. Average outstanding loan balance as a percentage of GDP per capita ranges between 22.2% (Khajura) and 66.2% (Kohalpur) with an average of 54%. Average outstanding loan balance is relatively higher in these branches. There is positive correlation between average outstanding loan as a percentage of GDP per capita and average outstanding loan size among these branches.

3.3 Portfolio Quality

Managers and staff of these branches are quite serious on maintaining high portfolio quality on microfinance operation. All branches except Udayapur branch has 100% repayment rate and zero portfolio in arrears and portfolio at risk. In general all the five branch managers are quite serious to ensure high repayment rates to manage resultant risks through solidarity guarantee/peer monitoring mechanisms.

Table 3.4: Portfolio Quality of the Branch Office as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Portfolio in Arrears	%	0	0.3	0	0	0	0.1
2	Portfolio at Risk	%	0	0.3	0	0	0	0.1

Source: NUBL, Regional Office, Nepalgunj, July 2008

There is portfolio in arrears (PIA) and portfolio at risk (PAR) in Udayapur branch only and both PIA and PAR are equal in this and it is 0.3%. PIA and PAR in Udayapur branch is the result of intense conflict last year and difficulties to ensure solidarity guarantee / peer monitoring mechanism among SRGs. Mostly SRGs are very weak and requires support of NUBL field assistant to conduct centre meeting and manage portfolio. Limited number of field assistants in these branches has created problems on overall SRG management and eventually loan portfolio management.

3.4 Efficiency and Productivity

Efficiency and productivity ratios provide information on rate at which branches generate revenue to cover their expenses and enable them to determine whether they are maximizing their resource use. Both efficiency and productivity[1] ratios are used to compare performance over time and to measure improvements in branch operations.

3.4.1.Efficiency ratio

Efficiency ratios provide indication on cost of providing financial services by MFI to generate revenue. Efficiency of these branches are measured in terms of operating cost

[1]Productivity refers to relationship between inputs and output i.e. the volume of business that is generated (output) for a given resource or asset (input). Efficiency refers to the cost per unit of output.

ratio, salaries and benefits to average portfolio outstanding, cost per unit of currency lent and cost per loan made.

Table 3.5: Efficiency of the Branches as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Operating cost ratio	%	11.4	13.4	12.9	31.3	24.2	14.8
2	Salaries and Benefits to Average Portfolio Outstanding	%	2.9	5.5	5.0	13.5	12.5	5.5
3	Cost per Rupees of Loan made	Rs.	0.11	0.13	0.13	0.31	0.24	0.15
4	Cost per loan made	Rs.	1258	1344	925	1572	1403	1260

Source: NUBL, Regional Office, Nepalgunj, July 2008

The operating cost ratio ranges between 11.4% (Kohalpur) and 31.3% (Paraspur) with an average of 14.8%. This implies that these branches MFIs have high operational costs relative to average portfolio. The salaries and benefits to average portfolio outstanding ratio range between 2.9% (Kohalpur) and 13.5% (Khajura) with an average of 5.5%. This ratio is lower in all branches except Paraspur and Khajura. Cost per unit of currency lent ratio ranges between 0.11 (Kohalpur) and 0.31 (Paraspur) among these branches. This implies that Kohalpur invest 11 paisa per Rs. lent for microfinance operation. A lower cost per unit of currency ratio indicates higher efficiency. Cost per loan made ratio ranges between Rs. 925 (Udayapur) and Rs. 1572 (Paraspur) among these branches. The above findings indicate that these branches need to improve their efficiency for sustaining their operation.

3.4.2. Productivity ratio

The state of productivity of these branches were assessed by computing ratios such as active savings and loan clients per field assistant, average portfolio outstanding per field assistant and amount of loan disbursed per year per field assistant. Number of active savings clients per field officer is very high in these branches which ranges between 624 (Paraspur) and 1112 (Kohalpur) with an average of 777 savings clients per field assistant. The number of active loans (or borrowers) clients per field assistant ranges between 250 (Khajura) and 708 (Kohalpur) with an average of 419 loan clients per field assistant.

Table 3.6: Productivity Ratio of the Branches as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Active savings clients per field assistant	No	1112	674	858	624	649	777
2	Active loan clients per field assistant	No	708	339	510	316	250	419
3	Average portfolio outstanding per field assistant	Rs. '000	7837	3391	3660	1589	1451	3574
4	Amount disbursed per year per field assistant	Rs. '000	21435	5161	17012	4470	4888	10254

Source: NUBL, Regional Office, Nepalgunj, July 2008

The average portfolio outstanding per field assistant ranges between Rs. 1.45 million (Khajura) and Rs. 7.84 million (Khajura). The average portfolio outstanding per field assistant is relatively larger in Kohalpur branch. Amount disbursed per year per field assistant has almost same trend to average portfolio outstanding per field assistant. The average portfolio outstanding per field assistant ranges between Rs. 4.47 million (Paraspur) and Rs. 21.44 million (Kohalpur). The average portfolio outstanding per field assistant is relatively larger in Kohalpur and Ranjha.

Though productivity ratios focus on field assistants and analyze asset side of balance sheet only, Kohalpur and Ranjha branch minimize their transactions costs, especially administrative expenses to attain viability. Despite having almost similar human resource recruitment, orientation and training policy, there exists significant difference on administrative efficiency across these branches due to differences on geographical settings, socio-economic characteristics and cultural barriers.

3.5 Self-sufficiency

Financial viability of these five branches were analyze if these branches are operationally self-sufficient and operate at break even. Self sufficiency level are analyzed computing return on average performing assets, financial cost ratio, operating cost ratio, loan loss provision ratio and operating self sufficiency ratio (see table 3.7).

Return on average performing assets range between 7.0% (Udayapur) and 28.4% (Paraspur) with an average of 11.7%. With an effective interest rate of 15% and 18% per annum depending on capacity of SRGs, return on average performing assets in these branches is not well-behaved. This implies that either these branches have some problem on interest income calculation or there are cases where installments are missed (case of Udayapur) or some missed installment of past loan was recovered (case of Paraspur). Financial cost ratio, and operating cost ratio has also similar situation in these branches.

Table 3.7: Self-sufficiency Status of the Branches as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Return on average performing assets	%	13.0	7.0	13.9	28.4	10.3	11.7
2	Financial cost ratio	%	6.2	3.0	6.2	12.2	5.4	5.4
3	Operating cost ratio	%	3.9	3.2	6.3	16.0	16.9	5.6
4	Loan loss provision ratio	%	0.5	0.3	0.4	1.1	1.9	0.5
5	Operating self sufficiency	%	122.9	106.6	107.1	96.5	42.6	102.1

Source: NUBL, Regional Office, Nepalgunj, July 2008

Operational self-sufficiency (OSS) was analyzed to assess self-sufficiency status of these branches. OSS of these branches ranges between 42.6% (Khajura) and 122.9% (Kohalpur). Two out of five branches namely Khajura and Paraspur are not operationally self-sufficient. Both branches have potential to be operationally self-sufficient. To increase its self-sufficiency, these branches must either increase their yield on portfolio or decrease their expenses such as financing costs, provision for loan losses, or operating costs.

3.6 Profitability

Profitability ratios measure MFI's net income in relation to its assets and liabilities in balance sheet and help managers determine whether they are earning an adequate return on investment. Profitability of these branches was assessed using ratios such as return on assets and return on business.

Table 3.8: Profitability Status of the Branches as of June 2008

S.N.	Particulars	Unit	Kohalpur	Udayapur	Ranjha	Paraspur	Khajura	Total
1	Return on assets	%	10.3	12.0	10.1	18.7	10.3	12.1
2	Return on business ratio	%	5.1	6.0	5.1	9.3	5.7	6.1

Source: NUBL, Regional Office, Nepalgunj, July 2008

The return on assets (ROA) ratio measures net income earned on assets of these branches. ROA of these branches ranges between 10.3% (Kohalpur and Khajura) and 18.7 % (Paraspur). ROA is fairly better among all branches that measures average revenue received for every unit of currency outstanding in loans. Return on business ratio of these branches range between 5.1% (Kohalpur and Ranjha) and 9.3% (Paraspur). This implies that these branches are contributing positively for the growth and development of the NUBL.

3.7 Challenges to Branch Level Operation

The SRG model piloted by NUBL in Banke district is more successful in conflict situation than other model tried in Nepal; however, this is not a very cost effective model. Socio-economic and demographic characteristics of the households and members determines the sustainability of the programme. For instance, the model is very effective in areas inhabited by highly aware and educated people while the model can be implemented effectively in areas inhabited by less aware and uneducated people. This is one of the serious challenges for efficient operation of branch offices in Banke district by NUBL.

Active loan client to savings client ratio with NUBL is less that 55% which is very low. It appears that most clients have very low credit absorptive capacity and reluctant to borrow from NUBL. There are some 20% SRG members who have joined the programme for access to savings services only and there are some 25% whose demand for financial services is very low due to low credit absorptive capacity and they meet their financial need borrowing internally from SRGs. Increasing credit absorptive capacity of SRG members as well as increasing the active loan clients to savings clients ratio is another challenge for NUBL to operate branches efficiently in Banke district.

Branch level record keeping and reporting system is very weak in all the branches despite that NUBL has already introduced computerized MIS system. Getting accurate information on branch level operational and financial performance is difficult in these branches. Inability to generate accurate information and properly use MIS system for operational and financial decision making is another challenge for NUBL to efficiently operate branch office. Staff working in branch office including branch manager must be trained to increase their capacity on proper use of MIS system and use those information for operational and financial decision making.

4. PERFORMANCE OF SELF RELIANCE GROUP

4.1 Overview

As of June 2008, a total of 385 SRGs are organised bringing 12,725 members under COMP. The programme seeks to enhance the capacity of SRGs so that they can possess capacity to borrow wholesale loan from NUBL. In this chapter, operational and financial performance of the SRGs are analyzed with the objectives to assess the extent to which NUBL can provide wholesale loans to these groups and they can operate on their own. In order to assess SRG's operational and financial performance, a total of 14 SRGs representing all five branch offices of NUBL are selected. Table 4.1 provides information on name of the SRGs, their addresses and year of SRG formation.

Table 4.1: Overview of the SRG Surveyed

S.N.	Name of the SRG	VDC	Ward	Tole	Year of formation
1	Chisapani ('Ka)	Chisapani	4	Nayabasti	2061
2	Gabar (gha)	Naubasta	7	Gabar	2062
3	Parbatipur "kha"	Samsergunj	8	Parbatipur	2061
4	Baijanath	Samsergunj	7	Baijanathpur	2061
5	Gitapur	Samsergunj	9	Gitapur	2061
6	Saigoun "Ka"	Saigoun	4	Saigoun	2062
7	Ranjha	Manikapur	8	Ranjha	2060
8	Saigoun "Ga"	Saigoun	5	Saigoun	2062
9	Milijuli	Nepalgunj	12	Shivamarga	2061
10	Ganeshpur 'Kha"	Nepalgunj	5	Ganeshpur	2064
11	Thakurpur	Raniyarpur	2	Thakurpur	2064
12	Palautipur	Bankatuwa	1	Palautipur	2063
13	Pipiri "Gha"	Kohalpur	8	Pipri	2061
14	Pipiri "Ka"	Kohalpur	8	Pipri	2060

Source: Field Survey, July 2008

An in-depth analysis of these SRGs was undertaken covering aspects such as membership, equity and access, governance and responsibilities, savings mobilisation, loan transaction with NUBL and loan operation with SRG members, income statement, balance sheet and growth plan for next year.

4.2 Area/Membership

In general, one member of the households below the poverty line represents in SRG. NUBL has provided special emphasis to include families that meet the following criteria.

- If irrigated land, a holding of less than 7.5 Kattha (0.25 Ha.) per household of five family members
- If un-irrigated land, a holding of less than 15 Kattha (0.5 Ha.) per household of five family members
- Permanently living in the area
- Has no member of family employed permanently in the organized (formal) sector
- Currently has not borrowed from any other organized financial service provider
- A per capita income of less than NRs. 4,404 (US$ 61.00, average per capita income in Nepal is US$ 210) at 1997/98 prices.
- No pucca (cement fixed and concrete ceiling) house at the time of joining the bank

Table 4.2: Membership in the SRGs

S.N.	Name of the SRGs	Households in the SRG (No)	Membership in SRG (No)	New member entered over the last one year in SRG (No)	Executive committee members (No)
1	Chisapani ('Ka)	43	43	7	4
2	Gabar (gha)	25	25	0	4
3	Parbatipur "kha"	29	29	4	4
4	Baijanath	40	40	13	4
5	Gitapur	38	38	2	4
6	Saigoun "Ka"	26	26	0	4
7	Ranjha	36	36	2	4
8	Saigoun "Ga"	33	33	5	4
9	Milijuli	30	30	0	4
10	Ganeshpur 'Kha"	23	23	1	4
11	Thakurpur	24	24	1	4
12	Palautipur	39	39	8	4
13	Pipiri "Gha"	41	41	0	4
14	Pipiri "Ka"	43	43	3	4
	Mean	34	34	3	4
	STDEV	7	7	4	-

Source: Field Survey, July 2008

Number of members in SRGs surveyed ranges between 23 and 43 with an average of 34. Drop-out of existing members and joining of new members are common phenomenon in the SRGs and number of members entered in SRGs over the last one year range between 0 and 13 with an average of 3 members joining per SRGs. As discussed already, there are four executive committee members per SRGs mainly elected democratically to manage SRG's day to day operation.

