

Enhancing Efficiency and Impact of Women's Managed Savings and Credit Co-operatives in Nepal

Final Report



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ACKNOWLEDGMENT

Enhancing Efficiency and Impact of Women managed savings and credit co-operatives in Nepal is one of the projects implemented by Centre for Micro Finance (CMF). This project has strengthened the 50 women managed microfinance co-operatives in 20 districts of Nepal. The project made them socially and financially sustainable in their own community. This project started in October 2005 and remains until March 2011.

I would like to thank all the board of directors of CMF for their guidance and policy support, co-operatives members, board members, trainers, project staff and Nari Bikas Sangh for their outstanding contribution for a successful completion of the project.

I extend my heartfelt gratitude to Mr. Shrah Shima, Program Manager Asia Canadian Cooperative Association (CCA) for her valuable contribution and positive guidance to achieve the set goals of the project.

Finally, I would like to thanks the CMF colleagues specifically Mr. Naresh Nepal Project coordinator, Sushila Gautam, Senior Program Officer, Mr. Ganesh Bista, Senior Admin and Finance Officer, Mr. Jagadish Tiwari, Program Officer, Ms. Mimu Raghubansi, Project officer, Mr. Lila Nath Niraula, Field officer, Mr. Ashok Dhakal, Senior Driver for the Project and entire project team for their sincere efforts in implementing and managing the project.

I believe that the outcomes and lessons learned of the project are the assets for the entire microfinance industry in Nepal.

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EXECUTIVE SUMMARY

The proposed Project “Enhancing Efficiency and Impact of Women’s Managed Savings and Credit Cooperatives in Nepal” implemented by CMF in partnership with the Canadian Co-operative Association (CCA), Canada from October 2005 to March 2011.

The project aims to provide advanced and specialized training/TAs to partner Cooperatives / Savings and Credit Groups (SCGs) and establish linkages with wholesale lending institutions and insurance companies so that their members (poor rural women) get access to quality microfinance services and become empowered.

The goal of the project was to increase the effectiveness and impact of savings and credit cooperatives in reducing poverty.

Project Inputs :

The project focused on strengthening the institutionalization of selected women MF Co-operatives activities to achieve the goal. The training on Bookkeeping, Credit / Loan management, Financial Management, Cooperative management and Member Education Business Planning, Proposal writing and Computerization. To promote women as entrepreneurs, MECD ToT manual was developed to provide guidelines on considering the various parameters on choosing the suitable enterprise and procedures involved in planning the chosen one. Likewise, the training manuals on gender, legal literacy and advocacy training and HIV/AIDS-MFI training have been developed and updated.

The project provided MF Co-operatives with advanced and specialized training/TAs and establishing linkages with other institutions and service providers so that their members access quality microfinance services and become empowered. The in-country exposure visit for partner cooperatives of the project was part of the capacity buildings of the Co-operatives to enhance their efficiency and increase their outreach. Participatory approach has been an interest and an appropriate medium for social development, especially in-case of community based women managed MF coops.

Apart from trainings, the project implemented other activities at regular interval to enhance the efficiency of the women members. The project in association with insurance company provided micro-insurance scheme to partner cooperatives. It is designed to serve low-income people and businesses based on rural as well as urban areas that are not served by typical social or commercial insurance schemes.

During the project, lessons learnt from various cooperative especially grass root level were disseminated and documented through Sakshamta, a Nepali newsletter and other means of publication possible through the project.

Linkage and networking is important to cater the needs of MF coops which cooperative society alone could not fulfill. It strengthened the bond among the horizontal and vertical linkage of the cooperative society. Series of linkages building meetings and workshops were conducted at central, district and cluster level. The key stakeholders in those workshops/ meetings were representatives of Cooperative department, district union of Cooperatives, External lending institutions and other related organizations in the vicinity of the partner cooperative societies.

Research :

Socio-economic Impact of the Project on partner Co-operatives' members

Assets holdings among the old members is improved compared to the new members specifically in house, land and livestock but the reverse relation in enterprise holdings

Annual household income of the old members is higher than the new ones but at diminishing growth rate

The poorer members are getting proportionately higher income compared to richer members after affiliation to the cooperative

44% of the old members and 35.6% of the new members have some non-farm family business they are self-employed

A huge majority (82 percent) of the old members of cooperative found borrowing while only 27 percent of the new members had borrowed during one year's period

Cooperatives were the major sources of borrowing both for old (78.1%) and new (58.5%) member and their households

Overall purposes of borrowing showed higher number of loan transaction for household expenses and establishment of enterprises between both types of members. There is the highest share (35.8%) of loan transaction to household expenses among the old members while this figure for the new members is 29.8%. Similarly, 26.3% of the loan by the old members and 30.9% by the new members were provided for enterprise establishment.

There is general trend in responses that the members – old and new both – are having medium impacts on their food consumption, housing, clothing, health, education and household income. In general, majority of 'just sufficient' response has indicated the members are expecting more from the cooperatives specially in improving household income.

Market research on product diversification

Services of associate member cooperatives in VDCs in terms of products were found mostly concentrated to Terai area with dominance of semi-urban and rural VDCs. Similarly, the other cooperatives have greater number of products in Terai with focus on rural and semi-

urban areas respectively. The MFDBS and FINGOs in sample found focused only to the terai area.

Savings and loan are the major products of the MFIs in general. The associate member cooperatives generally have these two products. In addition to this, there are insurance products focused to semi-urban and rural terai by the associate member cooperatives while they don't provide remittance services. The other cooperatives, MFDBs and FINGOs are providing savings, loan, and insurance and remittance services with dominance of the first two types.

There is high domination of compulsory savings among the associate member cooperative while that of voluntary savings among non-member cooperatives. The non-member cooperatives were found getting grants in greater proportion than the member cooperatives while there exists just opposite relation in case of reserves.

There is higher uniformity in percentage contribution of compulsory savings, voluntary savings, grant and external borrowings to the total fund among the associate member cooperatives compared to non-member cooperatives. But the associated member cooperatives have higher deviation in percentage contribution of members share capital and reserves than the other cooperatives.

Project Results :

Increased new loans provided to women members by Co-operatives: With increment in the growth of members, the cooperative women members had also benefited with new loans. It is highly necessary for the community-based cooperative to increase the demand of loans because it is regarded as the only source of income. The project result shows that the rate of new loans disbursed had shown a growth of 88% compared to its base year. Likewise, the average loan size had increased from NRs. 14, 330 to NRs 24,356 showing a growth of 70%.

The project intervention also improved the loan outreach in the partner Co-operatives. The adjacent graphical representation shows the numbers of loan outstanding and active borrowers were below 10,000 marks up to second year of the project inception. The year afterwards showed a growth in number of loans outstanding compared to numbers of active borrowers predicting that cooperative loan disbursement is not restricted to one loan per member. The women are encouraged to take loans for various purposes and no longer relied only on their savings.

Increased Assets, GOLP and Institutional capital of cooperatives : The graphical representation of key financial figures like Total Assets, Gross Outstanding Loan Portfolio (GOLP) and Institutional capital is in increasing trend. The initial focus of the project was upon strengthening SCCs capability in cooperative management and improving financial product and services. The increasing trend in growth of key financial figures indicated that the project achieved more than it planned. Growth trend showed the growth in total income and net income of the partner cooperatives. This is a positive sign that the cooperative members are benefitting through their operations.

Women with increased control of assets : The project attempted through the cooperative to improve the control of women members over its assets. For that matter, the project promoted

women participation in democratic and decision-making roles in cooperative institutions through various technical assistances both through onsite and offsite. Women members, when there were in a group, were little familiar with the terms: saving and credit. Upon participation in various programs conducted through partner cooperatives, the women were actively involved in spreading the information that it is necessary to save first and take loan afterwards. Similarly, imparting knowledge on the importance of saving and credit and its various types, had made them acquainted with the possibilities of various products or process of savings as well as credit programs available as per requirement.

MF coops became financially self sustained: Cooperative being member based organization; community people are eligible for any cooperative service only after taking the membership in cooperative. At the commencement of this project, the average memberships of MF coops were 360 only. From the beginning of the first year, it was ensured that there is growth in terms of membership coverage. At the end of Sept 2010, the average membership is observed 614 per MF coop with increase in membership coverage (109%) compared to base year. At the beginning the project Operational Self Sufficiency OSS of the partner MF Co-operatives was 125. 34 September 2010 it went 132.45 likewise Financial Self Sufficiency (FSS) from 108.10 to 112.52.

Contribution to Sustainable Livelihoods through Cooperatives : MF coops and microfinance is not only the answer to all the problems of poverty in developing country, but it is indeed an inducer to great many actions that can lead to a better quality of life for the low-income group. The cooperative has been medium for women to be known in the community and know about the community. Women who were always busy with the household chores now take their time out for the cooperative.

Social: Member based cooperative societies strive on the seven principles of cooperative. Concern for community is one among the seven principles of cooperative. The project activities/trainings/programs created a platform for the women members to discuss and implement various services for social cause. Innovations and tools being implemented by the project through partner coop that leveraged their creativity and their own knowledge had not only suited to their own situation but also were beneficial to their neighbors and the rest of the community people. Therefore, the project interventions through savings and credit cooperatives had brought about group solidarity among members and had increased their confidence to advocate against social evils. The impact study observed that the members of partner cooperative were more vocal than other women in the community during various programs/trainings/FGD conducted either by the project or in coordination with other service provider. The cooperative's members were very expressive about their issues that they lacked in the initial year of project inception. Community development programs organized by the cooperative society itself in coordination with other stakeholders further assisted in developing and improving the life and status of the cooperative members. The project enhanced dignity and social status of the members of the partner cooperatives.

Human: Human resource is the most valuable assets and it has to be nurtured through continuous capacity building program. Considering the fact, the project emphasized on participation of women members through constant capacity building programs and exposure to new know-how, where the managerial as well as the hidden capacities of the members were explored. This has been help in up bringing the confidence of the women who usually were confined to four walls of household chores. By retaining leadership positions in their groups/

societies, women gained self-esteem and self-respect in their household and community. Thus, while focusing on member needs, cooperatives worked to improve the quality of life in the areas they serve.

Financial: The project helped cooperative members to increase access to financial services that lead to initiate income generation activities. Similarly, partner cooperatives were able to increase their institutional capacity leading to increased Operational and Financial Self-Sufficiency with the training/TA provided by the project.

Physical: Training received through this project had developed the skill needed by the women members. Earlier the women members hesitated to take loan for any purposes as taking loan is considered as social stigma. With the cooperative support, the members realized the importance of savings as well as credits. As a consequence of which the members initiated small enterprises with the loan acquired through the cooperatives; and profit earned was then invested on assets like livestock, raw material, machinery, land and houses.

In terms of infrastructure, the partner cooperatives (68%) now either own their own house/land or are situated in the closer proximity to its members. The linkage building program as well as networking through the project provided exposure of the available opportunities for the community organizations that focused in women only. The cooperatives being legal entities had been able to access VDC and various other government funds.

Conclusion

The achievements of the partner cooperatives in improving the financial and institutional capacity and contribution of cooperatives for the socio-economic development of the society has clearly shown that women managed cooperatives have been a proper channel in improving the microfinance services in rural and remote areas of Nepal.

The involvement of cooperatives in introducing new product and services and its implementation diversified the choices for the community members, irrespective of their ethnicity, caste or race, to increase active participation in the society. The cooperatives provided various form of saving products depending upon the needs of the members and more compatible with the seasonality of their income. Likewise, cooperatives concentrated on availability of loans regularly to their member for various purposes and provided micro-insurance services to their members for security and improvement in the economic status, and thereby contributing to community development.

Technical assistance in the form of trainings, regular monitoring of the society and amalgamation of scattered groups around the similar geographical area, contributed in the improvement of financial health and the sustainability of the cooperatives in the community. Increased new loans disbursed to the members, improved institutional capacity and, most importantly, increased assets and net income of the cooperatives helped in the viability and institutional effectiveness of the women managed cooperatives.

The non-financial services in the form of training and awareness programs provided through cooperatives to the members enhanced their skill, which indirectly contributed in income generation of the members. In addition to that, social services provided to the members especially focusing on women rights, enhanced the efficiency of women members to the

various issues residing in the society. Exposure visits, various published materials and workshops organized through the cooperatives explored the quality hidden within and developed the leadership quality empowering the women members of the society directly and, indirectly by dissemination of such activities towards its family members and other households.

Networking and linkages programs to the cooperatives helped cooperatives to identify the various needs of the community that ensures a more holistic community development plan and implementation. These network and linkages helped to figure out the objectives and programs conducted by different agencies and choose accordingly by the MF coops in terms of community's needs. These services hence created a common platform of developmental agencies and its beneficiaries that ensured the greater use of the resources by complementing work of each other.

ACRONYMS

| | | |
|---------------|---|---|
| ADRA | : | Adventist Development and Relief Agency |
| ACTED | : | Agency for Technical Cooperation and Development |
| AEPC | : | Alternative energy promotion center |
| A.D | : | Anno Domini |
| Amt | : | Amounts |
| Approx. | : | Approximately |
| ARP | : | Annual review and Planning |
| Aug | : | August |
| BDS | : | Business Development Services |
| BOD | : | Board of Directors |
| B.S | : | Bikram Sambat |
| BSP | : | Bio gas supplier |
| B/S | : | Balance Sheet |
| BWTP | : | Banking with the poor |
| Co-operatives | : | Co-operatives |
| CBO | : | Community Based Organization |
| CCA | : | Canadian Co-operative Alliance |
| CECI | : | Canadian Centre for International Studies and Cooperation |
| CIDA | : | Canadian International Development Agency |
| CGAP | : | Consultative Group to Assist the Poor |
| CMF | : | Center for microfinance |
| DACAW | : | Decentralized action for child and women. |
| DCU | : | District Co-operative Union |
| DDC | : | District Development Committee |
| DADO | : | District Agricultural Development office |
| e.g. | : | example |
| Feb | : | February |
| FGD | : | Focus Group Discussion |
| FIs | : | Financial Institutions |
| FINGOs | : | Financial Intermediary Non Government Organizations |

| | | | |
|----------|---|--------|--|
| FSS | : Financial Self Sufficiency | OXFAM | : Oxford Committee for Famine Relief |
| FY | : Fiscal Year | PAF | : Poverty Alleviation Fund |
| GTZ | : German Technical Cooperation | PEARLS | : Protection, Effective Financial Structure, Assets Quality, Rate of Return, Liquidity, Sign of growth |
| GDP | : Gross Development Product | P/L | : Profit and Loss |
| GO | : Government organization | SCCs | : Savings and Credit Co-operative Societies |
| GOLP | : Gross Outstanding Loan Portfolio | SCGs | : Savings and Credit Co-operative Groups |
| IA | : Institutional Assessments | Sept | : September |
| IFAD | : International Fund for Agricultural Development | SEEP | : Small Enterprise Education and Promotion |
| IT | : Information technology | SLC | : School leaving certificate |
| INGO | : International government organization | SAMN | : South Asian Microfinance Network |
| Ltd | : Limited | SKBBL | : Sana Kissan Bikash Bank Limited |
| LIC | : Life Insurance Company | SWOT | : Strength, Weakness, Opportunity & Threats |
| MCPW | : Micro Credit Program for Women | TAs | : Technical Assistances |
| MDM | : Medecins du Monde | TOT | : Training of Trainers |
| MECD | : Micro –Enterprise Creation and Development | UN | : United Nations |
| MF | : Microfinance | UNIFEM | : United Nations Development Fund for Women |
| MFDBs | : Microfinance Development Banks | UNDP | : United nation development program |
| MFI | : Microfinance Institutions | USAID | : <i>United States Agency for International Development</i> |
| Mgmt | : Management | VDC | : Village Development Committee |
| MIFAN | : Microfinance Association of Nepal | VDRC | : Village Development Research center |
| Min –Max | : Minimum-Maximum | VMGO | : Vision, Mission, Goal and objectives |
| MIS | : Management Information System | WEAL | : Women’s Equity Action League |
| MJ/II | : Mahila Jagaran, Phase II (Strengthening of Women's Savings and Credit Co-operatives in Nepal) | Yrs | : Years |
| MJ/III | : Mahila Jagaran, Phase III (Enhancing Efficiency and Impact of Women's Managed Saving and Credit Co-operatives in Nepal) | | |
| M.P | : Multipurpose | | |
| MS | : Microsoft | | |
| MSOP | : Membership and Specialized Organizations Program | | |
| N/A | : Not Applicable | | |
| NBS | : Nari Bikash Sangh | | |
| NEFSCUN | : Nepal Federation of Saving and Credit Union-Nepal | | |
| NFE | : Non formal education | | |
| NGO | : National Government Organization | | |
| No | : Numbers | | |
| NRB | : Nepal Rastra Bank | | |
| NMBA | : Nepal Microfinance Bankers Association | | |
| NRs | : Nepalese Rupees | | |
| OSS | : Operational Self Sufficiency | | |

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1. INTRODUCTION

Nepal is a small land locked country located in South Asia between two powerful emerging economies, China to the north and India to the south. About 86 percent of population lives in rural area and 81percent(of the population deriving their livelihoods from agriculture). A considerable share of Nepal's labor force is employed as migrant labor force mainly in the Middle East and parts of South East Asia.

The government of Nepal developed deferent sectors for development after last year's published interim plan. They identified three pillar of development modality in the plan; the first being the modality in the co-operative sector. Co-operative movement is the most important for sustainable development in Nepal.

Co-operatives are autonomous associations of people, united voluntarily to meet their common economic, social and cultural needs and aspirations through a democratically controlled enterprise. They are based on the values of democracy, self-help, self-responsibility, equality, equity, and solidarity.

The financial institutions plays a pivotal role in Nepal, covering a wide range of development services in the country, including microfinance services, dairy services, consumer services, agriculture inputs and marketing services. Other areas of involvement of co-operatives in Nepal are savings & credit, transport, health, vegetable production, seed production, education, skill development, women development, ginger production, tea production, coffee production, irrigation, electricity, publishing, honey production, *Thanka* production, wood carving, metal carving, furniture, cottage industry, carpet industry, housing and others.

Nepal has always had a strong traditional informal financial system that fostered cooperation amongst people. Savings and credit associations popularly known as *dhukuti*, *dharmabhakari* for grain savings and labour savings system known as *parma* worked for a long time and are noteworthy accomplishment in the history of co-operatives in Nepal. Similarly, *Guthi*- a type of trust generally in terms of land - provided a forum to work together for different socio cultural practices smoothly. Most of these traditional systems of co-operative movement are still functioning in the rural areas of Nepal.

The establishment of 13 credit co-operatives began a formal co-operative movement in Nepal from 1956 in the Rapti Valley of Chitwan district. Their objective was to provide agricultural credit to flood-victims who were being rehabilitated in the Rapti valley. The success of the agricultural credit program by these co-operatives promoted their movement in other parts of the country.

