PREPARED FOR
CARE Nepal
FAR WESTERN CLUSTER OFFICE
DOTI, NEPAL

FINAL EVALUATION OF VILLAGE SAVINGS AND LOAN PROJECT
(FINAL REPORT)

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EXECUTIVE SUMMARY

This is the final evaluation report of the Village Savings and Loan (VS&L) project implemented by CARE Nepal in Doti and Syangja district of Nepal. The report has evaluated and documented the effort's by CARE and partners to implement the adjusted VS&L model in Syangja and Doti districts. The project created base to improve the livelihoods of poor rural population groups in selected areas of Syangja and Doti districts through the support to form an develop 150 (90 in Syangja and 60 in Doti) VS&L groups and assist them to operate according to the principles of CARE Nepal's revised VS&L model. The project has enabled about 40% VS&L group in Syangja and 30% in Doti against the target of 90% in Syangja and 80% in Doti to operate and function continuously and sustainably in future. Performance of women only and mixed group is better than Dalit only, Others (Brahmin and Cheetri) only and Janajati groups.

The project is highly relevant in Doti district where access to finance to the poor and disadvantaged groups is a challenge. Project's partners were neither competent nor capable of mobilizing qualified and competent workforce to implement project activities. Most of the project interventions were relevant to address the needs and demands of the target groups. The project has achieved all the design physical targets and heading towards achieving development objectives. Social fund established by VS&L group has been quite effective to assist group members during emergencies and HH level disaster. Effectiveness and performance of the project was further enhanced due to its potential to reach the unreached. Efficiency of the project intervention is moderate as evidenced by the cases of low staff productivity, doubtful loan portfolio quality and low loanable fund mobilization rate. Due to cost efficiency on operation, almost all the VS&L groups surveyed were operationally self-sufficient.

Under current context and circumstances, over 60% VS&L group in Syangja and 70% in Doti lack the perspective for sustainability. There are number of confusions among project partners about the VS&L model and they are not well sensitized towards sustainability of VS&L groups. However, impact of the project is evident in the form of income and employment generation, asset creation, gradual start of income generating activities and enterprises by the VS&L group members. The project impact has been increased due to operationalization of the pro-poor revolving fund in the VS&L groups.

Assistance provided by the project to implementation partners through staff training, staff salary, project management and technical advice has been quite effective to develop their capacity on project management. Though the capacity development support from the project was timely, relevant, effective and adequate, due to their insufficient absorptive capacity, these support could not fully transformed for improved project performance due to less than adequate capacity of project partners.

Considering that VS&L project tries to pilot the model and offer one more options to Nepalese planners and policy makers towards expanding outreach of financial services in inaccessible hills and mountains of Nepal, future operation of VS&L modal should revolve around considering tree essential triangles of microfinance: outreach, impact and sustainability. The project has yet to demonstrate the full potential of the model to reach the unreached and the mission is yet to be completed. Considering the achievements to date and yet some more work needed towards refinement of the modality, it has been recommended to extend the project with major amendment. Future focus of the project should revolve around three key aspects: strengthening VS&L groups, capacity development of project partners and change on implementation arrangement.

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ACRONYMS AND ABBREVIATION

ADB	Asian Development Bank
ADBL	Agriculture Development Bank Ltd.
BCU	Biogas Credit Unit
CED/N	Centre for Empowerment and Development, Nepal
CB	Commercial Bank
DB	Development Bank
DDC	District Development Committee
DSL	Deprived Sector Lending
FC	Finance Company
FI-NGOs	Financial Intermediary NGOs
FGD	Focus Group Discussion
FSPs	Financial Service Providers
MDB	Microfinance Development Bank
MFI	Microfinance Institutions
NBL	Nepal Bank Ltd.
NGOs	Non Government Organization
NRB	Nepal Rastra Bank
PA	Promoting Agency
PAF	Poverty Alleviation Fund
PCRW	Production Credit for Rural Women
PVSEs	Poor, vulnerable and socially excluded
RBB	Rastriya Banijya Bank
RMDC	Rural Microfinance Development Centre
RSRF	Rural Self Reliance Fund
SBB	Sawalamban Bikas Bank
SCCs	Savings and Credit Cooperatives
SCG	Savings and Credit Groups
SFCLs	Small Farmers' Cooperatives Ltd
SFDP	Small Farmers Development Project
SHG	Self-Help Groups
SKBB	Sana Kisan Bikas Bank
SWOT	Strengths, Weaknesses, Opportunities and Threats
VDC	Village Development Committee
VSLA	Village Savings and Loan Association
VSLG	Village Savings and Loan Groups

1. BACKGROUND

1.1 Background

CARE International in Nepal is implementing a Village Saving and Loan (VS&L) project with the financial support from the FAHU Foundation for the period of two years from August 2008 – October 2010 in the Doti and Syangja districts of Nepal. This project is being implemented in partnership with local NGOs namely Aapasi Sahayog Kendra (ASK) Syangja and Samaj Dewa Doti (SSD). The VS&L project seek to create 150 Savings and Credit Groups (VS&Ls) and to include the most vulnerable (dalits and women) in these groups. Pilots have been conducted in order to find the best suitable concept of saving and credit locally and for the country. There has also been a special focus on facilitation of the groups and to test the 30-key-issue model developed in a study commissioned by CARE Nepal in early 2008[1].

The VS&L project seek to improve the livelihoods of poor rural population groups in selected areas of Syangja and Doti districts with following two specific objectives:

- 150 VS&L established and functioning according the principles of CARE's VS&L model. Of these, at least 90% of the VS&L in Syangja, and 80% of the VS&L in Doti should continue to exist and be functioning at the close of the project.
- CARE's approach to VS&L in Nepal has been adjusted to fit local Nepalese contexts and has been documented. Documentation of the CARE Nepal approach to VS&L has been produced and made accessible to an external audience.

The project has combined concrete support, training and capacity building activities with the development of method and documentation materials for the purpose of scaling up a best practice approach to VS&L both within CARE and among other development actors. One of the key objectives of the project is to enable CARE Nepal to systematically improve and further develop the VS&L model in the Nepalese context.

1.2 Objectives

This assignment seeks to evaluate and document the effort's by CARE and partners to implement the adjusted VS&L model in Syangja and Doti districts of Nepal, thereby contributing directly to the project objectives by documenting CARE's implementation of the adjusted VS&L model and making the lessons learned available to a wider external audience. The specific objectives of this assignment are the following.

- Assess the relevance of the (adjusted) VS&L model to the needs of the target groups.
- Assess the effectiveness and performance of the project against implementation plans and targets, and to the extent possible – the baseline report.
- Assess the efficiency of the project in terms of conversion of the project resources and/or inputs into results.
- Assess the perspectives for sustainability of the VS&L groups and effectiveness of capacity building and partnerships support under this project.
- Generate lessons learned from 30-key-issue model in order to enable CARE Nepal to systematically improve and further develop the VS&L model in the Nepalese context.
- Provide recommendations on strengthening the perspectives for sustainability of the groups and other similar interventions.

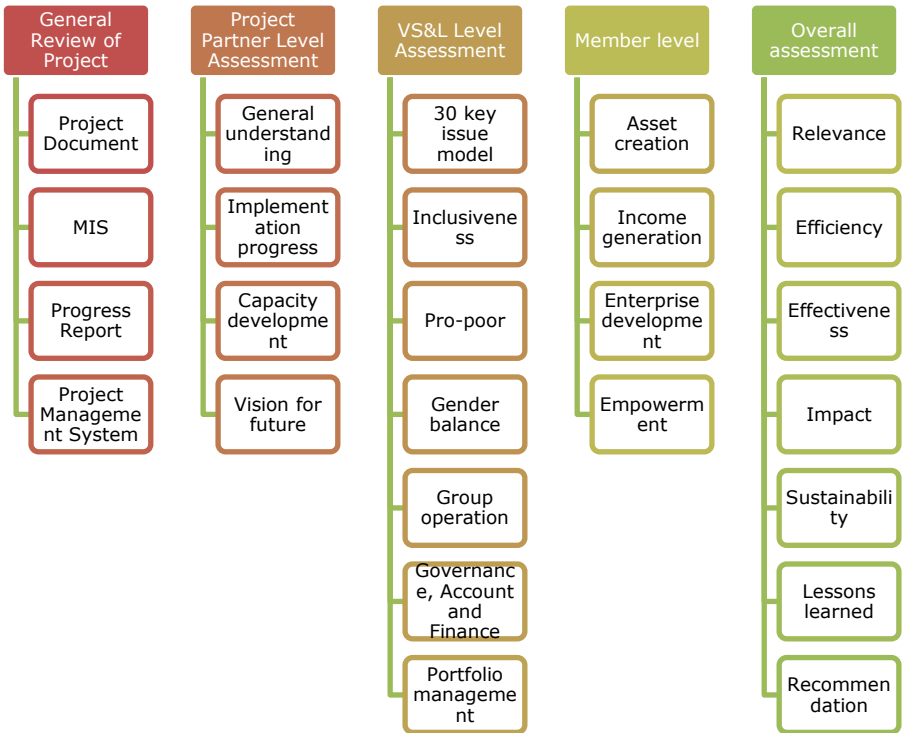
1.3 Scope

The evaluation covered the FAHU-supported interventions in Syangja and Doti. In addition, the evaluation has also covered a smaller sample of PPS supported groups which have received livelihood improvement grants (external funds) to assess whether

[1]Details can be found in the study report on "Savings for Empowerment" by Devendra K. Aryal and Erik Alhøj, GES Investment Services 2008.

this approach has been successful in ensuring participation of the poorest of the poor, improving their livelihoods, and whether this approach should be replicated in the future. The relevance and effectiveness of specific activities supported with PPS funds has been evaluated, namely: business development, entrepreneurship development and financial management trainings to group members, advocacy initiatives, support to apex organizations and the establishment of a resource center. Scope of the study are depicted in following chart.

Figure 1: Scope of Evaluation



More specifically this evaluation has focused on addressing the following issues.

Relevance of the (adjusted) VS&L model to the needs of the target groups

- Assess the 30-key issues model (Alhøj & Aryal 2008) to evaluate whether this is an appropriate model to be promoted widely in Nepal, also considering current microfinance policies in Nepal
- To what extent is the intervention relevant to the needs and priorities of the beneficiaries? (Especially with regard to savings and loan needs)
- Make a comparison between the traditional Nepali model, the 30-key issue model and pure VS&L-model if possible.

Lessons learned from the 30-key-issue model

- Document lessons learned and experimentation with central elements of the VS&L model, including effects of distribution of loans/savings (fixed short-term cycle) versus long-term accumulation. Establish the number of groups using each approach. Compare advantages/dis- of accumulation versus distribution.
- Assess differences (if any) between heterogeneous and homogenous groups (e.g. groups with women only, dalits only, mixed groups, etc.). Establish the number of mixed groups and their ability to save and benefit from participating.
- Are the poorest of the poor included in the groups? Are dalits included in the groups without discrimination?

Effectiveness and performance of the project

- Compare plans and targets to actual achievements: To which extent has the development objectives been achieved or are likely to be achieved?
- To what extent are the group members experiencing increased income, reduced vulnerability from VS&L funded activities? Include both intended and unintended outcomes.

Efficiency of the project (cost efficiency)

- How economically have the inputs/resources been converted into results?
- Could the same results have been achieved with fewer resources?

Perspectives for sustainability of the VS&L groups

- What is the probability of continuation/survival of the VS&L groups?
- Is local ownership established?
- Give recommendation on how to enhance sustainability perspectives of VS&L in similar interventions

Capacity building and partnerships

- Has capacity development to partner organizations timely, relevant and effective?
- Will the partner organizations be capable of implementing and scaling-up similar interventions in the future?
- Is local ownership established?

1.4 Approach

This assessment was undertaken within standard project evaluation framework covering aspects such as relevance, efficiency, effectiveness, impacts and sustainability of project interventions

1.4.1. Relevance

Relevance relates to assessment of the usefulness; which implies to whether the project in question ought to be terminated or allowed to continue and if the latter is the case, what is magnitude and direction of the changes? Are the agreed objectives still valid, and do they represent sufficient rationale for continuing the activities? Further, this also relates to the assessment of the 30-key issues model (Alhøj & Aryal 2008) to evaluate whether this is an appropriate model to be promoted widely in Nepal, also considering current microfinance policies in Nepal, prospects of the model to meet the needs and priorities of the beneficiaries (especially with regard to savings and loan needs) and make a comparison between the traditional Nepali model, the 30-key issue model and pure VS&L-model if possible.

1.4.2. Efficiency

Efficiency is a measure of the relationship between outputs and inputs. In the context of this project this relates to assessment of how economically have the inputs/resources been converted into results? Further, can same results be achieved with fewer resources?

1.4.3. Effectiveness

Effectiveness is a measure of the extent to which the intervention's intended outcomes. It relates to the comparison of the plans and targets to actual achievements i.e. to which extent has the development objectives been achieved or are likely to be achieved? Further, to what extent are the VS&L members are experiencing increased income, reduced vulnerability from VS&L funded activities? This includes both intended and unintended outcomes.

1.4.4. Impact

Impact is a measure of all significant effects of the development intervention, positive or negative, expected or unforeseen, on its beneficiaries and other affected parties. Whereas effectiveness focuses on the intended outcomes of an intervention, impact is a measure of the broader consequences of the intervention such as economic, social, political, technical or environmental effects; locally, regionally, or at the national level; on the target group and other directly or indirectly affected parties.

1.4.5. Sustainability

Sustainability is a measure of whether the benefits of VS&L Project are likely to continue after external support has been completed. In other words, it relates to assessment of the probability of continuation/survival of the VS&L groups, level of establishment of local ownership and provides recommendation on how to enhance sustainability perspectives of VS&L in similar interventions.

1.4.6. Capacity Development and Partnership

Sustainability of the programme hinges around the efforts on capacity development and partnerships. This will encompasses assessment such as whether the capacity development of partner organizations been timely, relevant and effective, assessment of the capacity of the partner organizations on implementing and scaling-up similar interventions in the future and establishment of the local ownership.

1.4.7. Lessons learned from the 30-key-issue model

Based on the assessment findings, lessons learned from the 30-key-issue model will be documented which will encompasses the experimentation with central elements of the VS&L model, including effects of distribution of loans/savings (fixed short-term cycle) versus long-term accumulation, establish the number of groups using each approach, compare advantages/dis- of accumulation versus distribution, assess differences (if any) between heterogeneous and homogenous groups (e.g. groups with women only, dalits only, mixed groups, etc.), establish the number of mixed groups and their ability to save and benefit from participating, and effectiveness on addressing the issue of exclusion viz. are the poorest of the poor included in the groups? Are dalits included in the groups without discrimination?

1.5 Methodology

The following methodologies were adopted in this assignment.

1.5.1. Data sources

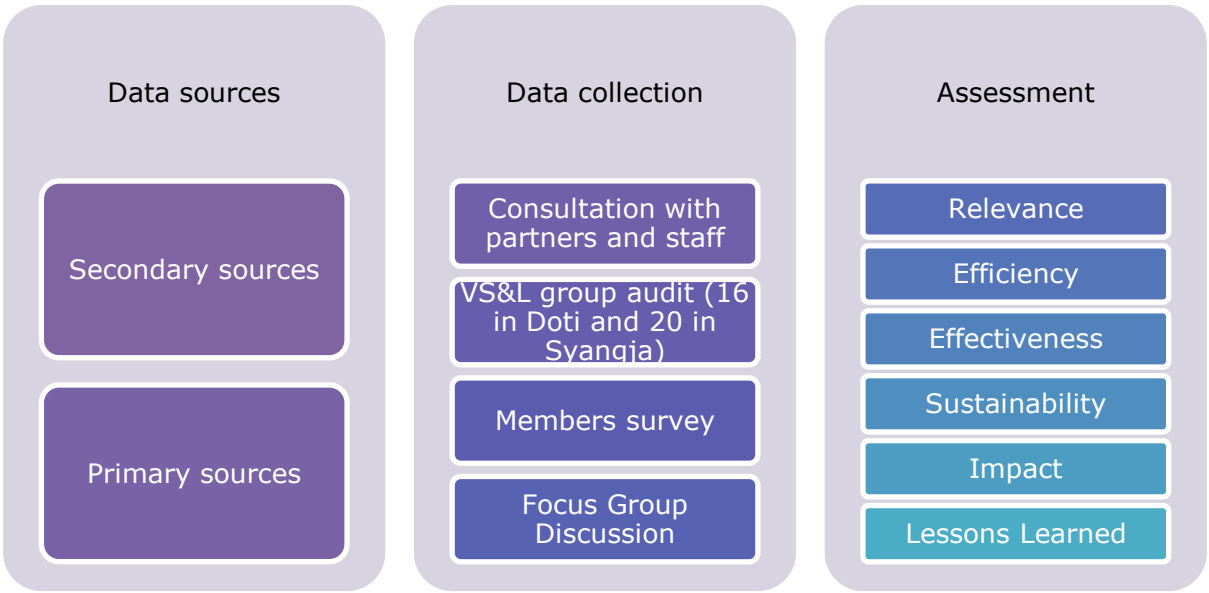
This evaluation drew on a mix of qualitative and quantitative information. The data required for conducting this assignment were obtained both from secondary and primary sources. First hand information about the project were generated through the key person interviews and focus group discussions with following:

- VS&L members (women, men, dalits, youth, elderly)
- Division Cooperatives Office, DDC and district line agencies etc.;
- Partner staffs: Project Coordinators, community social mobilisers and LRPs
- CARE staff (Central Office, Doti Cluster Office and field level staffs).
- Direct observations

Secondary information was obtained from:

- Management Information System (MIS Excel sheets)[2]
- Health diagnosis[3]
- Baseline survey[4]
- Short case studies;
- Project records and monitoring data; project documents and partner organizations' documents;

Figure 2: Methodology of the Evaluation



1.5.2. Data collection methods

Review of relevant documents: Relevant documents will be reviewed that will lead to support further investigations to accomplish the objectives of the study. The study of documents include project document, progress reports, among others. The following documents will be reviewed.

- Savings for empowerment; An assessment of six CARE related savings and credit groups in Nepal and recommendations for improvements For CARE Nepal and CARE Denmark (Financed by FAHU Foundation)-Devendra K. Aryal and Erik Alhøj, GES Investment Services DK (Describing the 30-key-issues-model).
- Grant Agreement between the FAHU foundation and CARE DK and CARE Nepal
- CARE-Nepal, 2008, Detailed Implementation Plan of Village Savings and Loan Association in Nepal (Doti and Syangja).
- CARE-Nepal, 2008, Proposal to extend Post Project Support in CARE Nepal focusing savings and credit program
- Village Savings and Loan Associations (VS&L), Programme Guide Field Operations Manual, Version 3.1-1st November 2007 © VS&L Associates
- CARE-Nepal 2009, Baseline report on Village Savings and Loan Project
- CARE-Nepal, 2008 and 2009 progress reports of PPS and FAHU.
- Management Information System compiled by project team including health diagnosis

[2] Information on MIS was analyzed thoroughly and issues were pursued during interviews and group visits.
[3] Health diagnosis done by the project partners were analyzed to assess the sustainability perspectives and the performance of the groups
[4] While a repetition of the baseline exercise is out of the scope of this evaluation, finding of the baseline study was used for design and for making comparisons wherever possible.