4.3 Equity and Access

General members of the SRGs are all women and they represent all social groups (Dalit and Janajaties) in their locality. In general, these SRGs expressed their interest to include as many Dalits and Janajaties as possible, however, there was instances where some Dalits and Janajaties expressed their reluctance to be general member of SRGs. In all the 14 SRGs surveyed, on an average there are 11% Dalits, 31% Janajaties and 58% other ethnic groups. This is fairly good composition as far as ethnic composition of the communities where these SRGs resides.

Each SRG has executive committee members. SRGs surveyed have attempted to elect relatively matured person with leadership quality as chairperson while they have provided special attempt to include more educated women as secretary, treasurer and alternative treasurer. While chairperson chairs meeting and counts amount deposited as loan and interest payments and savings by members, secretary maintains minutes and treasurer make entry in long sheet (red) and savings and loan ledgers and alternative treasurer re-counts money and make an entry in pass-book of members. Considering the important role to be played by executive committee members, SRGs have attempted to make women executive committee as inclusive as possible. Both Dalits and Janajaties have been represented in executive committee. In 14 SRGs surveyed, on an average there are 7% Dalits, 36% Janajaties and 57% other ethnic groups. This is fairly good representation.

Table 4.3: Equity and Access in the SRG Surveyed

S.N.	Name of the SRG	Women general members				Women executive committee members			
		Dalit	Janajaties	Others	Total	Dalit	Janajaties	Others	Total
1	Chisapani ('Ka)	5	8	30	43	1	1	2	4
2	Gabar (gha)	5	4	16	25	0	1	3	4
3	Parbatipur "kha"	0	24	5	29	1	3	0	4
4	Baijanath	6	28	6	40	0	3	1	4
5	Gitapur	5	24	9	38	0	2	2	4
6	Saigoun "Ka"	2	5	19	26	0	2	2	4
7	Ranjha	1	12	23	36	0	2	2	4
8	Saigoun "Ga"	2	5	26	33	0	1	3	4
9	Milijuli	6	11	13	30	1	2	1	4
10	Ganeshpur 'Kha"	10	5	8	23	1	0	3	4
11	Thakurpur	4	5	15	24	0	0	4	4
12	Palautipur	1	1	37	39	0	0	4	4
13	Pipiri "Gha"	0	1	40	41	0	1	3	4
14	Pipiri "Ka"	7	9	27	43	0	2	2	4
	Mean	4	10	20	34	0.3	1.4	2.3	4.0
	STDEV	3	9	11	7	0.5	1.0	1.1	0.0
	% of Total	11	31	58	100	7	36	57	100

Source: Field Survey, July 2008

4.4 Book Keeping and Accounting System

SRGs have a very simple book keeping and accounting system. A typical SRG promoted by NUBL has meeting register, main ledger, savings ledger, and loan ledger. They however neither has inventory register nor have a system of getting receipts or providing payments slip, chart of accounts of transactions and maintain voucher of their transaction. The best part of their operation is that all the SRGs have distributed pass-book to their members.

Table 4.4: Book Keeping and Accounting System

S.N.	Name of the SRG	SRG possesses					
		Meeting register	Main ledger	Savings ledger	Loan ledger	Inventory register	Distribution of pass-book to members
1	Chisapani ('Ka)	Y	Y	Y	Y	N	Y
2	Gabar (gha)	Y	Y	Y	Y	N	Y
3	Parbatipur "kha"	Y	Y	Y	Y	N	Y
4	Baijanath	Y	Y	Y	Y	N	Y
5	Gitapur	Y	Y	Y	Y	N	Y
6	Saigoun "Ka"	Y	Y	Y	Y	N	Y
7	Ranjha	Y	Y*	Y*	Y*	N	Y
8	Saigoun "Ga"	Y	Y	Y	Y	N	Y
9	Milijuli	Y	Y	Y	Y	N	Y
10	Ganeshpur 'Kha"	Y	Y	Y	Y	N	Y
11	Thakurpur	Y	Y	Y	Y	N	Y
12	Palautipur	Y	Y	Y	Y	N	Y
13	Pipiri "Gha"	Y	Y	Y	Y	N	Y
14	Pipiri "Ka"	Y	Y	Y	Y	N	Y

Source: Field Survey, July 2008
Note: *denotes that ledger was not checked during field visit as it was NUBL's concerned branch offices.

Quality of book keeping and accounting system in SRGs was below standards. Of the 14 SRGs surveyed, only nine can conduct group meeting on their own as they can calculate and collect amount to be recovered from members and complete long (red) sheet, make entry in savings and long pass book while remaining five SRGs still require involvement of NUBL field assistant to conduct meeting, calculate and collect amount to be recovered from members and complete long (red) sheet, make entry in savings and long pass book. It is less likely that these SRGs can perform duties and responsibilities envisaged in the immediate future.

Table 4.5: Status of Book Keeping and Accounting System in the SRGs

S.N.	Name of the SRG	Status of System Up-to-date					
		Meeting register	Main ledger	Savings ledger	Loan ledger	Inventory register	Members pass-book
1	Chisapani ('Ka)	Y	Y	Y	Y	N	Y
2	Gabar (gha)	Y	Y	Y	Y	N	Y
3	Parbatipur "kha"	Y	N	N	N	N	Y
4	Baijanath	Y	Y	Y	Y	N	Y
5	Gitapur	Y	N	N	N	N	Y
6	Saigoun "Ka"	Y	N	N	N	N	Y
7	Ranjha	Y	Y*	Y*	Y*	N	Y
8	Saigoun "Ga"	Y	N	N	N	N	Y
9	Milijuli	Y	N	Y	Y	N	Y
10	Ganeshpur 'Kha"	Y	N	N	N	N	Y
11	Thakurpur	Y	Y	Y	Y	N	Y
12	Palautipur	Y	N	Y	Y	N	Y
13	Pipiri "Gha"	Y	Y	Y	Y	N	Y
14	Pipiri "Ka"	Y	Y	Y	Y	N	Y

Source: Field Survey, July 2008
Note: *denotes that ledger was not checked during field visit as it was NUBL's concerned branch offices.

Irrespective of whether book keeping and accounting was done by SRG executives and NUBL's field assistant, book keeping and accounting is not upto date in most SRGs. The good part is that meeting register and members' savings and credit pass book was up-to-date in all SRGs surveyed. While inventory register was not maintained in all SRGs surveyed, the situation of maintaining main ledger and savings ledger was quite mixed. Strictly speaking none of the SRGs surveyed have maintained main ledger up-to date, however, savings and loan ledger have been up-to-date in 9 out of 14 SRGs surveyed during the field study.

Building the capacity is SRGs to maintain books of account are one of the challenges that COMP should address. There are three issues to be addressed: first book keeping and accounting system is incomplete and unscientific; second even SRG with relatively qualified executives (SLC or intermediate level education) have not maintained books of account up-to-date due to inadequate training and lack of motivation to do so and the programme has formed SRGs involving members who are less likely to enhance their capacity to maintain book of accounts in immediate future. These are the areas where NUBL has to draw its attention immediately considering that SRGs are the foundation under which success of the entire programme lies.

4.5 Governance and Responsibilities

In the context of governance and responsibilities of the SRGs, review of the following standard definition of the SRG is relevant.

> *SRGs are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. They are usually formed by peers who have come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem and*

bringing about desired social and/or personal change. The initiators of such groups emphasize face-to-face social interactions and assumption of personal responsibility by members. They often provide material assistance, as well as emotional support; they are frequently "cause" oriented, and promulgate an ideology or values through which members may attain an enhanced sense of personal identity.

Hence, the key components to be included in the definition of SRG are: voluntary, small group structures, mutual assistance and accomplishment of special purposes, formed by peers, satisfying a common need, overcoming a handicap or life-disrupting problem, bringing about social and/or personal change, emphasis on face-to-face interactions, assumption of personal responsibility by members, provide material assistance along with emotional support and frequently "cause" oriented and driven by an ideology. This implies that governance and responsibilities is the most fundamental basis of SRG operation.

Field survey information revealed that SRGs are operating on ad-hoc basis. They are operating based on simple operating rules and regulations agreed, decided and recorded in meeting register. All the SRGs surveyed lack operational policy such as code of conduct for SRG operation, SRG operational rules and regulation, savings policy, loan policy and financial management policy.

Table 4.6: Governance and Accountability in the SRGs

S.N.	Name of the SRG	Status in the SRGs						
		SRG have written			Capacity of SRG executives		Paid book keeper	Application of SRG's meetings decision in operational management
		Operational Code of conduct	Rules and regulations	Savings, loan and financial management policy	Book keeping and accounting	Loan manage-ment		
1	Chisapani ('Ka)	N	N	N	Y	Y	N	Y
2	Gabar (gha)	N	N	N	Y	Y	N	Y
3	Parbatipur "kha"	N	N	N	N	N	N	Partial
4	Baijanath	Y	N	N	Y	Y	N	Partial
5	Gitapur	N	N	N	N	N	N	Partial
6	Saigoun "Ka"	N	N	N	N	N	N	Fair
7	Ranjha	N	N	N	Y	Y	N	Y
8	Saigoun "Ga"	N	N	N	N	N	N	Partial
9	Milijuli	N	N	N	Y	Y	N	Medium
10	Ganeshpur 'Kha"	Y	N	N	N	N	N	Partial
11	Thakurpur	N	N	N	Y	Y	N	Partial
12	Palautipur	N	N	N	Y	Y	N	Y
13	Pipiri "Gha"	N	N	N	Y	Y	N	Y
14	Pipiri "Ka"	N	N	N	Y	Y	N	Partial

Source: Field Survey, July 2008

Executives of 9 out of 14 SRGs possess book keeping and accounting as well as loan management skill. Lack of education and technical capacity has constrained remaining SRGs to build capacity on book keeping and accounting as well as loan management skill. None of the SRGs have paid book keeper. They lack aptitude and interest to recruit a paid book keeper. NUBL should revisit its policy to enhance the capacity of SRGs, orient them to recruit paid book keeper for long term viability and enhance capacity of SRG executives on monitoring duties performed by paid book keeper. Further, SRGs have made series of decisions in their meeting and recorded it in their meeting register.

There are two issues regarding the ways in which SRG meetings are conducted and decisions are concentrated. First, most of the decisions are focused on loan operation and management and second, in most SRGs meeting's decisions are not fully applied on operational management.

4.6 Savings Mobilisation

Savings mobilisation is one of the important activities undertaken by SRG from their members. NUBL has motivated SRG members to participate in savings mobilisation activities. Members of the SRG surveyed have participated in three types of savings scheme viz. compulsory savings, voluntary savings and other savings. Of the three types of savings products, voluntary savings was not very popular among SRG members.

Table 4.7: Savings Mobilisation in the SRGs

S.N.	Name of the SRG	Savings Mobilisation					
		Compulsory savings	Voluntary savings	Other savings	Total	Savings rate	Savings intervals
1	Chisapani ('Ka)	127575	0	0	127575	20	15
2	Gabar (gha)	27665	0	2235	29900	20	15
3	Parbatipur "kha"	50726	400	2787	53913	20	15
4	Baijanath	58963	0	3548	62511	20	15
5	Gitapur	80580	0	3174	83754	20	15
6	Saigoun "Ka"	17736	0	2251	19987	20	15
7	Ranjha	356340	0	4629	360969	100	15
8	Saigoun "Ga"	18404	0	2162	20566	10	15
9	Milijuli	29679	0	4647	34326	20	15
10	Ganeshpur 'Kha"	8844	0	93	8937	20	15
11	Thakurpur	3384	0	367	3751	10	15
12	Palautipur	10678	0	1206	11884	10	15
13	Pipiri "Gha"	44151	0	3157	47308	10	15
14	Pipiri "Ka"	74243	0	2772	77015	20	15
	Mean	64926	29	2359	67314	23	15.0
	STDEV	90615	106	1507	91259	23	0.0
	% of Total	96.5	0.0	3.5	100.0		

Source: Field Survey, July 2008

Total savings balance of the SRG surveyed by ranges between Rs. 3,751 and Rs. 360,969 with an average of Rs. 67,314 per SRG. Of the total savings collected, 96.5% constitute compulsory savings and 3.5% consist of other savings, implying the compulsory savings is the major form of savings services participated by SRG members. Compulsory savings rate of the members in the SRG ranges between Rs. 10 and Rs. 100 with an average of Rs. 23 every 15 days. It is quite remarkable to note that SRG members are quite regular on savings mobilisation.