To regulate these co-operative societies the first Co-operative Act was promulgated in 1959. These co-operative societies started multiple activities such as supplying agriculture inputs.

The nature of co-operative societies changed from single purpose to multipurpose societies due to the shift in the activities. However, they continued providing agricultural credit to their members. The department of co-operatives represents the government regulatory body for the co-operatives. Co-operative Registrar heads the department along with 38 District Divisional Co-operative Offices in all over the country to regulate, monitor and supervise the co-operatives' activities.

According to the Department of Co-operatives, the total number of co-operatives as of March 2010 in the country was 18,500. Other co-operatives include agriculture (Vegetable and seed, ginger, coffee, tea, honey etc. production), transport, health, education, and hydropower.

Co-operatives actively support Nepal's rural economy by providing various services to rural communities including access to financial services such as loans and savings products.

The Co-operatives sector in Nepal's ability to sustain itself even through the decade long political conflict in the country is a notable aspect. Whereas most financial organizations in rural areas have either been destroyed or phased out due to conflict, the community-based savings and credit co-operatives and dairy co-operatives continued to function in villages. None of the women's co-operatives were stopped from functioning during the conflict, as there was consensus on all sides that co-operatives are locally owned credible organizations that add value to and are owned by the community.

Canadian Co-operative Association (CCA) is supporting women managed co-operatives in Nepal with its project partners CMF. Since 2000 CCA continues to provide projects for women, economic empowerment and sustainable development of women managed co-operative societies. Through this project, CCA supports microfinance programs for the poor living in rural communities. There were three projects with CMF from 2000. All are with the women managed co-operative society.

1.1. Canadian Co-operative Association (CCA)

A national association for co-operatives in Canada, the Canadian Co-operative Association (CCA) represents more than nine million co-operatives and credit union members from over 2,000 organizations. CCA provides leadership to promote, develop and unite co-operatives and credit unions for the benefit of people in Canada and around the world. CCA's mission is three-fold:

Promotes the co-operative model and profiles the economic and social contributions of co-operatives and credit unions;

Develops co-operatives in Canada, and in over 40 countries, by securing an enabling and supportive legislative environment, and by securing or providing technical and financial resources to help emerging co-operatives; and unites co-operatives from different industry sectors and regions of Canada around a common co-operative identity, a common sense of purpose, and a common voice to government.

CCA supports its members and the co-operative sector through the provision of services in three core areas-development (Canadian and international), government affairs & public policy, and common table. Its international program facilitates the transfer of funding,

technical skills and knowledge between co-operative networks in Canada and over 40 developing countries. CCA Nepal's Country Strategy will "employ CCA's and its partner's expertise to build national federations and local co-operatives, which are examples of democratic and sustainable socio-economic development that can withstand the current security situation and support their communities."

CMF has managed four projects with CCA partnership since 1999. "Capacity-building of NEFSCUN" project related to project-monitoring in 1999, evaluation of CCA's management of that same project in 2001 on behalf of CIDA-MSOP and; four other projects are the projects under CCA-CMF partnership. (In Delivering Financial and Non Financial Services to the poor women through savings and credit co-operatives first project, Strengthening of Women's Savings and Credit Co-operatives second, Enhancing Efficiency and Impact of Women's Managed Savings and Credit Co-operatives in Nepal third and Ensuring the Inclusion of Women in Nepal's Emerging Democracy: Development Women's Savings and Credit Co-operatives as Schools of Democracy is the fourth project from CCA.)

1.2. Centre for Micro Finance (CMF-Nepal)

Center for Microfinance (CMF) Nepal www.cmfnepal.org was established in July 2000 to strengthen the capacity of microfinance institutions and enable them to provide savings, credit and other financial services to the poorest-of-the-poor families, especially women as a focal point. CMF runs a wide range of programs designed to meet the emerging needs of microfinance institutions and its members. CMF engages in training, technical assistance, advisory services, research, knowledge management, policy advocacy, publication and documentation, dissemination of best practices and networking among its shareholding, strategic, and associate members in partnership with national and international development organizations to promote the microfinance sector and establish a strong market system in place. CMF's Articles of Association 13 (f) states that the surplus earned by the organization shall not be distributed as dividends to the shareholding members. Rather, such profits shall be deployed for the development of microfinance sector and poverty alleviation programs and CMF shall remain a not-for-profit organization.

Originally, CMF was a project implemented by Canadian Centre for International Studies and Cooperation (CECI) funded by USAID and Ford Foundation in 1998-2000. CMF is transformed from the project to an autonomous, privately owned national network organization that works to strengthen microfinance sector and its member associations, institutions and individuals with a vision of "*sustainable access to microfinance services for the poor*".

Strength of CMF: CMF's organizational vision encompasses the evolution of the microfinance sector including capacity building, training, research, networking, development services particularly to its countrywide network positioning and possess the following comparative advantages and added value.

- CMF's presence on the ground and its local knowledge for capacity building, research and network;
- Neutrality and flexibility of CMF's interventions to function market, strengthen members, and protect clients;

- Constant field presence and a proximity reinforced by various national programs for the last 12 years;
- Recognized expertise in the promotion of microfinance services, policy lobbying and knowledge management, and networking;
- The only resource center in Nepal with more than 1500 publications on microfinance;
- Specialized in microfinance networking, training and research;
- Close working relationship with CCA, GTZ, Ford Foundation, CECI, World Education, WEAL, ADRA, UNIFEM, UNDP, IFAD, OXFAM, Save the Children, CIDA, The MIX Market, CGAP, MDM France, ACTED, Micro-Save, SEEP, BWTP, SAMN, NRB, NMBA, MIFAN, SKBBL, NEFSCUN, PAF, World Vision, ICEMOD and Government Authority;
- Member of The SEEP Network, Banking with the Poor Network, and South Asia Microfinance Network;
- Program partnership with 100 MFIs covering more than 25 districts;
- Providing more than 4,587 clients with training and capacity building services as of July 2010 (male:607 and female:3881);
- Financial literacy to 32,741 (Client protection initiative);
- Provided more than 865 technical assistances to MFIs;
- Facilitating to provide more than 42,080 women with access to microfinance services through associate members;
- Networking among 24 Microfinance experts as shareholding members, 3 Associations as shareholding members (1 provisional), 7 MFIs Strategic Members, 57 MFIs as associate members, and 700 informal members;
- Experience in leading more than 34 research projects in microfinance;
- Secretariat of UN Year of Microcredit 2005 and Organizer of the microfinance summit Nepal 2008, and 2010 (www.microfinancesummitnepal.org).

1.3. The Project

The Project “Enhancing Efficiency and Impact of Women’s Managed Savings and Credit Co-operatives in Nepal” builds on the works of the previous 3-year project entitled “Strengthening of Women’s Savings and Credit Co-operatives” implemented by CMF in partnership with the Canadian Co-operative Association (CCA), Canada.

The proposed project aims to provide advanced and specialized training/TAs to partner Co-operatives/Savings and Credit Groups (SCGs) and establish linkages with wholesale lending institutions and insurance companies so that their members (poor rural women) get access to quality microfinance services and become empowered. Over the course of the project, market research on new products and socio-economic impact study of the previous project on members were also conducted. The outcome of the research will help the Co-operatives to develop new products and / or refine the existing products on the one hand, and on the other for the outcomes to be shared with a wider audience. The project focuses on further increasing the institutional capacities of these Co-operatives/SCGs, resulting in (a) increased financial self sufficiency (b) increased outreach of the project to cover 25,000 poor rural women and (c) providing competitive microfinance services including savings, credit and micro insurance products to their members.

The project also proposes to cover and institutionalize additional 150 *Nari Bikas Sangh* (NBS), meaning association for women development), and promoted SCGs, which were not covered by the project previously as the project was limited to 200 groups. It also envisages considerable investment in monitoring, analysis and documentation of results. Over the project period, various lessons learned will be documented and disseminated to a larger development audience in Nepal and beyond.

Various levels of interventions are needed to graduate these Co-operatives and SCGs into sustainable MFIs in the long run. In a continuum of the development process, more advanced and specialized training and TAs will be provided as per need identified in the course of the growth in institutional capacity of the SCCs to ensure further continuity of their services. The three-year project extension will cover these activities to ensure fruitful outcome of the previous investment.

1.3.1. Project Purpose

The purpose of the project was to build on the achievements of the previous period; lessons learned; and increase the project outreach with qualitative growth of the previous program ensuring the sustained financial services to 25,000 poor women.

1.3.2. Goal

The goal of the project was to increase the effectiveness and impact of savings and credit co-operatives in reducing poverty.

1.3.3. Expected Results from the projects:

- Existing MF co-operatives will become financially self sustained MF co-operatives;
- Impact study on members and market research would be completed
- Inclusion of 150 NBS promoted SCGs, not covered by the previous project, will increase the outreach
- Networking and linkage building

2. PROJECT INPUTS

The project focused on strengthening the institutionalization of selected women MF co-operatives and NBS promoted SCGs/SCCs activities to achieve the goal. The project activities were initially based on three years, which later extended to five-year period. However, the following activities were planned during the project period.

Table 1 Project Activities

| S.N. | Activities | Events |
|---|---|----------|
| Institutional Strengthening of selected 30 MF co-operatives and NBS promoted SCCs/SCGs | | |
| 1. | Curriculum Development | 15 |
| 2. | Institutional Audit | 100 |
| 3. | Training Programs | |
| 3.1. | Financial Trainings | |
| 3.1.1. | Book-keeping (basic, advance & refresher) | 7 |
| 3.1.2. | Loan Management Training | 5 |
| 3.1.3. | Financial Management Training | 5 |
| 3.1.4. | Bookkeeping, loan management and financial management | 3 |
| 3.1.5. | Business Planning Training/TA | 4 |
| 3.2. | Member Education Training | |
| 3.2.1. | Pre co-operative or Member Education Training | 10 |
| 3.2.2. | Co-operative management Training | 18 |
| 3.2.3. | Computerization Training | 2 |
| 3.2.4. | Proposal Writing Training | 3 |
| 3.3. | Social Intermediary Trainings | |
| 3.3.1. | MECD TOT Training | 3 |
| 3.3.2. | TOT on Gender and Legal Literacy | 5 |
| 3.3.3. | TOT on HIV/AIDS and Microfinance | 5 |
| 4. | In-country Exposure Visit | 5 |
| 5. | Annual Review and Planning Workshops | 28 |
| 6. | Insurance Scheme | 22 |
| 7. | Monitoring & Evaluation and Technical Assistance | 100/year |
| 8. | MIS database update | 5 |
| 9. | Documentation of best practices | 1 |
| 10. | Linkage and Networking | |

| | | |
|-------|--|------|
| 10.1. | Linkage and Networking Building | |
| 10.2. | Newsletter | 10 |
| 11. | Research | |
| 11.1. | Socio-economic Impact Assessment of the Project on Members | 1 |
| 11.2. | Market Research on product diversification | 1 |
| 12. | Project Management | |
| 12.1. | Prepare Report /Narrative Reports | 10/4 |

2.1. Curriculum development

Since the Project is based on strengthening the women based co-operatives numerous trainings were conducted during the project period. To make the optimum use of such training programs, the contents of all the trainings were designed under curriculum development. The manuals then were developed as well as upgraded depending upon the need of the participants throughout the project period.

The manuals on **Bookkeeping, Credit / Loan Management, Financial Management, Co-operative Management and Member Education Training and Business Planning Training** were developed and updated. Likewise, realizing the need of technology in today's scenario, **computer manuals** were developed focusing on basic knowledge on computers with emphasis on use of MS word and MS excel packages. The developed curriculum was simple and understandable to beginners like the co-operatives women members.

In recent scenario, most of women partners' co-operatives have adequate money to invest, however they are still in dilemma on how to use it further. To develop women as entrepreneurs, **MECD ToT manual** was developed to provide guidelines on considering the various parameters on choosing the suitable enterprise and procedures involved in planning the chosen one. The game modules present in the manual complemented the manual in better understanding of the concept and procedures.

The manual on **proposal writing** was also developed during the project period. The manual included the basic subject matter necessary for developing a proposal especially for community development activities. The fifty pages manual with pictorial messages provided the guidelines on initial data collection to situational analysis and problem tree analysis for creating a proposal. Basically, it emphasized on the necessary contents required for writing a proposal. Likewise, the training manuals on **gender, legal literacy and advocacy training and HIV/AIDS-MFI training** have been developed and updated.

2.2. Institutional Assessment Tool Design

The project developed the Institutional Assessment Tool to assess the 50 partner savings and credit co-operatives (SCCs) of the project. The objective of an institutional audit of MF co-operatives is to assess the strengths and weaknesses of MF co-operatives and to formulate the strategic planning for strengthening them. The institutional audit assesses the status of the selected co-operative society on the basis of following functional areas:

Vision, Mission, Goal and objectives (VMGO)/Planning gives information on the

availability of vision, mission, goals and objectives of the co-operative society and availability of financial plan and long-term plan of the co-operative, timely progress reviewing and planning in terms of its objectives, and availability of annual business plan.

Membership and outreach provides information on the knowledge of members about co-operative principles, status of reflection of special needs of women and lower caste/ethnic youth groups in by-laws and policies, the distribution of membership, gender disaggregated member's size, growth rate of membership, dropout rate of members; and provides information on whether the co-operative society has encompassed target people or not.

Management and Good governance gives information on availability and variety of policies, implementation status of co-operative society's activities in accordance with the policies, decision making process of the society, usual agenda in general assembly meeting, and frequency of meetings. Similarly, it highlights the formation process of the executive committee, existence of a sub-committee, awareness and sensitivity of members of the executive committee and various sub-committees towards their roles and responsibilities, transparency of decisions made and existence of system of reviewing decisions made. In addition, competitive salary paid to staff, scenario of women's participation in the general assembly meeting, ratio of women's representation in an executive committee and gender sensitivity in staff structure are also included under this functional area.

Training provides information on pre-membership training before enrollment of new members, provision of providing training to its members from co-operative's reserve fund; presence of more than one trained members and its ability on bookkeeping; dissemination of knowledge sharing among the members learnt from training and exposure visit and documentation and implementation in the grass root level.

Services to the members provides information on the facilities available for the day- to-day operation of the administrative activities, diversity of savings and loan products available and their appropriateness to the members' needs, process and time taken for providing these facilities to the members, availability of various policies for savings as well as lending and access of available services to women and lower caste/ethnic groups.

Infrastructure includes the possession of infrastructure necessary for sustainability of the co-operative which includes availability of fixed assets like building/land and its closer proximity to its members; and also possession of calculator, telephone, furniture etc. for smooth running of day to day transaction.

MIS and Book-keeping provides information on the recording system of day-to-day transactions of the co-operative, practice of preparation of trial balance and financial statements, process followed in accounting for expenses, practice of verification of individual passbook and ledger, reconciliation of bank statement, monitoring of delinquent loans, auditing practice and practice of sharing and discussing audit report in an executive committee meeting and the general assembly meeting.

Financial Health provides information on liquidity status, loan investment, repayment rate, rate of yield on loans, delinquency rate, loan tracking system, profit and loss status, provisions made for the delinquent loans, operational self sufficiency, ratio of fixed assets and provision for loan loss, separate accounts for other activities besides savings and credits and its resource allocation for such activities

Productivity reflects the average savings and loan size per staff of the co-operative and loan disbursed amount per staff.

Efficiency reflects the ratio in terms of net profit and operating expenses on average assets of the savings and credit co-operatives.

In addition to above field it gives information on allocation of surplus in community development activities through the support of long-term funding sources like governmental agencies and linkages with various governmental, non-governmental organizations, financial institutions and networks.

Analyzing above criteria, each co-operative was awarded points based on the fulfillment of the different criteria in the tool summing it up to the total of 100 points. Based on the numbers received the co-operatives are categorized as A-Excellent (having points within 85-100), B-Good (70-84), C-Moderate (55-69) and D-Weak (0-54).

2.3. Capacity building through Training Programs

During the five-year project period, the project implemented various training (financial and other trainings) for capacity building of the co-operative members as well as social intermediary training for the benefits of members and thereby to the co-operatives. (*The details on topic covered on each trainings and their outcomes are presented on Appendix.3*)

2.3.1. Capacity building training

Table 2 Details on Financial Trainings

| S.N. | Trainings | Number of Co-operatives | Number of Trainings | Number of Participants |
|------|---|-------------------------|---------------------|------------------------|
| A | Selected 30 co-operatives | | | |
| 1 | Book-keeping (basic, advance & refresher) | 30 | 5 | 93 |
| 2 | Loan Management | 27 | 3 | 52 |
| 3 | Financial Management | 27 | 3 | 49 |
| 4 | Bookkeeping, loan management and financial management | 27 | 3 | 55 |
| 5 | Business Planning | 24 | 2 | 52 |
| B | 20 NBS promoted SCCs&SCGs | | | |
| 1 | Loan and Financial Management | 20 | 2 | 40 |
| 2 | Book-keeping | 16 | 2 | 34 |
| 3 | Financial Management | 19 | 2 | 38 |
| 4 | Business Planning | 15 | 2 | 32 |

Source: *Training reports & Activity reports, CMF, 2005- 2010.*

2.3.1.1. Financial Trainings



The research study, prior to this project, on women managed MF co-operatives and NBS promoted SCCs revealed that financial trainings plus the technical assistance are of vital need to improve the performance of the women managed SCCs. Furthermore, the NBS promoted SCGs were amalgamated to form SCCs during the project period. Since these SCCs being the newly formed, the project considered financial training is a must for

institutional strengthening of these SCCs.

Before the project inception, the partner women managed MF co-operatives and NBS promoted SCCs/SCGs were unaware of the generally accepted principles of accounting and the procedure related to it. The SCCs simply used to follow the basic record keeping while in some cases the SCCs were fully new to it. During the project period, the partner co-operatives were provided training on bookkeeping, credit portfolio management and financial management, the three important tools necessary for transparency of records in any financial institutions. The basic, intermediate and advanced courses were designed for bookkeeping and financial management and trainings were imparted to the participants depending upon the participants need. In addition to these trainings, the members of partner SCCs, both 30 and 20 NBS promoted SCCs were informed and provided training on business plan. The SCCs then developed their business plan by themselves with the project staffs providing technical assistance when needed. By the end of the project period, 40 SCCs have their business plan prepared and are operating as according to its projection.

2.3.1.2. Member education training

The project provided member education training and co-operative management training to the project beneficiaries to impart knowledge on co-operative and its operational modalities. The NBS promoted SCGs were given priority to provide member education training considering the fact that SCGs lack the knowledge of co-operatives and secondly these groups were later amalgamated to form and operate as per the co-operative act and laws.