- DFID's Financial Sector Deepening Uganda Project, Savings and Loan Associations pilot Project-West Nile, Project Review report
- CARE-Nepal, 2009, CARE-Nepal's Microfinance strategy to work with savings and credit groups.

Focus group discussions: conducted with VS&L, bank and financial institutions working in the district and other relevant stakeholders.

Performance Review: Review the periodic progress report on VS&L and even the cooperatives promoted by CARE Nepal during the project period.

Organizational assessment: Organizational assessment of VS&L group was done within the framework of 30-key-issues-model included in the study on "Savings for Empowerment" done by Devendra K. Aryal and Erik Alhøj, GES Investment Services DK covering aspects such as project initiation, organization, financials, control and reporting and progression[5].

Individual interviews: was conducted with the VS&L members especially their office bearers and members in selected sites.

Key informant interviews: interview was conducted with CARE staff, VS&L chairperson and others who are working in the issue.

1.5.3.Study Sites

In consultation with CARE Nepal staff in Country Office and Cluster Office in Doti, the evaluation was done in Doti and Syangja district where the project is implemented.

1.5.4.Sample Size

MIS of the Project indicates that of the total 150 (60 in Doti and 90 in Syangja) VS&L group promoted under this project. Thirty six (16 from Doti and 20 from Syangja) VS&L group were selected for in-depth studies within the framework of 30-Key-Issues-Overview for the VS&L Model. The VS&L group was selected based on the result of the VS&L health diagnosis conducted by the partner NGOs of the project in both district. The sample was selected to ensure that (i) well functioning, (ii) not well functioning and (iii) average VS&L groups are included to ensure fairly representative sample.

During field studies organizational and institutional dynamics of these VS&L was analyzed in order to assess their stability and viability. Further, individual interview with some VS&L group members were conducted to gather information on outcomes of various project interventions towards their livelihood improvement.

1.5.5. Data Collection Tools

Information was collected using a mix of data collection tools encompassing both quantitative and qualitative so as to enable a comparison of information collected and find out qualitative justification of quantitative findings. In order to enable proper collection of information required for this study, one checklist and one questionnaire was developed and this checklist/questionnaire was used for gathering required information.

[5]Refer Annex A for the "30-Key-Issues-Overview for the VS&L Model".

1.5.6. Information Processing and Analysis

The information collected from different sources was compiled, consolidated and analyzed. Analysis was done under both quantitative and qualitative assessment framework. The information gathered from different sources was used to assess relevance, efficiency, effectiveness, impact, sustainability, capacity development and partnership and lessons learned from the 30-key-issue model. On the basis of the analysis findings, recommendations on strengthening the perspectives for sustainability of the groups and other similar interventions have been provided.

1.6 Report Organization

This report has been organized into five sections. After this introductory section, section two documents the progresses and performance of the VS&L project. Section three assesses the status of the VS&L groups and that of section four evaluates the project under standard evaluation framework. The report ends with conclusions and recommendations in section five.

2. VILLAGE SAVINGS AND LOAN PROJECT: PROGRESS AND PERFORMANCE

2.1 Overview

CARE International in Nepal is implementing the Village Saving and Loan (VS&L) project with the financial support of the FAHU Foundation for the period of two years from August 2008 – October 2010. The project is focused on livelihood improvement of poor, vulnerable and socially excluded (PVSEs) groups in deprived communities through an adjusted VS&L model in Syangja and Doti districts. This project is implemented through local partners namely Aapasi Sahayog Kendra (ASK) Syangja and Samaj Dewa Doti (SSD) respectively in Syangja and Doti districts.

Table 1: Goal, Objectives and Expected Results of the Project

Goal	To improve the livelihoods of poor rural population groups in selected areas of Syangja and Doti districts mainly through VS&L activities
Objectives	• Establish 150 VS&L and train them to operate according to the principles of CARE Nepal's revised VS&L model and • Document CARE's approach to VS&L in Nepal based on studies and experience in various local Nepalese contexts.
Expected Results	• At least 90% of the VS&L in Syangja and 80% of the VS&L in Doti will operate and function after completion of the project • CARE Nepal's approach to VS&L will be documented, published and made accessible to larger external audience.

Source: Project Progress Report, September 2010

2.2 Project Interventions

The VS&L project encompasses following seven components.

- Orientation on VS&L Project and Strategy,
- Strengthening the capacity of the existing VS&L Groups,
- Mainstreaming PVSE/ Pro-poor focus into existing S&C / cooperatives groups,
- Creating innovative fund for business development service focusing PVSE,
- Cross learning/ Networking/ Market & Expert linkages/ advocacy /Social Audit,
- Monitoring & Evaluation and Documentation, and
- Management and Coordination

Annex A provides in-depth description and assessment of various activities implemented under each of above components.

Table 2: Project Components and Activities

S.N.	Project Components	Activities
1	Orientation on VS&L Project and Strategy	• VS&L Strategy development • Sharing among district level stakeholders • UCP Analysis
2	Strengthening capacity of existing VS&L Groups	• Detail capacity assessment of existing SC groups • Training on management of MFIs • Staff training on social mobilization, governance, saving and credit operation, business and entrepreneurship development, etc. • Field level training on social mobilization and governance, saving and credit operation, financial Management, business and entrepreneur development and leadership development.
3	Mainstreaming PVSE/ Pro-poor focus into existing S&C / cooperatives groups,	• LIP Support to Pro-poor Member of VS&L • Reinforce corporate and social responsibilities of existing S&C Groups • Sensitization camp on saving and credit schemes • Support to create social fund
4	Creating innovative fund	• Subsector analysis,

S.N.	Project Components	Activities
	for business development service focusing PVSE	• Staff training on LIP preparation • Support to poor on LIP • LIP monitoring • Piloting selected LIP initiatives • Pro-poor Revolving Fund through VS&Ls
5	Cross learning/ Networking/ Market & Expert linkages/ advocacy /Social Audit	• Support to advocacy initiatives, • Support office/resource materials for VS&L, • Interactive reflective, sharing & learning meeting at different level, • Support to credit union and apex organization • Social audit • Participation in Microfinance summit
6	Monitoring, Evaluation and Documentation	• Review reflection and sharing workshop at district level, • Startup planning, review and sharing meeting at district and VDC level, • Review, reflection, sharing and Planning at project level, • Support to prepare rules, regulations, guidelines, constitution or operational plan of VS&Ls, • Joint Monitoring by NGO executive / board members/DLAs/CARE, • Program VS&Ls monitoring by Executive Committee, • LRP development and mobilization, • Interaction among VS&Ls within VDCs, • VS&L-Health Diagnosis, • Monitoring of VS&Ls in 30 key issues model by LRPs and review, • Monitoring and Interaction with stakeholders and political parties on VS&L model at VDC level, • Interaction with stakeholders and political parties on VS&L Group model at VDC and District level, • Document best practices and project completion report,
7	Management and Coordination	• Support the cost of field staff Salary and DSA for field staff • Support for office operation and management

Source: VS&L Project

Close scrutiny of various interventions of the project reveal the different features of social banking and have social orientation. Most of the activities included under components such as (i) mainstreaming PVSE/ Pro-poor focus into existing S&C / cooperatives groups, (ii) creating innovative fund for business development service focusing PVSE and (iii) cross learning/networking/market & expert linkages / advocacy / social audit were not relevant and effective to support the growth and development of VS&L groups.

2.3 Operation of the VS&L Groups

2.3.1. Operational Process

Operations of VS&L[6] are very simple which is based on mutual trust and confidence of group members. As a democratic body, all members have equal opportunity to speak and express their opinions. Any decisions taken in VS&L groups are made unanimously after through discussion among them. Financial transaction including the purpose of loans provided is need based, prioritization among different purposes and members' collective decisions. The interest rate or service charge charged varies widely among different VS&L groups. Even though in some VS&L interest rate charged is higher than formal credit systems, borrowers are willing to pay higher interest rate as this is still far less than the interest rate charged by local money lenders. At the same time, members can access services in time and benefit of the higher interest rate goes to VS&L group itself. The terms and lending norms, such as cost, repayment, interest rates, etc., are often different from lending procedure followed by formal credit institutions. VS&L group

[6] Status of VS&L groups by gender and ethnicity is provided in Annex 2 and 3.

members have received financial services at a varying degree through internal capital generated by them.

2.3.2. Area and Membership

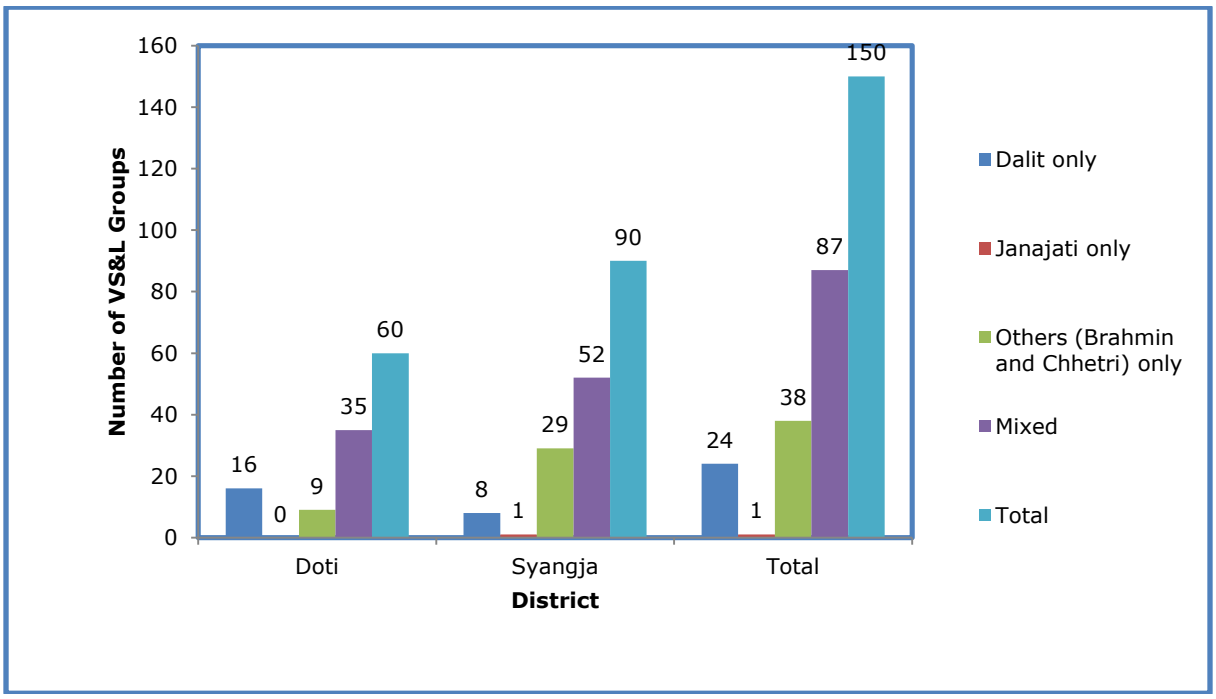
In over 95% of the VS&L groups, there was one member of the households below the poverty line representing as a group member. These groups have provided special emphasis to include families that are landless, poor and disadvantaged. There are also cases where some VS&L groups have included all the households in the settlement into their group. Though the VS&L are promoted exclusively for savings mobilization and enhancing access to financial services for promoting income generating activities, there are some VS&L groups that are implementing the component/s of integrated rural development initiatives such as governance, rural infrastructure development, cash crop promotion, natural resource management and participatory development.

The project has supported organization and development of 150 (60 in Doti and 90 in Syangja) VS&L groups in the project districts. Number of members in the VS&L groups ranges between 15 and 155 with an average of 32 members. Drop-out of existing members and joining of new members are common phenomenon in the VS&L. Drop-out of the members in the VS&L group was very low (less than 1%). Number of members entered in VS&L group over the last one year range between 0 and 75 with an average of 1 member joining per VS&L group. In general, they are the left-out members from the same community. Each VS&L group has four executive committee members comprising of chairperson, secretary, treasurer and controller and these executives are democratically elected to manage their day to day operation.

2.3.3. Equity and Access

The VS&L groups are either woman only or mixed. Alternatively they are Dalit only, Janajati only, other (Brahmin and Chhetri) only and mixed (Dalits, Janajaties and others) VS&L groups. In general, the VS&L groups with mixed ethnicity expressed their interest to include as many Dalits and Janajaties as possible.

Figure 3: VS&L Groups by Ethnicity



Two conflicting cases regarding inclusion of Dalits and Janajaties are evident. First, there are instances in Syangja where some Dalits expressed their reluctance to be general member of VS&L groups with mixed ethnic groups. Second, there are cases in Doti where Dalits expressed their willingness to participate in the VS&L groups but concerned groups were reluctant to include them in their groups on the basis that they have low propensity to save and are not very much disciplined. Thus, there are still some members of the community that has been excluded of being VS&L group member.

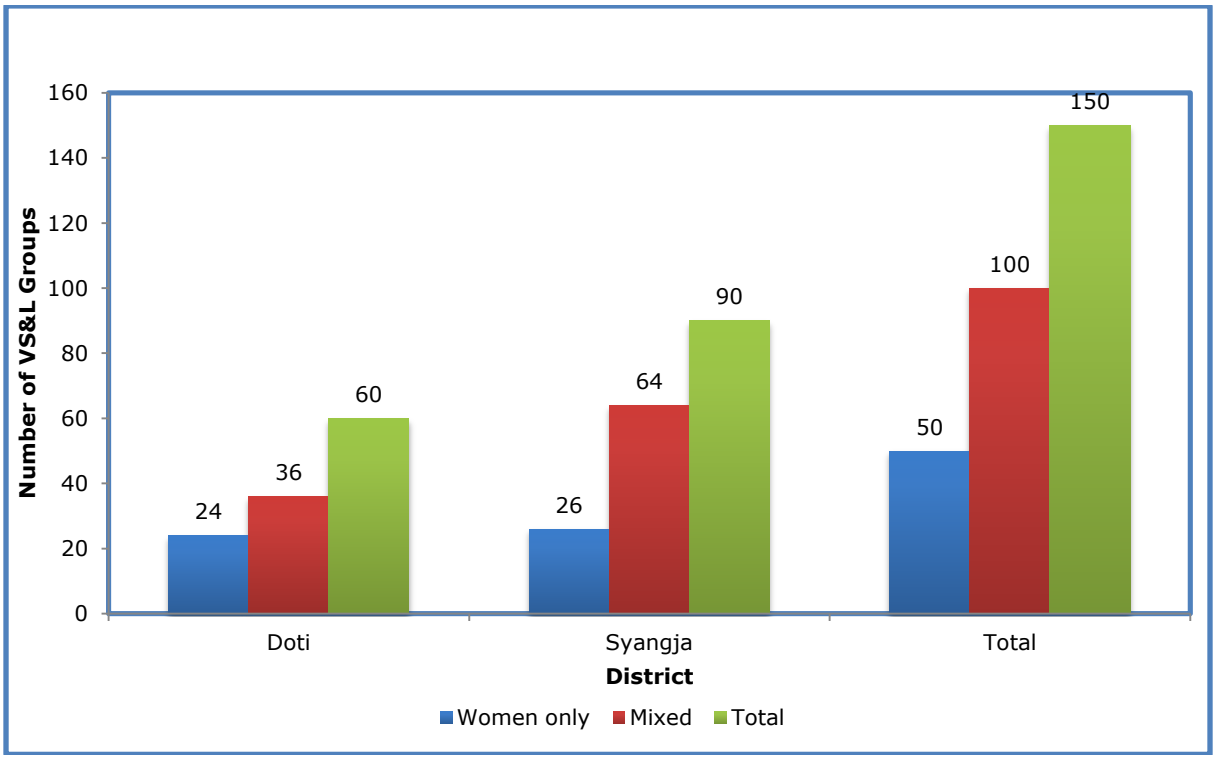
Table 3: Equity and Access in the VS&L Groups

District	VS&L Group Type (No)	Ethnicity of VS&L Group (No)				
		Dalit	Janajati	Mixed	Other	Total
Doti	Mixed	6	-	26	4	36
	Women	10	-	9	5	24
	Sub-total	16	-	35	9	60
Syangja	Mixed	7	1	32	24	64
	Women	1	-	20	5	26
	Sub-total	8	1	52	29	90
Total	Mixed	13	1	58	28	100
	Women	11	-	29	10	50
	Total	24	1	87	38	150

Source: Field Survey October – November 2010

Of the 150 VS&L groups, 50 were women only groups and remaining 100 were mixed groups. Further, of these groups, 24 were Dalit only, 1 was Janajati only, 38 were other (Brahmin and Chhetri) only and 87 were mixed VS&L groups.

Figure 4: VS&L Groups by Gender



There are a total 5,751 members in the 150 VS&L groups. Of the total members, 84% are women, 39% Dalits, 8% Janajaties and 53% others (Brahmin and Chhetri) indicating the success of the project on reaching women but unable to serve the dalits and janajaties significantly.