4.7 Loan Operation

Loan operation in SRGs starts with internal lending of savings collected from members. They will be deposited as savings in NUBL to be eligible for borrowing. In general, NUBL open line of credit to each SRG at the rate of 20 times of savings deposited. After the SRGs deposits savings in NUBL, they will be eligible for borrowing from NUBL. Hence, loan operation of SRG consists of two aspects: borrowing from NUBL and lending to SRG members. Though theoretically its looks that SRG can borrow wholesale loans from NUBL however in practice NUBL lends to individual member of SRG limiting its operation within the approved line of credit. Table 4.8 provides information on SRG's loan transaction

level (with NUBL, with SRG members, actual amount of internal lending and proportion of internal lending as a % of outstanding loan with NUBL as of June 2008.

Table 4.8: SRG's Loan Transaction as of June 2008

S.N.	Name of the SRG	Outstanding Loan			
		With NUBL	With SRG Members	Amount of internal lending	Internal lending as a % of outstanding loan with NUBL
1	Chisapani ('Ka)	512,000	586,630	74,630	14.6
2	Gabar (gha)	370,000	371,000	1,000	0.3
3	Parbatipur "kha"	223,500	237,840	14,340	6.4
4	Baijanath	346,900	393,215	46,315	13.4
5	Gitapur	475,900	572,800	96,900	20.4
6	Saigoun "Ka"	66,700	74,350	7,650	11.5
7	Ranjha	648,100	959,450	311,350	48.0
8	Saigoun "Ga"	69,900	100,500	30,600	43.8
9	Milijuli	172,300	185,300	13,000	7.5
10	Ganeshpur 'Kha"	203,200	203,200	-	0.0
11	Thakurpur	79,500	80,371	871	1.1
12	Palautipur	50,580	56,665	6,085	12.0
13	Pipiri "Gha"	257,000	269,290	12,290	4.8
14	Pipiri "Ka"	286,060	331,760	45,700	16.0
	Mean	268,689	315,884	47,195	14.3
	STDEV	184,435	252,397	81,575	14.8

Source: Field Survey, July 2008

Outstanding loan of the SRGs with NUBL ranges between Rs. 50,580 and Rs. 648,100 with an average of Rs. 268,689; while the amount of outstanding loan of concerned SRGs with its members ranges between Rs. 56,665 and Rs. 959,450 with an average of Rs. 315,884. The amount of internal lending of SRGs among its members ranges between Rs. 0 and Rs. 311,350 with an average of Rs. 47,195. Thus, the amount of internal lending as a percentage of loans borrowed from NUBL ranges between 0 and 48% with an average of 14.3%. Focus group discussion conducted during field studies revealed that this proportion is likely to grow in future and their dependence with NUBL for borrowing will be gradually decreased unless NUBL diversify its loan products (i.e. introduction on enterprise and foreign employment loans).

4.8 Income Statement

In general SRGs borrow from NUBL at 15% and 18% interest rate depending on their capacity, on-lend it at 24% interest rate to its members and there will be the net income of 9% to concerned SRGs. This is the operating income of SRGs. There is a SRG (Chisapani "Ka") that have used operating income to construct the centre meeting house; others have not used this money for any other purposes expect meeting their operating expenses. Operating expenses of SRGs is quite low as NUBL still provide stationeries and other supplies. Their income has been simply used for meeting some stationary cost and transportation cost while visiting NUBL office to deposit amount collected in meeting day. Further, all the worked related to group management and book keeping/accounting are done free of cost by SRG executives. Thus, so far almost all SRGs surveyed were operating quite efficiently. Balance (i.e. net operating income) has been used to set aside loan loss provision, other reserve and distribute bonus to their members. So far bonus is distributed equally among SRG members irrespective of loan size of SRG members. There has been cases where some members has borrowed as high as Rs. 140,000 in total while there are some members who has borrowed even less than Rs. 10,000. While contribution of the former client on net operating income is

significantly more than the later clients, under current system both are receiving equal amount of bonus. Most of the members feel that this is not a fair practice.

Table 4.9: Operating Income and Expenses of the SRG to Members

S.N.	Name of the SRG	Operating income	Operating Expenses	Net Operating Income
1	Chisapani ('Ka)	17170	19191	-2021
2	Gabar (gha)	17994	54	17940
3	Parbatipur "kha"	17696	35	17661
4	Baijanath	30173	434	29739
5	Gitapur	40764	980	39784
6	Saigoun "Ka"	7691	150	7541
7	Ranjha	90724	2960	87764
8	Saigoun "Ga"	10150	10	10140
9	Milijuli	15395	514	14881
10	Ganeshpur 'Kha"	1603	150	1453
11	Thakurpur	795	11	784
12	Palautipur	2446	10	2436
13	Pipiri "Gha"	12534	150	12384
14	Pipiri "Ka"	18375	150	18225
	Mean	20,251	1,771	18,479
	STDEV	23,033	5,074	23,042

Source: Field Survey, July 2008

Operating income of the SRGs ranges between Rs. 795 and Rs. 90,724 with an average of Rs. 20,251. On the other hand, operating expenses of SRGs surveyed ranges between Rs. 10 and Rs. 19,191[2] with an average of Rs. 1,771. Net operating income of the SRG surveyed ranges between Rs. -2021 and Rs. 87,764 with an average of 18,479. In general concerned SRG distribute net operating income as bonus among their members. Distribution of bonus once a year has been quite effective to build feeling of ownership among SRG members.

4.9 Balance Sheet

Main ledger provided by NUBL to each SRG enables them to prepare balance sheet of their transaction. But this is an area that needs to be carefully reviewed. The balance sheet included in main ledger provides separation between assets and liabilities but not the income statement as well as equity. While doing analysis of the balance sheet of the SRGs from main ledger, an effort has been made to first separate components of the income statement as discussed in previous section and differentiates between assets, liabilities, and equity (see Table 4.10).

[2]Higher operating expenses of Chisapani "ka" SRG is mainly due to use of operating income on building the centre meeting house. This is in fact public asset building rather than expenses. NUBL should teach this SRG on this aspect of asset creation out of the operating income

Table 4.10: Balance Sheet of the SRGs

S.N.	Name of the SRG	Assets							Liabilities				Equity				
		Cash balance	Bank balance	Outstan-ding oan	Receiv-ables	Fixed assets	Other	Total	Savings balance	Loan from NUBL	Other liabilities	Total	Loan loss reserves	Other reserves	Capital grants	Other capital	Total
1	Chisapani ('Ka)	83	81063	586630	0	0	2021	669797	127575	512000	0	639575	9748	16803	0	3671	30222
2	Gabar (gha)	25	55745	371400	0	0	0	427170	29899	370400	17940	418239	3988	4943	0	0	8931
3	Parbatipur "kha"	63	64840	237840	0	0	0	302743	51126	223500	17661	292287	1690	5506	0	3260	10456
4	Baijanath	171	54193	393215	0	0	0	447579	58963	346900	29739	435602	2894	5535	0	3548	11977
5	Gitapur	503	38661	573800	0	0	0	612964	80580	475900	39784	596264	10509	3017	0	3174	16700
6	Saigoun "Ka"	717	21978	74350	0	0	0	97045	16737	67700	7691	92128	1575	1091	0	2251	4917
7	Ranjha	221	134745	959450	36300	0	0	1130716	356340	648100	87764	1092204	5793	2808	25282	4629	38512
8	Saigoun "Ga"	119	31976	100500	0	0	0	132595	18404	69900	10140	98444	732	1347	30010	2062	34151
9	Milijuli	0	53596	185300	0	0	0	238896	29679	172300	14881	216860	1024	2101	14264	4647	22036
10	Ganeshpur 'Kha"	0	10540	203200	0	0	0	213740	8844	203200	1603	213647	0	0	0	93	93
11	Thakurpur	7	3657	80371	0	0	0	84035	3384	79500	784	83668	0	0	0	367	367
12	Palautipur	25	8221	56665	0	0	0	64911	10608	50580	2436	63624	0	0	80	1207	1287
13	Pipiri "Gha"	10	55378	269290	0	0	0	324678	44151	257000	12534	313685	4747	3089	0	3157	10993
14	Pipiri "Ka"	0	61102	331760	0	0	0	392862	74243	286060	18375	378678	4172	7265	0	2747	14184
	Mean	139	48,264	315,984	2,593	-	144	367,124	65,038	268,789	18,667	352,493	3,348	3,822	4,974	2,487	14,630
	STDEV	215	34,227	252,483	9,702	-	540	289,721	90,586	184,368	22,892	281,722	3,433	4,385	10,366	1,560	12,438
	% of Total	0.04	13.15	86.07	0.71	0.00	0.04	100.00	17.72	73.21	5.08	96.01	0.91	1.04	1.35	0.68	3.99

Source: Field Survey, July 2008

Assets of the SRGs include cash balance, bank balance (savings deposited in NUBL), outstanding loan balance, receivables and others. Total assets of these SRGs range between Rs. 64,911 and Rs. 1,130,716 with an average of Rs. 367,124. Though NUBL has provided box and calculator to SRGs, these assets are yet to be valuated and included as fixed asset in balance sheet. Further, some SRGs have constructed meeting building on their own and such buildings are yet to be valuated and included in as an asset in the balance sheet.

Liabilities of the SRGs include savings balance, loan from NUBL and other liabilities. Total liabilities of these SRGs range between Rs. 63,624 and Rs. 1,092,204 with an average of Rs. 352,493. Likewise, equity (net worth) of the SRGs includes loan loss reserve, other reserves, capital grants and other capital. Total equity of these SRGs ranges between Rs. 93 and Rs. 38,512 with an average of Rs. 14,630. It should be noted that none of the SRGs possess capability to prepare the balance sheet of their transaction.

4.10 Growth Plan for Next Year

During field study, SRGs surveyed were inquired if they have growth plan on aspects related to growth in membership, savings mobilisation, and borrowing from NUBL, increase in loan disbursement and diversification of products/services for next year. The inquiry uncovered that such a plan does not exist in all the SRGs surveyed. This is another area that the capacity building plan of NUBL should focus on if these groups are to be made self-reliant in their operation.

4.11 Overall Capacity of the SRGs

During field study, intensive focus group discussion has been conducted with the branch level staff (branch manager and field assistants) to classify SRGs based on their capacity to organize group meeting and manage group level book keeping and accounting system. Findings of this exercise are presented in Table 4.11.

Table 4.11: Overall Capacity of the SRGs

S.N.	Name of the Branches	Number of SRG			
		Can manage centre meeting independently	Requires support of NUBL field assistant to manage centre meeting	Total	Capable SRG as % of Total
1	Kohalpur	89	2	91	98
2	Ranjha	34	44	78	44
3	Paraspur	18	51	69	26
4	Udayapur	40	45	85	47
5	Khajura	34	28	62	55
	Total	215	170	385	56

Source: Focus Group Discussion, July 2008

Survey findings revealed that about 56% SRGs are capable of managing centre meeting independently while remaining 44% still requires support of NUBL field assistants to manage centre meeting independently and these groups are less likely to manage their centre independently in a foreseeable future. Even the capable SRGs possess simply the capacity to manage centre meeting, fill the long (red) sheet but not confident to maintain savings and credit pass-book, savings ledger, loan ledger and main ledger. Most of these groups are not capable to undertaking closing of their transaction.

4.12 Issues on SRG's Operational and Financial Performance

The findings on operational and financial performance of SRGs indicate that there should be renewed focus on strengthening the capacity of these SRGs. Such an strategy should focus on up-grading the current status of these SRGs towards their empowerment and ensuring that each possess a documented operational policy, transparent decision

making process, double entry system of book-keeping and accounting, simple financial management and reporting system so as to make them creditworthy with formal financial services providers. Further, their capacity should be enhanced in implementing these activities.

Following are the measures to be followed to strengthen operational and financial performance of these SRGs.

- *SRG benchmarking*: establishing current status and performance
- *Upgrading booking and accounting system*: introduce double entry accounting system and introducing (i) chart of accounts, (ii) journaling of transactions, (iii) main ledgers, (iv) side ledgers – savings and loans, (v) preparing financial statement (balance sheet and income statement) at least every six months.
- *SRG operation policy*: introduce written code of conduct for SRG operation, savings policy, loan policy and financial management policy,
- *Simple financial management system*: efficiency on loanable fund use need to be increased with capital utilization rate to exceed 90%,
- *Transparent decision-making process*: decision should be based on SRGs operational policy and a system of compliance audit need to be introduced every six months.
- *Improvement on portfolio quality*: There is tendency on overdue build-up not only on loan borrowed by SRG from NUBL but in the mobilization of internal capital as well. Capacity of the SRG to assess the portfolio quality using simple but effecting portfolio tracking system should be enhanced at SRG level.
- *SRG rating*: Rating of SRGs should be done using rating tool to assess their status, and support packages to strengthen capacity of SRG at different rating standard will be developed and implemented.
- *Auditing of SRG operation by external auditor*: There is no system of auditing the transaction of the SRGs by external auditors. This system need to be instituted for the capacity enhancement of the SRGs.