Table 3 Details on Member Education trainings

| S.N. | Trainings | Number of Co-operatives | Number of Trainings | Number of Participants |
|-------|---|-------------------------|---------------------|------------------------|
| A | Selected 30 co-operatives | | | |
| 1 | Pre co-operative or Member Education training | 23 | 10 | 320 |
| 2 | Co-operative management Training | 33 | 18 | 434 |
| 3 | Computerization training | 24 | 2 | 44 |
| 4 | Proposal writing training | 19 | 2 | 37 |
| B | 20 NBS promoted SCCs&SCGs | | | |
| 5 | Proposal writing training NBS | 10 | 1 | 20 |
| Total | | | 33 | 855 |

Source: *Training reports & Activity reports, CMF, 2005- 2010.*

The project also focused in other areas apart from financial and co-operative trainings. To increase the efficiency and upgrade the co-operative functionality, the computerization training and proposal writing trainings were provided to women members through MF co-operatives and NBS promoted SCCs. The 11 computers were also distributed to the selected women co-operative partner. (See Appendix 4 for names for names of the co-operatives)

2.3.2. Social intermediary trainings



The project offered the broad range of social intermediation training apart from financial trainings. Majority of the intermediation trainings were provided as TOT, which the MF co-operatives replicated at the grass root level. The resources for such replication trainings were allocated by the project itself in the

initial phase. Later the MF co-operatives provided such trainings partially by utilizing its own resources and partially by linking such trainings with other service providers. The trainings provided can be categorized under the following headings:

2.3.2.1. Training for income generating activities:

Table 4 Details on training provided in income generating activities

| S.N. | Trainings | Number of Co-operatives | Number of Trainings | Number of Participants |
|-------|---------------------------|-------------------------|---------------------|------------------------|
| A | Selected 30 co-operatives | | | |
| 1 | MECD TOT Training | 19 | 2 | 38 |
| B | 20 NBS promoted SCCs/SCGs | | | |
| 1 | MECD TOT Training | 9 | 1 | 20 |
| Total | | 28 | 3 | 58 |

Source: *Training reports & Activity reports, CME, 2005- 2010.*

The project conducted business development services (BDS) and enterprise training for the partner co-operative to facilitate their interest on income generating activities. The former were conducted to link co-operatives with the service providers whereas later Micro-Enterprise Creation and Development (MECD) TOT targeted the potential women entrepreneurs prevailing in the respective societies of the partner co-operatives. The main objective of the training was to orient the representatives and local facilitators of savings and credit group on the concept of micro-enterprise and to assist local facilitators on enterprise development. This training helped the members to generate self-employment and increase their income, thereby contributing towards reducing their poverty to some extent.

2.3.2.2. Social Intermediation TOT

As a social intermediation TOT, the project conducted training on HIV/AIDS and Microfinance and Gender and legal literacy. The TOT was conducted in coordination/partnership with respective service providers and further, the MF co-operatives replicated it at their community level through the project support.



Table 5 Details on Social Intermediation TOT

| S.N. | Trainings | Number of Co-operatives | Number of Trainings | Number of Participants |
|-------|---|----------------------------|---------------------|------------------------|
| A | Selected 30 co-operatives | | | |
| 1 | TOT on Gender and legal Literacy | 30 | 3 | 60 |
| 2 | TOT on HIV/AIDS and Microfinance | 30 | 3 | 60 |
| B | 20 NBS promoted SCCs/SCGs | | | |
| 1 | TOT on Gender and legal Literacy | 18 MF Co-operatives + SCGs | 2 | 38 |
| 2 | TOT on HIV/AIDS and Microfinance | 18 MF Co-operatives + SCGs | 2 | 38 |
| C | Social Training Replication | | | |
| 1 | Gender and legal Literacy & HIV/AIDS and Microfinance | 11 | 33 | 1051 |
| Total | | | 43 | 1247 |

Source: *Training reports & Activity reports, CME, 2005- 2010.*

2.4. Exposure Visits



The project aims to provide MF co-operatives with advanced and specialized training/TAs and establishing linkages with other institutions and service providers so that their members access quality microfinance services and become empowered. The in-country exposure visit for partner co-operatives of the project is part of the capacity buildings of the SCCs to enhance their efficiency and increase their outreach.

In-country exposure visit for members of both 30 MF co-operatives and 20 NBS promoted SCCs & SCGs provided exposure to the various opportunity and linkages prevailing in the community as well as in the district and central level. This had been also a platform for the participants of women managed co-operative from various districts to share their experiences and ideas among them. These exposure visits assisted in new product development in majority of the SCCs.

2.5. Annual Review and planning (ARP) workshops

Participatory approach has been an interest and an appropriate medium for social development, especially in-case of community based women managed MF co-operatives. The ARP

is conducted on each of the co-operatives ensuring the equal participation of all committee members and staffs. Participatory Annual Review & Planning performed at the respective partner MF co-operatives facilitated to inform current activities of the respective co-operatives to all its committee members and also provided useful contribution to develop a growing



interest among themselves for its improvement and promotion. Basically interaction and group discussion among the members of the various committees and sub committees and staffs were conducted during the workshop. The workshops created a systematic procedure for co-operatives to conduct review and planning of activities for a period of one year to improve operational activities in every aspects including increased member outreach, share increment etc which further would help

to attain the financial sustainability in the long run.

Table 6 Details on other activities covered by the project

| S.N. | Trainings | Number of Co-operatives | Number of Visit/training | Number of Participants |
|-------|----------------------------|-------------------------|--------------------------|------------------------|
| A | Selected 30 co-operatives | | | |
| 1 | In-country exposure visit | 30. | 3 | 44 |
| 2 | ARP | 28 | 28 | 359 |
| 3 | Insurance scheme | 16 | 16 | 763 |
| B | 20 NBS promoted SCCs/ SCGs | | | |
| 1 | In-country exposure visit | 15 | 2 | 28 |
| 2 | Insurance scheme | 6 | 6 | 314 |
| Total | | | 55 | 1508 |

Source: *Training reports & Activity reports, CMF, 2005- 2010.*

2.6. Micro Insurance Scheme

Apart from trainings, the project implemented other activities at regular interval to enhance the efficiency of the women members. The project in association with Life insurance Company (LIC), Nepal provided micro-insurance scheme to partner co-operatives. It is designed to serve low-income people and businesses based on rural as well as urban areas that are not served by typical social or commercial insurance schemes. Life insurance through LIC covers funeral cost, outstanding loan and transitional cost of the family under shock. Besides this, voluntary and other purposive savings products and subsidized emergency loans also help members to manage predictable and unpredictable future risks. Varied age groups joined the scheme, ranging from 10 yrs to 60 yrs. Age group range from 20 -30 is highest in number i.e. 181 insured members whereas lowest insured members are in age group of 50-60 having a count of 17. The co-operative members basically chose schemes like Endowment, Jeevan Anand and Children plan of LIC.

2.7. Institutionalization of NBS promoted SCCs and SCGs

The project has been supporting Nari Bikash Sangh promoted SCGs and SCCs since the project's inception. The project "Strengthening of Community Based Women Savings and Credit Co-operative Societies Project" conducted feasibility study using the developed tools to assess the capability of Nari Bikas Sangh (NBS)¹ regarding promotion and strengthening SCCs and SCGs and status of SCCs and SCGs to strengthen their institutionalized capacity. The feasibility study of SCCs and SCGs revealed that 328 SCGs have been promoted by NBS till that period. Out of total 328 SCGs, the previous project Strengthening of Women's Savings and Credit Co-operatives (MJ/II) amalgamated 200 NBS promoted SCGs into 20 women managed co-operatives among which 2 groups remained functioning as SCGs. CMF and NBS had an agreement to amalgamate small groups into co-operative societies, register them under co-operative act and provide technical assistance and training for capacity building of the registered co-operative societies. This project, hence included 150 NBS promoted SCGs, not included in previous project, to increase the outreach and strengthen their institutionalized capacity.

The project first focused on the potentiality of merging these NBS promoted 150 SCGs. The objective of the preliminary study was to find the status, merging potential and necessary intervention for merging and capacity building of savings and credit groups (SCGs).

Table 7 Cluster wise Description

| District | Name of cluster | No. of groups | No of groups assessed | No of groups Potential for merging | No of potential members | Total fund (Rs.) |
|--------------------|-----------------|---------------|-----------------------|------------------------------------|-------------------------|------------------|
| Jhapa | Kechana | 31 | 3 | 31 | 680 | 2,731,423 |
| Jhapa | Pathamari | 27 | 3 | 27 | 509 | 821,226 |
| Jhapa | Pattharia | 50 | 5 | 50 | 1001 | 338,891 |
| Total | | 108 | 11 | 108 | 2190 | 3,891,540 |
| Morang | Keroun | 65 | 12 | 65 | 1304 | 2,122,162 |
| Morang | Bouraha | 5 | 2 | 5 | 165 | 429,832 |
| Morang | Lakhantari | 3 | 1 | 3 | 103 | 145,770 |
| Morang | Jhorahat | 2 | 1 | 2 | 64 | 123,695 |
| Total | | 75 | 16 | 75 | 1636 | 2,821,459 |
| Ilam | Godak | 5 | 2 | 5 | 96 | 141,449 |
| Total | | 5 | 2 | 5 | 96 | 141,449 |
| Sindhuli | Dhakalgaun | 5 | 1 | 5 | 125 | 235,776 |
| Total | | 5 | 1 | 5 | 125 | 235,776 |
| Grand Total | | 193 | 30 | 193 | 4047 | 7,090,224 |

Source: *Completion report of Feasibility study of Saving and Credit groups of NBS, CMF, 2006*

¹ Nari Bikash Sangh was established in 1980 with a view to facilitating value-based development of rural, poor, disadvantaged and unprivileged women. It is a member based NGO mobilizing volunteers to achieve the goals of the organization. There are 1351 volunteers that include 201 lifelong members.

The feasibility study was conducted on 30 SCGs out of assessed 195 groups, using various tools to locate the group status, financial position and possibilities of amalgamation. Membership information and financial data were collected from all groups except 6 in Ilam and 4 in Sindhuli district. The latest information from the respective clusters was collected as far as possible. Similarly Focus group discussions were held in nine clusters to develop them into co-operative society.

The SCGs had already registered a CBO, an apex organization of all groups in the VDC. The feasibility study on these clusters showed interest in groups to form co-operative societies which will serve them as financial institution to provide financial services to the community. The study also revealed the need of better services and capital adequacy through the co-operative society. Following the principle of one co-operative in one village development committee and geographical accessibility, 9 clusters were identified. Three in Jhapa, four in Morang, one in Ilam and one in Sidhuli districts were planned to amalgamate in project period.

The feasibility study and focus group discussion showed that majority of group members were unaware of the co-operative values and principle. To provide in-depth knowledge on co-operative formation and its commencement, project focused on following intervention to the NBS promoted SCGs.

| Before registration: | After registration: |
|---|---|
| <ul style="list-style-type: none"> One or two day's co-operative education and orientation to each group TA in bylaws formulation Organize preliminary meeting for co-operative formation. Technical assistance in co-operative registration. | <ul style="list-style-type: none"> Financial audit of each group. Fund Merging. Training on Book keeping for co-operative staffs or the Board. Training on co-operative education and management for the board and staffs. Training on financial Management. Five years business planning to each co-operative. |

Table 8 Training conducted for co-operative formation

| Name of training | Number of co-operatives | Number of training | Number of participants |
|--|-------------------------|--------------------|------------------------|
| Amalgamation TOT | 9 | 1 | 30 |
| Amalgamation Training in group | 9 | 20 | 600 |
| Fund merger and policy endorsement training / workshop | 9 | 9 | 900 |
| Total | | 30 | 1530 |

Source: *Activity reports, CMF, 2007*

Among the identified clusters, the project till date had established 7 savings and credit co-operative societies. The clusters in Ilam and Sidhuli were not registered due to their inconsistency and indifference towards forming a co-operative.

Table 9 List of registered new co-operatives

| S.N | Name of co-operative society | Address | No of Members |
|-----|------------------------------|-------------------------|---------------|
| 1. | Lakhantari Mahila | Lakhantari-2, Morang | 171 |
| 2. | Nari Chetana | Tankisinawari-8, Morang | 57 |
| 3. | Santoshi Mahila | Jhorahat-3, Morang | 90 |
| 4. | Kanchan Kawal | Kechana-3, Jhapa | 170 |
| 5. | Chinari Milan | Pathamari -4, Jhapa | 300 |
| 6. | Ekikrit Mahila | Kerun, Morang | 500 |
| 7. | Ekata Nari Bikash | Jhapa | 240 |

Source: *Monitoring reports & Activity reports, CMF, 2007- 2010.*

The established co-operatives, however, are the first women managed co-operative in vicinity of the respective VDC. These co-operatives act as a model in financing the poor and deprived people in the locality. These co-operatives provided both individual and group membership but a group savings were initially done for savings collection that was deposited in the co-operative society. The groups have the right to recommend loan to its member and the co-operative society provides loan on group recommendation, besides its usual transaction.

2.8. Monitoring & Evaluation and Technical Assistance

A comprehensive set of indicators for the monitoring purpose was developed to know whether the project objectives are met or not. These indicators were measured in a semi-annual basis.

A range of technical assistance/ interventions were provided, when and where needed, to build capacity of 50 partner MF co-operatives and SCGs, not only to train local MF co-operatives leaders and members, but also management personnel for institutional development process. The six monthly monitoring format and institutional assessment tools were used regularly during the project period to capture as well as to figure out the precise intervention required for the partner co-operatives. Specifically, the IA tool had been useful to categorize the partner co-operative for the level of intervention required.

The major field of technical assistances (TAs) provided included amendment of existing bylaws and preparation of policies; bookkeeping and financial management; product development and diversifications; achieving efficacy and productivity and managing effective meetings. Based on evaluation of TAs and monitoring reports, governance as well as financial health of MF co-operatives were found to be improved. Likewise, considerable improvements were observed in the management section of MF co-operatives whereas co-operative increased their capacity in providing better services to the members.

2.9. MIS database update

Based on the monitoring report format, MIS databank was created throughout the project period. The MIS database was updated in every six months as according to data collected

from monitoring for its easy tabulation and interpretation. Necessary changes had been regularly made in MIS database as per the project needs.

2.10. Documentation of best practices

During the project, lessons learnt from various co-operative especially grass root level were disseminated and documented through Sakshamta, a Nepali newsletter and other means of publication possible through the project.

2.11. Networking and linkage

2.11.1. Networking and linkage building

Linkage and networking is important to cater the needs of MF co-operatives which co-operative society alone could not fulfill. It strengthened the bond among the horizontal and vertical linkage of the co-operative society. The previous project (Strengthening of Women's Savings and Credit Co-operatives (MJ/II)) supported partner co-operative to build their linkage with their concerning institutions including central, district and cluster level where possible. Enhancing Efficiency and Impact of Women's Managed Savings and Credit Co-operatives in Nepal is the third project from CCA continued strengthening the existing network and linkage whereas it also supported the newly formed co-operatives for the benefits of MF co-operatives. Series of linkages building meetings and workshops were conducted at central, district and cluster level. The key stakeholders in those workshops/meetings were representatives of Co-operative department, district union of Co-operatives, External lending institutions and other related organizations in the vicinity of the partner co-operative societies. The project has facilitated partner MF co-operatives to become the member of District Co-operative Union and NEFSCUN so that the co-operatives would be benefitted from these apex organizations. As a result of project intervention, 14 partner co-operatives took membership in district as well as central level and 5 co-operatives formed linkage with their respective co-operative union. A strong informal network among the partners was also established which helped them to share and exchange the best practices of their co-operative society. Some of the partner co-operatives Hatemalo savings & credit co-operative and Nari Srijana savings and credit co-operative took membership in NEFSCUN, changing its objectives to savings and credit principles. This is a good example that women managed co-operatives are realizing the importance and benefits of savings and credit co-operative in their community.



Table 10 Training on Role of line agencies for co-operative development

| Date | Venue | No of Participants | No of Co-operative | Remarks |
|-------------|---------------------|--------------------|--------------------|---------|
| May 7, 2006 | NBS Training Center | 19 | 12 | 1/1 |

Source: *Training reports & Activity reports, CMF, 2005- 2010.*

Likewise 4 of our partner co-operatives (out of 38 MFIs of Nepal listed in the MIX market) are successfully listed in the MIX market with the project and CMF's initiative. Being listed in MIX market provides easy access of the co-operative in microfinance sector internationally and further creates a transparency to self-evaluate the organization. The listed co-operatives are namely:

- Buddha Mahila Savings and Credit Co-operative Society Ltd, Siraha
- Sahara Mahila Savings and Credit Co-operative Society Ltd. Dhading
- Mahilaprayash Savings and Credit Co-operative Society Ltd. Kathmandu
- Hatemalo Savings & Credit Co-operative Society Ltd. Kathmandu

The MIX market is a web based information platform and seeks to develop a transparent information market to link MFIs worldwide with Investors and donors and promote greater investment and information flows.

2.11.2. Sakshamta, Nepali Newsletter

Semiannual Nepali newsletters, Sakshamta were published throughout the project period. The Newsletter is dedicated to the effective use of co-operative society for economic empowerment of women. A total of 10 series of Nepali Newsletter were circulated to the entire partner MF co-operatives and other stakeholders of CMF throughout the project period.

Thus, Linkage and networking established through the project intervention advocated for the integrated approach encouraging financial and non financial services in community based women co-operative society model of microfinance. Furthermore, there was increased involvement and active participation of co-operative members in various programs/meetings organized by VDC, DDC, NGO, local government and other line agencies and vice versa.

2.12. Research

2.12.1. Socio-economic impact assessment of the project on members

A Socio-economic Impact of the Project on partner co-operatives' members was conducted comparing the status of the old members (above five years of affiliation to the co-operatives) and new members (below 6 months of affiliation to the co-operatives). The research was based on responses of 877 members in which 68% are old members by period of affiliation. The major findings of the research are summarized below.

- Assets holdings among the old members is improved compared to the new members

specifically in house, land and livestock but the reverse relation in enterprise holdings

- Annual household income of the old members is higher than the new ones but at diminishing growth rate
- The poorer members are getting proportionately higher income compared to richer members after affiliation to the co-operative
- 44% of the old members and 35.6% of the new members have some non-farm family business they are self-employed
- A huge majority (82 percent) of the old members of co-operative found borrowing while only 27 percent of the new members had borrowed during one year's period
- Co-operatives were the major sources of borrowing both for old (78.1%) and new (58.5%) member and their households
- Overall purposes of borrowing showed higher number of loan transaction for household expenses and establishment of enterprises between both types of members. There is the highest share (35.8%) of loan transaction to household expenses among the old members while this figure for the new members is 29.8%. Similarly, 26.3% of the loan by the old members and 30.9% by the new members were provided for enterprise establishment.
- There is general trend in responses that the members – old and new both – are having medium impacts on their food consumption, housing, clothing, health, education and household income. In general, majority of 'just sufficient' response has indicated the members are expecting more from the co-operatives specially in improving household income.