Figure 5: VS&L Groups Members by Sex (Percentage)

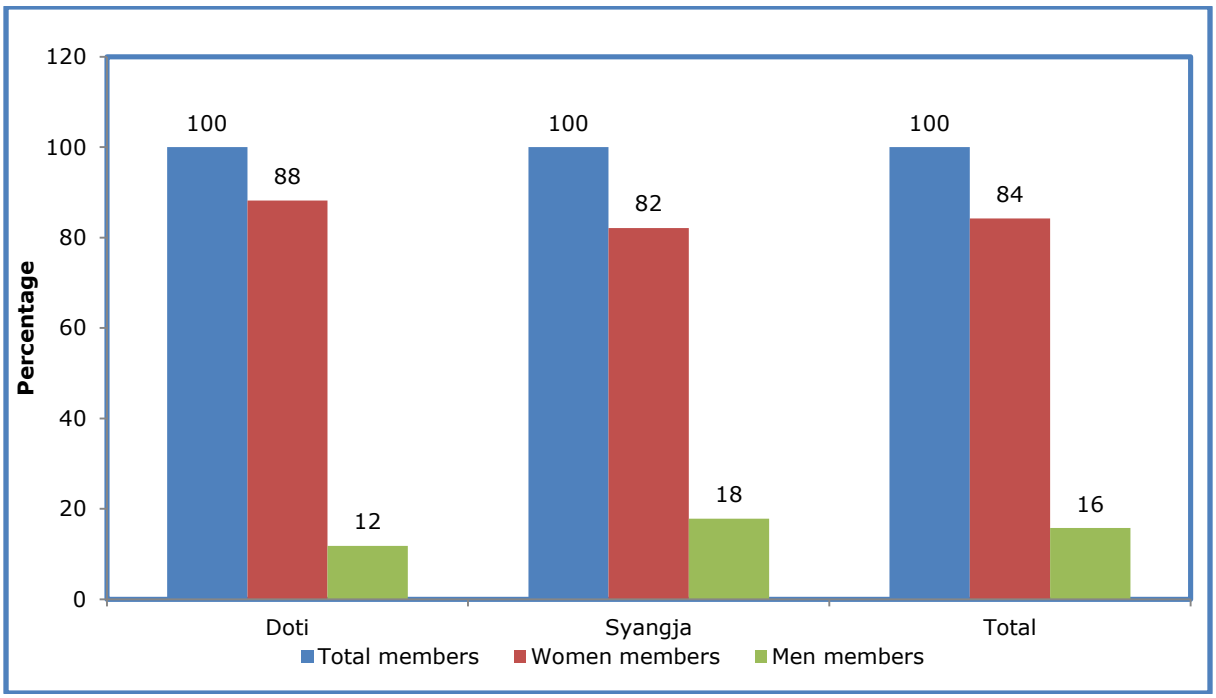


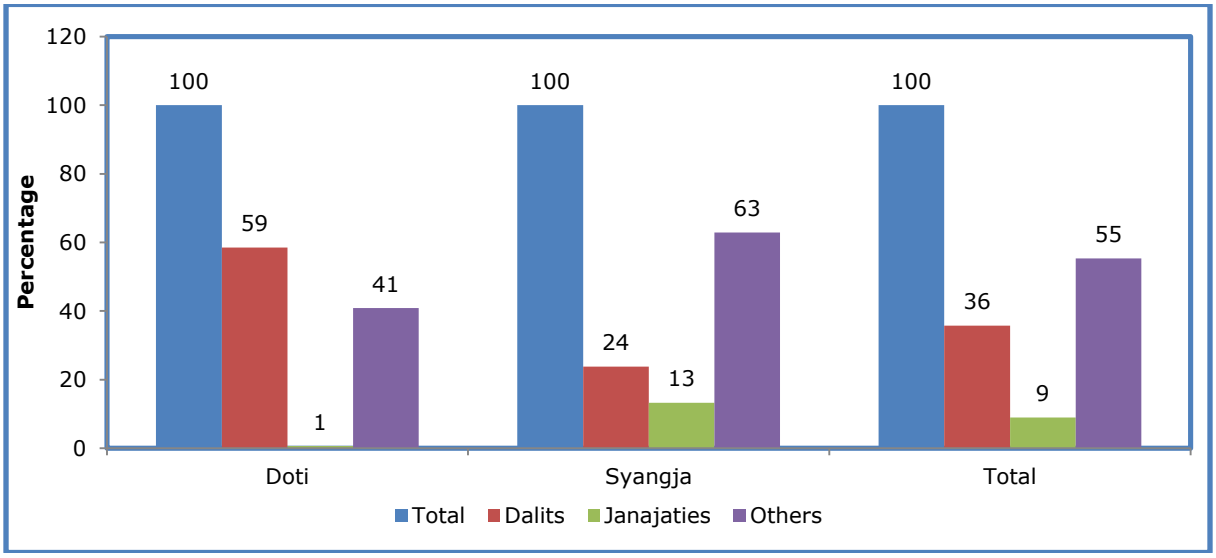
Table 4: Equity and Access in the VS&L Group Members

VS&L Group Type	Ethnicity of VS&L Group	Total Members					
		Women	Dalit	Janajaties	Others	Total	% of Total
Mixed	Dalit	298	368	0	0	368	6
	Janajati	604	399	54	308	761	13
	Mixed	1,099	338	220	866	1,424	25
	Other	1,332	547	10	1,171	1,728	30
	Total	3,333	1,652	284	2,345	4,281	74
	Percent	58	29	5	41	74	
Women	Dalit	303	303	0	0	303	5
	Mixed	898	299	153	446	898	16
	Other	269	0	0	269	269	5
	Total	1,470	602	153	715	1,470	26
	Percent	26	10	3	12	26	
Total	Dalit	601	671	0	0	671	12
	Janajati	604	399	54	308	761	13
	Mixed	1,997	637	373	1,312	2,322	40
	Other	1,601	547	10	1,440	1,997	35
	Total	4,803	2,254	437	3,060	5,751	100
	Percent	84	39	8	53	100	

Source: Field Survey October – November 2010

Each VS&L has four member executive committee comprising positions such as Chairperson, Secretary, Treasurer and Controller. Most VS&Ls have elected relatively matured person with leadership quality as chairperson while they have provided special attempt to include more educated women as secretary, treasurer and controller. 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 the books of accounts and savings and loan ledgers, and make an entry in pass-book of members and controller oversees entire group operation and management process and assist to speed-up group operation process.

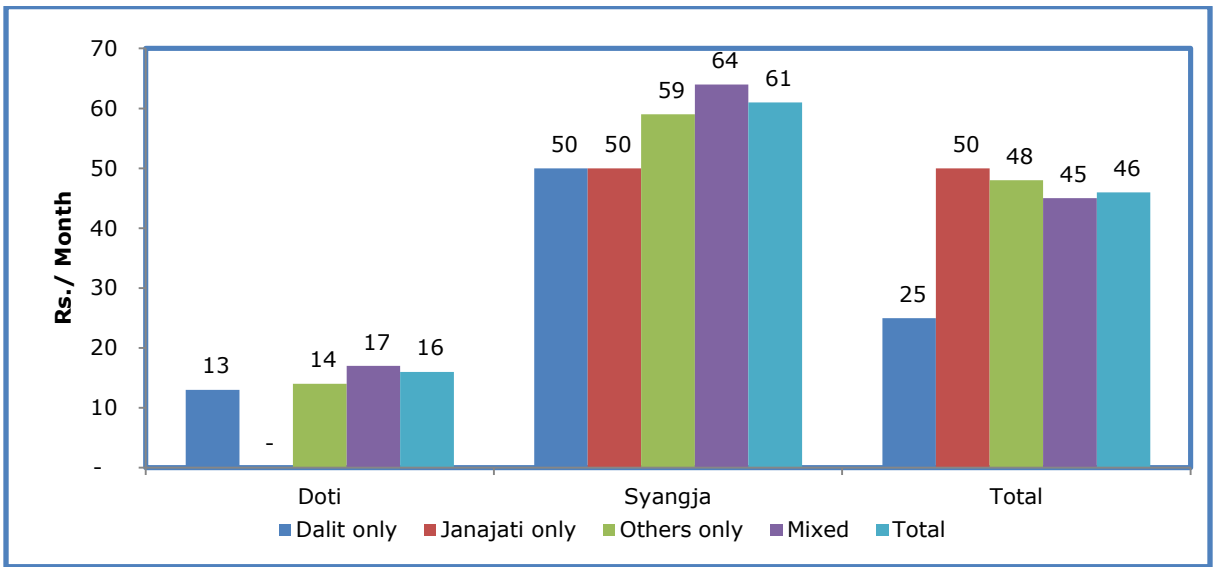
Figure 6: VS&L Groups Members by Ethnicity (Percentage)



2.3.4. Savings Mobilization

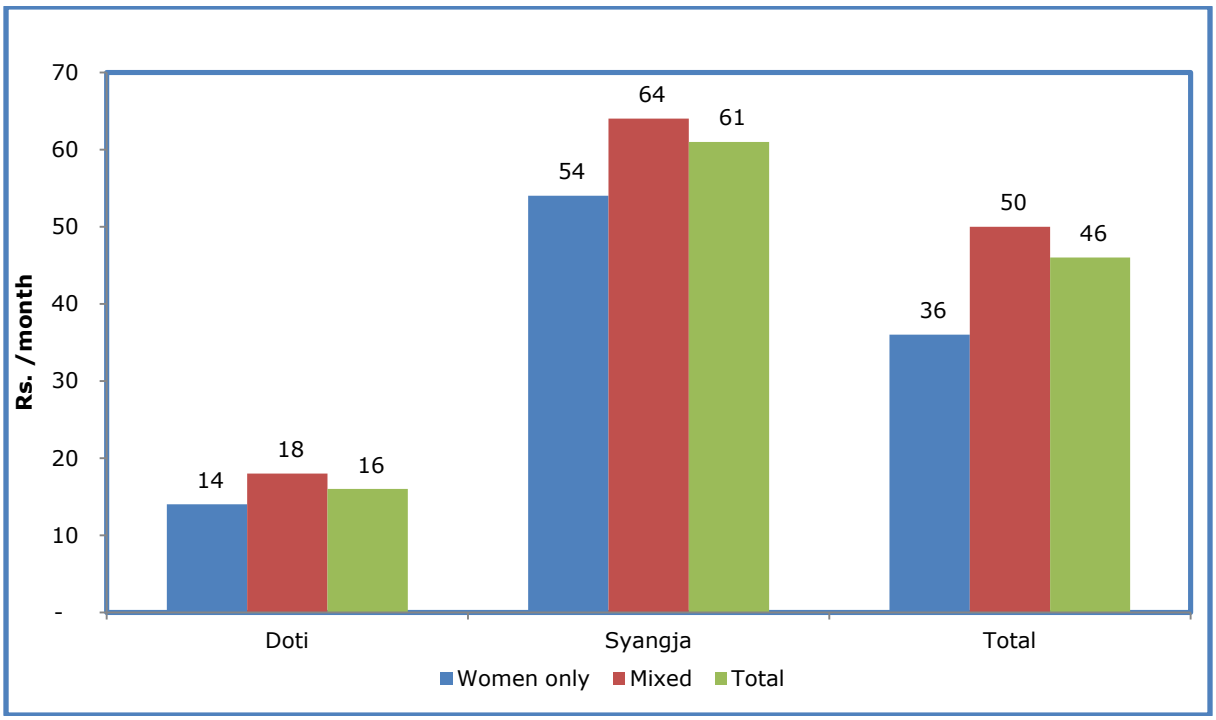
Savings mobilization is one of the important activities undertaken by VS&L from their members. VS&L groups are motivated to increase participation of people their members in the savings mobilization activities. In general there is only one savings product (monthly regular savings) in these VS&L groups, there are cases where 13 more advanced groups in Syangja have practiced voluntary savings scheme.

Figure 7: Average Monthly Savings Rate by Ethnicity



Al the members of the VS&L group have participated in savings scheme and their monthly savings contribution ranges between Rs. 5 and Rs. 100 with an average of monthly savings of Rs. 43. Average monthly savings is lowest among Dalit only VS&L groups (Rs. 34) and highest on others (Brahmin and Chhetri) only VS&L group (Rs. 57). Average monthly savings rate is higher among Janajati only groups (Rs.57) compared to Mixed (Rs. 44) groups. There exist evidences among VS&L groups that savings have increased over time and that many groups have gone from as little as Rs. 5 or Rs. 10 to even Rs. 50 and Rs. 100 per month. This is a positive indicator of increased trust in VS&L operation.

Figure 8: Average Monthly Savings Rate by Sex



Average total savings balance of VS&L members was Rs. 1,869 and average savings of women VS&L members was Rs. 1,678. Further, average savings was higher among women in mixed VS&L groups (Rs. 1,940) compared to women only VS&L groups (Rs. 1,746). Average savings among VS&L group members was lowest in Dalit only groups (Rs. 907) and highest in mixed groups (Rs. 2,098). Competition has been observed among VS&L group members on amount of monthly savings contribution in the mixed group compared to VS&L groups that are homogenous with respect to ethnicity.

Table 5: Savings Mobilization in VS&L Groups by Gender

VS&L Group Type	Ethnicity of VS&L Group	Savings Mobilization (Rs.)		Average Savings Balance (Rs.)		
		Total	Women	Total	Women	VS&L
Mixed	Dalit	526,514	391,917	1,431	1,315	19,501
	Janajati	37,540	24,800	853	800	37,540
	Mixed	4,412,028	3,211,871	2,260	1,940	54,469
	Other	1,960,246	1,426,647	2,178	2,044	34,390
	Total	6,936,328	5,055,235	2,125	1,884	41,785
	Percent	78	57			
Women	Dalit	82,231	82,231	271	271	5,482
	Mixed	1,568,325	1,568,325	1,746	1,746	38,252
	Other	261,303	261,303	971	971	9,332
	Total	1,911,859	1,911,859	1,301	1,301	22,760
	Percent	22	22			
Total	Dalit	608,745	474,148	907	789	14,494
	Janajati	37,540	24,800	853	800	37,540
	Mixed	5,980,353	4,780,196	2,098	1,872	49,019
	Other	2,221,549	1,687,950	1,900	1,746	26,136
	Total	8,848,187	6,967,094	1,869	1,678	35,393
	Percent	100	79			

Source: Field Survey October – November 2010

Average savings balance among the VS&L groups was Rs. 35,393 (Rs. 22,760 among women only groups and Rs. 41,785 among mixed groups).

2.3.5. Loanable Fund

Loanable fund for the VS&L groups consist of members savings, retained earnings, external debts and social fund. Average loanable fund of these VS&L groups was Rs. 48,587 (Rs. 56,444 for mixed groups and Rs. 33,059 for women only groups). The loanable fund is lower in Dalit only and Other (Brahmin and Cheetri) only VS&L groups compared to Janajati only and mixed VS&L groups.

Table 6: Loanable Fund in VS&L Groups

VS&L Group Type	Ethnicity of VS&L Group	Savings	Retained earning	External grants	External debt	Social Fund	Total	Average per VS&L Group
Mixed	Dalit	526,514	155,391	336,736	-	80,996	1,099,637	40,727
	Janajati	37,540	2,407	-	-	6,067	46,014	46,014
	Mixed	4,412,028	300,330	542,018	80,000	220,204	5,554,580	68,575
	Other	1,960,246	139,553	266,314	200,000	103,423	2,669,536	46,834
	Total	6,936,328	597,681	1,145,068	280,000	410,690	9,369,767	56,444
Women	Dalit	82,231	7,558	92,770	-	24,145	206,704	13,780
	Mixed	1,568,325	176,559	183,000	-	217,830	2,145,714	52,334
	Other	261,303	44,453	85,588	-	33,222	424,566	15,163
	Total	1,911,859	228,570	361,358	-	275,197	2,776,984	33,059
Total	Dalit	608,745	162,949	429,506	-	105,141	1,306,341	31,103
	Janajati	37,540	2,407	-	-	6,067	46,014	46,014
	Mixed	5,980,353	476,889	725,018	80,000	438,034	7,700,294	63,117
	Other	2,221,549	184,006	351,902	200,000	136,645	3,094,102	36,401
	Total	8,848,187	826,251	1,506,426	280,000	685,887	12,146,751	48,587

Source: Field Survey October – November 2010

VS&L groups must mobilize the loanable funds for providing loans to their members on the terms and conditions agreed by the VS&L members in their monthly meeting and annual general assembly. Through savings is one of the reliable and sustainable sources of loanable fund for VS&L groups, there groups are using the external grants provided by CARE and other donor agencies like PAF (case of Doti) as a loanable fund to intensify and institutionalize their microfinance operation.

2.3.6. Lending Operation

Lending operation in VS&L starts with internal lending of loanable funds including the savings collected from members. They pool the savings from members and use the savings thus pooled among members for meeting their emergency needs for capital and financing for income generating activities. VS&L groups have used the loanable funds for providing loans to their members.

Figure 9: Borrowing Status of VS&L Group Members

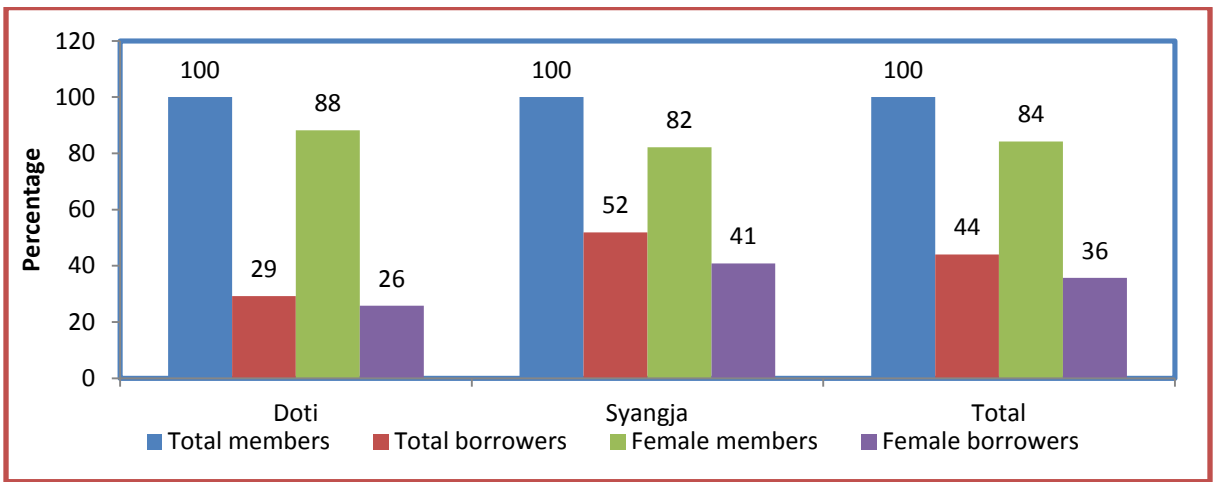


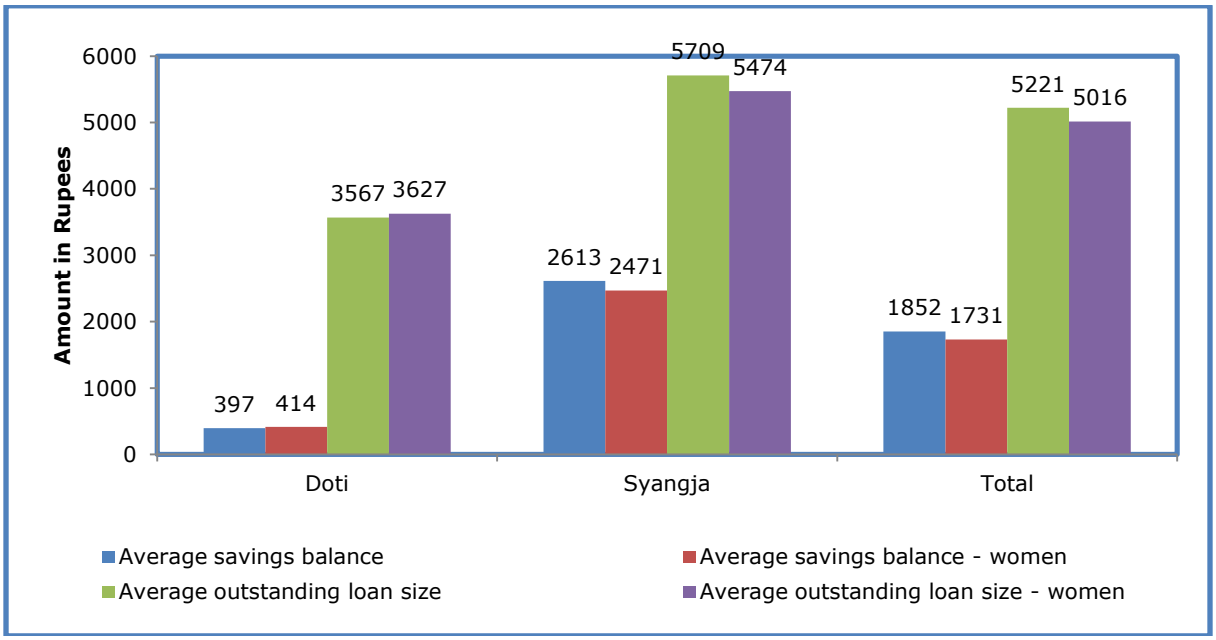
Table 7: Outstanding Loan Balance, Active Loan Clients and Average Loan Size

VS&L Group Type	Ethnicity of VS&L Group	Outstanding Loan Balance (Rs)		Active Loan Clients (No)		Average Loan Size (Rs)	
		Total	Women	Total	Women	Total	Women
Mixed	Dalit	998,809	776,376	215	161	4,646	4,822
	Janajati	39,400	25,000	6	4	6,567	6,250
	Mixed	5,150,282	3,661,297	922	697	5,586	5,253
	Other	2,398,236	1,687,862	436	323	5,501	5,226
	Total	8,586,727	6,150,535	1,579	1,185	5,438	5,190
Women	Dalit	161,080	153,600	80	79	2,014	1,944
	Mixed	1,879,420	1,880,320	340	340	5,528	5,530
	Other	367,463	367,463	107	101	3,434	3,638
	Total	2,407,963	2,401,383	527	520	10,975	11,113
Total	Dalit	1,159,889	929,976	295	240	3,932	3,875
	Janajati	39,400	25,000	6	4	6,567	6,250
	Mixed	7,029,702	5,541,617	1,262	1,037	5,570	5,344
	Other	2,765,699	2,055,325	543	424	5,093	4,847
	Total	10,994,690	8,551,918	2,106	1,705	5,221	5,016

Source: Field Survey October – November 2010

Of the total VS&L group members, there has been access to loan services to 44.5% and 41.1% of total members and women members in the VS&L groups respectively. Further, average outstanding loan size was Rs. 5,221 and Rs. 5,016 among total members and women members in VS&L groups respectively. This indicates that while the breadth of outreach is low among women VS&L members, the depth of outreach more deep among lower among women members than total VS&L group members.