5. IMPACT OF MICROFINANCE SERVICES TO THE CLIENTS

5.1 Overview

Access to financial services is considered to be a powerful tool for poverty reduction and the case of microfinance as a mechanism for poverty reduction is simple. If access to financial services is improved, it is argued, the poor can participate in productive activities that will allow income growth, provided there are no other binding constraints. This chapter assesses the impact of access to financial services to the clients served under COMP by NUBL. In order to assess the impact of microfinance services on clients, a simple household survey questionnaire was administered to 56 loan clients representing 14 SRGs.

5.2 Socio-economic Characteristics of Clients Surveyed

In general NUBL have effective outreach to almost all age groups across economically active people. The age of sample client ranges between 23 and 46 years and the average age of these clients is 35 years. Average years of schooling of these clients were 4 years while their average family size ranges between 3 and 8 with an average of 5.5 members. Number of male members is 2.9 persons and that of female members are 2.6 persons.

Table 5.1: Socio-economic Characteristics of Clients Surveyed

S.N.	Particulars	Unit	Total	Mean	Standard deviation
1	Age	Year	1974	35	5.4
2	Education	Years of schooling	211	4	2.9
3	Family size	No	307	5.5	1.6
	Male	No	161	2.9	0.8
	Female	No	146	2.6	0.8
4	Dependents	No	168	3.0	1.3
5	Dependents	%	54.7	54.7	
6	Literate family members	No	243	4.3	1.8
	Male	No	145	2.6	0.8
	Female	No	98	1.8	1.0
7	Literacy rate	%	79.2		
	Male	%	90.1		
	Female	%	67.1		

Source: Client level survey, July 2008

About 55% members in the surveyed clients' household are dependents (i.e. age < 16 years and > 60 years). The average literacy rate of family members in the HHs surveyed is 79% (90% for male and 67% for female). About 3% clients surveyed are landless, 45% own land between 1-5 Katha; 21.4% own land between 21.4% and 30.4% own land more the 30.4% Katha of land. Average land holding size is 8.5 Katha per loan client family.

Table 5.2: Land Ownership Status of the Clients Surveyed

S.N.	Particulars	Unit	Loan clients	% of Total
1	Landless	No	2	3.6
2	1-5 Katha	No	25	44.6
3	5-10 Katha	No	12	21.4
4	> 10 Katha	No	17	30.4
	Total	No	56	100.0

Source: Client level survey, July 2008

5.3 Savings and Loan Operation from SRGs/NUBL

NUBL has a stated policy that only one member (woman) per family can be SRG member and only the eligible SRG member can participate in savings and loan operation. All 56 sample clients surveyed have savings with SRG and all have received micro-credit from NUBL. All these members have received CGT and passed GRT.

Table 5.3: Savings and Loan Operation from SRGs/NUBL

S.N.	Particulars	Unit	Total	Mean	Standard deviation
1	Savings mobilisation				
	Compulsory savings	Rs.	114148	2038	2645
	Voluntary savings	Rs.	5076	91	215
	Other savings	Rs.	4144	74	347
	Savings rate				
	Rs. 10	No	16	28.6	
	Rs. 20	No	28	50.0	
	Rs. 30	No	8	14.3	
	Rs. 100	No	4	7.1	
	Savings interval				
	Fortnightly	Intervals	56	100.0	
2	Loan operation				
	Total borrowing	Rs.	2500800	44657	30091
	Total repayment	Rs.	1871950	33427	26448
	Outstanding loan balance	Rs.	628850	11230	7409
	Overdue loan	Rs.	-	-	-
3	Cycle of loans				
	1st	No.	14	25.0	
	2nd	No.	14	25.0	
	3rd	No.	11	19.6	
	4th	No.	14	25.0	
	5th	No.	3	5.4	

Clients have participated in compulsory savings, voluntary savings and other savings. Their average savings balance was Rs. 2,038, Rs. 91 and Rs. 74 respectively the compulsory savings, voluntary savings and other savings. They meet every fortnightly and their savings rate is Rs. 10/- (29%), Rs. 20/- (50%), Rs. 30 (14%) and Rs. 100 (7%). All the clients surveyed have borrowed from NUBL. Some of them have received loan upto 5 cycles. Average outstanding loan balance of these clients was Rs. 11,230/-.

5.4 Income Generating Activities/Microenterprise

All the clients surveyed have invested the loan received from SRG for promoting IG/MEAs. The IG/MEAs promoted by these clients can be broadly grouped into four such as agriculture and animal husbandry, services, business and industry (Table 5.4). In general, micro-credit was used as working capital to promote these activities.

Table 5.4: List of Micro-credit Financed IG/MEA

S.N.	Sector	IGA/Micro-enterprise type
1	Agriculture and animal husbandry	Vegetable farming, Milk animals, goat, pig, and poultry
2	Business	Small provisional shops (food items, confectionary, vegetables), Hawking (non-perishable such as bangles, cloths, etc. and perishable such as milks, vegetables, bitten and puffed rice, etc.), stationary shop, DVD shop, barber
3	Services	Tea stall/tiffin centre, repair units (cycle puncture, radio), transport (rickshaws, bullock carts),
4	Industry	Mainly HH based such as leather works (shoes), hand fans, metal accessories, tailoring etc.

Source: Field Survey, July 2008

A majority of the IG/MEA was non-farm enterprises (80%) and only 20% was agriculture and animal husbandry (Table 5.5). More specifically, majority of the clients (59%) has started business out of micro-credit, followed by agriculture and animal husbandry (20%), industry (9%), services (7%) and mixed i.e. combination of agriculture, animal husbandry, business, services and industry (5%). Access to micro-credit has also helped in restarting some enterprises that had earlier been closed down. These were mainly business that had lapsed due to shortage (or diversion) of working capital.

Table 5.5: Type of IG/MEA and Income Level

S.N.	Particulars	Unit	Total	Mean	Standard deviation
1	Type of IG/MEAs established				
	Agriculture and animal husbandry	No	11	19.6	
	Business	No	33	58.9	
	Services	No	4	7.1	
	Industry	No	5	8.9	
	Mixed	No	3	5.4	
2	Annual Gross Income	Rs. 000	17081	305	274
3	Annual Gross Expenses	Rs. 000	10984	196	186
4	Annual Net Income	Rs. 000	6097	109	88

Source: Field Survey, July 2008

Clients have been able to earn substantial income out of MEAs established from credit financing. Some activities like ticketing and cargo services, stationeries and book store, goat trading, buffalo trading, hotel/restaurants, etc. are highly profitable while agricultural and animal husbandry activities are less remunerative compared to those business activities. Average annual income of the clients receiving micro-credit from SRG was Rs. 109,000 per year. The deviation in annual income was Rs. 88,000.

IG/MEAs are susceptible to a variety of risks relating to both endogenous and exogenous factors. Cash crunch is a common problem (91%) to the clients surveyed who usually have to pay for their supplies up front, but they can try to build relations with their customers by providing goods on credit. Competition affects small service and trading units when they compete against each other for a limited market. The clustering of too many petty shops in small urban centers (like Kohalpur, Pipiri, Ranjha, Nepalgunj, etc.)

following success of a few is the characteristic feature of the area. In rural areas, too, the habit of purchasing services is not established like in urban areas – though some entrepreneurs have been able to reach a wider market by locating their establishments on highways just outside their villages. In urban areas, especially in slums, IG/MEA faces wider competition from bigger traders in same or nearby areas and limited purchasing power in their immediate area.

Table 5.6: Problems Encountered on IG/MEA Operation and Management

S.N.	Particulars	Unit	Frequency	% of Total
1	Problems on IG/MEA management			
	Cash crunch	No	51	91.1
	Marketing	No	12	21.4
	Raw materials	No	14	25.0
	Sickness of family members	No	1	1.8
2	Solution Measures Adopted			
	Dialogue with NUBL	No	50	89.3
	Request to SRG	No	22	39.3
	Manufacturing feed locally	No	14	25.0
	Provision of micro-insurance	No	1	1.8
3	Sample size	No	56	

Source: Field Survey, July 2008

A seasonal marketing problem (21%) is another risk encountered by clients managing IG/MEAs. It is quite serious in case of animal husbandry. In general, milk marketing is quite active in many clusters whether through private collection agents who collect from door step for urban sale or through direct sales to local HHs. However, animal productivity depends critically on quality of animal and feed. Poor HHs, especially when starting animal units for the first time, may not be successful in selecting good quality animals (poultry, goats, milch animal) as they can be vulnerable to illness. There have been cases of loss or injury of goats while grazing. Similarly, if a dairy animal needs treatment, vets may not be available or HHs may lack resources to pay for their fees and treatment costs. Availability of raw materials such as animal feed, stock in grocery store, etc., is other problem faced by IG/MEA (25%). Sickness of the family members is the problem encountered by one out of 56 clients surveyed in this assessment.

Loan clients surveyed have adopted solution measures to address the problems discussed above. Some of the solution measures adopted by these clients include dialogue with NUBL (89%), request to SRG (39%), manufacturing feed locally (25%) to address the problems of raw materials supply and use the provision of micro-insurance to address the problem associated to sickness of family members (1.8%). Thus loan clients have identified local solutions to the problems encountered.

5.5 Impact of Microfinance Services

Access to loan services has contributed to increase capital/asset formation in the HHs of the clients surveyed. Capital formed in client's HHs can be broadly grouped into three categories viz. financial capital, productive as well as physical capital and human capital. Each of these capital leads to subsequent empowerment of clients at individual, HH, and community level.

Financial capital formation
Savings is a form of capital accumulation carried out by all the clients surveyed by setting aside a part of their current income for future use. NUBL has provided an option for compulsory savings, voluntary savings and other savings on regular intervals. Clients

value greatly the ability to save in NUBL. The programme has provided women clients with an opportunity to save small amounts on a regular basis.

Productive and physical capital formation
Loan clients surveyed have generated productive and physical assets out of the income earned from credit financed IG/MEA. These assets represent an economic opportunity to improve income. Improved housing (white wash, roof repairs and additional room) and purchase of HH assets (small tools, fans, gas-stoves, animals, push carts, handloom, gold, TV, radio, cycle, rickshaw, etc.) are frequent cases and this reflects consumption to enhance the quality of life. There are cases where clients have invested additional income on land purchase as well (Table 5.7).

Table 5.7: Change in Land Ownership Status

S.N.	Categories		Before	%	After	%	Change
1	Landless	No	4	7.1	2	3.6	-2
2	< 5 Katha	No	31	55.4	25	44.6	-6
3	5-10 Katha	No	9	16.1	12	21.4	3
4	> 10 Katha	No	12	21.4	17	30.4	5
	Total	No	56	100.0	56	100.0	0
5	Total land holding	Katha	362		402		40
6	Average land holding	Katha	6.5		7.2		0.7

Source: Field Survey, July 2008

There are cases where number of landless HHs and HHs with < 5 Katha of land has been decreased and HHs with 5-10 Katha and > 10 Katha has increased. The average land holding size has increased by 0.7 Katha (from 6.5 Katha per HH to 7.2 Katha per HH).

Table 5.8: Changes in Livestock Holdings

S.N.	Type of Livestock	Unit	Before	After	Change
1	Total Livestock Holding				
	Cattle	No	21	23	2
	Buffalo	No	6	12	6
	Ox	No	7	11	4
	Heifers	No	4	24	20
	Goat	No	127	307	180
	Pig	No	0	18	18
	Chicken	No	146	556	410
2	Average Livestock holding				
	Cattle	No	0.38	0.41	0.04
	Buffalo	No	0.11	0.21	0.11
	Ox	No	0.13	0.20	0.07
	Heifers	No	0.07	0.43	0.36
	Goat	No	2.27	5.48	3.21
	Pig	No	0.00	0.32	0.32
	Chicken	No	2.61	9.93	7.32

Source: Field Survey, July 2008

There also exist evidences that loan clients surveyed have invested the income saved for increasing livestock head depending on their capacity and preference. There are cases where increase on the purchase of heifers, goat, pig and chicken is higher than purchase of cattle, buffalo and Ox.

Human capital formation
Contribution of access to financial services on human capital formation was evident in terms of increased investment on education and increased evidence of sending children to school. A small contribution from microfinance (e.g. internal group loans from SRG) in meeting schooling costs exist. One of the first things poor people do with new income from income generating/micro enterprise activity is to invest in their children's education. Greater access to financial services and increased incomes has enabled the poor people to invest in their children's education. To support this priority, NUBL make reading and writing by clients mandatory.