2.12.2. Market research on product diversification

This study was conducted with a total of 49 MFIs among them 24 were CMF associated member co-operatives, 20 were other co-operatives, 3 MFDBs and 2 FINGOs. Associated member MFIs were compared with the others in terms of product diversification. The study shows that:

- Services of associate member co-operatives in VDCs in terms of products were found mostly concentrated to Terai area with dominance of semi-urban and rural VDCs. Similarly, the other co-operatives have greater number of products in Terai with focus on rural and semi-urban areas respectively. The MFDBs and FINGOs in sample found focused only to the terai area.
- Savings and loan are the major products of the MFIs in general. The associate member co-operatives generally have these two products. In addition to this, there are insurance products focused to semi-urban and rural terai by the associate member co-operatives while they don't provide remittance services. The other co-operatives, MFDBs and FINGOs are providing savings, loan, insurance and remittance services with dominance of the first two types.
- There is high domination of compulsory savings among the associate member co-operative while that of voluntary savings among non-member co-operatives. The non-member co-operatives were found getting grants in greater proportion than the member co-operatives while there exists just opposite relation in case of reserves.
- There is higher uniformity in percentage contribution of compulsory savings, voluntary

savings, grant and external borrowings to the total fund among the associate member co-operatives compared to non-member co-operatives. But the associated member co-operatives have higher deviation in percentage contribution of members share capital and reserves than the other co-operatives.

- Associate member co-operatives have the smallest average client base of 794.08 active savers, 469.79 active borrowers and 83 insurance holders. The similar figures for other co-operatives are 3,922.2 active savers, 2,215.63 active savers, 1,895.43 insurance holders and 1,484.33 remittance users. The average access figures for MFDB are 56,710.67 active savers, 32,691.33 active borrowers, and 8830 insurance holders. Likewise, 42,562.5 active savers and 38,011 active borrowers were reported by FINGOs in an average.
- The co-operatives mainly have compulsory, voluntary, child, time and daily savings products. Among them there is greater focus of associate member co-operatives on child savings while the other co-operatives have more focus on time savings. In addition, there are miscellaneous savings products, other than those specified above, in different names with the other co-operatives. This also shows the other co-operatives have higher diversity in savings products than the associate member co-operatives. Compulsory and voluntary products were found the major savings products among the sample MFDBs and FINGOs. Growth trend in number of savings account in the past three years (2007-2009) among the sample shows increasing trend among the associate member co-operatives but fluctuation in other co-operatives both in mandatory and optional types of savings products. Similarly growth in number of savings account remained positive in MFDBs in 2009/10 compared to the previous year both in mandatory and optional savings products. FINGOs have continued and positive growth during 2007/08 to 2009/10 in mandatory savings.
- Average size and growth in number of savings accounts among the sample MFIs shows that the associate member co-operatives have smaller size of savings balance than the other types of samples throughout the reference period. This also reflects that the project has supported co-operatives with comparatively smaller sizes. The growth trend in number of savings accounts shows a positive impact of the project towards members in changing their behavior to save regular basis and it also shows increased trust among members of the associates MFIs.
- Average savings amount is increasing in each type of financial institutions during 2007/08 onwards while the growth in both mandatory and optional types of savings products among the associate member co-operatives is smaller but continued compared to the others.
- Married women are the major target of each of the MFI types studied. Majority (average 93.18%) of the members in associate member co-operatives are married women while there are some unmarried women (average 6.94%) and male (average 5.41%). The other co-operatives studied also have dominance of married women members (average



57.65%) and successive shares of male (average 43.93%) and unmarried women (average 13.25%). There are some purely women co-operatives while each of the MFDBs and FINGOs reviewed have 100% married women members.

- The co-operatives are providing 6-10% interest on mandatory savings while the MFDBs and FINGOs are providing 8%. Similarly, in case of optional savings the associate member co-operatives are providing 3-15%, other co-operatives 3-14% and MFDBs 8-16%. Average figures show the associate member co-operatives have provided less (7.18-7.7%) interest on optional savings than the other FIs. The data also shows that the associate member co-operatives have lesser deviation in mandatory savings interest rate than the other co-operatives while the reverse relation in case of optional savings.
- Mandatory savings are generally collected monthly and optional savings are collected daily in associate member co-operatives. The other co-operatives also focus respectively on monthly, voluntary and daily savings collection but they are also collecting weekly and fortnightly which the associate member co-operatives don't. Savings collection period is quiet diversified in associate member co-operatives, also with greater proportion of optional savings, than in MFDBs and FINGOs but have more spaces to be diversified compared to other co-operatives.
- Associate member co-operatives mostly calculate interest on savings in annual and semi-annual basis but the other co-operatives calculate interest on savings mainly on semi-annual basis with notable practices on annual, quarterly and monthly calculation of savings interest in different products. By period of interest calculation in different products, the associate member co-operatives have higher diversity than the MFDBs and FINGOs but weaker than the other co-operatives.
- Larger amount of minimum balance required at the associate member co-operative (Rs.50 for mandatory and Rs.10 for optional savings products) than the other co-operatives (Rs.20 for mandatory and Rs.5 for optional savings products) show the associate member co-operatives have managed for higher motivation to save among the members. With this, the average minimum balance figure for the associate member co-operatives is less than that of other co-operatives. This implies that the associate member co-operatives have larger minimum balance of savings products with more homogeneity than the other co-operatives.
- A minimum term of savings ranges 6-60 months for mandatory and 1-180 months in optional savings products in associate member co-operatives while 6-120 months and 1-240 months respectively in other co-operatives. Similarly, the minimum terms for savings ranges 108-120 months in optional savings in MFDBs. Minimum term of savings is more diverse in other co-operatives than in associate member co-operatives both in the mandatory and optional types of savings products.
- Citizenship certificate and photograph are generally regarded as basic documents required in each type of MFIs. Both the associate member co-operatives and other co-operatives require more documents for optional savings products than mandatory ones. MFDBs and FINGOs require fewer documents than co-operatives. Comparison among the co-operatives shows that the other co-operatives are practicing many types of requirements in savings products that also indicate diversified set of savings products they have.
- The amount of savings is decisive for loan amount in the co-operatives and MFDBs while not for FINGOs. Amount of compulsory savings is the major savings products

deciding loan amount in co-operatives and MFDBs while voluntary savings, time deposit and daily savings are successive products accounted in loan disbursement in the co-operatives. The associate member co-operatives require at least 10-25% savings of the loan amount demanded by individual member while the other co-operatives require at least 10-12.5% and MFDBs require 5%. So, the associate member co-operatives have scope to minimize the savings requirement ratio to loan amount.

- Compulsory savings are withdrawn mostly by the clients of MFDBs and FINGOs. Generally the cases of withdrawals of compulsory savings in the MFIs are migration, death and crossing a certain ceiling eg; Rs.5,000 in general. There are some cases of withdrawals of compulsory savings in the co-operatives due to dissatisfaction in loan disbursement and kick-out of loan defaulters.
- Among the MFIs, the associate member co-operatives and other co-operatives have the higher diversity in number of loan products provided to their customers, with 18 and 19 types respectively. General, enterprise, agricultural, livestock, business, education and foreign employment and the notable loan products in the co-operatives. The associate member co-operatives have higher number of business (18) and foreign (17) loan products accessible to their clients while hire purchase (8) and other (8) loans type are more prevalent in the other co-operatives.
- By gender majority of the borrowers are married women in associate member co-operatives (average 96.12%) and other co-operatives (average 64.36%) while 100% in MFDBs and FINGOs. among the co-operatives, the associate member co-operatives have lesser percentage of unmarried women and men than the other co-operatives. The other co-operatives have 43.79% male borrowers in an average.
- By ethnicity, the number of borrowers from Madhesi community found the least while successively higher share of Dalit, Janajatis and others.
- Individual loan with group guarantee is the most popular lending method in each types of MFIs reviewed. Similarly, collateral, individual and project based loans are respectively popular in the co-operatives and MFDBs.
- The associate member co-operatives provide smaller loans (average size Rs.14, 258) than the other co-operatives and MFDBs while quite larger than that by FINGOs. This shows that the products are more targeted to the small holders and low income population in the society than the MFDBs and FINGOs.
- Average minimum loan size in different loan products shows the associate member co-operatives have larger business focus on housing, education, foreign employment, seasonal types and businesses successively. Similarly, the other co-operatives have relative focus on service, education, housing and enterprises. MFDBs have higher priority in lending on foreign employment, enterprise and businesses while FINGOs focus on Enterprise loan products.
- The associate member co-operatives are providing various types of loan products for one month to 3 years period while the other co-operatives providing as long as 11 years, MFDBs 5 years and FINGOs 3 years. The average values of minimum terms and that of maximum terms for associate member co-operatives are below the overall average. This shows that the associate member co-operatives have scope to expand the terms of loan in general.
- Average terms of loan by products shows the associate member co-operatives have longer terms in share, housing, fixed deposit, enterprise, hire purchase and livestock

loan products. Similarly the other co-operatives have longer terms in general, agriculture, education, share, housing, hire purchase loan products. The MFDBs have longer terms in enterprise, education, foreign employment, housing and business loan products. Likewise the FINGOs have only three loan products enterprise, seasonal and general types with maximum average term of 32, 24 and 18 months respectively.

- The associate member co-operatives have higher loan ceiling on seasonal, enterprise, fixed deposit, housing and hire purchase while the other co-operatives have housing, enterprise, agriculture, livestock, education and business loan products. On the same measure, the MFDBs have larger loan on foreign employment, housing, education, business and enterprise while the FINGOs on enterprise loan products. Maximum loan size in different products ranges from Rs.5,000 to Rs.20,00,000 in associate member co-operatives, Rs.30,000 to Rs.1,00,00,000 in other co-operatives, Rs.15,000 to Rs.1,50,000 in MFDBs and Rs.60,000 to Rs.5,00,000 in FINGOs. Level of loan ceiling shows the associate member co-operatives still have scope to extend the amount of loan on agriculture, business, education and foreign employment.
- The associate member co-operatives are charging 4-18% interest on different loan products with an average rate of 14.8%. The minimum and average rates of interest they charge on loan are almost the same to that of other co-operatives but the ceiling is far below. Similarly the MFDBs charge 16-20% interest with 19.1% in an average while the FINGOs charge 20-23% interest which is 21% in an average. Interest rate figures show the associate member co-operatives have scope for competitive pricing of their loan products.
- The associate member co-operatives are less flexible on the minimum period of loan access to new members. Majority of them require 6 months of membership for access to loan which is also the norm set by the co-operative department. At the same time, significant existence (16 out of 41) of co-operatives requiring the new members only 3 months or less time for loan access indicates rethinking needed on this provision.
- The MFIs in general are following installment method in repayment of loan. The associate member or other co-operatives are providing most (94.5% and 94.4% respectively) of the loan products in installment basis for repayments while it is cent-percent among the MFDBs and FINGOs. But in practice, the co-operatives are not strict on the installment system or they have flexible repayment practices within maturity period i.e; bulk system in fact. The study shows that the associate member co-operatives are following installment system of loan repayment in more types of loan products than the other co-operatives. Despite following installment system of repayment in more types of loan products, the associate member co-operatives have scope to strengthen installment system more rigorously so that cash flow become regular and credit risks are minimized.
- Daily calculation of loan interest is found most practiced in each type of MFIs studied. Interest on above 80% of the loan products are found calculated on daily basis in each of the MFI types while the FINGO totally follows daily calculation. The proportion of loan products with monthly calculation of interest is higher (23.6%) in associate member co-operatives than the other co-operatives (15.6%) and MFDBs (18.2%).
- Declining balance method of charging interest on loan is found most popular (88.9% loan products) in each of the MFI types reviewed. MFDBs and FINGOs in the sample totally follow declining balance method while the co-operatives also follow flat rate in about 10% of loan products. The study shows the associate member co-operatives

have least proportion loan products following the popular method in general. So, the associate member co-operatives have wide scope of introducing declining balance method in calculation of interest on loan products.

- This study shows that only 21.5% of the loan products in associate member co-operatives have provisioned for discount on timely repayment of loan. On the other hand the other co-operatives and MFDBs have provision for discount in about 70% of loan products but the NGOs don't have such provision. Compared to the other co-operatives and MFDBs in this regard, the associate member co-operatives have more scope to stimulate their members and loan products through discounts on timely repayment.
- Loan application, citizenship certificate, meeting minute and group guarantee are found the major requirements for loan products among the MFIs. The associate member co-operatives require reference, application and group guarantee in larger proportion of their loan products than those required by other co-operatives. The other co-operatives require citizenship certificate, feasibility study, business plan and collateral in more loan products than the associate member co-operatives. Comparing the associate member co-operatives with the other co-operatives, they need to improve application of meeting minute, business plan and feasibility study that can target for more systematic and productive lending.
- Building, land, vehicle, Receipt of fixed deposit and project itself are the major types of physical collaterals used in different loan products among the MFIs studied. The co-operatives found providing collateral free loan below Rs.30,000 in general while the ceiling for MFDBs is Rs.60,000. The associate member co-operatives found providing about 50% of the loan products without physical collateral. Land (42%), building (35%) and receipt of fixed deposit (18%) are the successive collaterals among physical collateral used in the associate member co-operatives. The associate member co-operatives have higher proportion of loan products requiring land and building as collateral compared to MFDBs but lesser than that in other co-operatives and FINGOs. This shows that the associate member co-operatives have scope to introduce provision of physical collateral in some loan products above a certain ceiling of loan amount and take the project itself as collateral for loan. This can improve repayment and also strengthen systematic monitoring of loan by the institution.
- Associate member co-operatives provide collateral free loan to general, agriculture, livestock, business, foreign employment and emergency purposes. They take building and land as collateral mainly for enterprise, business, foreign employment and housing loan products. Major loan products provided free of collateral in other co-operatives are enterprise, agriculture, livestock, group, emergency, social and miscellaneous types while take building and land as collateral in enterprise, agriculture, business, education and foreign employment loans. The MFDBs provide collateral free loan to general, seasonal, emergency, consumption and miscellaneous loan products while they take land and building as collateral for enterprise, business, education, foreign employment and housing loan products. This shows that the associate member co-operatives have scope to introduce vehicle and project as new collaterals for their loan products while they have to provide collateral free loan to income generating activities.
- The study shows that the associate member co-operatives are charging loan processing fee and application fee in slightly lesser proportion of loan products than the other co-operatives. The associate member co-operatives have provision of application fee in 57% of the loan products while loan processing fee in 60%.

3. PROJECT RESULTS

The following were the expected outcomes and output of the project.

Output:

- Improved co-operative services in response to member needs
- Increased viability and institutional effectiveness of co-operative institutions
- Improved participation in democratic and decision-making roles in co-operative institutions
- Increased understanding in poor households of the issues that affect them

Outcome:

- Increased gender-equitable opportunities of poor households through co-operatives.
- Increased gender-equitable empowerment for members of poor households through co-operative.

The project has achieved the following outputs and outcomes during the project period.

3.1. Output

3.1.1. Improved co-operative services in response to member needs

3.1.1.1. Co-operatives focused the poorest in delivering financial services

Co-operatives are part of the community, close to its members and committed to meeting their needs properly. It provides opportunities for people to access the tools required to lift themselves out of poverty. The Project is implemented in women co-operative residing on outskirts of semi-urban areas of hills and terai region of the country targeting poor women of the communities.

The partner co-operative through constant guidelines implemented various poor targeted instruments. The majority of co-operative had introduced schemes that had been supported in reducing poverty to some extent. The co-operatives had diversified their products and

- Despite the regulation that the co-operatives cannot charge service fees to the members, the co-operatives are interested to charge some fees on loan in different names. So, this chaos should be ended by structure either letting them charge for the service they provide or totally stop it. Service charges are somehow helping the MFIs to cover the processing costs in lending. So, they can be applied in minimum amount and in proportion or with discount below a limit that doesn't affect the loan demand.
- The associate member co-operatives have focused insurance products in semi-urban and rural terai. Life, livestock, health and accident insurance were found different insurance products in the sample MFIs.
- The associate member co-operatives have mainly life (67%) insurance product with about 17% each of health and accident insurance products while the other co-operatives have 44% of life and livestock insurance products and the rest share of health insurance. Likewise the MFDBs have life and livestock insurance products while the FINGOs have livestock insurance product only. This shows that the associate member co-operatives have scope to introduce livestock insurance with priority.
- Life insurance is most used among the associate member co-operatives. Similarly, there is large number of life insurance and livestock insurance among the other co-operatives. Females are mostly covered by life insurance in both the cases. The data also shows the associate member co-operatives need to introduce livestock insurance as a new product.
- Though remittance products were not available at the associate member co-operatives in the study period, other co-operatives found having the product. Most of the remittance users were females in the co-operatives. Similarly, the MFDBs found using remittance product in larger number of clients.

2.13. Project Management

2.13.1. Prepare Narrative Reports

During the project period, the narrative reports of the activities performed were prepared and circulated to CCA. The reports were in addition to the CMF_CCA report circulated to CCA in every six months.

services as per the requirement of the community members. The introduction of various savings products targeted to women beneficiaries like daily savings, piggy bank savings, festival savings have been an optimum advantage for the women members to save little they have earned for the future use. The majority of partner co-operatives have introduced the Social security fund. It is a scheme in which members have to save certain minimum amount monthly, which after its maturity (usually 15 yrs) either can reimburse double the amount or members can retain certain amount monthly, similar to pension savings.

The project conducted the micro-insurance orientation to the members of partner co-operatives. The scheme is specially designed to serve low-income people and businesses based on rural as well as urban area that are not served by typical social or commercial insurance schemes. Since poor women are the targeted group, the insured members need to pay only minimum amount accessible by the women. In addition to that, the members can pay the premium monthly instead of paying the huge amount quarterly, semiannually or annually. Due to the easy and affordable nature, altogether 18 co-operatives have already implemented the scheme. The orientation was provided on 23 partner co-operatives, initially.

Likewise, the co-operative initiated providing emergency loans (basically less than Rs. 5,000) to its members based on members' savings at the time of their need. Obstetric allowances to its members to maximum of two childbirths, allowances for cremation on member or husband's death, scholarships provided to the diligent children of members are new supportive schemes implemented by the co-operatives.

3.1.2. Increased viability and institutional effectiveness of co-operative institutions

3.1.2.1. Increased new loans provided to women members by co-operatives

With increment in the growth of members, the co-operative women members had also benefited with new loans. It is highly necessary for the community-based co-operative to increase the demand of loans because it is regarded as the only source of income.