Figure 10: Depth of Microfinance Services among VS&L Group Members



2.4 Governance and Responsibilities

VS&L groups 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, 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 are basis feature determining the governance and responsibility of VS&L groups. Most of VS&L groups are operating based on simple operating rules and regulations agreed, decided and recorded in their meeting and general assembly. Their operation is guided by their constitution. The VS&L groups operate on voluntary basis and in general managed by their executives.

2.5 Financial System

2.5.1. Book Keeping and Accounting System

CARE Nepal has provided the pro-forma ledgers to enable VS&L groups to record their decisions, savings mobilization and loan operation. These VS&L group have meeting register, attendance register, savings ledger and loan ledger, financial transaction register and financial control summary register. All the VS&L have distributed pass-book to their members. The social mobilisers supported by the project through partner NGOs and Local Resource Person (LRP) working at the local level assist the VS&L groups for book keeping and accounting.

2.5.2. Income and Expenses

In general VS&L on-lend the loanable fund (i.e. savings, interest income, other income, etc.) at interest rate ranging between 12% and 24% per annum. The interest thus earned is the operating income of VS&L. There is other income that VS&L earns through their transaction through levying fines and penalties. Operating expenses of VS&L is quite low as CARE Nepal provides most of the stationeries and other supplies required for VS&L group operation. The income earned by VS&L group has been used for meeting some stationary cost and buying lucks for their box[7]. All the works related to group management and book keeping/accounting are done free of cost by VS&L executives. Thus, so far almost all VS&L surveyed were operating quite efficiently. Balance (i.e. net operating income) has been used to distribute bonus to their members. So far bonus is distributed equally among VS&L members irrespective of their loan size and amount savings balance of the VS&L members has been used as a basis for bonus distribution.

Table 8: Income and Expenses of the VS&L Groups

S.N.	Particulars	Unit	Average income and expenses (Rs.)				
			Dalit	Janajati	Others	Mixed	Total
1	Interest income	Rs.	4,910	3,707	4,837	5,467	5,206
2	Other income	Rs.	2,138	-	6	217	469
3	Expenses	Rs.	263	1,300	5	203	170

[7] There are cases where some VS&L groups in Syangja and Doti has used part of their operating income to buy basic stationeries required for their operation.

4	Net Income	Rs.	6,785	2,407	4,837	5,480	5,506

Source: Field Survey October – November 2010

Interest income and other income is high among Dalit only groups, this is followed by mixed groups and other groups. This is mainly due to more grant (LIP) received by Dalit only groups compared to other groups. It is lowest among Janajati only groups. Each VS&L have net operating income. In general concerned VS&L groups 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 VS&L members.

2.5.3. Assets and Liabilities

Savings and loan ledger and fund flow statement ledgers maintained by VS&L group provide them an easy way 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 VS&L their ledgers, 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.

Assets of the VS&L include cash balance, bank balance, outstanding loan balance, and others. Average total asset of these VS&L groups was Rs. 80,976 and it was highest among the mixed groups. CARE has supported the VS&L groups in kind in the form of box, calculator etc. to VS&L, these supports are yet to be monetized/valuated and included as fixed asset in balance sheet of these VS&L groups[8].

Table 9: Balance Sheet of the VS&L Groups

S.N.	Particulars	Unit	Average by VS&L Group Type (Rs.)				
			Dalit	Janajati	Others	Mixed	Total
A	**Assets**	Rs.	54,427	46,014	81,418	88,508	80,976
1	Cash balance	Rs.	3,129	6,614	5,918	5,926	5,481
2	Bank balance	Rs.	917	-	869	764	810
3	Outstanding loan balance	Rs.	48,329	39,400	72,782	80,801	73,298
4	Other	Rs.	2,053	-	1,850	1,016	1,387
B	**Liabilities**	Rs.	25,364	37,540	63,725	69,659	60,855
1	Savings Balance	Rs.	25,364	37,540	58,462	68,740	58,988
2	External debt	Rs.	-	-	5,263	920	1,867
C	**Equity**	Rs.	29,062	8,474	17,694	18,849	20,121
1	Capital grant	Rs.	17,896	-	9,261	8,334	10,043
2	Social fund	Rs.	4,381	6,067	3,596	5,035	4,573
3	Retained earning	Rs.	6,785	2,407	4,837	5,480	5,506
D	**Liabilities and Equity**	Rs.	54,427	46,014	81,418	88,508	80,976

Source: Field Survey October – November 2010

Liabilities of the VS&L include savings balance and external debt. Average total liability of these VS&L groups was Rs. 60,855. The average total liability was highest in the mixed group, followed by other only group and Janajati only group. It was lowest in the Dalit only groups.

Likewise, equity (net worth) of the VS&L includes capital grant, social fund and retained earnings. Average total equity of these VS&L groups was Rs. 20,121. The average total equity was highest in the Dalit only groups followed by other (Brahmin and Chhetri) only groups and mixed group. It was lowest in the Janajati only group.

[8] This is important to institutionalize and ensure transparency on exact amount of material support provided by CARE to the VS&L groups. Such a practice will minimize/avoid mis-use of the support in VS&L groups, especially when leadership changes.

2.6 Project Performance

Overall performance of the VS&L project has been assessed in four different dimensions: outreach, efficiency, effectiveness and portfolio quality as under.

2.6.1. Outreach

Outreach of the project is assessed based on indicators such as average VS&L size, outreach to women, average savings balance and average outstanding loan size.

Average membership in the VS&L groups is 32, highest (44) in Janajati only and lowest (28) in Dalit only group. Average size of the VS&L group is higher than the standard size of 10-20 members envisaged in the original VS&L model. It has been observed that larger groups are difficult to manage. In Syangja, there are VS&L group with 155 and 119 members[9] which are in no-way manageable. Since poor management and longer time required for conducting VS&L group brings frustrations among the VS&L group, partner NGOs must be oriented to fine-tune VS&L group to bring them at the manageable size.

Table 10: Outreach Indicators of the Project

S.N.	Indicators	Unit	Amount by Group Type				
			Dalit	Janajati	Others	Mixed	Total
1	Average membership in VS&L group	No	28	44	30	34	32
2	Proportion of women	%	90	70	80	85	84
3	Average savings balance	Rs.	907	853	1,962	2,040	1,852
4	…..savings balance (women)	Rs.	788	800	1,872	1,919	1,731
5	Average outstanding loan balance	Rs.	3,932	6,567	5,093	5,570	5,221
6	….. Outstanding loan balance (women)	Rs.	3,875	6,250	4,847	5,344	5,016

Source: Field Survey October – November 2010

Higher participation of women (84%) in VS&L group is one of the strong aspects of the project. Proportion of women is high (90%) in Dalit only groups, followed by mixed (85%) groups and Others' only (80%) groups. It is lowest in Janajati (70%) only group. Average savings balance is Rs. 1,852 (for total) and Rs. 1,731 (for women) and it is highest among mixed group (total and women), followed by other only groups and Janajati only groups. It is lowest in Dalit only group. Average outstanding loan balance is Rs. 5,344 (for total) and Rs. 5,016 (for women) and it is highest among Janajati (total and women), followed by mixed group and other only groups[10]. It is smallest in Dalit only group. There exists evidence that VS&L groups are gradually meeting the financial need of their members.

2.6.2. Efficiency

Considering the level of development and institutionalization of the VS&L groups, their efficiency are assessed based on capital mobilization rate and resource use efficiency.

Table 11: Efficiency of the Project

S.N.	Indicators	Unit	Amount by Group Type				
			Dalit	Janajati	Others	Mixed	Total
1	Capital mobilization rate	%	89	86	89	91	91
2	Resource use rate	%	165	174	191	191	188

Source: Field Survey October – November 2010

[9] This is a reporting and understanding error. Actually they should be not treated as VS&L groups but project partner in Syangja has reported such a big organization as VS&L group.

[10] This indicates that women prefer to borrow small size of loan compare to men. Further, participation of women mean equal influence of women in women only groups and not in the mixed groups.

In general VS&L groups are not very efficient on capital mobilization. In community based banking, the capital mobilization rate is expected to be over 95%, however, in the VS&L groups promoted by the project capital mobilization rate is estimated at 91%, highest in mixed groups (91%), followed by Dalit only (81%) and Others only (89%) groups. It is lowest in the Janajati only (86%) groups. Savings are increasing and thus if that trend continues, higher capital mobilization rate can be expected. Resource use rate, defined as the number of time resource has been multiplied within the group, was 188%. This means that on an average VS&L groups are able to use the resource almost two times. Resource use rate is high in Others' only and Mixed (210%) groups, followed by Janajati only groups (174%) and Dalit only (165%) groups.

2.6.3. Effectiveness

It is too early to assess the effectiveness of the VS&L groups on enhancing access to financial service to the excluded groups. In view of this the effectiveness of the VS&L groups promoted by the project are assessed using the indicators like benefit and cost ratio and resource productivity.

Table 12: Effectiveness of the Project

S.N.	Indicators	Unit	Amount by Group Type				
			Dalit	Janajati	Others	Mixed	Total
1	Benefit Cost Ratio	%	2,685	285	92,003	2,794	3,339
2	Resource productivity	%	12.9	8.1	5.9	6.4	7.0

Source: Field Survey October – November 2010

Benefit cost ratio of VS&L group operation was very high as these groups have only interest income and there are no expenses. The resource productivity, defined as the ratio of total income earned to total loanable fund and expressed in percentage, of the VS&L groups was estimated at 7.0%. It is highest among Dalit only (12.9%) groups, followed by Janajati only (8.1%) groups, and Mixed (6.4%) groups. The other only groups (5.9) have the lowest resource productivity. The low resource use productivity indicates either of the following cases: (i) VS&L groups are extending loan for longer period, (ii) there is problem on interest recovery from borrowing members and (iii) there is high overdue build-up of loan and (iv) combination of any two or all of the three situations.

2.6.4. Portfolio Quality

Portfolio quality is one of the critical factors determining the eventual success of the VS&L groups. However, this is an area where neither partner NGOs nor their staff is adequately sensitized. Measuring portfolio quality using indicators such as portfolio in arrears, portfolio at risk and reserve ratio is quite new among key actors of the project.

Table 13: Portfolio Quality in the VS&L Group Promoted Under the Project

S.N.	Indicators	Unit	Amount by Group Type				
			Dalit	Janajati	Others	Mixed	Total
1	Overdue rate	%	-	-	-	0.1	0.1
2	Repayment rate	%	100	100	100	100	100

Source: Field Survey October – November 2010

It has been reported that lending operation of the VS&L groups have almost 100% on-time repayment rate. However, during field study it has been found that there has been serious reporting error and there is gradual tendency on overdue build-up. Both the executives of the partner NGOs and their staff need to be adequately sensitized on different dimensions of portfolio quality and portfolio management among VS&L groups.

3. STATUS OF VILLAGE SAVINGS AND LOAN GROUPS: ASSESSMENT

3.1 Context

A total of 36 VS&Ls (20 in Syangja and 16 in Doti) promoted by the project in Syangja and Doti districts were surveyed during field studies undertaken in the course of this evaluation. Though these groups are promoted by different agencies in the past, partners of CARE Nepal in Syangja and Doti districts have provided intensive support to these groups under modified VS&L framework in order to develop their operational and management capacities. Status of the VS&L groups surveyed was assessed in term of 30-key-issue model as under.

3.2 Project Initiation

3.2.1. Organization

CARE Nepal is the promoting institution and external capital provider for VS&L project design and implementation in these districts. Government support for the programme is either minimum or none. During project implementation, linkages have been established with different government and non-government institutions both at district and local level. The project has been rather weak to established linkages and networking with national level institutions. The role of each actor has been clarified at the beginning of project implementation.

3.2.2. Project Purpose

Overall purpose of the project has been supporting household security through savings, income generation through investments, social security for most poor and members experiencing emergencies etc. There has been greater focus to include the poor and excluded in the VS&L.

3.2.3. Members

The project has been implemented using the area based holistic approach wherein efforts have been made to include poor individuals and households of the localities into the VS&L group with especial focus to include women in the group. Members are self selected based on and gender criteria have been properly internalized with greater focus to bring women members in their VS&L group. Unlike the VS&L member size of 10-20 members per VS&L prescribed in the standard VS&L model, group size is relatively large in both the project districts surveyed during evaluation. In general, group size of up to 30 is normal in the VSLA model, but world experience shows that at 30, groups tend to break up naturally and split into two.

3.2.4. Awareness Raising

The VS&L are formed with series of preparatory meetings with community leaders and administration officials, introductory meeting with the community and preliminary meeting with potential members. The groups were formed only upon receiving consensus with VS&L members prior to formation. Implementing partners have duly acknowledged the importance of being aware with the special local conditions.

3.2.5. Facilitation

Pursuant of the original VS&L modalities though an external social mobiliser should in one year help for VS&L by training and organizing the groups thereby attending 15-21 meetings and requirement that after one year the association should manage its own affairs, and the social mobiliser should visit the SCG about once every third month to

monitor the process and results. However, instead of visiting 15-21 times, social mobilisers have visited more times to support and strengthen the VS&L groups. Considering the current capacity (high illiteracy) of the group members and on the request of concerned group, external social mobilisers are working more frequently and require to continuing work in future. Executives of more than 60% groups in Syangja and 70% in Doti are unable to manage their affairs independently.

Partner NGOs engaged social mobilisers in a designated working area to support local people on various aspects of VS&L group formation and capacity development. Social mobilisers were involved on providing technical backstopping support. They are neither involved on managing the activities nor ever touch the money. The mobilisers supported VS&L on maintaining books of account and training their executives on operational management including book keeping and accounting.

3.3 Organization

3.3.1. Rules and Constitution

All the VS&L has a constitution[11] that outlines the VS&L operation and management. The constitution is charged on the first general assembly by at least 2/3 of the members. The final version is signed by all members with fingerprints in case of all non-literate members. It has been found that even the non-literates have remembered few rules in the constitution. All the 36 VS&L surveyed during field studies has kept the paper version of the constitution which was available in case of misunderstandings and discussions. The field study team has an opportunity to review the constitution of the VS&L groups surveyed. It has been found that the constitution was discussed frequently in VS&L meeting and is being amended if required. It has been found that constitution of all the VS&L groups needs to be reviewed and amended through the earliest VS&L group meeting or general assembly (GA).

3.3.2. General Assembly

In general all the VS&L conduct general assembly to check the adoption of constitution and election of local management committee (MC). Since all members are present in the monthly meeting, such a meeting itself works as a general assembly in the VS&L groups surveyed. In general all members will have right to one vote in GA and have right to propose the issues to be discussed. Though GA meant to review the performance of management committee if they don't do the work well, it has to be placed by a new committee elected by the GA, but the need for such case arise only on few VS&L groups. In most VS&L groups, it is the GA and not the MC that is responsible for setting rules and regulations. In all the VS&L, the policy and implementation related decisions are made in monthly group meeting.

3.3.3. Local Management

VS&L groups are managed by its own democratic elected members. Though the MC should be changed at least once a year through elections on GA, the awareness of the VS&L on their rights to change the MC is yet to be increased and almost all the VS&L groups have yet to exercise this responsibility. The MC members also serve function such as chairperson, secretary, treasurer and controllers.

Most VS&L groups lack MC members who can perform their duties and responsibilities as envisaged. Practices of nominating at least two candidates for each function are the topic of discussion in all VS&L groups, but there is lack of competent association members who can be nominated for each of the functions. In most of the mixed groups, at least

[11] This is a written document that defines the goals, purposes, rules and governance of the VS&L.

two members out of four in the MC are females. In very few mixed with over 90% men, there is either no women or only one women (max) member in the MC of these VS&L groups. The members provide frank and candid opinion in the VS&L group meeting.

3.3.4. Job Functions

The core function of the VS&L group has been geared towards savings mobilization and use of the accumulated savings for loan operation. There are cases where some VS&L groups are also engaged to plan, demand and implement the different community development, income generating and enterprise development program for different agencies working at local level. Each VS&L group surveyed have maintained four registers: savings and loan register, VS&L operation (attendance, debt and collateral sheet) register, cash flow and balance sheet register and transaction summary register. Each VS&L group has elected four member executive committee namely chairperson, secretary, treasurers, and controllers with clearly defined role (function) and responsibilities especially in relation to keeping above registers up-to-date.

Table 14: Function of the VS&L Executives

Position	Responsibilities
Chairperson	Manage the savings and loan register and overall leadership of the meeting.
Secretary	Undertake meetings attendance, update debt sheet and collateral sheet.
Treasurers	Receive and receive savings and any other payments of the members, sign in pass book, prepare cash flow statement and balance sheet.
Controller	Prepare transaction summery of the day and oversee overall group operation and management.