Overall use of increased income
An analysis of the general trend on use of incremental income earned from IGs/MEAs revealed (table 5.9) that clients surveyed has used incremental income mainly on household consumption (29.7%), followed by children education (21.7%), clothing (19.2%), asset creation (14%), health care (10%) and buying ornaments (5.5%).

Table 5.9: Use of Incremental Income Earned from IG/MEAs

S.N.	Particulars	Unit	Total	Mean	% of Total
1	Use of Net Income	Rs.	6097	108.9	100.0
	Asset creation	Rs.	850	15.2	14.0
	Children education	Rs.	1320	23.6	21.7
	Health care	Rs.	611	10.9	10.0
	Clothing	Rs.	1173	20.9	19.2
	Household consumption	Rs.	1807	32.3	29.7
	Buying ornaments	Rs.	336	6.0	5.5
2	Use of Net Income	No	56	100.0	
	Asset creation	No	40	71.4	
	Children education	No	50	89.3	
	Health care	No	36	64.3	
	Clothing	No	56	100.0	
	Household consumption	No	56	100.0	
	Buying ornaments	No	4	7.1	

Source: Field Survey, July 2008

All clients (100%) surveyed have used incremental income for buying clothing and household consumption. This was followed by children education (89%), asset creation (71%), health care (64%) and buying ornaments (7%). This was only one case of project failure initially however later on recovered.

5.6 Empowerment

It is quite visible that access to financial services has empower women to become more confident, more assertive, more likely to participate in family and community decisions, and better able to confront systemic gender inequities. During a series of focus group discussion and individual interactions, women clients were not easily able to identify what it was that made them feel good about themselves and gave them power. This initially appeared to be a matter of shyness and a lack of recognition of their skills. Most of them defined an empowered woman as:

> *One that has choices, similar to those available to men, and one that actively decides to develop both individual and family well-being and empowering experiences are those, which widen a woman's choices and help her to achieve her well-being.*

Drawing on FGDs and case studies, the following summarizes the indicators of women's empowerment through microfinance.

- Ability to save and access loans;
- Opportunity to undertake economic activity;
- Mobility i.e. the opportunity to visit nearby villages and towns;
- Awareness on local issues, MFI procedures, banking transactions,
- Skill for IG/MEA;
- Decision making within the HH;
- Group mobilization in support of individual clients: action on social issues,
- Role in community development activities,

Women's empowerment through micro-financial services takes different forms such as economic empowerment, social empowerment, political empowerment and legal empowerment. These are briefly discussed hereunder.

Economic Empowerment: About 61% loan clients surveyed are involved in the management of the IG/MEA, this is followed by husband (27%), other family members (7%) and joint management (5%). On the other hand, 64% clients surveyed make borrowing decision by themselves; this is followed by husband (25%), other family members (7%) and joint management (4%).

Table 5.10: Economic Empowerment of the Loan Clients

S.N.	Particulars	Unit	Frequency	% of Total
1	Management of IG/MEA	No	56	100.0
	Self	No	34	60.7
	Husband	No	15	26.8
	Other family members	No	4	7.1
	Joint management	No	3	5.4
2	Borrowing decisions	No	56	100.0
	Self	No	36	64.3
	Husband	No	14	25.0
	Other family members	No	4	7.1
	Joint decision	No	2	3.6
3	Control income/expenses of IG/MEA	No	56	100.0
	Self	No	33	58.9
	Husband	No	11	19.6
	Other family members	No	2	3.6
	Joint control	No	10	17.9

Source: Field Survey, July 2008

Control of income/expenses is the most important factor deciding level of economic empowerment. About 59% clients surveyed control income/expenses of IG/MEA by themselves; this is followed by husband (20%), other family members (4%) and joint control (18%). In general, economic empowerment level is quite satisfactory among clients surveyed.

Social Empowerment: Social empowerment relates to the changes in the position of women clients in households and society, including increase in mobility and social capital formation. Survey findings revealed that loan clients has felt change in their position in HHs (86%), change in their status in society (70%), increase in mobility (79%) and increase in social capital (84%).

Table 5.11: Social Empowerment of the Loan Clients

S.N.	Particulars	Unit	Frequency	% of Total
1	Change in position in HHs	No	48	85.7
2	Change in status in society	No	39	69.6
3	Increase in mobility	No	44	78.6
4	Increase in social capital	No	47	83.9
	Sample size	No	56	-

Source: Field Survey, July 2008

In general, status of social empowerment is quite subjective and depends on feelings of women clients in households and society. There is greater need to increase awareness of household members on type of services these clients has received from their involvement in NUBL to ensure access to financial services.

Political Empowerment: Level of political empowerment among loan clients surveyed has been quite low. Only 27% of women clients participated in political process in the community and express their opinion the type of leadership required for their personal and community development. On the other hand 36% women clients surveyed expressed that they selected political leader in more informed way including an understanding of election manifesto and agenda of the party concerned.

Table 5.12: Political Empowerment of the Loan Clients

S.N.	Particulars	Unit	Frequency	% of Total
1	Participation in political process in the community	No	15	26.8
2	Selection of the political leader in more informed way	No	20	35.7
3	Sample size	No	56	100.0

Source: Field Survey, July 2008

These clients expressed that SRG meeting and their involvement on SRG operation provided them a platform to discuss on agenda and related details about political process in their community.

Legal Empowerment: Legal empowerment is quite complex agenda among clients surveyed. In general level of legal empowerment is quite low among them. Only 29% women clients felt some increase in legal awareness level while 4% were able to file a case against exploitation/harassment in SRG/VDC and local court. By being SRG member, 66% women clients surveyed are feeling more secured now as solidarity among them is very much increased and SRG members are also involved in social reform process.

Table 5.13: Legal Empowerment of the Loan Clients

S.N.	Particulars	Unit	Frequency	% of Total
1	Increase in legal awareness level	No	16	28.6
2	Filing a case against exploitation/harassment	No	2	3.6
3	Feeling more secured now	No	37	66.1
3	Sample size	No	56	100.0

Source: Field Survey, July 2008

Other indicators through which women clients feel themselves empowered include their ability to save and access loans from SRG that act as a safety net at the time of emergency, opportunity to undertake economic activity that has enabled them to earn and get themselves self-employed to use their spare time more productively. Further, compared to their fellow non-member counterparts, they feel more aware on local

issues, NUBL procedures and increased confidence on banking transactions. They also see their potential role to involve in community development activities.

5.7 Constraints/Problems on Receiving Microfinance Services

During the client survey they were inquired to provide the type of constraints/problems thy faced on receiving microfinance services. The constraints/problems mentioned by them include conducting SRG meeting (43%), overall SRG operation (57%), savings mobilisation (7%), borrowing from SRG (9%), borrowing from NUBL (5%), loan repayment (21%), enforcement of joint liability (64%) and maintaining group discipline (85%). These constraints/problems are quite valid for long-term viability of the SRG.

Table 5.14: Constraints/Problems on Microfinance Operation

S.N.	Particulars	Unit	Frequency	% of Total
1	SRG Meeting	No	24	42.9
2	SRG Operation	No	32	57.1
3	Savings mobilisation	No	4	7.1
4	Borrowing from SRG	No	5	8.9
5	Borrowing from NUBL	No	3	5.4
6	Loan repayment	No	12	21.4
7	Enforcement of joint liability	No	36	64.3
8	Maintaining group discipline	No	48	85.7
9	Sample size	No	56	100.0

Source: Field Survey, July 2008

It takes about 2-3 hours or even more to SRG for conducting their meeting and there is a need to reduce duration of the meeting into 1-2 hours. Longer time required to conduct meeting creates frustration among SRG members to participate in meeting and eventually affecting overall SRG operation. The root cause of these constraints/problems lies on these basic weaknesses inherent with the SRG formation and operation.

These problems/constraints are quite serious as far as principles and practices of COMP and sustainability of SRG is concerned. This requires that each SRG possesses (i) mutually agreed code of conduct for SRG operation and management and its strict enforcement, (ii) savings policy, (iii) loan policy and (iv) financial and portfolio management policy. At present there is SRG policy based on words of mouth rather them consolidated and written form into 2-3 pages. SRG can't function properly as envisaged on the absence of these policy documents and capacity of SRG executives to enforce these policies/rules. In this context, NUBL field assistant should facilitate SRG to prepare their policies in a participatory way and ensure that all SRG members own these policies. Further, once these policies will be in place, there is a need to enhance the capacity of the SRG executive to enforce those policies and rules. Unless SRG executives capacity on these aspects are enhanced, problems/constraints like savings mobilisation, borrowing from SRG, borrowing from NUBL, loan repayment, enforcement of joint liability and maintaining group discipline could not be solved.

6. OVERALL ASSESSMENT OF PROGRAMME

6.1 Overview

The COMP was the new initiative started by Plan in partnership with NUBL in Banke district. In the last four chapters different features of COMP have been assessed. This chapter assesses the appropriateness and suitability of SRG model and the program against desired outputs/outcomes as stated in the proposal covering aspects such as effectiveness, relevance, efficiency, impact, sustainability, equity and empowerment. Table 6.1 summarizes the overall status of the programme on achieving specific objectives.

Table 6.1: Status of Achievement of Specific Objectives

S.N.	Specific objectives	Status of Achievement
1	Provide financial services to 75% of the marginalized and disadvantaged families	Financial service was provided to over 70-75% of marginalised and disadvantaged families. There is some instances of inclusion of non-poor in the SRGs.
2	Promote 305 SRGs consisting of 20-40 women members in a group	385 SRGs consisting of 18-49 women members in a group promoted.
3	Federate SRGs to form Women Bank (Women Bank)	This objective has been dropped.
4	Develop 15 village level Women Bank by first half of the third year	This objective has been dropped.
5	Link WBs to NUBL or any other financial institution by the end of third year of operation for financial intermediation	SRGs are linked with NUBL for financial intermediation from the first year of operation.
6	Integrate these WBs and SRGs with other Plan's programme domains	SRGs are loosely integrated with Plan's other programme domains
7	Attain each WB's operational sustainability within five years of its operation	This objective has been dropped.

The information presented in Table 6.1 indicates that of the 7 specific objectives, 2 were achieved, three are dropped and remaining two was loosely achieved, thereby implying the mixed status as far as status of achievements of the specific objectives of the programme is concerned.

6.2 Effectiveness

The planned objective of the COMP is to implement it as a conflict sensitive model and this objective has been partly achieved with key activity dropped. The Programme has impressive outreach both in terms of breadth and depth, but foundation is very weak. The 385 SRGs formed under this programme are the foundation that determines the overall success and failure of COMP, however, over 44% SRGs are very week and yet to be capacitated. Capacity of even remaining 56% SRGs is very weak. Hence, though COMP has produced most of the outputs however long term viability of the concept of COMP are questionable due to capacity constraints of the SRGs and less than adequate focus on their capacity building during implementation.

Achievement of planned objectives in relation to the access of the communities to these outputs has been partial. SRGs depend on NUBL for access to financial services and other outputs though produced is yet to be institutionalized. Further of the total SRG members only 25% are the plan families. Large numbers of the plan families are yet to be brought as SRG members.

There are five project components viz. SRG formation, capacity building, institution development of SRGs, microfinance operation and women's bank formation. Microfinance operation (savings mobilisation and loan operation) and SRG formation is

the most effective components of COMP in relation to building access of communities for financial services to sustainable MFI.

Integration of other program activities with COMP was very strong initially (2003/04), which weaken gradually and eventually dropped by 2005/06. At present it is not effective at all. Effectiveness of other integrated program activities to increase productivity of microfinance program was mixed as those programs were mainly focused among Plan families unlike COMP which involved both Plan and non-Plan families, thereby creating some sort of discrimination among members. As a matter of fact, integrated program activities should have focused to all the SRG members equally when it is used as a venue for the delivery of these services.

In general, communities are compelled to receive financial services from NUBL on the absence of alternatives service providers and due to weak capacity building components. Hence, the program was not very effective in building access of communities to other financial institution for financial intermediation.

Overall, SRG model has been very effective to build ownership among SRG members and clients but the model is not very effective to enhance the capacity of the MFIs as field assistant need to devote more time than anticipated supporting SRGs on micro-finance operation due to capacity constraints.

6.3 Relevance

All the five components of the project are very effective to address the issue of increasing access to financial services to the poor and disadvantaged groups. Theoretically all SRG members (clients) have access to financial services from NUBL. Relevance of the program modality in present socio-economic context is mixed. The SRG model is highly suitable and relevant in areas where awareness level of the communities is relatively high and relevance and suitability of COMP modality is questionable in VDCs inhabited by majority of illiterate people.