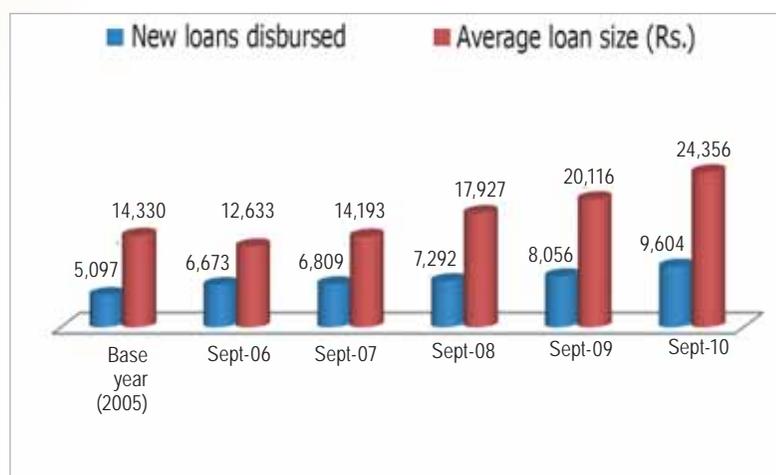


Figure 1 New loan provided to women members by Co-operatives

The graphical representation reflects that the rate of new loans disbursed had shown a growth of 88% compared to its base year. Likewise, the average loan size had increased from NRs. 14, 330 to NRs 24,356 showing a growth of 70%.

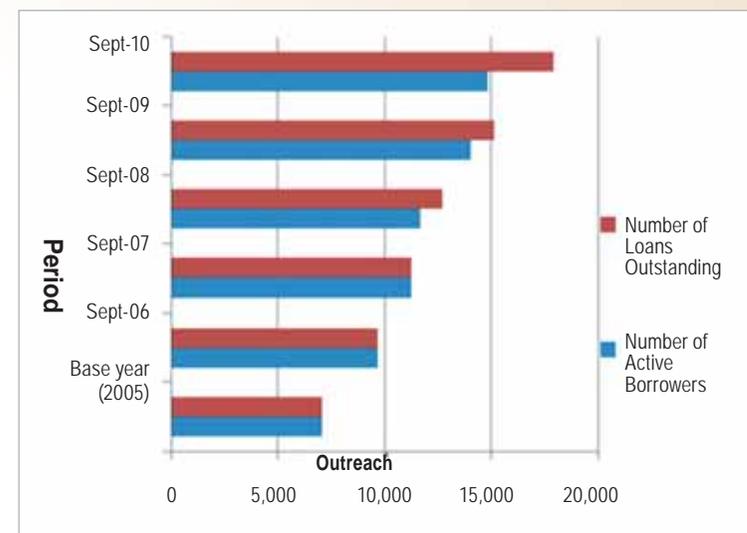


Figure 2 Loan outreach

The project intervention also improved the loan outreach in the partner co-operatives. The adjacent graphical representation shows the numbers of loan outstanding and active borrowers were below 10,000 marks up to second year of the project inception. The year afterwards showed a growth in number of loans outstanding compared to numbers of active borrowers predicting that co-operative loan disbursement is not restricted to one loan per member. The women are encouraged to take loans for various purposes and no longer relied only on their savings.

3.1.2.2. Reduced delinquency in loan portfolio

The delinquency ratio is the most important measurement to find out institutional weakness which depicts repayment of disbursed loan. Higher the rate of delinquency, greater is the chance of liquidation of co-operative societies. According to PEARLS rating system, the ideal goal is to maintain the delinquency rate below 5% of total loans outstanding. The table showed that partner co-operative maintains the delinquency rate within the standard set by PEARLS except for the initial year of project. Please note the data below is the aggregate figures of 50 partner MF co-operatives.

Table 12 Delinquency rate

| Indicator | Standard set by PEARLS | Base Year (2005) | Sept-06 | Sept-07 | Sept-08 | Sept-09 | Sept-10 |
|---------------|------------------------|------------------|---------|---------|---------|---------|---------|
| Delinquency % | <5% | 5.85 | 8.29 | 5.43 | 4.18 | 4.08 | 4.77 |

Source: Monitoring reports, CMF, 2005- 2010.

This is an outcome of trainings on loan management and financial management as well as regular technical assistance from this project. Majority of co-operatives make loan portfolio reports quarterly and monthly as far as possible. Monthly meeting held by the loan sub-committee keeps the records of loan disbursements and the default borrowers. This system provides the committee members to figure out the present scenario about loan portfolio and makes sure that there is timely repayment from the borrower. In addition to that co-operatives themselves are introducing new scheme like providing reward to good borrower as well as savers which had an impact on reducing the delinquency

In case of default loans, the co-operative usually keep record as per the Nepal Rastra bank (NRB) directives and PEARLS of standard of default loan. As a result, there is loan loss provisioning for default loans. Despite the good results, the in-depth knowledge and training on the portfolio management is still needed in co-operative. It is simply because the retention rate of the staff member in women co-operative is very low. Furthermore, there are few of the cases that co-operative usually pay their installment and dues at the end of the fiscal year (June-July) which proves that co-operatives still lack the details about risk and consequences associated with delinquent loans.

The table below is the delinquency rate of 20 NBS promoted SCCs / groups which has decreased to 5% compared to 10% at the initial year. Despite the decreasing trend, rate is alarming for the fact that it should be below 5% as according to PEARLS rating system. However the considerable reduction on delinquency rate is quite commendable as the project provided various training on portfolio management, technical assistance and SCCs awareness and commitment to improve the portfolio quality of the societies.

Table 13 Delinquency rate in 20SCCs & SCGs

| Indicator | PEARLS Standard | Base Year (2005) | Sept-06 | Sept-07 | Sept-08 | Sept-09 | Sept-10 |
|---------------|-----------------|------------------|---------|---------|---------|---------|---------|
| Delinquency % | <5% | 10.27 | 7.60 | 7.72 | 6.34 | 5.08 | 4.54 |

Source: *Monitoring reports, CMF, 2005- 2010.*

3.1.2.3. Improved institutional capacity of the project partners

Institutional Assessments (IA) of all MF co-operatives and NBS promoted SCCs/SCGs (except the few inactive co-operatives) partners were conducted to assess their outreach, financial and institutional health. The questionnaires were filled by the co-operative itself and in some cases the project staff performed it. Each co-operative awarded points itself or in some cases project staffs, based on the fulfillment of the different criteria present in the assessment tool. Based on the institutional assessment and financial performance of the co-operative, the incentive awards were also distributed to the partner co-operative.

Institutional Assessment of 30 Women Co-operative societies

The institutional assessments of 30 women managed MF co-operatives revealed that majority of the partner MF co-operatives are in good condition. The average score of all 30 MF co-operatives is 70%, improving its rating from C to B. Among the 30MF co-operatives, 3 co-operative are rated A (Excellent), 9 Co-operatives fall under B (Good) category and the rest 18 partner co-operatives are rated C (Moderate) as assessed through Institutional Assessment tool during this project period.

Earlier the project interventions, institutional assessment showed that majority of co-operative were weak and seeking guidelines in terms of capacity building and sustainability of the co-operative. Mostly, the co-operative fell under category C and D. Most of them did not have effective governance structures, did not have up to date record keeping and books of account and lacked in vision to be a sustainable community based microfinance institution.

Table 14 Institutional Assessment of 30 MF co-operatives

| S.N. | Functional Area | Allotted score | Year first (Feb 05) | Year End (Aug 10) |
|-------------|------------------------------|----------------|---------------------|-------------------|
| 1. | VMGO / Planning | 5 | 2 | 4 |
| 2. | Training | 5 | 3 | 3 |
| 3. | Management & Good governance | 14 | 8 | 11 |
| 4. | Infrastructures | 3 | 2 | 2 |
| 5. | Productivity | 3 | 1 | 2 |
| 6. | Efficiency | 2 | 0 | 1 |
| 7. | Service to Members | 18 | 10 | 14 |
| 8. | Membership | 8 | 5 | 6 |
| 9. | Account & MIS | 23 | 13 | 17 |
| 10. | Financial Health | 19 | 12 | 12 |
| Total Score | | 100 | 58 | 70 |
| Rated | | | C | B |

Source: *Institutional Assessment report, CMF, 2010.*



Figure 3 Web diagram displaying the changes on 30SCCs combined, as assessed by IA tool

The institutional assessment showed that the co-operative (considering average score obtained) had improvised services to members, improved account and MIS bookkeeping system, developed management and governance system and increased membership coverage of the co-operative. Furthermore, majority of the co-operative have its VMGO and business plan

developed. Likewise improvement could be observed in other functional areas like Training, Infrastructure, Financial health and Productivity. However, the assessment also showed that the co-operatives still need to improve its efficiency regarding the increment in net profit and reducing the operating expenses in terms of its assets. The co-operative now should focus on co-operatives' self reliance and effectiveness in meeting the co-operative members' practical needs and strategic interest.

Institutional Assessment of NBS promoted SCCs/ groups

The institutional assessment revealed that almost all (except 3 newly formed co-operative) partner SCCs have improved their rating with average score 67.75% (Approx 68%). Among the assessed 20 SCCs, 1 SCC is rated A (Excellent), 4 Co-operatives fall under B (Good) category, 12 partner co-operatives are rated C (Moderate) and 3 newly formed SCCs fall under category D (weak) as assessed through Institutional Assessment tool prior to end of the project period.

Table 15 Institutional Assessment of 20 NBS promotes SCCs & SCGs

| S.N. | Functional Area | Allotted score | Year first (Feb 05) | Year End (Aug 10) |
|-------------|------------------------------|----------------|---------------------|-------------------|
| 1. | VMGO / Planning | 5 | 1 | 2 |
| 2. | Training | 5 | 2 | 3 |
| 3. | Management & Good governance | 14 | 7 | 9 |
| 4. | Infrastructures | 3 | 2 | 2 |
| 5. | Productivity | 3 | 1 | 2 |
| 6. | Efficiency | 2 | 1 | 1 |
| 7. | Service to Members | 18 | 10 | 13 |
| 8. | Membership | 8 | 5 | 6 |
| 9. | Account & MIS | 23 | 13 | 16 |
| 10. | Financial Health | 19 | 11 | 14 |
| Total Score | | 100 | 53 | 68 |
| Rated | | | D | C |

Source: Institutional Assessment report, CMF, 2010.



Figure 4 Web diagram displaying the changes on 20 SCCs and SCGs combined, as assessed by IA tool

The institutional assessment of selected NBS promoted SCCs/SCGs revealed that improvement could be observed in all other area except for two functional areas- Infrastructure and Efficiency improvement. Despite considerable good score in other functional area, the groups as well as SCCs still need deep concentration on increasing productivity, efficiency and need to develop VMGOs of the partner co-operative. Furthermore, the co-operative now should focus on co-operatives' self reliance and effectiveness in meeting

the co-operative members' practical needs and strategic interest instead of full reliance to donor or promoting agencies. It is to be noted here that 3 SCCs are sleeping co-operative and one SCC in Dharan merged with the women co-operative having the same working area and the members. The merging of the co-operative proved to be useful as it reduces the duplication of members, thereby new loans disbursement and easy recovery of loans from the members.

3.1.2.4. Increased assets, annual profit (net income) and annual revenue (gross income) of co-operatives

3.1.2.4.1. Increased Assets, GOLP and Institutional capital of co-operatives

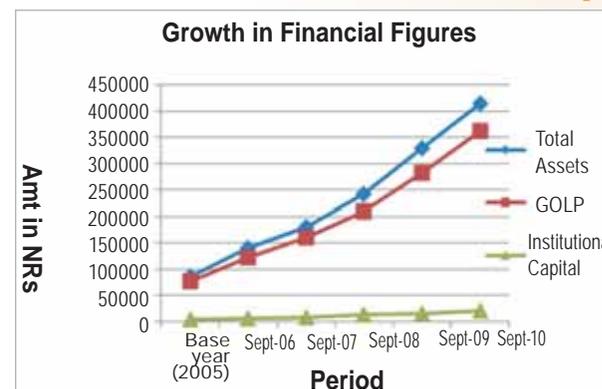


Figure 5 Growth in financial figures

The graphical representation of key financial figures like Total Assets, Gross Outstanding Loan Portfolio (GOLP) and Institutional capital is in increasing trend.

The initial focus of the project was upon strengthening SCCs capability in co-operative management and improving financial product and

services. The increasing trend in growth of key financial figures indicated that the project achieved more than it planned. The growth exceeds 25% yearly in all the key financial figures. The institutional capital also showed growth more than 25% except in the year 2009 as during that period the financial expense is accounted to 53% compared to its previous year

Here it is to be noted that during the initial years NBS promoted groups were also amalgamated to form co-operatives. As a consequence of which, the growth rate is maximum in initial year and declined on the subsequent year. The insurgency and political instability around the Terai region (target area for strengthening of the NBS promoted Groups and SCCs) made the timely unavailability of data which can also be the reason for the lower growth rate during September 2007. Nevertheless, the amalgamated groups and SCCs showed the constant growth throughout even though there were frequent bandhs around the Terai area, particularly where the Project is based. The credit of which goes to commitment of co-operatives' members towards the co-operative and also the project staffs towards strengthening the co-operatives.

3.1.2.4.2. Increased annual profit (net income) and annual revenue (gross income) of co-operatives

Table 16 Growth Rate in key financial figures

| Indicators | Sept 2006 | Sept 2007 | Sept 2008 | Sept 2009 | Sept 2010 |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Growth rate (%) | | | | | |
| Total Assets | 62.92 | 27.93 | 34.37 | 36.14 | 25.49 |
| GOLP | 60.56 | 30.67 | 30.90 | 35.03 | 28.21 |
| Institutional Capital | 79.63 | 25.23 | 49.82 | 15.90 | 36.48 |

Source: Monitoring reports, CMF, 2005- 2010.

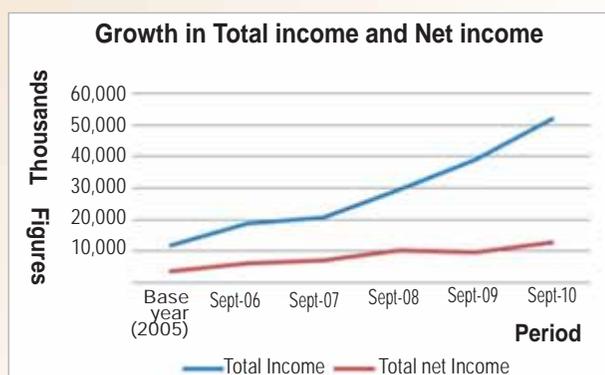


Figure 6 Growth in Total income and Net income

The increasing graphical trend showed the growth in total income and net income of the partner co-operatives. This is a positive sign that the co-operative members are benefitting through their operations. However, the red line of net income is descending from September 2008 onwards, which is the consequence of increased expenses of the co-operatives. It was also

observed that the co-operatives do show less income to reduce tax amount to be paid to the government. Being the community based organization, co-operative that resides on outskirts of urban and semi urban areas are demanding for the income tax exemption while other demands that co-operative should be classified in terms of their financial transaction and implied tax accordingly.

3.1.3. Improved participation in democratic and decision-making roles in co-operative institutions

3.1.3.1. No of new women members

Co-operatives are member based organization and strive on the seven principle of co-operative. Weaker members' participation means less know-how of the value, principle, structure, importance of co-operative; and benefits of being member of the co-operative. Increase in membership, hence, reciprocates the sound financial health of the society. Considering the fact, the Project targeted an average 500 membership per MF co-operatives at the end of the project tenure.

To achieve the target and foster the partner co-operatives, the project designed the training curricula on member education and provided TOT to the leader of co-operative societies. The member education program not only helped to educate member and potential members but

also provided the forum to discuss the problems of members and changes required to improve the service delivery within the co-operative societies. Although the members' education activities were conducted during the initial year of the project, realizing its significance the partner co-operatives replicated the trainings utilizing their co-operative fund. The member education program hence became the crucial aspect to increase membership on co-operative society. In addition to that, the project emphasized on incorporating credit plus approach which further accelerated the growth of membership outreach in every co-operative society.

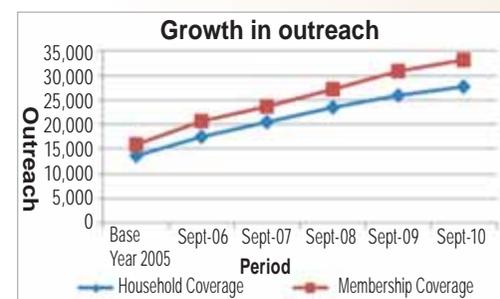


Figure 7 Growth in Outreach.

The growth in outreach depicted in table and graphical representation portrayed the considerable increment of new members throughout the project period. Although growth varies in different years, the highest growth rate was observed in initial year of the project. Despite a lower growth rate during the end of project year, the increment however exceeds 15% and 7% yearly which is in concurrence with the standard set

by PEARLS for membership coverage for new co-operatives & five years old co-operatives respectively.

Table 17 Growth in outreach

Project Reach in 50 MF co-operatives

| Indicators | Base Year (2005) | Sept-06 | | Sept-07 | | Sept-08 | | Sept-09 | | Sept-10 | |
|---------------------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | % | Num-ber |
| House hold Coverage | 13,593 | 28 | 17,466 | 17 | 20,474 | 15 | 23,478 | 11 | 25,968 | 7 | 27,722 |
| Membership Coverage | 15,826 | 30 | 20,608 | 15 | 23,644 | 15 | 27,163 | 14 | 30,869 | 7 | 33,142 |

The Sept -09 and Sept -10 contain 3 and 4 respectively additional registered co-operative amalgamated from NBS promoted SCGs. Source: Monitoring reports, CMF, 2005- 2010

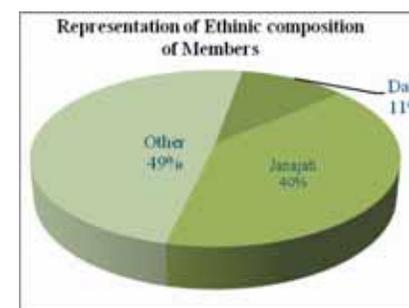


Figure 8 Representation of Ethnic composition of members

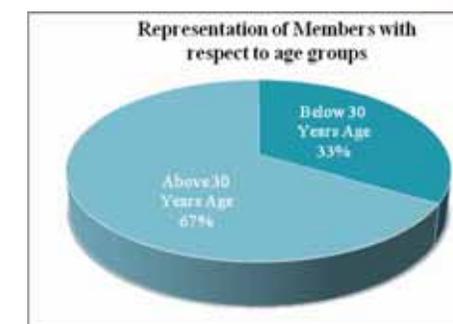


Figure 9 Representation of members with respect to age groups

In addition to outreach increment, the project made sure that the partner co-operative encourages the social inclusion aspects within the community. The graphical representation showed that the partner co-operatives now are providing services to 11% Dalit, 40% Janjati and 49% other castes. There is considerable increment in Dalit and Janajati representation in the co-operative societies. It is to be noted here that the member representation in terms of caste and age of the member initiated in the middle of the project i.e. during September 2007 in which the representation were 7%, 39% & 54% respectively. This expressed the co-operatives' increased awareness and importance towards social inclusion and proved their respect on participation of every caste in the community.