Member saves regularly in their VS&L group on monthly meeting and decision related to loan disbursement, recovery and fund management takes place on monthly meeting. The social mobilisers of the partner NGOs and Local Resource Person (LRP) are assisting the VS&L group for operational management.

3.4 Financial Operation

3.4.1.Savings and Credit Meetings

Both savings collection and credit operation takes place in the monthly meeting of the VS&L. All members participate and contribute with the mandatory saving in all meetings. All transactions take place in front of members in the monthly VS&L group meetings.

3.4.2.Amount of Savings

Members decide the monthly minimum and maximum savings and monthly savings rate is same in most of the VS&L but saving rate varies across VS&L groups. In most VS&L groups there is mandatory fixed savings which is same for all the members and there are 13 VS&L groups in Syangja offering voluntary savings (flexible among members) product among their members. There is no share system and savings are treated as shares in the VS&L. In over 95% groups, there is equal savings among members. The treasurer performs most of the cash function.

3.4.3. Amount of Credit

Groups member decide the amount of loan to be provided to a particular members in the VS&L groups and such a decision takes place in their meetings. Factors considering on deciding amount of loans to VS&L members includes fund balance in VS&L groups, credit history of VS&L member requesting loan, loan demand and loan absorbing capacity of the member.

3.4.4. Access to Credit

VS&L never provide credit to non-members. Every member can receive credit at the credit meetings every fourths week by requesting out loud to the Associating the amount, the purpose and over what period of time they expect to repay. If the total value of loans requested is higher than the money available in the loan fund, the Association should discuss adjustments to the individual loan amounts until all members are satisfied and their constitution should include information about priorities.

3.4.5. Guarantee

In general there is no guarantee for the loan, but in some cases VS&L members use ornaments, mobile, credit finance projects are used as guarantee for loans.

3.4.6. Interest Rate

In VS&L the annual interest rate ranges between 12-24%. Interest rate should be the same for all members. In some VS&L groups in Syangja interest is collected on monthly basis while almost all the VS&L groups in Doti and few VS&L groups in Syangja interest is collected along with principle loan amount. The interest earning become the property of the VS&L, which is eventually shared among the members

3.4.7. Social Fund

All the VS&L groups has created social fund by pooling minimum amount (Rs. 1 per month) every month on regular basis. Members have decided that all members should pay to a social fund. The project has provided matching fund of Rs. 2000/- to each groups as a social fund and corporate social responsibility (CSR) initiatives. Members have access to social fund in case of emergencies, meeting funeral expenses, catastrophes such as house burning down, educational support to orphans etc. There are cases where VS&L group has lent out the social fond as loans at lower interest to their members.

3.4.8. Repayment

VS&L has fixed the loan term to range between 3 months and one year. Both monthly installment and balloon payment system prevails. All credit should be repaid over a period of not more than three months. Constitution of the VS&L indicates that if members cannot repay, debt should be taken from the members share value, however, such situation has not arisen. There is a system of charging panel interest[12] for late payment.

3.4.9. Out-payment

Original VS&L focuses on the fact that every cycle of about one year ends with a share out meeting, where the accumulated money are paid out the members proportionate to their shares, however, there is no such system among the VS&L promoted under the

[12] Panel interest refers to higher interest to be charged to members with default loan as fine of being defaulter.

project, except the cases wherein interest income and voluntary savings are shared out among members in general once a year. The amount of savings deposited get on accumulated in the individual accounts do the member maintained in the VS&L.

3.5 Control and Reporting

3.5.1. Fines and Discipline

Members that are arriving late in the meetings should pay a late fee. Other offences to be fined could be not-attendance at a meeting, not remembering Association rules, loss of number card, chatting through the proceedings, showing disrespect to a fellow member, not remembering decisions and activities of the preceding meeting. The provision for fines and discipline has been applied only in few groups in Syangja.

3.5.2. Safekeeping of Cash

Cash is held in a box with three locks. It should only be opened during member meetings where all three key responsible are present. Due to poor quality of box and locks, in most of the VS&L groups, the locks do not work.

3.5.3. Record Keeping

Though original VS&L does not advocate the need for central record keeping, such a system exists in VS&L promoted by the project. Record keeping is based on individual passbooks with information about individual loan amounts and shares. In case of many non-literate members, record keeping could be based on memorization. There are cases where members memorized their individual savings and loan transaction. As members make their contributions, the box-keeper should stamp the correct number of shares in their passbooks, making sure that the record-keeper and the member watch this and confirm that the amount is correct. Though the passbooks should be saved in the cash box, in the VS&L promoted by the project, passbook are either kept in cash box or kept safely by individual members.

3.5.4. Effect Measuring and Reporting

The VS&L maintain four set of books of accounts namely: (i) personal savings and loan register, (ii) attendance and payment register, (iii) cash flow and balance sheet account ledger and (iv) transaction's summary ledger. Capacity of the VS&L group is being enhanced to reconcile and maintain these books of account. Out payment is not a common practice in these VS&L groups. Out-payment is done only to those members who drop due to migration, sick, death, etc. and out payment of voluntary savings and interest has occurred in at least 13 groups in Syangja. On the basis of the registrations done by the treasurer, VS&L calculates the performance indicators.

3.5.5. Monitoring and Audit

The case of cycle do not prevails in the VS&L. The social mobiliser monitors savings and credit operation regularly in the VS&L group and built their capacity for savings mobilization and loan management.

3.6 Progression

3.6.1. Integration of the Poorest

VS&L promoted under the project integrates the poorest and disadvantaged groups as their members. The modality has been quite effective to ensure the inclusion of excluded.

3.6.2. Integration in Development Activities

There are cases where development activities are integrated in some selected and needy VS&L by the project and such a supports were quite relevant to enhance the capacity of VS&L group members to start the income generating activities and micro-enterprises. There are cases where the development interventions were quite effective to address the food security issue of the VS&L group members.

3.6.3. Training and Capacity Development

The social mobilisers and VS&L groups' committee members are trained in leadership and elections, policies and rules, savings and credit operations, record-keeping etc. The project has provided training on governance, leadership development, savings and credit management, book keeping, accounting, loan management, entrepreneurship development and livelihood support.

3.6.4. External Funding

Though original VS&L model do not recommend providing external funded credit at least the first two years, there are cases wherein some capable VS&L have received wholesale loans from credit union. However, it recommends that after the system shows the sign of being sustainable, possibilities of linking VS&L with external microfinance institutions need to be explored. The system has yet to demonstrate that such a sign of sustainability. CARE has not promoting loans by itself, rather it is providing seed capital directly in the form of pro-poor revolving fund to some VS&L and there are about 36 VS&L (18 each in Syangja and Doti) that have received pro-poor revolving fund. External funding from banks or MFI is only for VS&L taken as lump sum which can be turned out to smaller loans. The VS&L groups in Syangja and Doti has yet to reach to the level of borrowing from banks or MFIs.

3.6.5. External Deposits and Inter-Lending

VS&L are mobilizing the accumulated savings as loan among the VS&L members and they never agree to deposit their savings with a lending institution. The cash balance is kept in the boxes but there are hardly any VS&L groups with sizable un-used cash balance.

3.6.6. Other Financial Services as Insurance

The VS&L products and services include savings and loan and there is no insurance, remittance and leasing product among the VS&L. However, social fund created by VS&L groups have a features of insurance that has been used to address vulnerabilities of these members.

3.6.7. Vision and Strategy for Progression

The project has provided vision and strategy for progression to VS&L for their growth and development as one of the key actors in Nepalese microfinance market. Such a vision has been integrated in the constitution of the VS&L groups. Further VS&L strategy 2009 also provides overall vision and strategy for implementing VS&L project by CARE in Nepal under modified framework.

3.7 VS&L Capacity and 30 Key Issues

During field study, intensive focus group discussion has been conducted with the staff of the partner NGOs to classify VS&L based on their capacity to organize group meeting

and manage group level book keeping and accounting system. The discussion revealed that less than 50% VS&L groups are capable of managing group meeting and maintaining books of accounts independently while the remaining VS&L groups require external support to conduct their meeting as well as maintaining books of accounts independently and some of them are less likely to manage their meeting and maintain the books of accounts independently in a foreseeable future. The VS&L groups of later categories include Dalit only and women only groups. Even the capable VS&L possess the capacity to manage meeting but not confident to maintain savings and credit pass-book, savings and loan ledger and cash flow and balance sheet ledger.

The findings on operational and financial performance of VS&L indicate that there should be renewed focus on strengthening their capacity. VS&L groups in Syangja includes members who are also the savings and credit group members of the financial institutions such as Nirdhan Uthan Bank, Grameen Bikas Bank, Cheemik Bikas Bank, NESDO and Muktinath Baikas Bank Ltd. Inclusion of such members in the VS&L group has distorted the overall VS&L group operation and management. There are cases where such a multiple membership of VS&L group members have distorted VS&L group operation and management (regular meetings, savings mobilization, loan repayment, etc.). There is need to be carefully scrutinized VS&L groups form this angle. In cases where such a distortion is evident, there is a need to screen out such members and reorganize the VS&L group that consist of the poorest of the poor ad those excluded by the formal sector to be their clients.

There is thus a need to focus on up-grading the current status of these VS&L towards their empowerment and ensuring that each possess a documented and well developed operational policy, transparent decision making process, book-keeping and accounting, simple financial management and reporting system. Further, the capacity of executives of the VS&L groups should be enhanced in implementing these activities.

4. VILLAGE SAVINGS AND LOAN PROJECT: ASSESSMENT

4.1 Context

VS&L project has been evaluated under the standard project evaluation framework encompassing aspects such as relevance, efficiency, effectiveness, impact and sustainability.

4.2 Relevance

4.2.1. Project Partners

VS&L project is a microfinance project and support for the organization, growth and development of the VS&L group is different than any other initiatives focusing on social mobilization. The implementation of VS&L project demands dynamic leadership to work properly with the concerned communities. Proper implementation of VS&L project requires business orientation rather than welfare orientation along with innovativeness as the growth and development of VS&L group progress. Within this realities and considering the stock of existing institutional structures, Microfinance Development Bank and Financial Intermediary NGOs are the most appropriate and relevant partners for implementing this project who are very well acquainted with VS&L methodologies . Partners of the project are local NGO WITH limited knowledge and expertise required for implementing this project and is not competent to address the issues related to project implementation. These partners rely on the advices and guidance of the CARE Doti staff for project implementation.

4.2.2. Staff Quality and Qualification

Implementation of VS&L project has three dimensions: institution development of VS&L group on microfinance operation, community mobilization and development and support to livelihood improvement through packages of on sub-sector analysis, income generation and enterprise development. This implies that successful implementation of the project required qualified workforce with expertise on microfinance, microenterprise development and livelihood support in addition to community mobilization and development. Quality and qualification of field staff engaged by the project partners for project implementation was not consistent to scope of the work envisaged by the project. Over 80% of the field staff of the partner had experiences and expertise on community mobilization and development only and not on money management.

4.2.3. Project Interventions

Most of the project activities are focused on local awareness raising, local level advocacy, linkages with local level stakeholders, support to livelihood improvement through sub-sector analysis, income generation and enterprise development than core function related to institution development of VS&L group on microfinance operation. Thus, most of the project interventions were not directly related to support growth and development of VS&L groups on microfinance operation. Of the seven project components, only two: (i) strengthening the capacity of the existing VS&L Groups and (ii) mainstreaming PVSE / pro-poor focus into existing S&C / cooperatives groups are directly related to the core objectives of the VS&L project on enhancing access to financial services to the PVSE. Other components like (i) orientation on VS&L project and strategy, (ii) creating innovative fund for business development service focusing PVSE, (iii) cross learning/ networking/ market & expert linkages/ advocacy /social audit were not very directly related and contributing on achieving project purpose and goals.

4.2.4. Traditional Nepali Model, 30 Key Issue Model and Pure VS&L Model

Savings mobilization and loan operation through SCGs has a long history in Nepal which dates back to 1975. Two types of informal SCGs exist in Nepalese financial market: SCGs of targeted groups (people below the poverty line) and holistic (inclusive) groups of entire people in the settlement.

Table 15: Comparison between the traditional Nepali model, 30-key issue model and pure VSL-model

Element	Traditional Nepali Model	30 Key Issue Model	Pure VSL Model
Membership	Grameen type – fixed at 5 members and Solidarity group: 5-25 members.	10-20 members	10-20 members
Targeting	People below poverty line and entire people in the community.	Poorest of the poor	Poorest of the poor
Inclusiveness	Mixed	High	High
Goal	Poverty reduction	Poverty reduction and empowerment	Poverty reduction and empowerment
Approach	Ease on service delivery	Community based microfinance	Community based microfinance
Sustainability	Never been priority	High priority	High priority

Source: Review of related literature, November 2010

4.3 Efficiency

4.3.1. Productivity

The project is quite effective in terms of physical productivity, but not very efficient. Social mobilisers are not properly used in the project activities. For instance, in Doti there are six social mobilisers and 12 local resource persons (LRP) who are supporting the institution development and growth of 60 VS&L groups. Likewise, nine social mobilisers and 18 LRPs are working in Syangja to support the institution development and growth of 90 VS&L groups. This indicates very low productivity of the workforce mobilized for the project. With the exception of two VDCs (Baglekh and Daudh) located in remote areas with scattered settlements in Doti districts more number of VS&L groups could have been assisted from the same workforce mobilized in the project.

4.3.2. Loan Portfolio Management and Quality

Evaluation team noted serious inefficiency on loan portfolio management and quality. Constitutions of the VS&L group are too general for loan management and do not integrate the best practices of microfinance operation. For instance, loan term is relatively longer (6 months to 1 year), one-time payment system prevails instead of frequent / installment based payment, two types of interest rate prevails (one for internal fund and other for grant), loan size is flexible and there is no correlation between individual savings and initial loan size for the borrowing VS&L members. All these practices have implications on quality of the loan portfolio. Evaluation team observed differences on reported and actual case of portfolio quality. In general, the project is not very efficient for loan portfolio management and supporting VS&L group to maintain the high portfolio quality.

4.3.3. Self Sufficiency

VS&L groups are charging interest on loan and accumulated interest income is distributed proportionately to VS&L group members once a year. Self-help feeling is deep rooted among members of VS&L groups. They are been able to manage group

activities in low cost as most of costs on group operation are subsidized. Owing to this reality, over 80% of the VS&L groups are self sufficient in their operation[13].

4.3.4. Resource Use

VS&L groups are relatively efficient for using the loanable funds (savings, grants, external loans, interest income, etc.) as loan to their members. Aver 85% of the loanable fund has been used for on-lending to VS&L group members. Though this ratio is relatively lower than global best practices of capital mobilization rate of more than 95%, the current result is fairly satisfactory in the context of growing VS&L groups.

4.4 Effectiveness and Performance

4.4.1. Target and Achievements

As originally planned the project has supported to establish 150 VS&L groups and train them to operate according to the principles of CARE Nepal's revised VS&L model and document CARE's approach to VS&L in Nepal based on studies and experience in various local Nepalese contexts. Thus the project has achieved the physical targets initially outlined.

The project has not been quite effective to develop the capacity of at least 90% of the VS&L in Syangja and 80% of the VS&L in Doti to operate and function after completion of the project independent of external support. Further, the project is yet to document, publish and made accessible to larger external audience the CARE Nepal's approach to VS&L. The project is yet to be integrated in Nepalese microfinance market.

4.4.2. Development Objective

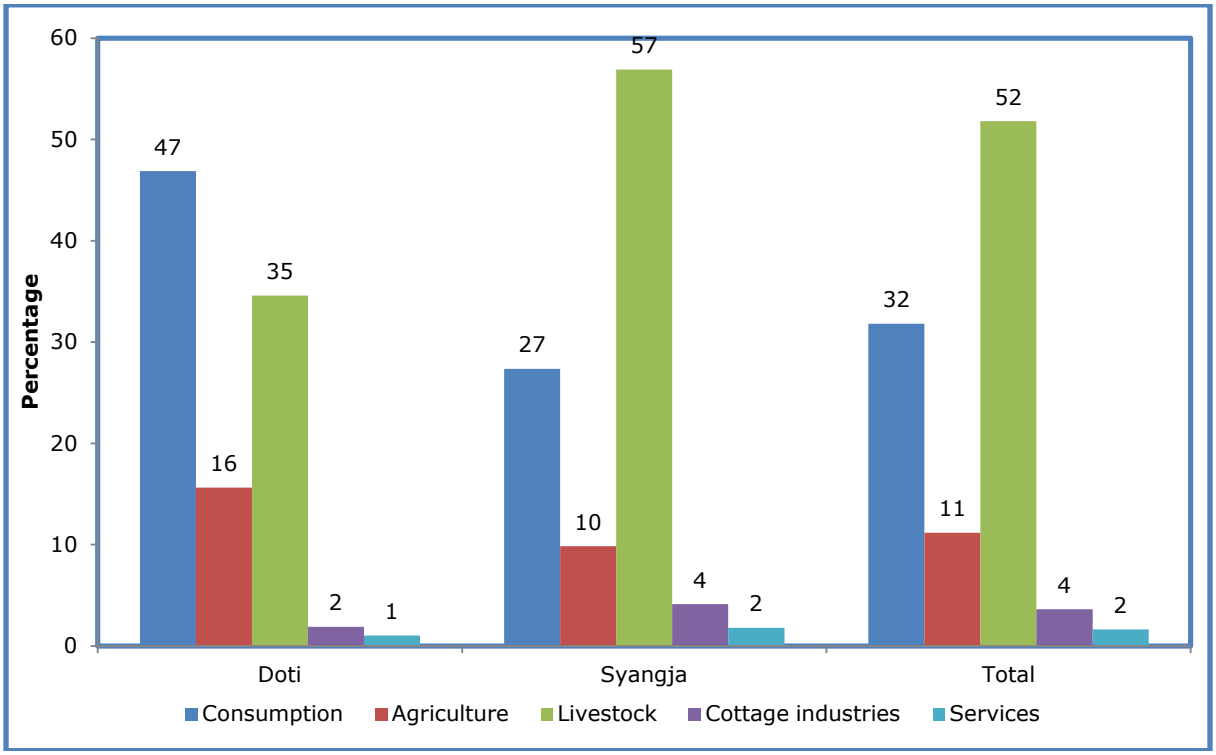
The development objective of the project lies at improving the livelihoods of poor rural population groups in selected areas of Syangja and Doti districts mainly through VS&L activities. The project took excessively long time to develop the capacity of the VS&L groups to manage on their own and development objective of the project is yet to be realized. This is due to low propensity of the VS&L group members on savings mobilization leading to slow level of capital build-up that will be sufficient to meet the financial need of VS&L group members. The problem is mainly attributable to the lack of capacity of VS&L group members to maintain books of account recommended by the Project.