This model is highly suitable for expansion in other parts of the country. In general, this model can be expanded in areas where awareness level of the people is high and local capacity development is not a challenge. The model is not suitable in some of the Tarai areas and high mountain areas where both education level and literacy rate is very low. The core fact is that this model can't be implemented among communities where it is difficult to find individual with at least 8 years of schooling.

Ownership building, local capacity development and orientation/staff capacity building towards SRG modality has been the main problems/constraints faced during programme implementation. Capacity development of the SRG and emergence of alternative conflict sensitive model for microfinance operation were the main opportunities that emerged during project implementation. In order to tackle these problems/constraints during COMP implementation, the program adopted measures such as awareness raising and timely distribution of bonus to target communities, organised exposure visits, intensified one to one or community level consultation and tried to integrate other programmes of the programme among SRG.

Opportunities provided by the program could be maximized for process learning by building on current experiences while replicating the program, starting wholesale lending to SRGs and replicating the model in isolated hills and mountain areas with strong capacity development components. Finding 2-3 members with at least 8 years of schooling is one of the pre-requisite for the replication of COMP, hence, MFI must be quite skilful to replicate this modality in areas where such pre-requisite exist.

In essence, this model is appropriate and suitable in communities where educated poor exist and there are at least 2-3 persons capable of undertaking book keeping and accounting functions after intensive training and back stopping support. The model is not appropriate and suitable in communities pre-dominantly inhabited by indigenous Tarai people where there are hardly any poor educated poor or even if there are, they are reluctant to spare time to undertake book keeping and accounting functions for the welfare of the community people as a whole.

6.4 Efficiency

As far as planning is concerned, program has been able to open-up five branch offices and one regional office, recruited 28 staff (16 field assistant) to work in each branches and regional office, worked in 28 VDCs and one municipality and organized 12,725 members/clients into 385 SRGs. Hence, in general COMP is quite effective on meeting physical target however, quality of SRGs formed are not very effective/good as less than 56% SRGs can operate on their own while remaining more than 44% SRGs are very weak and can't operate on the absence of support from field assistant of NUBL. Further, of the total SRG members only 25% are Plan families.

Total cost of the program is Rs. 18,804,966 which implies that the cost for providing financial services to one SRG with an average of 33 members is Rs. 48,844. Likewise, the cost of serving one savings client is Rs. 1,479 and that of providing loan to one client is Rs. 2,727. Other things remaining same, in terms of outreach of services, the resource use efficiency is satisfactory and efficient. Quality of the output and services provided is the key concern of the program.

High outreach, community empowerment and access to financial services are the main strengths and opportunities of the program while the problems/constraints includes (i) more time required for attaining branch level viability, (ii) high start-up cost and poor local capacity, (iii) tendency towards overdue build-up, (iv) overall SRG operation and management and (v) lack of ownership among more than 55% SRGs.

The program poorly mobilized the local organisation however there was very high level of cooperation of local organisation and other institutions during implementation. Policy to provide bonus once a year acted as a catalyst for obtaining cooperation and support from local organisation and other institutions by the program.

6.5 Impact

Impact of the program on the lives of the clients has been mixed. Finding of the extensive discussion with over 300 SRGs members and intensive survey of 56 loan clients of 14 SRGs revealed that very few clients (<5%) were indebted due to reported cases of project failure and they have no impact out of the program. Remaining over 95% clients contacted during field studies expressed that they are benefited greatly and profitable way out IG/MEA managed by them. Loan clients have earned incremental income of over Rs. 100,000 per year, improved their livelihood and used incremental income for asset creation (land purchase, house improvement, purchases of consumer durables, increase the number of livestock head), sending children to school, health care, clothing, household consumption and buying ornaments.

Impact on organisation development of the SRGs due to program intervention is high in terms of organizing them into SRGs and less than adequate as far as their institution development is concerned. Focus group discussion with field assistant, branch managers and regional manager revealed that less than 56% SRGs formed under COMP were capable of conducting their meeting and collecting savings and loans and keeping long (red) sheet up-to-date, while remaining more than 44% SRGs lack such capacity and

requires support of field assistant to operate. This is the major challenges for sustaining the impact of COMP in future.

Status of ownership and localization of the impact is quite mixed. In fact it is very less, and there is partial localization of impact. Only 56% of SRGs own the program and they have demonstrated prospects to operate SRG on their own, but they need intensive training support to do so.

6.6 Sustainability

SRGs have very low profile with minimum administrative set-up (small box with three locks) and operate voluntarily from a school building, open space, or some public places or in the home yard of SRG executives. There a very few SRGs having simple building to conduct their meeting and operate their activities. In almost all the SRGs, the executives work voluntarily to conduct SRG meeting and maintain books of accounts and records. Owing to this feature, most SRGs operate at operationally and financially sustainable level, however, owing to limited capacity; it is doubtful whether even the 56% SRGs that can conduct their meeting independently can sustain their operation in future.

As far as financial sustainability of the NUBL itself is concerned, an analysis of the financial statements of their branch offices revealed that three out of five branches are operating at operationally self sustainable level, the remaining two branches also possess prospects for viability but it may take them another 1-2 years to attain operational self-sufficiency. Actually three out of five branches have attained operational self sufficiency only after three years of operation. In view of the reality that SRG may gradually reduce their dependency with NUBL once they mature and their savings balance increases, NUBL requires diversifying their products/services to sustain their self-sufficiency level for long run and achieve long term viability.

Capacity of SRGs in maintaining their accounts and managing their operation independently is very low. As mentioned already, there are less than 56% SRGs that have capacity to maintain minutes of meeting, maintain savings and loan ledger, fill savings and credit passbook, compile daily loan/savings transaction form, complete loan deeds, etc. None of the 14 SRGs surveyed have capacity to maintain main ledgers, and prepare financial statement of their operation. This is an area where capacity of SRGs must be enhanced without further delay.

Theoretically there exist possibilities of fostering the linkage of the SRGs with other MFIs in the long-run. However, in the practical term, this requires existence of alternative microfinance service providers in the vicinity and NUBL must give some independence and/or encourage/support to these SRGs to build linkages with those service providers. Further, a system of auditing transactions/operations of SRG by an external auditor should be started for future sustainability of these SRGs.

6.7 Equity

COMP has dealt the equity aspects adequately. NUBL has involved dalits and Janajaties sufficiently as far as possible as a member of SRGs and SRG executives. There is both gender equity and equality in the program. Proportion of women managing their IG/MEA, making borrowing decisions and controlling income and expenses is quite high. More number of women clients has realized changes of their position in HHs and their status in the society, as well as increase in mobility and their social capital build-up.

Every effort have been made to involve dalits, differently able, women headed HHs and economically disadvantaged households in the program. The type of economic activities undertaken by them include goat raising, grocery store, small shop, rickshaw, shoe making, buffalo raising.

6.8 Empowerment

Impact of COMP for the socio-economic empowerment of target groups especially women is very high. There also exists evidence of legal, political and economic empowerment of SRG members. Impact of COMP in relation to political empowerment of target groups especially women is very low. There are very few (<10%) instances where the target groups are involved on the political process.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions of the Evaluation

COMP is one of the innovative initiatives started by Plan Nepal in partnership with NUBL in Banke district. It implements microfinance using SRG model. This model has comparative advantage to operate in conflict situation than other model tried in Nepal. Findings of this evaluation however indicate that the program was designed without adequate feasibility study on its basic features and prerequisites. Hence, the program has been implemented with mixed success. The program has been quite successful on social mobilisation, group formation and microfinance operation but less effective on linking SRGs with business literacy programme, operationalization of MIS at SRG level and linking complementary services with COMP operation and management.

Implementation of the COMP based on SRG model requires specialised skills and cadre of human resources. However, most of the staff working in COMP are regular NUBL staff transformed from other branches operated under GB model as a result field assistants and even branch manager are inclined to integrate feature of GB model, hence the implementation of COMP has been dominated by GB model than VB model. For instance, sitting arrangement and composition of groups are only different than GB model and other things are same. It should be made quite different in all respect. Though branch managers were send to India on an exposure visit to SHG banking programme, NUBL has provided less than adequate focus to enhance their capacity on implementing the SRG model.

The model is not very cost effective. Socio-economic and demographic characteristics of the households and members determines sustainability of COMP. More specifically, the model is very effective in areas inhabited by highly aware and educated people while the model can not be implemented effectively in areas inhabited by less aware and uneducated people. Active loan client to savings client ratio with NUBL is less that 55% which is very low. It appears that most clients have very low credit absorptive capacity and reluctant to borrow from NUBL. There are some 20% SRG members who have joined COMP for receiving savings services only and there are some 25% whose demand for financial services is very low due to low credit absorptive capacity and they meet their financial need borrowing internally from SRGs. Increasing credit absorptive capacity of SRG members and increasing active loan clients to savings clients ratio should received priority for successful implementation of this model by NUBL Banke district.

Branch level record keeping and reporting system is very weak in all branches despite that NUBL has already introduced computerized MIS system. Getting accurate information on branch level operational and financial performance is difficult in these branches. NUBL should develop the capacity of its staff to generate accurate information and properly use MIS system for operational and financial decision making. Staff working in branch office including branch manager must be trained to increase their capacity on proper use of the MIS system and use the information generated from the system for operational and financial decision making.

SRGs are comprised of not only poor and vulnerable but also well off and elite. Their dominance on poor is observed and that hinders the way of their betterment with respect to leadership, governance and inclusion. Hence, in most cases decisions among members are not taken in participatory way rather than it is taken by few elites of group and staff. External audit system of SRGs transaction is yet to be instituted.

Over 44% SRGs still depends on field assistants of NUBL for their operation and remaining 56% SRGs are also not fully capable to operate their transaction confidently. This is partly due to lack of business literacy among SRG members. As COMP expect to

run the group from respective members, they need to educate through business literacy and enhance their skill on account keeping and group management. It is seen only successful wherever good literate members are available in the group. In view of this, there should be renewed focus on strengthening capacity of these SRGs. Such an strategy should focus on up-grading of current status of these SRGs towards their empowerment and ensuring that each possess a documented operational policy, transparent decision making process, double entry system of book-keeping and accounting, simple financial management and reporting system so as to make them creditworthy with formal financial services providers. Further their capacity should be enhanced in implementing these activities. There are some SRGs (almost 44%) whose capacity is less likely to be enhanced in foreseeable future due to lack of capable members and feeling of self-help among themselves. Some alternatives strategies need to be developed in order to support these SRGs in their operation and management independent of the support from field assistants of the NUBL.

Of the total active clients, only 25% are Plan families. This implies that large number of Plan families is yet to be included as member of SRGs in order to ensure their access to financial services. The client level impact of microfinance services is quite vivid and significant. There are cases where over 95% clients have improved their livelihood through their participation in COMP. Loan clients have earned incremental income of over Rs. 100,000 per year, improved their livelihood and used incremental income for asset creation (land purchase, house improvement, purchases of consumer durables, increase the number of livestock head), sending children to school, health care, clothing, household consumption and buying ornaments. More importantly, impact of COMP on self-employment generation is quite high. This has been instrumental to promote economic, social, political and legal empowerment of the loan clients.

As a new initiative, the COMP based on SRG model is effective, relevant and moderately efficient with significant impact albeit prospects for long-term sustainability and addressing issue of equity and empowerment adequately. Of the 7 specific objectives of the programme, 2 were fully achieved, three were dropped and remaining two was loosely achieved. This indicates that that the status of achievements of specific objectives of the COMP has been mixed.

7.2 Recommendations of the Evaluation

In view of uniqueness of the model, there should be adequate feasibility study on the basic features and pre-requisites prior to replication of this model in other areas. This model should be specially packaged to include advance level of social mobilisation as well as formation of social and human capital. The social preparation including SRG formation as well as social and human capital formation should be done by other specialised promoting agency well verse on SRG model and microfinance service should be provided by NUBL based on rating of SRGs and proven capacity on microfinance operation. Model should opt providing wholesale loan rather than providing financial services to individual clients. Such a strategy will be instrumental to institutionalize real essence of SRG model.

Implementation of SRG based COMP requires specialised skills and cadre of staff. NUBL should think of developing separate unit in head office in planning and human resource management to look after SRG model and developing specialised cadre of human resources specialised on SRG model. It should stop transforming staff trained on GB model to work in SRG model. Even training package for training staff working in SRG model should be designed separately and even resource person should be different. Such an action will assist for efficient and effective implementation of SRG model. Further, NUBL should explore possibility of developing external auditor locally to audit SRG's operation once every six month.

NUBL should explore some alternative to implement COMP based on SRG model in communities inhabited by less aware and uneducated people. Over 44% SRGs who still depends with field assistant of the NUBL are mainly from those communities. Arranging paid book keeper could be one option to reduce their dependency with the field assistant of NUBL. NUBL has tried this option in few SRGs but the outcome was not encouraging as there was some case of fraud and mis-use of fund. So this option should be applied more skillfully. Other option could be transforming SRGs model of such areas gradually to GB model.