Before the project inception, the co-operative barely have knowledge and awareness about various representations of members. The awareness of social inclusion concept in the community level is an outcome of member education by societies as a result of Training programs in the respective society and due to constant guidelines from this project for their growth in outreach.

Likewise, the youth representation (below 30 yrs age) had increased by 38% representing 33% of the total coverage whereas 67% represents the members above 30 yrs of age.

3.1.4. Increased understanding in poor households of the issues that affect them

The project beneficiaries are all women of 50 partner MF co-operatives who do not have access to formal financial services and have limited know-how on the technical aspects of the financial intermediaries. Without project intervention through capacity building activities as well as awareness programs, it is difficult to achieve the goal of the project. To increase the understanding of the women beneficiaries, various training programs were conducted and also policy and procedure manuals / packages were produced and circulated. Till the project end, total of 21 publications / documentations were made available and 16 policy and procedure manuals / training packages were produced and circulated to partner co-operative and other stakeholders. The project ensured the participation of board, committee and management in such trainings as well as awareness programs/training with respect to economic, social, civil, political and cultural rights and public policies that are targeted at poor households.

3.2. Outcome

3.2.1. Increased gender-equitable opportunities of poor households through co-operatives.

3.2.1.1. Women with increased access to assets.

Lack of assets has become a key factor in explaining poverty, and thus the building up of assets of poor household has been one of the central themes of this project intervention. Too many women confront constrained to opportunities and are unable to access to the productive resources and assets that exists within their societies. Women's ability to accumulate wealth which includes formal ownership to land, house and even to livestock is very limited. Access

to health and education, new income generating strategies and development programs also add to this regard. The cultural, economical, social and political barriers prevailed in the society results to its effects.

The co-operatives, however, have been a platform for women members to share their views and ideas. Earlier the women were cornered under the four walls of the households. The hesitance acted as an armor to resist the opportunity prevailing in the society. Moreover they were always relying to their elders, their male counterparts, more particularly; even to go outside of the home besides their household chores. By joining the community organizations - co-operatives, the women realized themselves as a part of the society. Not only males but women can prove to be able to lift up the livelihood.

During the 5 years project intervention, the 150 women groups are registered as women co-operatives. There are 7 newly formed women co-operatives that are benefiting the co-operative product and services. The project had introduced various poverty targeted instruments which contributed on their effort to save and access to various loan product upon time of need. Not only savings and loan products, the various social intermediary activities like gender based training programs, issues related to women leadership, the role and responsibilities of board members in co-operatives and trainings focused on income generation had further widen their vision. There are cases that the male are more dependent upon their female counterpart due to easy access of loan to women which also is an example that these various activities through the partner co-operatives had contributed to uplift the livelihood with increased easy access to finance and so forth.

Table 18 Possession of assets by members of partner co-operatives

| S.N. | Type of Members | Land (NRs) | % | House (NRs) | % | Livestock (NRs) | % | Enterprise (NRs) | % |
|------|-----------------|------------|----|-------------|----|-----------------|----|------------------|----|
| 1 | Old | 4,173,118 | 55 | 2,541,577 | 53 | 42,508 | 53 | 451,409 | 32 |
| 2 | New | 3,371,250 | 45 | 2,272,315 | 47 | 37,303 | 47 | 966,938 | 68 |

Source: A Socio-economic impact research of the Project "Enhancing Efficiency and Impact of Women's Managed Savings and Credit Co-operatives in Nepal", CME, 2010

The research conducted on the old (596) and new (281) members of partner co-operatives at the end of the project period also showed that 55% of the old members own land, 53% have houses of their own whereas 53% have their own livestock and 32% of the researched sample showed their involvement in enterprise. Regarding the new members, the average percentage of owning a land, house, having livestock and involvement in enterprise are found to be 45%, 47% 47% and 68% respectively.

3.2.2. Increased gender-equitable empowerment for members of poor households through co-operatives

3.2.2.1. Women with increased control of assets

It is notable that physical well being of women and their children depend considerably on their direct access to physical assets which leads to control over income. Women's income almost everywhere has a better chance of being spent on the basic family needs – especially

Co-operative, a successful medium for uplifting livelihood

Urmila Aryal had been taking loans to start and support her small shop since 2055. The loan was to help her start generating income, which would in turn help her provide for family welfare. She had been trying to decrease her monthly payments and reduce her loan, however, this to no avail.

During her hardship of making her monthly payments, she got to meet with groups of women and encouraged to join their co-operative becoming a member. Urmila accepted to become a member after hearing how the group helped and provided both social and economic support. Being a women based co-operative and all women staff, she found it very comforting and felt a sense of belonging with the group.

Before joining the co-operative, the loans she had taken were not aiding her at all. Instead, it was having a negative effect on her monetary situation. The interest on the loan was higher and she was barely able to make the payments on time. Her situation improved considerably after taking loans from the women co-operative, who had lower interest rates and this in turn eased her financial troubles. Urmila and her husband started doing much better and now had enough for basic necessities including food and their children's education. Also she was able to make the loan repayments and have started savings as well. With merely Rs. 20,000 taken from the women co-operative initially, now she owns a small store initiating with small stalls on the roadside.

Urmila Aryal is a diligent member in society. Her credit rating has vastly improved and she holds a good impression amongst her peers. In the end, the recognition goes to Urmila who overcame her challenges and was able to raise her living standards and her families well being. Furthermore, Mahila Prayash is exactly the kind of co-operative required for women in need. The co-operatives mission isn't profit minded, but to provide not only financial but emotional support as well to make their members successful in their venture.

food, health and education. It is found that big financial institutions barred women from access to credit due to lack of physical property on women's names.

The project attempted through the co-operative to improve the control of women members over its assets. For that matter, the project promoted women participation in democratic and decision-making roles in co-operative institutions through various technical assistances both through onsite and offsite. The training contents also prioritized women participation rather than their mere involvement in co-operative operations. Likewise the members are being aware about the various issues related to economic, social, civil, political, and cultural rights and public policies either through the training programs or through the linkages building programs and workshops organized for their empowerment.

These programs and intervention foster the women empowerment basically in rural areas. Today, women itself are operating their daily transaction independently. It is found that large women members (1,936 in numbers) have shown active participation in board, committee and management training for institutional development. As a result of which, it is observed the improved decision making roles of women not only in the co-operatives but also in the other important matter of the community.

The Story of Success

I am Madhu Maya Thapa and I was born as the second child to father Bam Bahadur Adhikari and mother Kunta Maya Adhikari in Jamune Namuna VDC, ward 6 on 2026/10/14. Since our family was below the poverty line my parents were unable to put me in a school. However, I was admitted to a school on 2035/10/10. I studied only for 2 years at Khichanchu Secondary School. Thereafter, I acted as a shepherd to our goats. I got married at the early age of 14 on Lekhnath municipality, Kaski district. And, as a consequence I had a new family of my husband and in-laws, altogether 6. I know the pain and agonies that arises from being married at an early age. My husband has a slow, demented mind. He was morbidly obstinate and never took any suggestions and advices from the people. My in-laws, specifically my husband's brother and his wife went to school and I alone had to do all the household chores. The first four years were very tumultuous period for me.

I became a mother at the tender age of 17 with a boy and, again at 19, with a daughter. After 9 years of continuous suffering, I could not take it anymore. I took both of my children and returned to my parents. Unfortunately, here also I could not stay for more than 2 years. I rented a small room and I lived together with my small children.

However in 2049, 'Mahila Bikas Karyakram' (Women Development Program) was initiated at our VDC, which put an end to my suffering. I took training on handling operating costs of an organization and later I worked on this particular department. This increased the maturity of my thinking and attitude of work and I was welcomed by many institutions and organizations as I had prior experience. I took a credit of Rs. 4000 with one of my associate organization and set up a retail shop that helped me clear meager expenses.

The second time I took a credit of Rs. 10000 from Grameen Bikash Bank (Rural Development Bank) and accumulated other necessary materials to my shop. I remembered my budding desire to go to a school which inspired me to send my children to school. I also met some ladies of 'Barahi Mahila Bahudhesiya Sahakari Sanstha Limited, Tanahu'. I was impressed by the goals and objectives of the organization which leaned towards the economic, social and health welfare of women. I accepted my membership at the organization on 2059/2/20. The terms and conditions were that I offer Rs. 25 of my savings and buy shares worth Rs. 100. I also worked as the social administrator of DACAW and worked on the perimeters of women and children issues. I successfully reimbursed the loan of Rs. 10000. I further took a loan of Rs. 5000 from the organization and appended commodities on my shop. I then increased the frequency of my loans and paid my installments in loan. I have till date taken a loan of 290000, successfully reimbursed. I was praised by the people of my village including my colleagues met during my involvement in road and bridge construction, other paralegal committee and many more.

Recently, I have bought a small piece of land. I have a one storied house with three rooms. I have my retail shop on close proximity with my house. I have worth Rs. 50000 of commodities at the shop. My eldest son is doing his IA and my daughter is in standard 9. My daughter who has been impressed by my hardship and struggle, works in the nearby bakery to earn some money.

Days have turned into nights and nights into days. My organization has been with me in thick and thin and I am very thankful to that. The membership no. in my organization is 534 and I hold shares worth of Rs. 1300. My savings is found to be Rs. 10,246. Speaking of my family, we are small and happy. I have not yet officially divorced my husband. I am very optimistic that the upcoming days of my life would be joyful and rewarding.

4. PROJECT IMPACT

Notably, there has been improvement in the access to the assets by women members and there has been project's attempt to improve the women control over the assets. Though there is not a huge improvement in the control over assets, few of case studies prove that, this project intervention through co-operatives had definitely increased the control of assets by women members. The case study of Madhu Maya presented above can prove to be a good example to this.

3.2.2.2. Increased women member savings

Women members, when there were in a group, were little familiar with the terms: savings and credit. Upon participation in various programs conducted through partner co-operatives, the women were actively involved in spreading the information that it is necessary to save first and take loan afterwards. Similarly, imparting knowledge on the importance of savings and credit and its various types, had made them acquainted with the possibilities of various products or process of savings as well as credit programs available as per requirement. The

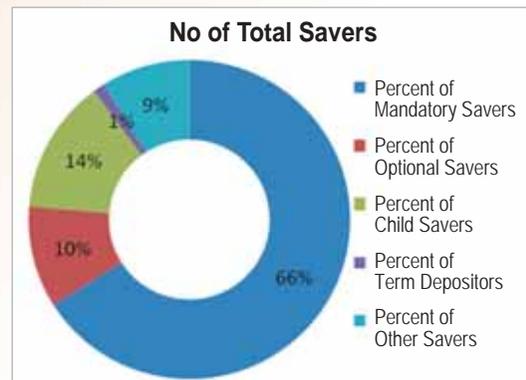


Figure 10 Composition of Savers

graph here showed that the co-operatives had accustomed various types of savings products namely child savings, term savings and other savings apart from usual mandatory and optional savings having 66% and 10% respective possession in savings products. The child savings however with 14% savers outrun the optional savings as per the graph. It is to be noted here that the other savings include various types of savings products like festival savings, pension savings, piggy bank savings, educational savings, daily savings etc.

The increasing amount of savings year by year also revealed that the total amount of savings had increased from less than 100 million marks to nearly 300 million amounts by the end of the project period (September 2010). This had considerably increased the savings capability of members with per savings NRs. 3,771 to NRs. 8,747. Apart from that, the capital of co-operative had increased which has been a key source for loan disbursement. As a matter of fact the women managed co-operatives are found less reliance upon external borrowings.

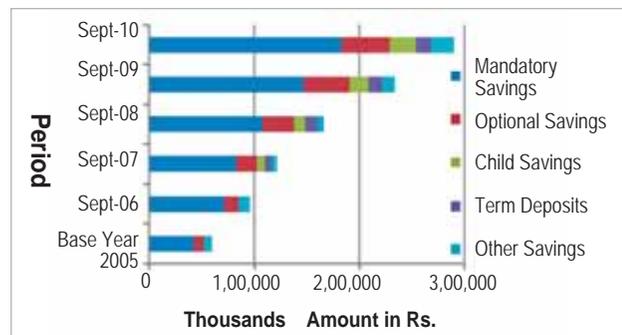


Figure 11 Growth trends of various savings amounts

The Project focused on capacity-building interventions upon a selected set of 50 women managed savings and credit co-operative societies. The project concentrated on Institutional strengthening of 30 MF co-operatives and 20 NBS promoted co-operatives with additional 150 SCGs registered into 7 established women managed co-operatives. The project conducted various trainings, provided need based onsite technical assistances, arranged exposure visits (inside and outside the country) and linkage building to relevant institutions and development program to improve institutional capability of partner MF co-operatives. Training, technical assistances and exposure visits were designed based on the need assessment of the MF co-operatives. CMF had also provided the non-financial services and social training to incorporate the credit plus approach into the project which is benefitted by the members of MF co-operatives. The number of individual members/households directly participating/benefiting was estimated to be 25,000 during the inception of the project. Despite geographical and cultural as well as political scenario, women managed savings and credit societies survived increasing the women beneficiaries to 33,142 at the end of the project completion (September 2010).

4.1. Project Reach

Table 19 Project Reach

| Project Reach | Baseline Projection 2005 | | Project completion 2010 | |
|--|---|--------------------|-------------------------|---------------------|
| | No. of Co-operative directly participating/benefiting | 50MF co-operatives | 150 SCGs | 50 MF co-operatives |
| No. of individual members/households directly participating/benefiting | 25,000 members | | 33,142members | |
| Multiplier of no of people/household | 5.6 persons/household | | 5.6 persons/household | |
| Total Reach of Project [(c+d) x e] | 140,000 | | 185,595 | |

Source: *Monitoring reports, CMF, 2005- 2010*

Started with few groups, these women managed co-operative societies have been a model in their community. It was possible through the constant support of the project to the partner societies towards enhancing the efficiency of women managed savings and credit co-operatives. ToTs, Trainings and its replication at grass root level followed by series of technical assistance have been effective to strengthen the partner co-operatives. The curriculum/manuals of each training modules provided an additional benefit to the training programs. The



developed curriculums/manuals distributed to the participants became utmost use for co-operative. It acted as a reference and guidance for members of the co-operative to replicate such training at their level and equally guided in smooth running of day-to-day transactions as well.

The participatory approach has been an interest and an appropriate medium for social

development, especially in case of community organization. In fact, the lower staff retention rate and majority of women members (including the BOD) are involved in household chores validate the significance of need of review and planning in co-operatives. Participatory annual review and planning (ARP), one of the project activities, assisted to provide information related to ‘what is co-operative and its benefits to the community’, ‘role and responsibilities

of BOD members” and facilitated in developing a growing interest in the co-operative member for its improvement and promotion. Similarly business plan developed by co-operative with the technical support from the Project became a crucial aspect to improve outreach and efficiency of co-operatives. Business plan assisted to develop a clear vision, strategy and plan of many co-



operatives to achieve the intended goal in five year period. Based on it, it further guided co-operatives to breakdown the activities in monthly basis and accelerated the active participation of the members for timely implementation to achieve the targeted goal.

The experiences and performance of MF co-operatives during the project period showed that interventions are needed in different aspects of co-operative societies. A good governance structure of co-operative society could lead the MF co-operatives toward success. An independent board with the technical expertise and authority to hold management is required. Similarly ToT on member education and series of its replication by MF co-operatives to their existing and potential members has been proved as a successful measure to increase outreach and enhance good governance. Therefore promoting agencies should make effort to develop

leadership capability of MF co-operatives. Capable leader not only manage the co-operative properly but could act as a local trainer and catalyst to bring positive change in improvising quality of financial services, to enhance democracy and governance in the local level and to improve the status of women and marginalized people in the community where co-operative society operates.

4.2. Existing MF co-operatives will become financially self sustained MF co-operatives:

Table 20 Financial Self sustained MF co-operatives

| Indicators | Baseline (2005) | Sept. 2006 | Sept. 2007 | Sept. 2008 | Sept. 2009 | Sept. 2010 | Overall Growth % |
|---|-----------------|------------|------------|------------|------------|------------|------------------|
| Membership Coverage | 15,826 | 20608 | 23,644 | 27,163 | 30,869 | 33,142 | 109 |
| Average Membership per MF Co-operatives | 360 | 468 | 537 | 543 | 582 | 614 | 71 |

Co-operative being member based organization; community people are eligible for any co-operative service only after taking the membership in co-operative. At the commencement of this project, the average memberships of MF co-operatives were 360 only. From the beginning of the first year, it was ensured that there is growth in terms of membership coverage. At initial year, the co-operative were newly formed and NBS promoted groups were also amalgamated as a result of which highest growth (30%) is observed in membership coverage. Despite the comparatively low growth in the years afterwards, the growth is accordance to the standard set by the PEARLS system.

In Nepalese context, studies have shown that at least 500 members are required for a MF Co-operatives to achieve financial self- sufficiency. Based on this assumption, the project targeted to achieve an average of at least 500 members per MF co-operatives so that these existing MF co-operatives will become financially self-sustained. During a five year long project (3 years initially and 2 years extended later), the target was achieved by the year 2007 and year afterwards the trend remain increasing. At the end of Sept 2010, the average membership is observed 614 per MF Co-operatives with increase in membership coverage (109%) compared to base year.

Financial Performance

Indicators like Operational Self Sufficiency (OSS) and Financial Self Sufficiency (FSS) reveals how close a MFI is to reaching state of financial viability. OSS assess how far MFI has come in covering its operating expenses with operating income whereas FSS measures the extent to which operating income cover MFI’s cost in adjusted basis.

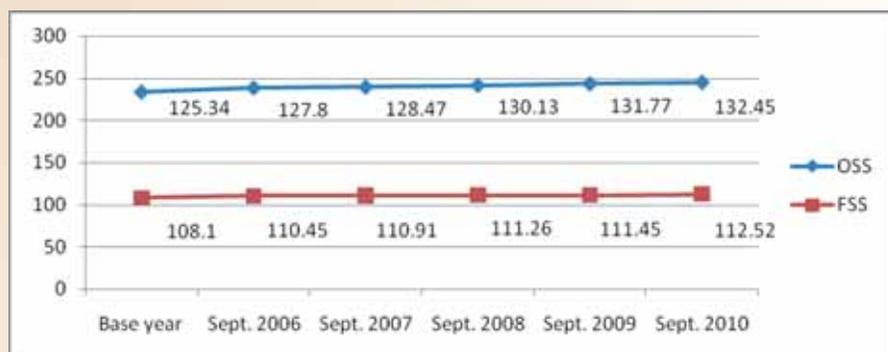


Figure 12 Financial Performances

The graph here predicted impressive increasing trend of OSS of partner MF coops. In base year, the OSS of the MF coops accounted to be 125.34%, the trend increased thereafter and retained more than 125% mark.