4.4.3. Income Increase

About one third of the VS&L group members have access to finance from their VS&L group and outstanding loan balance of these groups is relatively small. These members have used the loan received from their VS&L both for (i) consumption such as buying food, cloths, education, health care, celebration of feast and festivals, buying household durables, etc. and (ii) production such as vegetable farming, goat raising, chicken farming, tailoring carpentry, iron works, tailoring, grocery stores, vegetable marketing, bee keeping, etc.

[13] A VS&L group is said to be self-sufficient if its operating income is sufficient to cover its operating expenses. Further, a VS&L group is said to be sustainable if it is institutionally stable and possess potential to continue its operation in future independent of external support.

Figure 11: Income Generating Activities Adopted by Borrowing VS&L Group Members



Evaluation team noted the cases of income increase in case of members using the borrowed money for production related activities and estimated that over 40% total borrowing VS&L group members has been benefiting out of increase in income. There is great variation on income increase among the borrowing VS&L members[14].

4.4.4. Vulnerability Reduction

All the VS&L group have created social fund through nominal and regular monthly contribution which ranged between Rs. 1 and Rs. 5 in these groups. Further, the project has provided matching grant in the social fund through reinforcement of corporate and social responsibilities and support to create social fund. This intervention was geared towards mainstreaming PVSE/pro-poor focus in the VS&L groups. The VS&L groups are using fund to support members at time of vulnerability such as death of family members, medical treatment, accident, delivery, etc. The role of social fund for vulnerability reduction of VS&L group members is quite commendable.

4.4.5. Reaching the Unreached

The project has been quite effective to include about 84% women, 39% Dalits and 9% janajaties under the VS&L groups. In that sense the project has been quite effective to reach the unreached. Evaluation team observed the case of inclusion of well-off and exclusion of PVSE groups. There is a need to screen those well-off included in the VS&L and include the PVSE groups. There are cases, especially in Syangja, where some members of the VS&L group have accessed financial services (savings, loans and insurance) from banks and financial institutions. The VS&L group members should be clearly oriented on this dimension of VS&L group operation and closely observe the

[14] Of the total VS&L group members, about 33% were the borrowing members (access to finance). And of the borrowing members, 40% have witness increase in income from access to finance. For example, this means, Total = 1000, Borrowing = 330 and experiencing increase in income = 132.

behavior of these members. In case of evidence of distortion of VS&L operation and management, these members should be forced to leave the groups. Such a provision should be the integral part of the VS&L group's constitution.

4.5 Impact

This is too early to assess the impact of the project; however, some sign of project generated impact is gradually visible.

4.5.1. Income and Employment Generation

There are cases where some VS&L group members have been able to generate additional income through their engagement on income generating activities such as vegetable farming, goat raising, chicken farming, tailoring carpentry, iron works, tailoring, grocery stores, vegetable marketing, bee keeping, etc. both in Syangja and Doti districts. VS&L members in Chilenaubas and Bangsing Deureli VDCs of Syangja and Kapalekhi VDC of Doti districts has been quite successful for income and employment generation through the project supported LIP and credit services received from their groups.

4.5.2. Asset Creation

There are cases both in Syangja and Doti where VS&L members have used the borrowed sum to buy plots for farming and residential purpose. There are number of such cases in Chhatiwan VDC of Doti District. Furthermore, these members have created assets in the form of increase in animal heads (chickens and goats), house repairs, roof improvement, etc. VS&L members in Bangsing Deureli have been able to multiply their beehives received under LIP of the project.

4.5.3. Economic Empowerment

Access to financial services from VS&L group has enabled group members to become more confident, more assertive, increase in family and community decisions and better able to confront systemic gender inequities in the family. The case of Ms Pabitra Bhul in Jagriti women VS&L group in Doti is the example to cite with. VS&L members are involved in managing income generating activities and they control the income/expenses in most cases. The project has gradually demonstrated the cases of social and economic empowerment among VS&L members. These members feel empowered through their ability to save and access loans from VS&L group 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, banking procedures and increased confidence on banking transactions. They also see their potential role to involve in community development activities.

4.6 Sustainability

4.6.1. Understanding of Concept

It has been found that project partners have not very well understood the concept of VS&L group. They have treated the VS&L group same as the traditional savings and credit groups that has been promoted in Nepal since mid seventies. Lack of understanding of the VS&LA concept has at times jeopardized the entire project implementation process. Context has been further aggravated due to existence of more than one group promoted by government and non-government organization in the settlement localities with the savings mobilization as one of the key activities.

4.6.2. Efforts towards Sustainability

The Evaluation team did not observe any efforts either by project partners or their staff towards sustainability of the VS&L groups. In most cases VS&L groups are promoted as business as usual, with the focus and understanding that VS&L groups are similar to the traditional savings and credit groups promoted by different rural development programme.

4.6.3. Probability of Continuation/Survival

The health diagnosis of the VS&L group conducted by the project partners using 10 different criteria indicates that over 60% VS&L groups in Syangja and 50% in Doti have the probability of continuation/survival. Analysis of the quality of books of accounts and VS&L operation process of these groups by the Evaluation team during field study revealed that the process adopted on health diagnosis of the VS&L group is rather subjective and difficult to verify.

4.6.4. Local Ownership

There is high degree of local ownership on the VS&L groups. This is mainly due to the potentials of the VS&L operation to provide members an opportunity to pool the savings and use such savings as loan from VS&L groups to meet their financial needs. Local ownership is high in Doti than in Syangja due to lack of alternatives. Further, within Syangja, local ownership is more in areas located away from road alignment compared to those areas along either side of the road corridor (Putalibazar, Phedi Khola, Pauwegaude, Thuladehi, and Seti Dovan. This implies that VS&L model of microfinance has been very well owned and appreciated by the people living in inaccessible and remote areas compared to those living in accessible areas.

4.6.5. Linkages and Networking

The project partners lack aptitude and understanding to identify and differentiate competitors and collaborators for the growth and development of VS&L groups. Efforts have been made to establish linkages of the VS&L groups with government line agencies at district level and such an effort has added very limited value for the growth and development of VS&L group. There are instances where VS&L in Syangja are linked with District Cooperative Office, Women Development Office, District Development Committee Office. A joint monitoring visit was organized involving officials from Chief District Office, District Cooperative Office, Women Development Office, District Development Committee Office, etc. There has been effort to support the emergence, growth and development of the Credit Unions both in Syangja and Doti district but the relevance of such an institutional structure and linkages with government structures for the growth and development of VS&L groups is not very clear.

4.7 Lessons Learned on 30 Key Issues

Project implementation has been guided by the various requirements of 30 key issues model. There are however some variation on implementation. It is characterized by relatively larger VS&L group size, introduction of centralized book keeping and accounting system, absence of out-payment and cycle system, shares are used synonymous to savings collection, provision of grant for livelihood support, etc. Considering the state of development of community based microfinance operation and their diversity on approach, strategy and purpose, original VS&L model was modified.

4.7.1. Extent of Adoption

The project has tried to maintain the features of VSLA model and ensure consistency with 30 key issue models. However, deviation has been observed on following aspects of the 30 key issue models.

- Size of the VS&L group is relatively large with one group per settlement. Average size of the member is about 33 per VS&L group.
- Project worked with existing groups and continued to include existing members in most cases and in some areas efforts was made to include the excluded people in these groups.
- Considering the current capacity (high illiteracy) of the VS&L group members and on the request of concerned VS&L group, social mobilisers are working more frequently and require to continuing work in future. Executives of more than 60% VS&L groups in Syangja and more than 70% VS&L groups in Doti are unable to manage their affairs independently.
- Facilitators provide support on maintaining books of account and never touch the money.
- The constitutions need to be discussed frequently in VSLA meeting and amended if required.
- Since all members are present in the monthly meeting, such a meeting itself works as a general assembly.
- Awareness of the VS&L group on their rights to change the management committee has been increased and they are yet to exercise this responsibility.
- There is lack of competent association members to nominate two members for each of the functions.
- Instead of record keeper, box keeper and money counters the position of management committee includes secretary, treasurer and controller.
- Monthly meeting is held instead of weekly meeting.
- Mostly mandatory fixed savings which is same for all the members and there are few cases of voluntary savings (flexible among members).
- No shares and savings are treated as shares.
- Except 13 VS&L groups in Syangja where voluntary saving system prevails, in remaining VS&L groups, there is equal savings among members.
- Instead of deciding loan size not more than three times of the individual savings, VS&L groups member decide the loan size based on available liquidity and financing proposal including loan absorbing capacity of the member.
- Ornaments, mobile, credit finance projects are used as guarantee for loans.
- Instead of monthly interest rate, annual interest rate has been charged in most of the VS&L groups.
- System of operational cycle does not exist. VS&L has fixed the loan term to range between 3 months and one year. Both monthly installment and balloon payment system prevails.
- On-time payment is one of the major issues, but inaccurate MIS in the project has undermined this issue greatly. There is a system of charging panel interest for late payment.
- System of out-payment does not exist among the VS&L groups. Out payment is done only in case the member drops and in distribution of interest income and voluntary savings among VS&L group members.
- Central record keeping exist (pass book and ledgers)
- Members memorized their individual savings and loan transaction.
- Passbook are either kept in cash box or kept safely by individual members.
- Pro-poor revolving fund provided to some VS&L.
- Most VS&L have vision and strategy for progression.

Unlike original VS&L model and 30 key issue model, the VS&L project supported VS&L group adopts the strategy of long-term accumulation. Distribution of loans/savings (fixed short-term cycle) does not prevail on these VS&L. All (100%) VS&L supported by the

project the strategy of loan-term accumulation, except 13 VS&L groups in Syangja that are out-paying interest and voluntary savings. Accumulation system ensures continuity of the VS&L group and creates the basis for sustainability while in distribution system, there is a risk that group will be dis-integrated. However, this need to be piloted to experience first hands experiences.

4.7.2. Successful Initiatives

One Window System for Savings Mobilisation
Considering the complexities created to the local people due to the requirement to save in different VS&L groups promoted by various GOs and NGOs working in the districts, and urgent need to reduce the transaction cost required for attending meetings, project partner in Doti, Bajhang and Bajura has worked to introduce one window system[15] of savings mobilization wherein a competent VS&L groups are formed at settlement level. This is quite innovative and successful initiative of the project.

Governance and Linkage
All the VS&L groups operate based on their constitution and are managed by the management committee that are competent to provide leadership on their operation but lacking capacity for book keeping and accounting. The members of the VS&L group have gradually established the business linkages with financial service providers and acquired lump-sum. This has been instrumental to enable VS&L group members to be part of mainstream savings mobilization and loan management. Such a linkage of the VS&L members will have both positive and negative effect on VS&L group operation.

Inclusion of Excluded
The strength of the VS&L group model lies at their ability to reach the poor and excluded. Though 100% inclusion of excluded has not been achieved, these VS&L groups are quite effective to include the excluded with 84% women members and 39% dalits being the beneficiaries of the project. In most of the cases, Dalits are included in the VS&L group without discrimination. Wherever sizable population of Dalit exists, partners have insisted on forming the separate Dalit only VS& to realize the benefits of homogeneity of the group

4.7.3. Reform Areas

There are various reform areas of the project. The areas requiring reform fall on aspects such as loan management, book keeping and accounting, financial management and portfolio quality as outlined hereunder.

Table 16: Key Areas of Reform in the VS&L Group Operation and Management

S.N.	Reform aspects	Reform areas
1	Product development	• Market led approach to new product development i.e. product diversification and designing products based on client demand • Pricing of products and services
2	Loan management	• Standardization of service delivery and loan products • Loan term (three months, six month, one year) • Loan repayment schedule - monthly installment against balloons payments • Guarantee and collateral • Loan size – correlation with savings • Loan policy
3	Book keeping and	• Maintaining book keeping and accounting system up-to-date

[15] One window system of savings mobilization refers to a situation where in members who saves with 4-5 institutions working in their community pool their savings together and make a request to those institutions to save in one place and system. This implies that all the institutions working in the community agree to work with VS&L groups to implement their programme.

	accounting	• Account reconciliation with pass book • Interest calculation • Interest distribution
4	Financial management	• Capital mobilization • Management of loanable fund • Asset management
5	Portfolio quality	• Loan repayment schedule • Loan recovery based on loan repayment schedule, • On-time payment • Simple portfolio quality ratio • Delinquency management

Source: Evaluation Team's Assessment

4.7.4. Typology of Groups and Effectiveness

As discussed in section two, VS&L are (i) either women only or mixed groups, (ii) Dalit only, Janajati only, Other (Brahmin and Chhetri) only or mixed groups. There exist differences on effectiveness of these groups on different dimensions.

Table 17: Key Areas of Reform in the VS&L Group Operation and Management

Key Elements	VS&L Group Type			
	Women only	Dalit only	Other only	Mixed
Group size	Small	Small	Medium	Large
Cohesiveness	High	Low	High	High
Domination by educated members	High	High	Low	Low
Savings rate	Low	Low	High	High
Transparency	Medium	Medium	Medium	High
Portfolio quality	Medium	Doubtful	High	High
Attendance on meeting	High	Low	Medium	High
Awareness on constitution	Medium	Low	Medium	High
Compliance to constitutional provision	High	Low	Medium	High
Quality of ledgers	Good	Fair	Fair	Good

4.8 Capacity Development and Partnership

4.8.1. Typology of Support

Capacity development and partnership support provided by the project includes staff support, office management support, staff training and periodic technical assistance on project management. Staff training was conducted on following that has been instrumental to build the capacity of the field staff on project implementation.

- Social mobilization/governance,
- Saving and credit operation,
- Business Development, and
- Entrepreneurship development

4.8.2. Timeliness, Relevance and Effectiveness

The capacity development and partnership extended by the project was in general timely, relevant and effective. An assessment of these supports follows hereunder.

Table 18: Timeliness, Relevance and Effectiveness of the Project Support

S.N.	Support type	Timeliness	Relevance	Efficiency	Adequacy	Effectiveness
1	Staff salary	High	High	High	High	High
2	Project management support	Yes	Yes	Yes	Yes	Yes
3	Staff training					
	Social mobilization	Yes	Low	Medium	No	High
	Savings and credit	Yes	Medium	Medium	No	High

	operation					
	Business development	No	Medium	Medium	No	High
	Enterprise development	No	Medium	Medium	No	High
4	Technical advice	Yes	Yes	Medium	Medium	Yes

4.8.3. Key Achievement on Capacity Development

Project partners have enhanced capacity for implementing the VS&L project in their localities. They have formed 250 VS&L groups and provided technical backstopping support for their enhanced capacity development. Partners have conducted following training to VS&L group members.

- Social mobilization and governance,
- Saving and Credit operation,
- Financial Management,
- Training on business development,
- Training on Entrepreneur Development and
- Leadership development training.

Partners are capable of preparing LIP and administering the LIP Support packages. They have done some sort of subsector analysis, arranged awareness and advocacy campaign on VS&L modality. These partners have conducted interactive reflective, sharing and learning meeting to concerned stakeholders, board members, credit union and apex bodies. They are conducting review reflection and sharing workshop at district, project and local level, and provided technical support to VS&L groups to prepare rules, regulations, guidelines, constitution or operational plan of VSLAs. It has monitored the VSLAs in 30 key issues model through LRP.

5. CONCLUSIONS AND RECOMMENDATIONS

This is the final evaluation report of the VS&L project implemented by CARE in Doti and Syangja district of Nepal. The report has evaluated and documented the effort's by CARE and partners to implement the adjusted VS&L model in Syangja and Doti districts. This section outlines and conclusions and recommendations of the report.

5.1 Conclusions

The project created base to improve the livelihoods of poor rural population groups in selected areas of Syangja and Doti districts mainly through VS&L activities. It has supported to establish and train 150 (90 in Syangja and 60 in Doti) VS&L groups to operate according to the principles of CARE Nepal's revised VS&L model. Review of the MIS of the project and survey by the evaluation team revealed that the project has enabled about 40% VS&L group in Syangja and 30% in Doti against the target of 90% in Syangja and 80% in Doti to operate and function after completion of the project. The capacity of remaining VS&L groups need to be developed to enable them operate independent of external support. The project has yet to document the approach to VS&L in Nepal based on studies and experience in various local Nepalese contexts. The project is however moving towards achieving the expected results.

The VS&L (adjusted) group model is highly relevant in Doti district where access to finance to the poor and disadvantaged groups is a challenge. Partners of the project were not sufficiently enabled through training, capacity development, etc. nor the staff mobilized by the partner qualified and competent to implement the project. Project interventions in the form of social mobilization, group formation, support to savings and credit operation, livelihood support, business creation and enterprise development was relevant to address the needs and demands of the target groups. As far as project design is concerned, most of the project interventions under (i) cross learning / networking / market & expert linkages / advocacy / social audit and (ii) monitoring, evaluation and documentation component of the project were poorly packaged and was neither efficient nor effective to strengthen VS&L groups.

The project has achieved all the design physical targets and heading towards achieving the development objectives. There are examples of income increase among the beneficiaries out of income generating and microenterprise established out of credit finance received from the VS&L group including pro-poor revolving fund. Social fund established by VS&L group has been quite effective to assist the VS&L group members at the time of emergencies and HH level disaster, thereby contributing on vulnerability reduction. Further, opportunity to participate in VS&L group, savings mobilization, access to loan, starting of income generating activities, etc. has been instrumental to empower the VS&L group members in the household and local community. Effectiveness and performance of the project has been further enhanced due to the ability of the project to reach the unreached. There are however the cases of inclusions of well off in some VS&L groups in Syangja and cases of elite capture of the benefits.

Efficiency of the project intervention is moderate as evidenced by moderate and mixed staff productivity, doubtful cases of loan portfolio quality and loanable fund mobilization rate of less the 90%. Due to cost efficiency on operation, almost all the VS&L groups surveyed in this study are operationally self-sufficient. Further, most of the project interventions under (i) cross learning / networking / market & expert linkages / advocacy / social audit and (ii) monitoring, evaluation and documentation component of the project was not efficient.

Under current context and circumstances, most of the over 60% VS&L group in Syangja and 70% in Doti lack the perspective for sustainability and only remaining VS&L groups have probability for continuation / survival. There are number of confusions among

project partners about the VS&L model and they are not well sensitized towards the need to ensure sustainability of these groups. Despite that there is high ownership among VS&L group members and some efforts have been made to pursue linkages and networking of the VS&L groups, pace of VS&L growth and development was very slow due to poor packaging of the services.

Impact of the project is evident in the form of income and employment generation, asset creation, gradual start of income generating activities and enterprises by the VS&L group members that has been instrumental for their economic empowerment.

Assistance provided by the project to implementation partners through staff training, staff salary, project management and technical advice has been quite effective to develop their capacity on project management. Though the capacity development support from the project was timely, relevant, effective and adequate, due to their insufficient absorptive capacity, these support could not fully transformed for improved project performance due to less than adequate capacity of project partners.