NUBL should increase the ratio of the active loan client to savings client by enhancing credit absorptive capacity of loan clients by linking them with other complementary and business development services providers. This ratio should be at least 90% for long term viability. Further, there should be special focus on polishing targeting mechanism adopted in COMP so as to exclude the well off and elite to be member of the SRGs as well as increase the proportion of Plan families as SRG members. Such a strategy will promote towards improving leadership, governance and inclusion in COMP and will increase access of the plan families on the financial services.

NUBL should strengthen branch level record keeping and reporting system by enhancing the capacity of the key staff at branch level on proper use of MIS system and use the information generated from MIS for operational and financial decision making.

SRGs are not uniform and even the SRGs who can operate independently with out support from field assistant of NUBL lack required capacity for their operation and management. In this context, NUBL should have renewed focus on strengthening SRGs' capacity. Such an strategy should focus on up-grading their current status towards their empowerment and ensuring that each possess a documented operational policy, transparent decision making process, double entry system of book-keeping and accounting, simple financial management and reporting system so as to make them creditworthy with formal financial services providers. Further their capacity should be enhanced in implementing these activities. To start with these SRGs should be rated and tailor made capacity development support should be provided based on their current status. A system of auditing SRGs' transaction by external auditors should be instituted.

Though client level impact has been quite satisfactory and it is not equitable. In this context, NUBL should establish business linkages with business service providers to provide required services such as technology, market, raw materials and business consultancy to clients residing in interior areas. This will be instrumental to ensure equity on benefits of microfinance services.

Though current phase of the Plan-NUBL partnership on COMP was ended in March 2008, Plan should explore the possibility of continuing support to NUBL to implement recommendation mentioned above. More specifically support are required for SRGs' capacity development, arranging paid book keeper or transforming COMP from SRG system to GB system and making provision and developing external auditor to carry out external audit of SRG transaction at least once a year.

ANNEX 1: SCOPE, METHODOLOGY/TOOLS, SAMPLES AND LEAD QUESTIONS RELATED TO DIMENSIONS OF EVALUATION

S.N.	Dimensions	Variables	Methodology/Tools	Sample	Lead questions
1	Effectiveness	• Measure whether the planned objectives have been achieved in regard to the output produced and the access of the communities to these outputs.	Project input/output analysis	Plan and NUB management and staff, SRG executives	Productivity and efficiency status
		• Assess the most effective components of the project in relation to building access of the communities to sustainable micro finance institutions.	Secondary information analysis	Plan and NUB management and staff, SRG executives	Type of synergy and linkages
		• Assess how effectively other program activities have been integrated with micro finance groups/functions.	Critical review of project modus of operandi	Plan and NUB management and staff, SRG executives	Glue for linkages and coordination and use of SRG forum
		• Effectiveness of the project in building access of the communities to financial institution for financial intermediation.	Review of institutionalization process	Plan and NUB management and staff, SRG executives and SRG members	Breadth, variety and scale of outreach analysis
		• Assess effectiveness of the self reliant model of micro finance in relation to other models.	Comparative analysis with other models and good practices	SRG members	Depth of outreach
2	Relevance	• Assess appropriateness of the project components to deal with the issue.	Review of target communities and available micro finance products	SRG members	Breadth, depth and quality of outreach
		• Assess the program modality in present socio-political context and its suitability for expansion in the country	Cost benefit analysis to the communities	SRGs	Productivity and efficiency status
		• Review how problems/constraints are tackled and opportunities are maximized by the project for process learning	Review of local economy and project's goal and objectives	10% SRGs and NUB branch financial statement	Outreach, viability, portfolio quality, drop-out status
3	Efficiency	• Critical review of achievement of the project in regard to planning.	Review of project methodology and strategic approaches	Plan and NUB management and staff, SRG executives	SRG formation, and status, operation, linkages with NUBL and other MFIs,
		• How far resources have been used optimally to achieve the project targets.	Utilisation of project resources	Plan and NUB management and staff, SRG executives	Profitability status at SRGs and NUBL's level
		• Identify strengths and opportunities of the project	Partnership and cooperation/coordination with other organizations	Plan and NUB management and staff, SRG executives and SRG members	Portfolio quality, financial viability, profitability and efficiency status at SRG and NUBL level
		• Identify the problems and constraints faced in course of its implementation	Review of challenges and coping strategies followed	NUB management and staff, SRG executives	Market for microfinance, competitors, collaborators and performance status,
		• Assess mobilization and cooperation of local organizations and other institutions	Community mobilisation process analysis	Plan and NUB management and staff, SRG executives	Who are competitors and collaborators
4	Impact	• Assess how far the project has created impact on the lives of the clients as envisaged in the project.	Wealth ranking Comparison of livelihood situation Quality of children's health and education	Sample size determination based on loan size information (5-10%)	Capital formation, asset creation, enterprise development, poverty reduction and income

S.N.	Dimensions	Variables	Methodology/Tools	Sample	Lead questions
			Changes in inter and intra household gender relations Socio-political empowerment indicators Analysis of formation of capital and its mobilisation		diversification
5	Sustainability	• Financial sustainability of SRGs and NUBL itself for long term viability in relation to adoption of community owned micro finance scheme.	Operational and financial self sufficiency analysis Institutional structure, capacity, governance process and ownership/leadership analysis	NUB branches	SRG and NUBL viability
		• Analyze capacity of SRGs in maintaining their accounts and managing the operation independently and the possibility of fostering their linkage with other micro finance institutions in long run.	SWOT analysis	10% SRGs	SRGs operation and NUBL branch viability
6	Equity	• How and to what extent equity aspect has been dealt by the project specially gender equity and equality.	Portfolio analysis – delivery of services to the particular group of community, such as Dalits, women, minority ethnic communities, differently able people, and disadvantaged section of community, among other Inclusion analysis – ownership and leadership Policy analysis – whether the project has adopted pro-disadvantaged policy and procedures	10% SRGs and 5-10% clients selected by stratified random sampling technique	Depth of outreach across ethnic groups and janajaties, how the services are distributed
		• To what extent the project covered and benefited Dalits, differently able, women headed and economically disadvantaged households.		10% SRGs and 5-10% clients selected by stratified random sampling technique	Clients identification and status
7	Empowerment	• What was the impact of the project in relation to the socio-economic and political empowerment of the target groups especially women	Mobility ability analysis Socio-political awakening, pro-activeness and assertiveness analysis	10% SRGs and 5-10% clients selected by stratified random sampling technique	clients' participation on social, economic, political and other development process

ANNEX 2: CHECKLISTS AND QUESTIONNAIRE USED IN THE STUDY

Checklist 1: For Plan and NUBL staff and other Key Informants

Overall Assessment:

1. Appropriateness and suitability of the SRG model

2. Projects status against desired outputs/outcomes as stated in the project proposal

Effectiveness

1. Planned objectives of the programme and status of achievement:

2. Achievement of the planned objectives in regard to the output produced:

3. Achievement of planned objectives in relation to the access of the communities to these outputs produced.

4. Type of project components.

5. Most effective components of the project in relation to building access of the communities to sustainable micro finance institutions.

6. Integration of other program activities with the programme:

7. Effectiveness of other integrated program activities to increase the effectiveness of the micro finance groups/functions.

8. Effectiveness of the project in building access of communities to financial institution for financial intermediation.

9. Effectiveness of the self reliant model of micro finance in relation to other models.

Relevance

1. Appropriateness of the project components to deal with the issue of increasing access to microfinance services.

2. Relevance of the program modality in present socio-political context.

3. Suitability of the modality for expansion in other parts of the country

4. Problems/constraints faced during project implementation.

5. Opportunities that emerged during project implementation

6. How you tackle the problems/constraints during implementation

7. How the opportunities are maximized by the project for process learning

Efficiency

1. Achievement of the project in regard to planning.

2. Resource use efficiency in relation to optimally achieve project targets.

3. Strengths and opportunities of the project

4. Problems and constraints faced in course of its implementation

5. Mobilization and cooperation of local organizations and other institutions

Impact

1. Impact on the lives of the clients as envisaged in the project.

2. Impact on institution development of the clients due to project intervention.

3. Ownership and localization of the impact.

Sustainability

1. Financial sustainability of SRGs:

2. Financial sustainability of the NUBL itself for long term viability in relation to adoption of community owned micro finance scheme.

3. Capacity of the SRGs in maintaining their accounts and managing their operation independently

4. Possibility of fostering the linkage of the SRGs with other micro finance institutions in long run.

Equity

1. How and to what extent equity aspect has been dealt by the project:

2. Gender equity and equality

3. Involvement of Dalits, differently able, women headed HHs and economically disadvantaged households in the programme.

4. Type of economic activities undertaken by Dalits, differently able, women headed HHs and economically disadvantaged households in the programme.

Empowerment:

1. Impact of the project in relation to the socio- economic empowerment of the target groups especially women.

2. Impact of the project in relation to the political empowerment of the target groups especially women.

Thank You

FINAL EVALUATION OF
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Checklist 2: Self Reliance Group Level Checklist
(to be completed for Selected SRGs)

Name of the Self Reliance Group:.....

Address: District: ....., ...VDC .....Ward No:.....Tole: .....

Date of SRG formation:...../...../..... Date of Reporting: ..... /...../.....

Name of the surveyor: .....

S.N.	Particulars	Unit	Amount
1	**Area/Membership**		
	Households in SRG	No	
	Membership in SRG	No	
	New member entered over the last one year in SRG	No	
	Executive committee members	No	
2	**Equity and Access**		
	Women general members in SRG	No	
	.....Dalits members	No	
	.....Janajati members	No	
	Women executive committee members in SRG	No	
	.....Dalits members	No	
	.....Janajati members	No	
3	**Governance and responsibilities**		
	SRG have meeting register	Y/N	
	.....main ledger	Y/N	
	..... Savings ledger	Y/N	
	..... Loan ledger	Y/N	
	..... Inventory register	Y/N	
	SRG distribute savings and credit pass-book to members	Y/N	
	Meeting register up-to date	Y/N	
	Main ledger up-to-date	Y/N	
	Savings ledger up-to-date	Y/N	
	Loan ledger up-to-date	Y/N	
	Inventory register up-to-date	Y/N	
	Members' pass-book up-to-date	Y/N	
	SRG have written code of conduct of operation	Y/N	
	SRG have written SRG operation rules and regulations	Y/N	
	SRG have written savings, loan and financial management policy	Y/N	
	SRG executives have book keeping and accounting skill	Y/N	
	SRG executives have loan management skill	Y/N	
	SRG has paid book keeper	Y/N	
	If yes, amount of salary to the paid book keeper	NRs.	
	Extent of application of SRG's meetings decision in operational management	Degree	
4	**Savings mobilisation**		

S.N.	Particulars	Unit	Amount
	Total savings mobilized		
	..... Compulsory savings	Rs.	
	..... Voluntary savings	Rs.	
	..... Other savings	Rs.	
	Savings rate	Rs.	
	Savings intervals	Time	
5	**SRG's loan transaction with NUBL**		
	Borrowing	Rs.	
	Repayment	Rs.	
	Outstanding	Rs.	
	Overdue	Rs.	
6	**Loan transactions by SRG to members**		
	Total loan disbursement	Rs.	
	Total loan collection	Rs.	
	Total loan outstanding	No.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	
7	**Income Statement**		
7.1	**Operating Income**	**Rs.**	
	Interest income	Rs.	
	Other income	Rs.	
7.2	**Operating expenses**	**Rs.**	
	Interest expenses - borrowed fund	Rs.	
	Interest expenses - deposits/savings	Rs.	
	Salary and allowances	Rs.	
	Administrative expenses	Rs.	
	Loan loss provisions	Rs.	
	Other expenses	Rs.	
7.3	**Net operating income**	**Rs.**	
7.4	**Non-operating income**	**Rs.**	
7.5	**Non-operating expenses**	**Rs.**	
7.6	**Net income**	**Rs.**	
8	**Balance sheet**		
8.1	**Assets**	**Rs.**	
	Cash balance	Rs.	
	Bank balance	Rs.	
	Outstanding loan	Rs.	
	Receivables	Rs.	
	Fixed assets	Rs.	
	Other	Rs.	
8.2	**Liabilities**	**Rs.**	
	Savings balance	Rs.	
	Loan from NUBL	Rs.	
	Other payables	Rs.	

S.N.	Particulars	Unit	Amount
	Other liabilities	Rs.	
8.3	**Equity**	**Rs.**	
	Share capital	Rs.	
	Undistributed profit	Rs.	
	Loan loss reserves	Rs.	
	Other reserves	Rs.	
	Capital grants	Rs.	
	Other capital	Rs.	
8.4	**Liabilities + Equity**	**Rs.**	
9	**Growth plan for next year**		
	Do you have growth plan for next year	Y/N	
	If yes,		
	..... Plan for membership growth	No	
	..... Plan for savings mobilisation	Rs.	
	..... Plan for borrowing from NUBL	Rs.	
	..... Plan for increase on loan disbursement	No.	
	..... Plan for increase on loan disbursement	Rs.	