Likewise the MF coops have maintained the FSS just above the standard level of 100%. Since the FSS exceeded by 100% marks every year, it is self-explainable about the ability of our partner cooperative to be fully sustainable in the long run.

In spite of acquiring Standard OSS and FSS, these cooperatives still need to work hard to achieve the goal, the reason being, the cooperative staffs are low paid as well as their operating costs are much lower as compared to other MFIs. So, even though it shows higher percentage in case of OSS and FSS, the constant support and assistance is highly recommended in this growing stage of women managed cooperatives which can be achievable through support like this project with significant effort from members of societies.

Composition of Funds:

The share capital plays a vital role, especially in community-based organization like co-operatives. Basically savings and credit co-operative use capital to finance non-earning assets. However, the capital has powerful effect on co-operative's capacity to generate net income, hence an additional capital and in some cases these capital form a base to absorb losses from loan delinquency and/or operational deficits.

The table below showed the composition of capital in the partner co-operative. The partner co-operatives had achieved targets except for the institutional capital as per the Standards set by PEARLS rating system. The partner co-operatives are found to utilize these capitals including capital grant also to purchase assets, which often are land and building. Notably among the fifty co-operative partners,

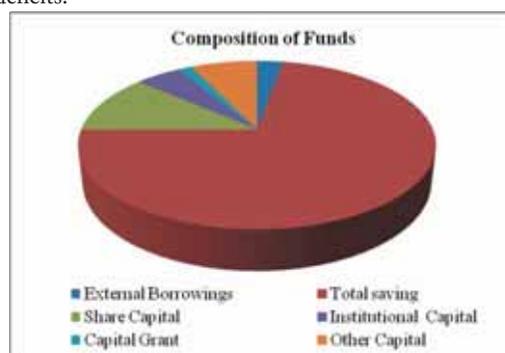


Figure 13 Composition of Funds

10 co-operatives own a building and 5 co-operatives had purchased a plot for the society. This gives clear indication that these women managed co-operatives tend to be more responsible in terms of management of co-operative society. This is a commendable step for the co-operative and a great outcome of the project. However, these co-operatives should realize and act as autonomous and not dependent organizations. MF co-operatives themselves should also explore opportunities to provide non-financial services to the members through linking and networking with respective supportive organization.

Table 21 Composition of capital in partner co-operatives

| Composition of Capital | % | PEARLS Standard |
|------------------------|-----|-----------------|
| External Borrowings | 3% | <5% |
| Total Savings | 70% | 60-70% |
| Share Capital | 11% | 10-20% |
| Institutional Capital | 5% | 10% |
| Capital Grant | 2% | NA |
| Other Capital | 8% | NA |

Source: Monitoring reports, CME, 2005- 2010

4.3. Contribution to Sustainable Livelihoods through Co-operatives

MF co-operatives and microfinance is not only the answer to all the problems of poverty in developing country, but it is indeed an inducer to great many actions that can lead to a better quality of life for the low-income group. The co-operative has been medium for women to be known in the community and know about the community. Women who were always busy with the household chores now take their time out for the co-operative.

Social:

Member based co-operative societies strive on the seven principles of co-operative. Concern for community is one among the seven principles of co-operative. The project activities/trainings/programs created a platform for the women members to discuss and implement various services for social cause. Innovations and tools being implemented by the project through partner co-operatives that leveraged their creativity and their own knowledge had not only suited to their own situation but also were beneficial to their neighbors and the rest of the community people. Therefore, the project interventions through MF co-operatives had brought about group solidarity among members and had increased their confidence to advocate against social evils. The impact study observed that the members of partner co-operative were more vocal than other women in the community during various programs/trainings/FGD conducted either by the project or in coordination with other service provider. The co-operative's members were very expressive about their issues that they lacked in the initial year of project inception. Community development programs organized by the co-operative society itself in coordination with other stakeholders further assisted in developing and improving the life and status of the co-operative members. The project enhanced dignity and social status of the members of the partner co-operatives.

5. BEST PRACTICES, LESSON LEARNED AND CHALLENGES

Human:

Human resource is the most valuable assets and it has to be nurtured through continuous capacity building programmes. Considering the fact, the project emphasized on participation of women members through constant capacity building programs and exposure to new know-how, where the managerial as well as the hidden capacities of the members were explored. This has been help in up bringing the confidence of the women who usually were confined to four walls of household chores. By retaining leadership positions in their groups/societies, women gained self-esteem and self-respect in their household and community. Thus, while focusing on member needs, co-operatives worked to improve the quality of life in the areas they serve.



Financial:

The project helped co-operative members to increase access to financial services that lead to initiate income generation activities. Similarly, partner co-operatives were able to increase their institutional capacity leading to increased Operational and Financial Self-Sufficiency with the training/TA provided by the project.

Physical:

Training received through this project had developed the skill needed by the women members. Earlier the women members hesitated to take loan for any purposes as taking loan is considered as social stigma. With the co-operative support, the members realized the importance of savings as well as credits. As a consequence of which the members initiated small enterprises with the loan acquired through the co-operatives; and profit earned was then invested on assets like livestock, raw material, machinery, land and houses.

In terms of infrastructure, the partner co-operatives (68%) now either own their own house/land or are situated in the closer proximity to its members. The linkage building program as well as networking through the project provided exposure of the available opportunities for the community organizations that focused in women only. The co-operatives being legal entities had been able to access VDC and various other government funds. The co-operatives like Nari Srijana Uralabari, Morang; Srijanatmak Mahila Bastipur, Saptari; Buddha Mahila, Dhangadhi, Siraha; Laxmi Mahila, Kavre; Bhabashya Nirman Maina Pokhari, Dolkha; Mahila Samaj Sewa, Banke; Barahi Mahila, Tanahu; Mahila Kalyankari, Nawalparasi; Pragatisil SCCs, Surkhet to name a few, own their corporate house and few had purchased land with the capital grant received from VDC and other donor agencies. In addition to this, the women partner co-operatives possess adequate equipments/furniture to conduct the regular transaction. The project also intervened in the adoption as well acquaintance to the new technology by providing computers to the selected women co-operatives as well. Although women members are not fully accustomed to the new technical know-how, the co-operatives like Bachowli Nari, Chitwan; Hatemalo, Kathmandu, Deepjyoti Nari bikash, Morang; Mahila savings and credit co-operative, Itahari are to name few that are utilizing these facilities in preparing the financial statements.

5.1. Best Practices

The amalgamations of scattered small groups acting as savings and credit organization to form co-operative are more sustainable. The sensitization program brings about solidarity to form a single organization. The cooperation among the co-operative members fosters the operation of the organization and it is easier to disseminate various financial as well as non-financial services to the poorest beneficiaries.

The self promoted co-operative works with profit maximization interest. Apart from the members' contribution to capital; the external reliance on borrowing is more prominent. The donor or project promoted co-operative are in other hand, are participatory towards both financial and non-financial services. The members of such organization are more informed about various fields from health to legal status to women rights.

Members' contribution in terms of savings, shares are the core source of the co-operatives that decides on promotion of members' financial capacity and reduction in external finance dependency. Apart from that, the external borrowings-received in the form of soft loans and capital grants fulfilled the loan requirement. The product diversification introduced in the co-operatives through the project intervention had improved the capital requirement of the co-operatives.

The financial trainings provided to the co-operative members enhanced their capacity and strengthened the operation of MF co-operatives. Annual review and planning workshops and technical assistance conducted at the community level had provided a platform for committee members and staffs to share their views and experience among them. This has increased committee members concerns about their role and responsibilities towards the co-operative; as a consequence of which active participation of committee members has been observed in all activities of MF co-operatives. There is increased active participation of members in discussions in general assembly and other monthly meetings.

Series of bookkeeping and financial management training developed the timely record keeping (daily voucher transaction and monthly bank reconciliation) and most importantly developed MIS. The MF co-operatives carried out monthly meeting of loan committee members and quarterly (in some cases monthly) meeting of account committee members; as a result of which the project intervention lowered the delinquency level of the co-operatives. The co-operative relishes timely recovery of loans thereby increased income of the MF co-operatives.

The elaborate business plans of majority of co-operative with vision, mission, and financial projection developed, have been a baseline for partner co-operative to improve its operation. These operational guidelines have proven to be beneficial to the financial health of MF co-operatives. The target setting and the procedure to reach the goal have accelerated the working momentum of the MF co-operatives. These documents added as an additional and substantial one to propose for social services as well as capital grant for the land and buildings of MF co-operatives to the government and other development organizations.

The need-based training and workshops conducted by the project through MF co-operatives developed a leadership quality among the women members. The parallel implementation of issues related to gender rights, health related activities, and constitution making process activities with the financial aspects of the project proved to be a good medium to empower the women. Women, who were limited to the household chores, are now leading the co-operatives. In addition to financial knowledge, the women members actively participated in all trainings and were confident enough to debate various issues in general assembly as well as in different interaction programs.

Co-operative proved to be the appropriate medium in achieving the project goal of increasing the effectiveness and impact of savings and credit in reducing poverty. The project through MF co-operatives disseminated all the activities to the very core beneficiaries. With series of trainings and technical assistance, the members felt accountable to their role and responsibility towards the society. Furthermore, sharing of information and experiences among the members and closer family members transferred the information not only to women members but also indirectly to other non members of the co-operative.

5.2. Lessons Learned

During the project implementation through MF co-operatives, a number of lessons were learnt which are expressed below:

5.2.1. New product services would provide less benefit unless implemented with proper survey.

The partner co-operatives had adapted various types of products as far as savings and loan products are concerned. Introduction of these new products had been one of the reasons for increasing savings in majority of the partner co-operative. By far child savings, piggy bank savings and pension savings have been the most preferred savings products apart from mandatory and optional savings. However, the haphazard implementation of these products having not known the specified purpose created less demand of such product in the society, in some cases, the society had transferred or withdrawn the newly introduced products limiting to usually not more than five savings products.

Buddha Mahila Savings and Credit Co-operative Society, Siraha introduced the pension savings for their members knowing its implication in other fellow co-operatives. The new product however seemed to be less efficient as they haphazardly introduced without any cost benefit analysis of the product. In Hatemalo Savings and Credit Co-operative Society, a co-operative in Kathmandu district introduced the product like daily savings and piggy

bank savings knowing its success in other partner co-operatives notably of semi urban and rural areas. But dismay to their expectation, the members found this product very unrealistic to their needs. Furthermore, the co-operative found tedious to collect those savings in absence of adequate staffs and lots of unnecessary accounts even made difficult to handle the transaction and extra cost associated to it. Likewise, there are more or less 12 savings products found in Laxmi Mahila savings and credit co-operative in Kavre district, but the other savings (festival, piggy bank, educational etc.) amount to less than 5% to its total savings with maximum concentration on child and term savings apart from its usual savings. It is observed that the staffs themselves are unaware of the use and availability of the products. Therefore, it is observed that the co-operative should introduce the new product in line with the market study but not just on co-operatives personal interest.

5.2.2. Micro-insurance scheme is feasible when co-operative itself act as the agent of insurance company

The project in association with LIC provided insurance scheme to partner co-operative. Out of 23 orientations provided, 18 co-operative utilized the product for the members. Although there are beneficiaries to that scheme, it became problematic on the premium paid and timely reimbursement of the insured amount to the co-operatives' members.

There was no practice of co-operative, itself, acting as an agent; instead the insurance company as an agent to a co-operative allots an external person. It was found that there was irregularity in payment of the premium as it varied the amount and time registered in the particular insurance company. In addition to that, it had added an extra cost for visiting the insurance company several times away from their place to the capital, which was opposed to the contract signed between the co-operative and the company. As a result of which, the members seemed unsatisfied with the services of the insurance company through only an external individual agent. Had it been a direct linkage between the service provider and the co-operative, co-operative itself acting as an agent, it would have been easy on monitoring all the transaction held between them so that the members become fully reliable and became timely benefited by the schemes.

5.2.3. Working modalities of the governmental organization could reduce the improvement in the performance of the co-operatives.

The government of Nepal has provision to choose any licensed auditor depending upon the category of the co-operatives, to be appointed as the external audit by the co-operatives. However, the co-operatives have to wait for the lists of auditors authorized by the district co-operative for external audit although the co-operatives completed their internal audit. The co-operative found the procedure lengthy and time consuming. In addition to that, the variation of format followed by these auditors confused co-operatives at times. In some cases, it was found that the external auditors were just appointed for formality. The auditors showed less concern on educating co-operatives on any discrepancies associated with the reports. Through technical assistances and training, the project made the partner co-operative aware about such issues and provided necessary guidance when and where needed.

5.3. Challenges

In view of activities undertaken during the project, the project faced following challenges in enhancing the efficiency of the women managed savings and credit co-operatives

5.3.1. The low retention rate of staff is a challenge for women co-operatives for its financial sustainability

Majority of the co-operative staffs work voluntarily in the society and are hired on the personal contact. The paid staffs whereas get the minimum wages as compared to other bigger organizations. As a consequence of which whenever opportunity prevails in other organization, the trained staffs instantly move to the newer one without proper handover to the newer one. Fewer cases of newly hired staffs working without any knowledge were also found, leading to deterioration in operational modalities. This staffs' turnover created not only depletion of human resource but also will have adverse effect on the financial sustainability of the co-operatives.

The project, however realizing the demand for the trainings for the newly recruited staffs, emphasized on providing trainings specifically on co-operative management, bookkeeping, financial management and credit management. The project also kept in consideration that training contents are updated depending upon the need of the participants. Likewise technical assistance is provided when and where needed under project activities. Nevertheless, the co-operative requires retaining those trained staff as it is one of the major factor for sustainability of community level societies.

5.3.2. Amalgamation of undesirable groups to form co-operative at the same time could bring difficulties in operation of the society.

The project amalgamated the NBS promoted groups to form a co-operative. The 8 groups were amalgamated at the same time in Sunsari and Jhapa district to form co-operative. Although large numbers of members availed of and benefitted from the services through MF co-operatives, some members were hesitant to be member of the co-operative. This developed mistrust among the co-operative members. The low education level and less skill of the co-operative staff also made difficulties on merging the accounts of all the groups involved and could lessen the performance of the co-operative. The co-operatives namely Jagaran Nari Bikas, Dhankuta, Navajyoti Nari Bikash, Sunsari are to name a few acting as inactive co-operatives.

The gradual intervention on amalgamating groups to form Deepjyoti Co-operative, Belbari however is an example of good impact of the project intervention. The co-operative follows the two tier federal model. Leaders from the groups are appointed at different ward levels as a result of which members availed the various services of the co-operative at their door-steps. This also created transparency on the operation of daily accounts and easily dissemination of information and services like awareness on social issues-gender, women rights, health issues and the constitution making process to the very core of the community. Barahi Mahila Multipurpose Co-operative Society, Tanahu follows the same model and it is one of the best co-operative among our partner co-operatives.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

- The achievements of the partner co-operatives in improving the financial and institutional capacity and contribution of co-operatives for the socio-economic development of the society has clearly shown that women managed co-operatives have been a proper channel in improving the microfinance services in rural and remote areas of Nepal.
- The involvement of co-operatives in introducing new product and services and its implementation diversified the choices for the community members, irrespective of their ethnicity, caste or race, to increase active participation in the society. The co-operatives provided various form of savings products depending upon the needs of the members and more compatible with the seasonality of their income. Likewise, co-operatives concentrated on availability of loans regularly to their member for various purposes and provided micro-insurance services to their members for security and improvement in the economic status, and thereby contributing to community development.
- Technical assistance in the form of trainings, regular monitoring of the society and amalgamation of scattered groups around the similar geographical area, contributed in the improvement of financial health and the sustainability of the co-operatives in the community. Increased new loans disbursed to the members, improved institutional capacity and, most importantly, increased assets and net income of the co-operatives helped in the viability and institutional effectiveness of the women managed co-operatives.
- The non-financial services in the form of training and awareness programs provided through co-operatives to the members enhanced their skill, which indirectly contributed in income generation of the members. In addition to that, social services provided to the members especially focusing on women rights, enhanced the efficiency of women members to the various issues residing in the society. Exposure visits, various published materials and workshops organized through the co-operatives explored the quality hidden within and developed the leadership quality empowering the women members of the society directly and, indirectly by dissemination of such activities towards its family members and other households.
- Linkages and networking programs to the co-operatives helped co-operatives to identify the various needs of the community that ensures a more holistic community development plan and implementation. These network and linkages helped to figure out the objectives and programs conducted by different agencies and choose accordingly by the MF co-operatives in terms of community's needs. These services hence created a common platform of developmental agencies and its beneficiaries that ensured the

greater use of the resources by complementing work of each other.

Therefore, the project build the sustainability of existing and newly formed women managed MF co-operatives by increasing and enhancing the effectiveness of savings and credit co-operative in reducing the poverty.

6.2 Recommendations

On the basis of reviewing the overall process and lessons learnt during the project period, the following recommendation are outlined for the better delivery of the project activities thorough MF co-operatives which relates to strategic and operational concerns of MF co-operatives.

1. With the increase in outreach and the scale of operation, there is high demand of loan requirement by the members of the society. The co-operatives being the community based organization; the capitalization of the society solely depends upon the members' savings, reserves or fund created out of profit and nifty amounts of grant extended towards co-operatives for its development. Hence, Nepal Rastra bank, being the central bank should develop the easy access of the deprived sector loans to the community organization like savings and credit co-operatives.
2. The co-operatives follow 4 ledgers accounting system under the directives of co-operative department. This accounting system is simple yet not an accurate means of accounting as opposed to generally accepted accounting system, the training programs or technical assistance of which is provided by development agencies like ours. Also there is no similarity found among audit report of the entire co-operative. Considering the fact, these issues should be seriously addressed by all stakeholders including the Government and most notably the Co-operative Department in a collaborative effort. There is also a need to identify appropriate mechanism by which the system for co-operatives auditing is improved, nationally. This can be possible by conducting training to auditors with identification, designing and planning of such trainings at the local level.
3. Social intermediation programs like skill development programs, health awareness campaign and other community development activities introduced in the co-operative enhance the quality of services provided to its members. Introduction of credit plus approach to co-operatives improved their concerns towards the society and the community as well. Even so, majority of co-operatives are apprehensive about going for social intermediary activities by themselves. The constraint of co-operatives members is that they have limited understanding of the available options and also lack the practical and technical knowledge about the other viable non-financial services around the community. Therefore, development sectors, and most importantly governmental organizations should accelerate networking and linkages programs on such demand driven area and further develop a forum that facilitates the information exchange at the local level for co-operatives.