5.2 Recommendations

Considering that VS&L project tries to pilot the model and offer one more options to Nepalese planner and policy makers towards expanding outreach of microfinance services in inaccessible hills and mountains of Nepal, future operation of the modality should revolve around considering the tree essential triangles of microfinance: outreach, impact and sustainability. The project needs to demonstrate that this is the workable and feasible model. The mission is yet to be completed. Considering the achievements to date and yet some more work needed towards refinement of the modality, it has been recommended to extend the project with major amendment. Future focus of the project should revolve around three key aspects: strengthening VS&L groups, capacity development of project partners and change on implementation arrangement.

Enhance the capacity of the existing VS&L groups through VS&L benchmarking, screening of the VS&L members through skillful exclusion of outliers through proper provision in VS&L constitution and close scrutiny of their role on VS&L operation and management i.e. those already accessing financial services from FSPs and inclusion of the excluded HHs of the community, support to book keeping and accounting through proper use of the LRP, expedite one window system of savings mobilization, extensive discussion and amendment of VS&L groups constitutions, enhance loan and financial management capacity, portfolio tracking and delinquency management, institute ratings system and devise capacity development packages based on rating findings and VS&L groups' financial auditing and linkages with FSPs including cooperatives. As far as linkages is concerned, capable VL&L groups should be linked with financial service providers and linkages of the members of the VS&L groups with FSPs should be discouraged.

Considering inadequate capacity of the partners' field staff on project implementation, it has been recommended to ensure major changes in the existing staff. Services of only well performing staff should be continued and others should be replaced by competent staff. On the job training should be conducted rather than the class room type training that was conducted in the current phase. Training should be focused on enhancing the capacity of the field staff on supporting VS&L groups on money management and strengthening linkages and networking with other service providers (agriculture, livestock, forestry, enterprise development, etc.) ensuring access to non-financial services (training, technology, marketing, business development, etc.). Project partner should plan their activities in such a way that one social mobiliser supports at least 20 VS&L groups depending on geography, accessibility and frequency of meeting in VS&L groups.

In view that inadequate performance of the project is the current phase is mainly attributable to poor monitoring and technical backstopping support from CARE Cluster Office. The project area is geographically scattered and inadequately staffed. In view of this it has been recommended either to increase number of CARE project staff in the cluster office so that they can ensure on-site monitoring of the project activities at least once every two months or joint on-site monitoring of all VS&L groups by the external monitors well-versed on VS&LA modality of micro-lending and providing on-site feedback on enhancing the capacity of VS&L groups. Further, it has been recommended to pilot the original VS&LA group especially in remote areas, scattered settlement and community lacking competent book keepers so that it will be much easier for the MCs to manage the record keeping and other VS&L management process.

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ANNEX

ANNEX 1: ASSESSMENT OF THE ACTIVITIES IMPLEMENTED BY THE PARTNER NGOS

S.N.	Activities	Funding	Status of Implementation	Assessment			Remarks
				Relevance	Efficiency	Effectiveness	
A	**Orientation on developed strategy of CARE Nepal to work with saving and credit group**						
1	Sharing among district level stakeholders	PPS	Yet to be implemented	High	-	-	Planned for implementation in December.
2	UCP Analysis	PPS	Implemented	High	High	High	This provided basis for project implementation
B	**Strengthening the capacity of existing S&C groups**						
1	Detail capacity assessment of existing SC groups	PPS	Implemented	High	High	High	This assessment increased understanding of the partner NGOs on S&C groups
2	Micro-finance management training at Kathmandu organized by CMF (5 Days package)	PPS	Participated	High	Low	Low	This was a high level training.
3	**Conducting ToT at district level**						
	Social mobilization/governance	FAHU	Implemented	High	High	Medium	Skill and knowledge acquired on training was not applied properly for VS&L strengthening.
	Saving and credit operation	FAHU	Implemented	High	High	Medium	Credit operation was very weak and is not consistent to microfinance best practices.
	Business Development, Entrepreneurship development	PPS	Implemented	High	High	Low	Support to business and enterprise development was low.
	Refresher training on VSLA-Operation, Entrepreneurship and Business development	PPS	Yet to be implemented	-	-	-	-
4	**Field level training (at group level)**	PPS					
	Social mobilization and governance	FAHU	Implemented	High	Low	Low	Poor delivery by partner NGOs.
	Saving and Credit operation	FAHU	Implemented	High	Low	Low	Poor delivery by partner NGOs.

S.N.	Activities	Funding	Status of Implementation	Assessment			Remarks
				Relevance	Efficiency	Effectiveness	
	Financial Management	PPS/FAHU	Implemented	Medium	Low	Low	Accounting skill provided instead of financial management.
	Training on business development	PPS	Implemented	Medium	Low	Low	Low level of technical support
	Training on Entrepreneur Development	PPS	Implemented	Medium	Low	Low	Low level of technical support
	Leadership development training	VSLA/PPS	Implemented	Medium	Low	Low	Quality of resource person was very low
C	**Mainstreaming PVSE/ Pro-poor focus into existing S&C / cooperatives groups**						
1	LIP Support to Pro-poor Member of VSLA	PPS	Implemented	High	High	High	LIP prepared was lengthy compared to the support packages.
2	Reinforce corporate and social responsibilities of Existing S&C Groups	PPS	Implemented	High	High	High	Cash transfer to use as Social Fund.
3	Sensitization camp on saving and credit schemes	FAHU	Implemented	Low	Low	Low	Savings mobilization and loan management is not a new concept to people in rural area.
4	Support to create social fund	PPS	Implemented	High	High	High	Cash support in Social Fund, potential to develop the fund as social protection scheme.
D	**Creating innovative fund for business development service focusing PVSE**						
1	Subsector analysis and LIP Preparation Training to staffs and support to poor on LIP	PPS	Implemented	High	Low	Low	Low quality of sub-sector analysis.
2	LIP Monitoring Cost	PPS	Implemented	High	Low	Low	Monitoring was ineffective.
3	Support to pilot promising selected initiatives	PPS	Implemented	High	Low	Low	Lack of proper integration with VS&L operation.
4	Support to Pro-poor Revolving Fund through VSLAs	PPS	Implemented	High	Low	Low	Conflict with microfinance services of VS&L.
E	**Cross learning/ Networking/ Market & Expert linkages/ advocacy /Social Audit**						

S.N.	Activities	Funding	Status of Implementation	Assessment			Remarks
				Relevance	Efficiency	Effectiveness	
1	Support to advocacy initiatives	PPS	Implemented	High	Low	Low	Poorly designed advocacy packages.
2	Support office/resource materials for VSLA operation	PPS	Implemented	High	High	High	Over 50% VS&L are operating successfully.
3	Conduct interactive reflective, sharing & learning meeting.	FAHU	Implemented	No	Low	Low	Low level of preparation
4	Conduct interactive reflective, sharing & learning meeting among Board members and staffs	FAHU	Implemented	No	Low	Low	Board members lack aptitude and business orientation required for VS&L operation and management.
5	Capacity building support to Credit Union and apex organization	FAHU	Implemented	No	Low	Low	No linkages with VS&L model.
6	Conduct interactive reflective, sharing and learning meeting among district level stakeholders (Apex Union related)	FAHU	Implemented	No	Low	Low	No linkages with VS&L model.
7	Conduct social audit	FAHU/PPS	Implemented	Low or no	Low	Low	Social audit should be integrated into VS&L's monthly meeting.
8	Participation in Microfinance summit for Learning and Sharing the Issues of Microfinance Sectors	PPS	Implemented	High	High	High	Provided exposure to field staff on contemporary issues on Nepalese microfinance circumstances.
F	**Monitoring & Evaluation and Documentation**						
1	Review reflection and sharing workshop at district level	PPS	Implemented	High	Medium	Medium	Inadequate packaging and preparation.
2	Startup planning Review & Sharing Meeting at district level	PPS	Implemented	High	Medium	Medium	Inadequate packaging and preparation.
3	Review, reflection, sharing and Planning at project level	PPS	Implemented	High	Medium	Medium	Inadequate packaging and preparation.
4	Support to prepare rules, regulations, guidelines, constitution or operational plan of VSLAs	PPS	Implemented	High	High	Medium	Constitution is almost same in all VS&L Groups in each district. Social mobilisers did not discuss constitution in all the VS&L separately.
5	Documentation of best practices and project completion report at distract level	FAHU	Yet to be completed	-	-	-	-

S.N.	Activities	Funding	Status of Implementation	Assessment			Remarks
				Relevance	Efficiency	Effectiveness	
6	Joint Monitoring by NGO executive / board members/DLAs/CARE	FAHU	Implemented	Low	Low	Low	Inappropriate packaging of joint monitoring programme.
7	Program VSLGs monitoring by Executive Committee	FAHU	Implemented	Low	Low	Low	Low interest of EC on VS&L model.
8	ToT for LRP for VSLA operation	FAHU	Implemented	Low	Low	Low	Undermined the role of social mobilisers.
9	LRP Refresher Training	FAHU	Implemented	Low	Low	Low	Undermined the role of social mobilisers.
10	LRP mobilization	PPS	Implemented	Low	Low	Low	Social mobilisers tried to rely heavily on LRM on most of the functions related to VS&L group management thereby role of social mobiliser converted from mobilisers to manager or monitor.
11	Interaction among VSLGs within VDCs	FAHU	Implemented	Low	Low	Low	Lack of functional relevance and linkages.
12	VSLA-Health Diagnosis	FAHU	Implemented	High	Medium	Low	Criteria used for VS&L health diagnosis is very general and not SMART.
13	Monitoring of VSLAs in 30 key issues model by Local Resource Persons and review	FAHU	Implemented	High	Low	Low	Field staff has inadequate understanding of 30 key issue of VS&L model.
14	Monitoring and Interaction with stakeholders and political parties on VSLG model at VDC level	FAHU	Implemented	Low	Low	Low	Political parties have least interest to understand the VS&L model.
15	Interaction with stakeholders and political parties on VSLG model at District level	FAHU	Implemented	Low	Low	Low	Political parties have least interest to understand the VS&L model.
16	Interaction with available financial institutions at VDC level	FAHU	Implemented	High	Low	Low	Partner NGOs lack aptitude to work with available financial institutions.

ANNEX 2: STATUS OF VS&L GROUP BY GENDER

S.N.	Particulars	Unit	Doti			Syangja			Total		
			Women	Mixed	Total	Women	Mixed	Total	Women	Mixed	Total
A	**Outreach**										
1	Groups	No	24	36	60	26	64	90	50	100	150
2	Total membership	No	668	973	1,641	802	2,335	3,137	1,470	3,308	4,778
3	Women members	No	668	779	1,447	802	1,775	2,577	1,470	2,554	4,024
4	Dalit members	No	413	547	960	189	558	747	602	1,105	1,707
5	Janajati members	No	-	10	10	153	264	417	153	274	427
6	Other members	No	255	416	671	460	1,513	1,973	715	1,929	2,644
7	Drop-out member	No	6	8	14	5	10	15	11	18	29
8	New Entry member	No	1	9	10	3	36	39	4	45	49
B	**Group Operation**										
9	Attendence rate	%	93	93	93	86	88	88	89.2	89.5	89.7
10	Savings rate	%	14	18	16	54	64	61	35.8	50.5	45.5
C	**Savings Mobilization**										
11	Total savings amount	Rs.	207,705	443,222	650,927	1,704,154	6,493,106	8,197,260	1,911,859	6,936,328	8,848,187
12	Women's savings	Rs.	206,465	391,959	598,424	1,704,154	4,663,276	6,367,430	1,910,619	5,055,235	6,965,854
D	**Income and Expenses**										
13	Income income	Rs.	31,328	85,054	116,382	196,347	468,211	664,558	227,675	553,265	780,940
14	Other income	Rs.	-	51,274	51,274	895	18,242	19,137	895	69,516	70,411
15	Expenses	Rs.	200	6,200	6,400	200	18,900	19,100	400	25,100	25,500
16	Net income	Rs.	31,128	130,128	161,256	197,042	467,553	664,595	228,170	597,681	825,851
E	**Loanable Fund**										
17	Total savings	Rs.	207,705	443,222	650,927	1,704,154	6,493,106	8,197,260	1,911,859	6,936,328	8,848,187

S.N.	Particulars	Unit	Doti			Syangja			Total		
			Women	Mixed	Total	Women	Mixed	Total	Women	Mixed	Total
18	Net operating income	Rs.	31,128	130,128	161,256	197,042	467,553	664,595	228,170	597,681	825,851
19	External grants	Rs.	331,358	745,068	1,076,426	30,000	400,000	430,000	361,358	1,145,068	1,506,426
20	External debt	Rs.	-	-	-	-	280,000	280,000	-	280,000	280,000
21	Social Fund	Rs.	58,847	90,400	149,247	216,350	320,290	536,640	275,197	410,690	685,887
22	Total loanable fund	Rs.	629,038	1,408,818	2,037,856	2,147,546	7,960,949	10,108,495	2,776,584	9,369,767	12,146,351
F	**Loan Operation**										
23	Total number of loans	Rs.	249	470	719	921	3,442	4,363	1,170	3,912	5,082
24	Total disbursement	Rs.	656,413	1,512,389	2,168,802	4,189,781	16,482,904	20,672,685	4,846,194	17,995,293	22,841,487
25	Loan repaid	Rs.	85	154	239	557	2,179	2,736	642	2,333	2,975
26	Total loan repayment	Rs.	147,906	308,732	456,638	2,290,328	9,099,837	11,390,165	2,438,234	9,408,569	11,846,803
27	Total active loan clients	No.	164	316	480	363	1,263	1,626	527	1,579	2,106
28	Outstanding loan balance	Rs.	508,507	1,203,657	1,712,164	1,899,453	7,383,067	9,282,520	2,407,960	8,586,724	10,994,684
29	Total women loan clients	No.	164	259	423	363	919	1,282	527	1,178	1,705
30	Outstanding loan balance to women clients	Rs.	508,507	1,025,590	1,534,097	1,899,453	5,118,371	7,017,824	2,407,960	6,143,961	8,551,921
31	Overdue loan	No.	-	5	5	-	-	-	-	5	5
32	Overdue amount	Rs.	-	7,000	7,000	-	-	-	-	7,000	7,000
G	**Balance Sheet**										
a	**Assets**		629,038	1,408,818	2,037,856	2,147,746	7,960,949	10,108,695	2,776,784	9,369,767	12,146,551
33	Cash balance	Rs.	41,244	73,492	114,736	247,293	460,126	707,419	288,537	533,618	822,155
34	Bank balance	Rs.	7,020	23,000	30,020	1,000	90,500	91,500	8,020	113,500	121,520
35	Outstanding loan balance	Rs.	508,507	1,203,657	1,712,164	1,899,453	7,383,067	9,282,520	2,407,960	8,586,724	10,994,684
36	Others	Rs.	72,267	108,669	180,936	-	27,256	27,256	72,267	135,925	208,192
b	**Liabilities**	Rs.	207,705	443,222	650,927	1,704,354	6,773,106	8,477,460	1,912,059	7,216,328	9,128,387
37	Savings balance	Rs.	207,705	443,222	650,927	1,704,154	6,493,106	8,197,260	1,911,859	6,936,328	8,848,187

S.N.	Particulars	Unit	Doti			Syangja			Total		
			Women	Mixed	Total	Women	Mixed	Total	Women	Mixed	Total
38	External debt	Rs.	-	-	-	200	280,000	280,200	200	280,000	280,200
c	**Equity**	Rs.	421,333	965,596	1,386,929	443,392	1,187,843	1,631,235	864,725	2,153,439	3,018,164
39	Capital grant	Rs.	331,358	745,068	1,076,426	30,000	400,000	430,000	361,358	1,145,068	1,506,426
40	Social fund	Rs.	58,847	90,400	149,247	216,350	320,290	536,640	275,197	410,690	685,887
41	Retained earning	Rs.	31,128	130,128	161,256	197,042	467,553	664,595	228,170	597,681	825,851
d	**Liabilities and Equity**	Rs.	629,038	1,408,818	2,037,856	2,147,746	7,960,949	10,108,695	2,776,784	9,369,767	12,146,551
H	**Indicators**										
a	**Outreach Indicators**										
42	Average VS&L size	No	28	27	27	31	36	35	29	33	32
43	Proportion of women	%	100	80	88	100	76	82	100	77	84
44	Average savings balance	Rs.	311	456	397	2,125	2,781	2,613	1,301	2,097	1,852
45	…..savings balance (women)	Rs.	309	503	414	2,125	2,627	2,471	1,300	1,979	1,731
46	Average outstanding loan balance	Rs.	3,101	3,809	3,567	5,233	5,846	5,709	4,569	5,438	5,221
47	….. Outstanding loan balance (women)	Rs.	3,101	3,960	3,627	5,233	5,570	5,474	4,569	5,216	5,016
b	**Efficiency Indicators**										
48	Capital mobilization rate	%	81	85	84	88	93	92	87	92	91
49	Resource use rate	%	104	107	106	195	207	205	175	192	188
c	**Effectiveness Indicators**										
50	Benefit cost ratio	%	15,664	2,199	2,620	98,621	2,574	3,580	57,143	2,481	3,339
51	Resource productivity	%	4.98	9.68	8.23	9.18	6.11	6.76	8.23	6.65	7.01

S.N.	Particulars	Unit	Doti			Syangja			Total		
			Women	Mixed	Total	Women	Mixed	Total	Women	Mixed	Total
d	**Portoflio Quality Indicators**										
52	Overdue rate	%	-	0.6	0.4	-	-	-	-	0.1	0.1
53	Repayment rate	%	100.0	97.8	98.5	100.0	100.0	100.0	100.0	99.9	99.9

ANNEX 3: STATUS OF VS&L GROUPS BY ETHENICITY

S.N.	Particulars	Unit	Doti by Group Type					Syangja by Group Type					Total by Group Type				
			Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total
A	**Outreach**																
1	Groups	No	16	-	9	35	60	8	1	29	52	90	24	1	38	87	150
2	Total membership	No	430	-	232	979	1,641	241	44	900	1,952	3,137	671	44	1,132	2,931	4,778
3	Women members	No	409	-	203	835	1,447	192	31	698	1,656	2,577	601	31	901	2,491	4,024
4	Dalit members	No	430	-	-	530	960	241	-	-	506	747	671	-	-	1,036	1,707
5	Janajati members	No	-	-	-	10	10	-	44	-	373	417	-	44	-	383	427
6	Other members	No	-	-	232	439	671	-	-	900	1,073	1,973	-	-	1,132	1,512	2,644
7	Drop-out member	No	-	-	-	14	14	-	5	5	5	15	-	5	5	19	29
8	New Entry member	No	-	-	-	10	10	2	-	12	25	39	2	-	12	35	49
B	**Group operation**																
9	Attendence rate	%	92	-	93	93	93	88	90	88	87	88	180	90	181	180	631
10	Savings rate	Rs.	13	-	14	17	16	50	50	59	64	61	63	50	73	81	267
C	**Savings Mobilization**																
11	Total savings amount	Rs.	226,703	-	108,094	316,130	650,927	382,042	37,540	2,113,455	5,664,223	8,197,260	608,745	37,540	2,221,549	5,980,353	8,848,187
12	Women's savings	Rs.	215,015	-	98,096	285,313	598,424	258,773	24,800	1,588,974	4,494,883	6,367,430	473,788	24,800	1,687,070	4,780,196	6,965,854
D	**Income and Expenses**																
13	Income income	Rs.	47,223	-	8,837	60,322	116,382	70,620	3,707	174,959	415,272	664,558	117,843	3,707	183,796	475,594	780,940
14	Other income	Rs.	51,274	-	-	-	51,274	32	-	210	18,895	19,137	51,306	-	210	18,895	70,411
15	Expenses	Rs.	6,200	-	100	100	6,400	100	1,300	100	17,600	19,100	6,300	1,300	200	17,700	25,500
16	Net Income	Rs.	92,297	-	8,737	60,222	161,256	70,552	2,407	175,069	416,567	664,595	162,849	2,407	183,806	476,789	825,851