Thank You

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Checklist 3: Status of Microfinance Operation at Regional Level Office

Name of the branch Office: Nirdhan Uthan Branch, Regional/Area Office …….. Banke District
Number of branch office: …… Name of the branches: ……

S.N.	Particulars	Unit	Status of Operation (As of 16 July)					
			2003	2004	2005	2006	2007	June 2008
A	**Outreach Status**							
1	Centre	No						
2	Group	No						
3	Members	No.						
4	Loan clients	No.						
5	Loan disbursement	Rs. 000						
6	Loan collection	Rs. 000						
7	Outstanding	Rs. 000						
8	Overdue	Rs. 000						
9	Savings collection	Rs. 000						
10	Staff	No.						
11	Field Staff	No.						
12	Branches	No.						
13	VDC covered	No.						
14	Municipalities	No.						
15	District covered	No.						
B	**Income Statement**							
1	**Operating Income**	Rs. 000	0	0	0	0	0	0
	Interest income	Rs. 000						
	Other income	Rs. 000						
2	**Operating Expenses**	Rs. 000	0	0	0	0	0	0
	Interest expenses	Rs. 000						
	Staff expenses	Rs. 000						
	Office operating expenses	Rs. 000						
	Loan loss provision	Rs. 000						
	Other expenses	Rs. 000						
3	**Net Income**	Rs. 000	0	0	0	0	0	0
C	**Balance Sheet**							
1	**Asset**	Rs. 000	0	0	0	0	0	0
	Cash balance	Rs. 000						
	Bank balance	Rs. 000						
	Loans and advances	Rs. 000						
	Investment	Rs. 000						
	Fixed assets	Rs. 000						
	Other assets	Rs. 000						
	Accumulated losses	Rs. 000						
2	**Liabilities**	Rs. 000	0	0	0	0	0	0
	External borrowing	Rs. 000						
	Deposits	Rs. 000						
	Other liabilities	Rs. 000						

S.N.	Particulars	Unit	Status of Operation (As of 16 July)					
			2003	2004	2005	2006	2007	June 2008
	Accumulated profit	Rs. 000						
3	**Capital**	Rs. 000	0	0	0	0	0	0
	Paid-up capital	Rs. 000						
	Reserve	Rs. 000						
	Other	Rs. 000						
	Retained earning	Rs. 000						
4	**Liabilities + Capital**	Rs. 000	0	0	0	0	0	0
5	**Asset - (Liabilities + Capital)**	Rs. 000	0	0	0	0	0	0

Thank You

Final Evaluation of Self Reliance Microfinance Programme in Banke District
Checklist 4: Status of Microfinance Operation

Name of the branch Office: Nirdhan Uthan Branch ……Branch, ……. Banke District

S.N.	Particulars	Unit	Status of Operation (As of 16 July)					
			2003	2004	2005	2006	2007	June 2008
A	**Outreach Status**							
1	Centre	No						
2	Group	No						
3	Members	No.						
4	Loan clients	No.						
5	Loan disbursement	Rs. 000						
6	Loan collection	Rs. 000						
7	Outstanding	Rs. 000						
8	Overdue	Rs. 000						
9	Savings collection	Rs. 000						
10	Staff	No.						
11	Field Staff	No.						
12	Branches	No.						
13	VDC covered	No.						
14	Municipalities	No.						
15	District covered	No.						
B	**Income Statement**							
1	**Operating Income**	Rs. 000	0	0	0	0	0	0
	Interest income	Rs. 000						
	Other income	Rs. 000						
2	**Operating Expenses**	Rs. 000	0	0	0	0	0	0
	Interest expenses	Rs. 000						
	Staff expenses	Rs. 000						
	Office operating expenses	Rs. 000						
	Loan loss provision	Rs. 000						
	Other expenses	Rs. 000						
3	**Net Income**	Rs. 000	0	0	0	0	0	0
C	**Balance Sheet**							
1	**Asset**	Rs. 000	0	0	0	0	0	0
	Cash balance	Rs. 000						
	Bank balance	Rs. 000						
	Loans and advances	Rs. 000						
	Investment	Rs. 000						
	Fixed assets	Rs. 000						
	Other assets	Rs. 000						
	Accumulated losses	Rs. 000						
2	**Liabilities**	Rs. 000	0	0	0	0	0	0
	External borrowing	Rs. 000						
	Deposits	Rs. 000						
	Other liabilities	Rs. 000						
	Accumulated profit	Rs. 000						

S.N.	Particulars	Unit	Status of Operation (As of 16 July)					
			2003	2004	2005	2006	2007	June 2008
3	**Capital**	Rs. 000	0	0	0	0	0	0
	Paid-up capital	Rs. 000						
	Reserve	Rs. 000						
	Other	Rs. 000						
	Retained earning	Rs. 000						
4	**Liabilities + Capital**	Rs. 000	0	0	0	0	0	0
5	**Asset - (Liabilities + Capital)**	Rs. 000	0	0	0	0	0	0

Thank You

FINAL EVALUATION OF
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Questionnaire for Selected Beneficiaries

1. Overview:

Name of the Client: Miss/Mrs./Ms: .....

Age: .....years Education: .....years of schooling

Name of the SRG: .....

Address: .....VDC ward number: ..... Tole: .....

Date of joining SRG: ...../...../..... Date of survey: ...../...../.....

2. Family size:

Sex	< 16 years		16-60 years		> 60 years	
	Literate	Illiterate	Literate	Illiterate	Literate	Illiterate
Male						
Female						

3. Savings and loan operation from SRGs/NUBL

a	**Savings mobilized in SRG/NUBL**		
	Total savings	Rs.	
	..... Compulsory savings	Rs.	
	..... Voluntary savings	Rs.	
	..... Other savings	Rs.	
	Savings rate	Rs.	
	Savings intervals	Time	
b	**Loan transactions from SRG/NUBL**		
	Total loan borrowing	Rs.	
	Total loan recovery	Rs.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	

4. Income Generating Activities/Microenterprise

How many cycle of loans you received so far from SRG/NUBL? ..... cycle

Have you started income generating activities/microenterprises out of borrowing from SRG/NUBL? Yes/No, if yes, please provide the following details?

S.N.	Particulars	Unit	Loan Cycle			
			1	2	3	4
1	Initial loan size	Rs.				
2	Full loan repayment	Y/N				
3	Type of IGA/ME established	Name				
4	Gross income per week / month / year	Rs.				
5	Gross expenses per week / month / year	Rs.				
6	Net income	Rs.				
7	Use of net income					
	Asset creation	Rs.				
	Children education	Rs.				
	Health care	Rs.				
	Clothing	Rs.				
	Household consumption	Rs.				
	Buying ornaments	Rs.				

S.N.	Particulars	Unit	Loan Cycle			
			1	2	3	4
	Other					
8	Problems on business management					
	Cash crunch	Y/N				
	Marketing	Y/N				
	Raw materials	Y/N				
	Sickness of family members	Y/N				
	Other	Y/N				
9	Measures adopted on solving problems on business management					

5. Impact of microfinance services on

5.1 Land holding:

	Total			Irrigated			Un-irrigated		
	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out
Before joining MFI									
Now									

5.2 Livestock holding

	Cattle	Buffalo	Ox	Heifers	Goat	Pig	Chicken	Duck	Other
Before joining MFI									
Now									

5.3. Other asset creation after being member of SRG (specify):.....

6. Empowerment

Economic empowerment:

1. Who manage the IGA/ME (i) self, (ii) husband, (iii) other family members
2. Who make the borrowing decisions: (i) self, (ii) husband, (iii) other family members
3. Who control the income and expanses from IGA/ME: (i) self, (ii) husband, (iii) other family members

Social empowerment:

1. Is there any change on your position in the households? (i) yes, (ii) No
2. Is there any change on your status on the society? (i) yes, (ii) No
3. Has your mobility been increased (i) yes, (ii) No
4. Is there increase on your social capital (i) yes, (ii) No

Political empowerment:

1. Did you participated in the political process in your community (i) yes, (ii) No
2. Did you been able to select you leader in more informed way (i) yes, (ii) No

Legal empowerment:

1. Is there increase in your legal awareness level? (i) yes, (ii) No
2. Have you ever filed a case against exploitation or hareshment (i) yes, (ii) No
3. Do you feel more secured now (i) yes, (ii) No

7. Constraints/problems related to receiving microfinance services?

S.N.	Constraints/Problems	Description
1	SRG meeting	
2	SRG operation	
3	Savings mobilisation	

S.N.	Constraints/Problems	Description
4	Borrowing from SRG	
5	Borrowing from NUBL	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	

8. Measures adopted for solving above constraints/problems?

S.N.	Constraints/Problems	Measures adopted
1	SRG meeting	
2	SRG operation	
3	Savings mobilisation	
4	Borrowing from SRG	
5	Borrowing from NUBL	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	

9. Any other remarks

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.....
.....

Thank you

ANNEX 3: LIST OF PERSONS MET

S.N.	Name of Person	Designation	Office
1	Mr. Subhakar Baidya	Programme Support Manager	Plan International Nepal Country Office
2	Mr. Shusil Joshi	CPME Coordinator	Plan International Nepal Country Office
3	Mr. Hem Raj Poudyal	Livelihood and Microfinance Coordinator	Plan International Nepal Country Office
4	Mr. Prem Raj Pant	Programme Unit Manager	Plan International Field Office Banke
5	Mr. L. N. Shah	Livelihood Coordinator	Plan International Field Office Banke
6	Mr. Bishnu Neupane	Microfinance Technician	Plan International Field Office Bardia
7	Dr. Harihar Dev Pant	Chief Executive Officer	NUBL Contact Office, Kathmandu
8	Mr. Prakash Raj Sharma	General Manager	NUBL, Head Office Bhairahawa
9	Mr. Gokarna Raj Upadhaya	Regional Manager	NUBL, Regional Office, Nepalgunj
10	Ms. Jamuna Kandel	Office Assistant	NUBL, Regional Office, Nepalgunj
11	Mr. Raj Kumar Pokhrel	Programme Officer	NUBL, Regional Office, Nepalgunj
12	Mr. Lal Bahadur Rawal	Branch Manager	NUBL, Branch Office, Kohalpur
13	Mr. Purna Basi Chaudary	Trainer	NUBL, Branch Office, Kohalpur
14	Mr. Krishna Kanyaha Chaudhari	Accountant	NUBL, Branch Office, Kohalpur
15	Mr. Tanka Upadhaya	Field Assistant	NUBL, Branch Office, Kohalpur
16	Mr. Deepak G.C.	Field Assistant	NUBL, Branch Office, Kohalpur
17	Mr. Dilip Poudyal	Field Assistant	NUBL, Branch Office, Kohalpur
15	Mr. Laxman Bhatterai	Branch Manager	NUBL, Branch Office, Ranjha
16	Mr. Ananda Regmi	Admin./Account Assistant	NUBL, Branch Office, Ranjha
17	Mr. Til Prasad Bhatterai	Field Assistant	NUBL, Branch Office, Ranjha
18	Ms. Mina Chalise	Trainer	NUBL, Branch Office, Ranjha
19	Ms. Narayani Aryal	Field Assistant	NUBL, Branch Office, Ranjha
20	Mr. Keshev Khati	Branch Manager	NUBL, Branch Office, Udayapur
21	Mr. Arjun Sharma	Accountant	NUBL, Branch Office, Udayapur
22	Mr. Tulsi Dumre	Field Assistant	NUBL, Branch Office, Udayapur
23	Mr. Gautam Gyan Thapa	Trainer	NUBL, Branch Office, Udayapur
24	Mr. Dan Bahadur Kunwar	Field Assistant	NUBL, Branch Office, Udayapur
25	Mr. Narayan Datta Shapkota	Senior Field Assistant	NUBL, Branch Office, Udayapur

S.N.	Name of Person	Designation	Office
25	Mr. Rabindra Timilsina	Branch Manager	NUBL Branch Office, Paraspur
26	Ms. Laxmi Sharma	Field Assistant	NUBL Branch Office, Paraspur
27	Mr. Bhoj B. Lamichane	Accountant	NUBL Branch Office, Paraspur
28	Ms. Khem Kumari Bhandari	Field Assistant	NUBL Branch Office, Paraspur
29	Ms. Runnata Gautam	Field Assistant	NUBL Branch Office, Paraspur
30	Bhim Bahadur Gharti	Field Assistant	NUBL Branch Office, Paraspur
31	Mr. Yuba Raj Timilsina	Branch Manager	NUBL Branch Office, Khajura
32	Mr. Madav Kumar Laho	Accountant	NUBL Branch Office, Khajura
33	Ms. Yamuna Neupane	Trainer	NUBL Branch Office, Khajura