Another added factor to it is co-operatives' lack the adequate fund towards such activities. Definitely the project intervention has improved the financial condition of the project partner and introduced non-financial services. But the provisions of these services by the co-operatives to their members were ad hoc, seasonal and determined

mostly by donor and any promoting agencies. Co-operatives rarely continue activities with their own fund even though there is enough (but not sufficient fund) for few of such services. It is, therefore, necessary that co-operatives should be able to mobilize their internal resources and manage it profitably with minimal or zero external assistance. It is also important that the project interventions like this should concentrate on more result based training programs and expose these co-operatives to more financially successful co-operatives and co-operatives that run their business operation in a business like, sound and profitable way.

4. Human resource development is a major bottleneck in the expansion and up-grading of co-operatives. On an average, there are only one or two staffs handling the co-operatives' operation. Through donor agencies or the project intervention like this, has definitively imparted knowledge to the staffs of the partner co-operative. But in search of better opportunity and staff being low paid in co-operatives, there is lower retention rate of trained and skilled human resource. Therefore, to retain the trained human resource, there should be policy developed by the BOD concentrating on the staffs need. The rewards at times and incentives, as per the capability of co-operatives, should be provided as a motivation and inspiration to continue their service to the co-operative.
5. The needs of co-operatives are great, their capacity both as financial and social intermediaries is limited, yet their members' need and expectation is high. Apart from project intervention on training program, there is lack of local trainers. Therefore, the project intervention should develop local trainers so that they can establish a good communication without much hesitation in their local dialects. This will further bridge the gap among the members promoting the active participation of the members.
6. The Project is concerned with enhancing efficiency and impact of women managed savings and credit co-operative. It has indeed achieved its goal for its beneficiaries. However, the project could consider the additional trainings for capacity building of the BOD and co-operatives members as refresher trainings at times. This would able to raise the awareness of best practice and strategies existed in the local level as well as in central level. Furthermore, the Project should concentrate also on linkage building programs. The continuation to micro-insurance programs and introduction of new services like remittances would able to enhance the skill of the members in addition to their financial engagements.
7. The Project concentrates on empowering women by providing developmental activities through women managed co-operatives. Majority of the women members are still involved in household chores and cannot deny the fact that they are in their reproductive age. Hence, while planning and designing development activities, the activities must avoid adding to the already heavy workload of the women members. This can be done by making activities less time-consuming or by conducting activities in or near places convenient for the women members.
8. The project provided capacity building programs targeted at the women beneficiaries only of women managed co-operatives. However, it should also include the male counter parts of their households such as their spouse or fathers or other males who by virtue of their superior position in the household may have control over women.
9. The partner women managed co-operatives are affiliated with the respective district co-operative, co-operative department and their central level co-operatives. These affiliated organizations have different and limited directives for monitoring and evaluation. The

directives are limited to outreach and financial assets of the organization. It lacked strict regulation regarding the aging of loans, ethnicity coverage and product diversification specification. The monitoring format however developed by the project is made simple and fulfills the criteria described earlier. Having the two or three forms to be filled and sent separately, the co-operative feel the job very tedious and are tempted to fill the compulsion one. Developing the same monitoring modalities of both the government and other non governmental agencies would reduce the discrepancies present and further saves the time of the co-operatives as well.

10. With considerable increment in membership coverage, it's equally a challenge for rural women managed co-operatives to maintain the management information system in place. Information technology (IT) intervention in these co-operatives, therefore is optimum requirement of partner co-operatives to enhance the capacity of the concerned parties. The IT intervention further would create more transparency towards financial accounting system, less time consuming hence increase efficiency of the co-operative operation. This must cover the range of computer training needs from basic concept of computers for emerging co-operatives to installation of software and its proper utilization addressed to well established co-operatives.

APPENDIXES

Appendix 1

List of Partner Co-operatives

| S.N | Name of Cooperative Society | Address |
|-----|---|------------------------|
| 1 | Suntala Bari Savings and Credit | Malapath, Ilam |
| 2 | Samjana Nari Bikash | Soyak, Ilam |
| 3 | Narayani Nari Bikash | Shera, Ilam |
| 4 | Ekata Savings and Credit | Jhapa |
| 5 | Damak Savings and Credit Group (Purposed Coop) | Damak, Jhapa |
| 6 | Kharkhare Savings and Credit group (Purposed Coop) | Damak, Jhapa |
| 7 | Kachan Kawal Savings and Credit | Kechana, Jhapa |
| 8 | Sangam Nari Bikash | Garamuni, Jhapa |
| 9 | Nari Chetana Savings and Credit | Lakhanpur, Jhapa |
| 10 | Yangshila Nari Bikash | Yangshila, Morang |
| 11 | Deep jyoti Nari Bikash | Balbari, Morang |
| 12 | Ekikrit Savings and Credit | Keraun, Morang |
| 13 | Lakhantari Mahila Savings and Credit | Lakhantari, Morang |
| 14 | Kalyan Nari Bikash | Banigama, Morang |
| 15 | Kerabari Nari Bikash | Karibari, Morang |
| 16 | Nari Chetana Saving & Credit | Tanki Sinawari, Morang |
| 17 | Narisrijana Savings and Credit | Urlabari, Morang |
| 18 | ¹ Nari Namuna Nari Bikash Savings and Credit | Salakpur, Morang |
| 19 | Nari Pathibhara Savings and Credit | Itahara, Morang |
| 20 | Nari Sirjeet Nari Bikash | Bargachi, Morang |
| 21 | ² Nari Namuna Nari Bikash Savings and Credit | Salakpur, Morang |
| 22 | Nari Pathibhara Savings and Credit | Itahara, Morang |
| 23 | Nari Sirjeet Nari Bikash | Bargachi, Morang |
| 24 | Santoshi Mahila Saving & Credit | Jhorahat, Morang |
| 25 | ³ Jagaran Nari Bikash | Rajarani, Dhankutta |
| 26 | ⁴ Navajyoti Nari Bikash | Baklauri, Sunsari |
| 27 | Sanchhit Nari Bikash | Mahendranagar, Sunsari |
| 28 | Sayapatri Nari Bikash | Dharan-12, Sunsari |

| | | |
|----|---|--------------------------------|
| 29 | Shivajyoti Nari Bikash | Pakali, Sunsari |
| 30 | Shramajyoti Nari Bikash | Cataralain, Dharan, Sunsari |
| 31 | Mahila Savings and Credit | Itahari , Sunsari |
| 32 | Srijanatmak Mahila Bikash | Dharampur, Saptari |
| 33 | Buddha Mahila Savings and Credit | Dhangadhi, Siraha |
| 34 | Sagarmatha Mahila Savings and Credit | Chandralalpur, Siraha |
| 35 | Himalaya Mahila Savings and Credit | Pokharbhandia, Siraha |
| 36 | Bhabisyia Nirman Savings and Credit | Mainapokhari , Dolakha |
| 37 | Laxmi Mahila Savings and Credit | Panauti Municipality, Kavre |
| 38 | Sarashwoti Mahila Bikash | Chapagaun, Lalitpur |
| 39 | Hatemalo Mahila Multipurpose | Maharajgunj Kathmandu |
| 40 | Mahila Prayash Savings and Credit | Dhumbarahi, Kathmandu |
| 41 | Bachauli Nari Chetana Savings and Credit | Bachauli 6, Chitwan |
| 42 | Mahila Bikash Multipurpose | Gajuri, Dhading |
| 43 | Sahara Mahila Savings and Credit | Puchharbajar, Dhading |
| 44 | Nilkhantha Mahila Savings and Credit | Bichbajar, Dhading |
| 45 | Mahalaxmi Mahila Bikash Savings and Credit | Bhorle, Rasuwa |
| 46 | Lali Guransh Mahila Bikash Savings and Credit | Lahare Paowa, Rasuwa |
| 47 | Pokhari Bhanjyang Mahila Bikash Multipurpose | Pokhari Bhanjyang , Tanahu |
| 48 | Madiganga Mahila Bikash Multipurpose | Byash Municipality Tanahu |
| 49 | Barahi Mahila Bikash Multipurpose | Gunadi, Tanahu |
| 50 | Mahila Kalyan Mahila Bikash Multipurpose | Pragatinagar, Nawalparashi |
| 51 | Mahila Kalyankari Savings and Credit | Gaindakot, Nawalparashi |
| 52 | Nari Kalyan Savings and Credit | Gaindakot, Nawalparashi |
| 53 | Nava Siddhartha Mahila Savings and Credit | Bagaletol, Kaski |
| 54 | Srijana Mahila Savings and Credit | Srijana Chowk, Kaski |
| 55 | Dev Nari Bikash Savings and Credit | Padsari, Rupandehi |
| 56 | Mahila Jagriti Savings and Credit | Ittaram, Surkhet |
| 57 | Pragatishil Mahila Savings and Credit | Jarbuta , Surkhet |
| 58 | Jyotikunja Mahila Savings and Credit | Naya Road, Nepalgunj, Banke |
| 59 | Kalpabrikshya Mahila Savings and Credit | Surkhet Road, Nepalgunj, Banke |
| 60 | Mahila Samaj Sewa Savings and Credit | Kohalpur , Banke |

Notes

- 1 Inactive Cooperative
- 2 Inactive Cooperative
- 3 Inactive Cooperative
- 4 Inactive Cooperative
- 5 Merged with Sayapatri Cooperative, Dharan

Appendix 2

Capacity building trainings covered under the project

| Name of Trainings | Major topics covered | Outcomes |
|-------------------|--|--|
| Bookkeeping | <ul style="list-style-type: none"> - Meaning and Concept of Bookkeeping and Accounting, Importance of Bookkeeping and Accounting, - Introduction of Accounting System (Single and Double Entry System), Terminologies in Accounting, Rules of Debit and Credit, - Steps of Bookkeeping, Voucher Preparation, Ledger Posting, - Method of computing interest on Loan and Savings, Practice on the adjustments vouchers - Preparation of Cash flow statement, trial balance, reconciliation - Preparation of Profit and Loss Account, Balance Sheet | <p>The participants were able to</p> <ul style="list-style-type: none"> - Understand the concept of Single and Double Entry system - Understand Rule of debit and credit - Prepare Journal voucher, posting vouchers into ledger - Cash flow, Trial balance, Income expenditure statements, Balance sheet and interest statement - Reconciliation statement |
| Loan Management | <ul style="list-style-type: none"> - Discussion on current loan products, loan management & administration, definition and need of credit - Steps of loan process, types of loans - Loan product designing and preparing loan policy - Credit planning by institution and borrowers - Credit appraisal (Project, profitability, Capacity to Repay) - Loan application form, appraising loan, collateral - Credit monitoring and supervision - Loan recovery and collection - Calculation of loan portfolio and aging report | <ul style="list-style-type: none"> - Understand the Basic principles of credit steps of lending and types of loans - Skills on designing the loan product - Prepare loan Policy and Credit planning - Understand the credit appraisal by types of collateral - Credit monitoring and recovery - Calculation of loan quality and aging report |

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| Financial Management | <ul style="list-style-type: none"> - Definition, objectives, functions to financial management - Fund flow and Financial structure of SCCs - Management of sources and uses of funds - Profit appropriation and financial Statements - Relation between bad debt reserve and loan loss provision - Financial analysis (PEARLS) - Portfolio management & reporting | <ul style="list-style-type: none"> - Understand the importance of Financial management, fund flow and financial structure - Skill of managing of sources uses of funds and surplus appropriation - Prepare financial statements, portfolio report and Conduct Financial analysis |
| Business Plan | <ul style="list-style-type: none"> - Needs, components and Steps of Business Planning - Defining Vision, Mission and Objectives - Environmental Scanning Client and Market Analysis - Legal, Socio-economic, Cultural and Technological Analysis - Institutional Scanning Financial Analysis (MF Program, Governance, HRM, MIS and Administration) - SWOT Analysis - Preparation of strategy and operational Plan - Preparation of Budget and Financial Statements | <ul style="list-style-type: none"> - Able to develop vision, mission and objectives. - Able to conduct environmental scanning (client market Legal, socio-economic, technological -Calibrators & competitors and institutional & financial analysis- (MF Program, HRM, MIS), SWOT analysis. - Able to Prepare operational plan, and financial statements |
| Co-operative Management | <ul style="list-style-type: none"> - Concept, Principles, organizational structure, historical background, linkages and networking of co-operative - Introduction of co-operatives act and rules, By laws and policies - Role and responsibilities of Member, General Assembly, Management Committee, Account Supervisory Other Sub committees, Chairperson, Secretary and Treasurer, Internal control, External audit. - Measuring the growth of society - Budgeting, planning and review - Conducting effective meeting and its importance | <p>Understand and apply:</p> <ul style="list-style-type: none"> - The Concept, Principles and Legal Framework of SCCs, role and responsibilities of SCCs' leader and personals - Internal control - Measuring the growth - Budgeting, planning and review - Effective meeting |

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| Member Education Training | <ul style="list-style-type: none"> - Concept, Principles, organizational structure, historical background - Importance and benefits of co-operative - Role and responsibilities of Member, General Assembly, Management Committee, Account Supervisory Other Sub committees, Chairperson, Secretary and Treasurer | <ul style="list-style-type: none"> - Increase members' outreach - Awareness about the co-operatives - Members accountable to co-operatives |
| Computer Training | <ul style="list-style-type: none"> - Computer the concept, Principle, Characteristics of Computer ,its importance - Fundamental parts of computer -Input and output devices, hardware and software - Windows Operating System - MS Word & MS Excel, Trouble Shooting - Account package in excel format, Introduction to prepare excel package for bookkeeping, Creating the ledger and sub ledgers, Preparing the statements of daily operation, Ledger posting and setting the formula, Interest calculation methods and setting the formula in excel | <p>Understand and apply:</p> <ul style="list-style-type: none"> - General information about the computer – the system - Outlook on Microsoft Word and Microsoft Excel package - Transparency in accounting system using computer technology (MS Excel Sheet or software). - Optimum use of computer based financial management. |
| Proposal Writing training | <ul style="list-style-type: none"> - Overview on Vision, Mission, Goals, Objectives and Strategic area of operation - Situational analysis / Need assessment of community - Problem analysis of community (Problem tree) - Goals, objectives and expected outcomes of the proposal - Activity selection for proposal - Data collection and analysis for the proposal writing - Field visit to specified community - Human Resource and financial management for the project - Implementation Time schedule - Allocation of budget for the project | <p>After the training participants were able to</p> <ul style="list-style-type: none"> - Prioritize the need and necessity of the community. - Prioritize the problems of community using Problem tree analysis - Set goals, objectives and expected outcomes on the basis of priority set for the proposal writing - Collect data from community and analyze them for proposal writing. - Allocate budget, human resource as well as time schedule for its implementation. - Develop a dummy proposal at the end of the training. |

Social Intermediation trainings conducted under the Project

| Name of Trainings | Major topics covered | Outcomes | Replication of trainings by SCCs |
|-------------------|---|--|--|
| MECD trainings | <ul style="list-style-type: none"> - Concept of business development - Identification of business opportunities - Selection of business, Institutional analysis and capacity building (enterprise strength, weakness, opportunities and Threats), Markets and Marketing - Business plan preparation - Productivity, Business Management - Recording of business account - Identification of business goal and products/ services, - Finalization of business. | <p>The training helped the members to</p> <ul style="list-style-type: none"> - Identify the appropriate business by institutional and market analysis, - Prepare a business plan - Start a micro-enterprise | <p>Partner co-operative SCCs' member replicated this training by concentrating on one or two products; for instance candle making, leather bags preparation etc while other replicated the training by covering topics like Concept of business development, SWOT analysis for business selection, markets and marketing, simple business plan and record keeping of business account.</p> |

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| Gender | Gender Concept, Gender Definition ,Gender Ideology Gender Analysis (Self-actualization through gender analysis (tools), Time use analysis, decision analysis, Analysis of access to and control over resources, Gender and micro-Finance (Why organized into SCCs, Gender Constraints in SCCs, Future Strategies, Presentation of Group Discussion outcome) | <p>After the training participants were able to discuss and practice:</p> <ul style="list-style-type: none"> - Gender discrimination within their community - HIV/AIDS and its effect in their community and nation - Women empowerment through micro finance - Benefit of linkage and networking | <p>Partner co-operative society's member replicated this training to their members by covering following contents:</p> <ul style="list-style-type: none"> - Gender Concept & Analysis - Gender and micro-Finance - Gender and development and the role of women in development - Existing Law and status of women & newly reformed law - Economic Rights of Women - Marriage and Divorce rights of Women - Linkage and networking of SCCs - Social intermediation for capacity strengthening of women - Knowledge on Legal environment in Nepal for women and property right. - Knowledge on Other legal issues - Facts of HIV/ AIDS - Peer Education - Knowledge on HIV / AIDS and precession methods - Training techniques and methods |
| HIV/ AIDS and Micro Finance | Facts of HIV/AIDS, National and International situation of HIV/ AIDS, Sexually transmitted Infection (STI), Dealings with feelings(Personal Impact of HIV/AIDS, Impact of HIV/AIDS in MF use of condoms , Peer Education planning Peer education, facilitation skill, Practice of Peer education), movie SNEHA (Reaction on movie, queries of participants and clarification) | <p>in micro finance and social service providers</p> <ul style="list-style-type: none"> - Existing women related law and its effect to women | |

Other activities covered by the project

| Name of Trainings | Objectives | Outcomes |
|-------------------------------------|--|--|
| In-country exposure visit | <ul style="list-style-type: none"> - Exposure to the various institutions working in the field of Micro-finance. - Exposure to and experience the different models of Micro-finance. - Share and exchange ideas and innovations and replicate successful MF activities at the field level in which they are involved. - Exposure to the Credit plus approach (Integrated approach) - Enhance the skill of the participants. | <ul style="list-style-type: none"> - Improved in bookkeeping, loan management, Policy and governance - Applied lesson learned and best practices - Developed linkage among co-operatives and with other supportive organizations |
| Annual Review and Planning workshop | <ul style="list-style-type: none"> - Co-operative, an introductory. - Role and responsibilities of Board members and other committee members - Planning, SMART & SWOT analysis - Review of previous activities - Planning procedures | <p>Understand and apply,</p> <ul style="list-style-type: none"> - The role and responsibilities of BOD members and sub committee members, - SWOT analysis of the co-operative - Review the previous activities of co-operatives - Planning procedure for upcoming year |
| Insurance program | <ul style="list-style-type: none"> - General information on Insurance, Importance and benefits of Insurance - Schemes of Micro–Insurance (Life) - Micro insurance through women co-operative - Premium and maturity in insured amount | <p>Understand and apply</p> <ul style="list-style-type: none"> - General information on Insurance - Life-insurance scheme - Insured members |

Appendix 4

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