S.N.	Particulars	Unit	Doti by Group Type					Syangja by Group Type					Total by Group Type				
			Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total
E	**Loanable Fund**																
17	Total savings	Rs.	226,703	-	108,094	316,130	650,927	382,042	37,540	2,113,455	5,664,223	8,197,260	608,745	37,540	2,221,549	5,980,353	8,848,187
18	Net operating income	Rs.	92,297	-	8,737	60,222	161,256	70,552	2,407	175,069	416,567	664,595	162,849	2,407	183,806	476,789	825,851
18	External grants	Rs.	289,506	-	171,902	615,018	1,076,426	140,000	-	180,000	110,000	430,000	429,506	-	351,902	725,018	1,506,426
19	External debt	Rs.	-	-	-	-	-	-	-	200,000	80,000	280,000	-	-	200,000	80,000	280,000
20	Social Fund	Rs.	37,755	-	22,977	88,515	149,247	67,386	6,067	113,668	349,519	536,640	105,141	6,067	136,645	438,034	685,887
21	Total loanable fund	Rs.	646,261	-	311,710	1,079,885	2,037,856	659,980	46,014	2,782,192	6,620,309	10,108,495	1,306,241	46,014	3,093,902	7,700,194	12,146,351
F	**Loan Operation**																
21	Total number of loans	Rs.	197	-	115	407	719	433	18	1,130	2,782	4,363	630	18	1,245	3,189	5,082
22	Total disbursement	Rs.	659,659	-	393,200	1,115,943	2,168,802	1,496,341	79,850	5,512,219	13,584,275	20,672,685	2,156,000	79,850	5,905,419	14,700,218	22,841,487
23	Loan repaid	Rs.	59	-	48	132	239	276	12	654	1,794	2,736	335	12	702	1,926	2,975
24	Total loan repayment	Rs.	119,261	-	131,700	205,677	456,638	876,851	40,450	3,008,020	7,464,844	11,390,165	996,112	40,450	3,139,720	7,670,521	11,846,803
25	Total active loan clients	No.	138	-	67	275	480	157	6	476	987	1,626	295	6	543	1,262	2,106
26	Outstanding loan balance	Rs.	540,398	-	261,500	910,266	1,712,164	619,490	39,400	2,504,199	6,119,431	9,282,520	1,159,888	39,400	2,765,699	7,029,697	10,994,684
27	Total women loan clients	No.	122	-	67	234	423	118	4	357	803	1,282	240	4	424	1,037	1,705
28	Outstanding loan balance to women clients	Rs.	475,986	-	261,500	796,611	1,534,097	453,990	25,000	1,793,825	4,745,009	7,017,824	929,976	25,000	2,055,325	5,541,620	8,551,921
29	Overdue loan	No.	-	-	-	5	5	-	-	-	-	-	-	-	-	5	5
30	Overdue amount	Rs.	-	-	-	7,000	7,000	-	-	-	-	-	-	-	-	7,000	7,000
G	**Balance sheet**																
a	**Assets**	Rs.	646,261	-	311,710	1,079,885	2,037,856	659,980	46,014	2,782,192	6,620,309	10,108,495	1,306,241	46,014	3,093,902	7,700,194	12,146,351

S.N.	Particulars	Unit	Doti by Group Type					Syangja by Group Type					Total by Group Type				
			Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total
31	Cash balance	Rs.	34,497	-	17,794	62,445	114,736	40,590	6,614	207,093	453,122	707,419	75,087	6,614	224,887	515,567	822,155
32	Bank balance	Rs.	22,000	-	7,020	1,000	30,020	-	-	26,000	65,500	91,500	22,000	-	33,020	66,500	121,520
33	Outstanding loan balance	Rs.	540,398	-	261,500	910,266	1,712,164	619,490	39,400	2,504,199	6,119,431	9,282,520	1,159,888	39,400	2,765,699	7,029,697	10,994,684
34	Other	Rs.	49,366	-	25,396	106,174	180,936	(100)	-	44,900	(17,744)	27,056	49,266	-	70,296	88,430	207,992
b	**Liabilites**	Rs.	226,703	-	108,094	316,130	650,927	382,042	37,540	2,313,455	5,744,223	8,477,260	608,745	37,540	2,421,549	6,060,353	9,128,187
35	Savings Balance	Rs.	226,703	-	108,094	316,130	650,927	382,042	37,540	2,113,455	5,664,223	8,197,260	608,745	37,540	2,221,549	5,980,353	8,848,187
36	External debt	Rs.	-	-	-	-	-	-	-	200,000	80,000	280,000	-	-	200,000	80,000	280,000
c	**Equity**	Rs.	419,558	-	203,616	763,755	1,386,929	277,938	8,474	468,737	876,086	1,631,235	697,496	8,474	672,353	1,639,841	3,018,164
37	Capital grant	Rs.	289,506	-	171,902	615,018	1,076,426	140,000	-	180,000	110,000	430,000	429,506	-	351,902	725,018	1,506,426
38	Social fund	Rs.	37,755	-	22,977	88,515	149,247	67,386	6,067	113,668	349,519	536,640	105,141	6,067	136,645	438,034	685,887
39	Retained earning	Rs.	92,297	-	8,737	60,222	161,256	70,552	2,407	175,069	416,567	664,595	162,849	2,407	183,806	476,789	825,851
d	**Liabilities and Equity**	Rs.	646,261	-	311,710	1,079,885	2,037,856	659,980	46,014	2,782,192	6,620,309	10,108,495	1,306,241	46,014	3,093,902	7,700,194	12,146,351
H	**Indicators**																
a	**Outreach Indicators**																
40	Average group size	No	27	-	26	28	27	30	44	31	38	35	28	44	30	34	32
41	Proportion of women	%	95	-	88	85	88	80	70	78	85	82	90	70	80	85	84
42	Average savings balance	Rs.	527	-	466	323	397	1,585	853	2,348	2,902	2,613	907	853	1,962	2,040	1,852
43	…..savings balance (women)	Rs.	526	-	483	342	414	1,348	800	2,276	2,714	2,471	788	800	1,872	1,919	1,731
44	Average outstanding	Rs.	3,916	-	3,903	3,310	3,567	3,946	6,567	5,261	6,200	5,709	3,932	6,567	5,093	5,570	5,221

S.N.	Particulars	Unit	Doti by Group Type					Syangja by Group Type					Total by Group Type				
			Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total	Dalit	Janajati	Others	Mixed	Total
	loan balance																
45	….. Outstanding loan balance (women)	Rs.	3,902	-	3,903	3,404	3,627	3,847	6,250	5,025	5,909	5,474	3,875	6,250	4,847	5,344	5,016
b	**Efficiency Indicators**																
46	Capital mobilization rate	%	84	-	84	84	84	94	86	90	92	92	89	86	89	91	91
47	Resource use rate	%	102		126	103	106	227	174	198	205	205	165	174	191	191	188
c	**Effectiveness Indicators**																
48	Benefit Cost Ratio	%	1,589		8,837	60,322	2,620	70,652	285	175,169	2,467	3,580	2,685	285	92,003	2,794	3,339
49	Resource productivity	%	15.24		2.84	5.59	8.23	10.71	8.06	6.30	6.56	6.76	12.9	8.1	5.9	6.4	7.0
d	**Portfolio quality indicators**																
50	Overdue rate[16]	%	-		-	0.8	0.4	-	-	-	-	-	-	-	-	0.1	0.1
51	Repayment rate	%	100	-	100	97	98	100	100	100	100	100	100	100	100	100	100

[16] This figure is based on MIS maintained by the project. Actual overdue amount is much higher.

ANNEX 4: ASSESSMENT OF 30-KEY-ISSUES ON VS&L MODEL
(Findings of Participatory Assessment)

S.N.	Key Elements	Description	Application	Remarks
I	**PROJECT INITIATION**			
1	**Organization**	Promoting institution, external capital provider, government support, project links and other partners	Applied	
2	**Project Purpose**	• Household security through savings, income generation through investments, social security for most poor and members experiencing emergencies etc.	Applied	
		• Focus on the poor	Applied	
3	**Members**	• Poor individuals and households, other individuals	Applied	
		• Gender criteria	Applied	
		• 10 – 20 members in each group is recommended	Mixed	Size of the VS&L group is relatively large with one group per settlement. Average size of the member is about 33 per VS&L group.
		• Self selection of members	Applied	Worked in existing groups and continuity provided to include existing members and excluded people in the group.
4	**Awareness Raising**	• Preparatory meetings: o Community leaders and administration officials o Introduction meeting with the community o Preliminary meeting with potential members	Applied	
		• Important to be aware of special local conditions	Applied	
5	**Facilitation**	• An external facilitator should in one year help the SCG by training and organizing the groups. He should attend in 15-21 meetings. After one year the association should manage its own affairs, and the facilitator should visit the SCG about once every third month to monitor the process and results.	Applied	Considering the current capacity (high illiteracy) of the group members and on the request of concerned group, external facilitators are working more frequently and require to continuing work in future. Executives of more than 80% groups are unable to manage their affairs independently.
		• Facilitators should never manage the activities and never touches the money	Applied	Facilitators provide support on maintaining books of account and never touch the money.
II	**ORGANISATION**			
6	**Rules and Constitution**	• Constitution: A written document that defines the goals, purposes, rules and governance of the association	Exist	However a one size fits all approach seems to have been applied and it is not reflecting the actual circumstances under which VS&L group operates.
		• The constitution should be charged on the first general assembly by at least 2/3 of the members	Applied	
		• The final version should be signed by all members (fingerprints from all non-literate members)	Yes	Signed

S.N.	Key Elements	Description	Application	Remarks
		• If non-literates, every member has to remember one or two of the rules in the constitution	Applied	
		• A paper version should always be kept in the cash box, to be available in case of misunderstandings and discussions	Yes. exist	The constitutions need to be discussed frequently in VSLA meeting and amended if required.
7	**General Assembly**	• Purpose: Adoption of constitution and election of local management committee	Exist	Since all members are present in the monthly meeting, such a meeting itself works as a general assembly.
		• All members should have one vote	Yes	
		• All members should have the right to propose an issue to be discussed	Yes	
		• If a management committee don't do its work well, it has to be placed by a new committee elected by the general assembly	Yes	
		• It is the General Assembly and not the Management Committee that is responsible for setting rules and regulations	Yes	
8	**Local Management**	• The Association should be managed by its own democratic elected members	Applied	
		• The management committee should be charged at least once a year through elections on General Assembly.	Mixed	Awareness of the VS&L group on their rights to change the management committee has been increased and they are yet to exercise this responsibility.
		• The committee members also serves the following functions: Chairperson, Record-keeper, cashbox-keeper and money counters	Applied	
		• At least two candidates should be nominated for each function	Mixed	There is lack of competent association members who can be nominated @ two members for each of the functions.
		• At least two of the members of the Management Committee should be females	Applied	With the exception of men only groups.
		• Members should be voting in secret	Applied	
9	**Job functions**	• Chairperson: Leader of the meetings, levies fines	Mixed	Chairperson: Manage the savings and loan register and overall leadership of the meeting.
		• Record-keeper: Responsible for controlling the financial transactions, repayments, disbursements, passbook entries and for announcing balances at the end of the meetings. Important that he can operate a calculator	Mixed	Secretary: Undertake meetings attendance, update debt sheet and collateral sheet.

S.N.	Key Elements	Description	Application	Remarks
		• Box-keeper: Responsible for the security of the cash box between meetings, assists with maintaining passbooks and managing slot savings	Mixed	Treasurers: Receive and receive savings and any other payments of the members, sign in pass book, prepare cash flow statement and balance sheet.
		• Money counters: Should count the money in the cash box at every meeting	Mixed	Controller: Prepare transaction summery of the day and oversee overall group operation and management.
III	**FINANCIALS**			
10	**Savings and credit meetings**	• Every weekly meeting is a saving/share purchase meeting, while credit meetings are hold every four weeks.	Not applicable	Both savings collection and credit operation takes place in the monthly meeting of the group.
		• All members should participate in all meetings	Applied	
		• All members should contribute with the mandatory saving at each meeting	Applied	
		• All transactions should take place at savings and credit meetings in front of members.	Applied	
11	**Amount of Savings**	• Members should decide the weekly minimum and maximum savings	Applied	Monthly
		• Savings need not to be the same for all members every week	Mixed	Mostly mandatory fixed savings which is same for all the members and there are very few cases of voluntary savings (flexible among members).
		• Saving allows each members to buy 1-5 shares at each meeting.	Not applicable	No share shares. Savings are treated as shares.
		• If decided, smaller amounts can be saved between the meetings. (slot saving)	Not applicable.	Except 13 VS&L groups in Syangja where they mobilize voluntary savings, in remaining VS&L groups, there is equal savings among members.
		• The cashbox–keeper should register the slot savings in a special notebook and the slot saves should receive a metal token that represents the value of money they have deposited in the box until the next saving meeting, where they have to by shares for the savings.	Not applicable	Treasure performs most of the cash function.
12	**Amount of Credit**	• Credit to each member should not be more than three times the amount of her shareholdings	Not applicable	Groups member decide the loan size based on available liquidity and financing proposal including loan absorbing capacity of the member.
13	**Access to credit**	• Associations should never give credit to non-members	Applied	

S.N.	Key Elements	Description	Application	Remarks
		• Every member can receive credit at the credit meetings every fourths week by requesting out loud to the Associating the amount, the purpose and over what period of time they expect to repay	Applied	
		• If the total value of loans requested is higher than the money available in the loan fund, the Association should discuss adjustments to the individual loan amounts until all members are satisfied	Applied	
14	**Guarantee**	• None	Not applied	Ornaments, mobile, credit finance projects are used as guarantee for loans.
15	**Interest rate**	• In most VS&L the monthly interest rate is 10 percent. However in others it can be between five or 20 percent depending on what the members decide.	Not applied	Annual interest rate in VS&L 12-24%.
		• Interest rate should be the same for all members	Applied	
		• Total amount should go to members as a property of the Association	Applied	
16	**Social fund**	• Members should decide if all members should pay to a social fund	Applied	
		• Members can receive grants for emergencies as funeral expenses, catastrophes such as house burning down, educational support to orphans etc.	Applied	
17	**Repayment**	• During the first circle, the minimum credit term should be four weeks and the maximum twelve months.	Not applied	VS&L has fixed the loan term to range between 3 months and one year. Both monthly installment and balloon payment system prevails.
		• All credit should be repaid over a period of not more than three months.	Not applied	
		• If members cannot repay, debt should be taken from the members share value	Applied	Such situation has not arisen. There is a system of charging panel interest for late payment.
18	**Out payment**	• Every cycle of about one year ends with a share out meeting, where the accumulated money are paid out the members proportionate to their shares.	Not applied	There is no such system among Nepalese savings and credit groups.
		• The value of each share should be calculated as the total amount to be distributed divided by the number of shares	Not applied	
		• The money in the social fund is not paid out, as it belongs to the Association	Applied	

S.N.	Key Elements	Description	Application	Remarks
IV	**CONTROL AND REPORTING**			
19	**Fines and Discipline**	• Members that are arriving to late to the meetings should pay a fee	Applied	
		• Other offences to be fined could be not-attendance at a meeting, not remembering Association rules, loss of number card, chatting through the proceedings, showing disrespect to a fellow member, not remembering decisions and activities of the preceding meeting.	Few applied	
20	**Safekeeping of cash**	• Cash should be held in a box with three locks.	Applied	
		• It should only be opened during member meetings where all three key responsible are present	Applied	
21	**Record Keeping**	• No central record keeping needed.	Not applied	Central record keeping exist (pass book and ledgers)
		• Based on individual passbooks with information about individual loan amounts and shares	Applied	
		• In case of many non-literate members, record keeping could be based on memorization	Not applied	Members memorized their individual savings and loan transaction.
		• As members make their contributions, the box-keeper should stamp the correct number of shares in their passbooks, making sure that the record-keeper and the member watch this and confirm that the amount is correct	Applied	Secretary stamps the correct amount of savings in the pass book.
		• The passbooks should be saved in the cash box	Partially applied	Passbook are either kept in cash box or kept safely by individual members.
22	**Effect measuring and reporting**	• Before the out paying of savings, the record keeper should register the key amounts etc.	Not applied	Out payment is done only in case the member drops.
		• On the basis of the registrations done by the record-keeper performance indicators should be calculated.	Applied	
23	**Monitoring and audit**	• In the first circles, the facilitator should monitor regularly, if everything is ok	Applied	
V	**Progression**			
24	**Integration of the poorest**	• Yes, but no concrete recommendations	Applied	Efforts are made to integrate the poorest.
25	**Integration in development**	• It is not recommended explicitly	Mixed	Only in selected and needy VS&L

S.N.	Key Elements	Description	Application	Remarks
	activities			
26	**Training and capacity building**	• The local managers and members should be trained in leadership and elections, policies and rules, savings and credit operations, record-keeping etc.	Applied	Training provided on governance, leadership development, savings and credit management, book keeping, accounting, loan management, entrepreneurship development and livelihood support.
27	**External funding**	• In general, it is not recommended to provide external funded credit at least the first two years.	Mixed	Some capable VS&L have received wholesale loans from credit union.
		• However, after the system has shown to be sustainable, the SCG should be linked to external microfinance institutions.	Applied	Being explored
		• The promoter organization should never promote loans or seed capital themselves directly.	Not applied	Pro-poor revolving fund provided to some VS&L.
		• External funding from banks or MFI should never be individual, but a lump sum which can be turned out to smaller loans	Applied	
		• Associations should never borrow more than total value of all shares	Applied	Where VS&L have already accessed wholesale loans.
28	**External deposits and inter-lending**	• Associations should never agree to deposit their savings with a lending institution	Applied	
29	**Other financial services as insurance**	• Is not recommended explicitly	Applied	
30	**Vision and strategy for progression**	• No recommendations	Not applied	Provided vision and strategy for progression.

Source: VSL Associates: Programme Guide. Field Operations Manual. Version 3.0. October 2007.