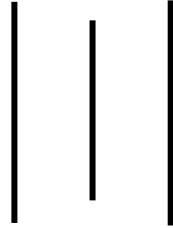
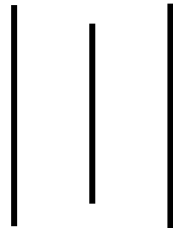


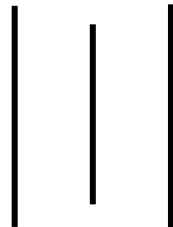
**Impact Studies of Cooperative Model:  
A Study of Microfinance  
Institutions in Nepal**



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**A Thesis Submitted to:  
Office of the Dean  
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***In Partial Fulfillment of the Requirement for the Degree of  
Master of Business Studies (MBS)  
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April, 2014***

# RECOMMENDATION

This is to certify that the thesis

Entitled

**IMPACT STUDIES OF COOPRATIVE MODEL: A STUDY OF MICROFINACE  
INSTITUTIONS IN Nepal**

Submitted By:

**DEVENDRA ADHIKARI**

*has been prepared as approved by this campus in the prescribed format of the Faculty of Management, Tribhuvan University. We recommend for acceptance and forwarded for examination.*

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Entitled

**IMPACT STUDIES OF COOPRATIVE MODEL: STUDY OF  
MICROFINANCE INSTITUTIONS IN NEPAL**

and found out the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of Masters of Business Studies (M.B.S.)

Viva Voce Committee

Head of Research Department:-

Member (Thesis Supervisor):-

Member (Thesis Supervisor):-

Member (External Expert):-

## **DECLARATION**

I hereby declare the thesis entitled “***IMPACT STUDIES OF COOPRATIVE MODEL: A STUDY OF MICROFINACE INSTITUIONS IN NEPAL***” submitted to office of the dean, Saraswoti Multiple Campus, Faculty of Management, Tribhuvan University, is my original work for the partial fulfillment of the requirement for the degree Master of Business Studies (M.B.S.). This work is performed under the Supervision of Mr. Shiva Raj Ghimere , Lecturer of Saraswoti Multiple Campus, Tribhuvan University.

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I have tried to cover all the possible matters that I felt, important to sum up the **“IMPACT STUDIES OF COOPERATIVE MODEL: A STUDY OF MICROFINACNE INSTITIONS IN NEPAL”**. I am hopeful that this task will be helpful to the students of business studies & to those who want to make further research under this topic.

.....  
Devendra Adhikari  
Saraswati Multiple Campus  
Tribhuvan University

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## ACRONYMS/ABBREVIATION

NLSS	: Nepal Living Standard Survey
HDR	: Human Development Report
HDI	: Human Development Index
MFI	: Microfinance Institution
SFDP	: Small Farmer Development Program
UN	: United Nation
NEFSCUN	: Nepal Federation of Savings and Credit Cooperative Unions Ltd
SACCOS	: Savings and Credit Cooperative Societies
HJBTRSS	: Hamro Janaklyan Bachat Taha Rin Sahakari Sanstha)
SMBTRSS	: Sangini Mahila Bachat Tatha Rin Sahakari Sanstha
WOCCU	: World Council of Credit Union
BS	: Bikaram Sambat
ADBN	: Agriculture Development Bank Nepal
CDF	: Cooperative Development Fund
ADBN	: Agricultural Development Bank Nepal
NCCC	: National Cooperative Consultation Committee
NCDB	: National Cooperative Development Board
NRB	: Nepal Rastra Bank
CB	: Commercial Banks
PSL	: Priority Sector Lending
RBB	: Rastriya Banijya Bank
WDS	: Women Development Section
PCRW	: Production Credit for Rural Women
GBB	: Grameen Bikas Banks
FINGO	: Financial intermediaries NGOs
RMDC	: Rural Microfinance Development Centre Limited
CO	: Community based organizations
PCRW	: Production Credit for Rural Women)
WDS	: Women Development Section
SHGs	: Self-Help Groups
DLGSP	: Decentralized Local Governance Support Program
VDC	: Village Development Committee
VB	: Village Bank
WEP	: Women Empowerment Project
BoD	: Board of Director
CSD	: Centre for Self-help Development
MIS	: Management Information Center
ICA	: International Cooperative Alliance
SKBBL	: Sana Kisan Bikas Bank Limited
SCCS	: Savings and Credit Cooperative Societies
PDDP	: Participatory District Development Program
ASC	: Account Supervisory Committee

# CHAPTER 1

## INTRODUCTION

### 1. 1 Background

Poverty is major problem of Nepal. About 26% of the total population of Nepal lives below poverty line. Per capita income is less than US\$650 (Census 2011). Nepal Living Standard Survey (NLSS) 2011 pointed out that 22% of the population captures 84% of the resources whereas the remaining 78% of the population is stuck with only 16% resources. The survey showed the growing disparity in the distribution of income. Nepal's human development remains among the lowest in the world. UN Human Development Report (HDR) 2011 ranked Nepal in the least developed country category. Nepal's Human Development Index (HDI) value for 2011 is 0.458 and positioning the country at 157 out of 187 countries.

Majority of people (85%) in Nepal live in rural area and subsistence agriculture is their main (64%) occupation (Census 2011). Nepal's rugged landscape and hostile physical environment has clearly hindered the development of national infrastructure and the decline of basic services such as health, education, water, electricity, etc. in rural areas. It also greatly constrains the access of farmers and other rural producers to markets. There is huge gap between poor and rich with in the country. Poor are getting poorer and rich are getting richer.

For fulfilling such gap, financial institution like bank has to play vital role in bringing the savers and user of found together. In Nepal there are many type of bank. Among that there are already 26 commercial banks are in operation in August 2009. And numbers are growing. However, most of these banks are concentrating in the urban area mostly in the Kathmandu valley and surrounding cities. The majority of people in the rural areas lack behind banking facilities.

Traditionally commercial banks are accepting deposit and providing loans. They are also investing in government securities, share, bonds and debenture too. But the people in remote are still lack behind from the facilities. They are not well known with banking term and technology. As already said bank are also centralized in the urban area for commercial purpose. They are investing money in

unproductive sector like land and buildings. So, the current days, most of the people in remote are not well directly benefited from such bank.

On the study of such issue, Microfinance Institutions (MFIs) are working very effectively for poor and marginalized people not only urban but also for the remote people all over the country. Microfinance is one of the best alternatives to generate self-employment. It provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self employment and income generation. Women who could gain access to microfinance services have been able to create self-employment opportunities and have been economically and socially empowered through increased income earning from their small projects. The MFIs have raised the level of awareness and the required skills of these women to successfully carry out locally feasible income generating activities. Many participating women have now become self-reliant both economically and socially with the acquired knowledge and skills, and the resultant income from the microfinance program. Thus, microfinance has become a strong means to reduce poverty especially of the women. Among the many developmental programs implemented in Nepal, microfinance programs have a strong rural orientation and are targeted at the poor. They have been in continuous operation even during the period of conflict or Maoist war.

The term microfinance was not used in earlier part of the history of rural microfinance. It has been found used in Nepal only in the later part of 1990s. Rural credit in Nepal began in 1956 with the opening of Credit Cooperatives in Chitwan Valley to provide loans to the re-settlers coming from different parts of the country. The government through the creation of the Cooperative Development Fund (CDF) arranged some credit support to the re-settlers through those cooperatives. In 1963, the government established the Cooperative Bank, which was later converted into the Agricultural Development Bank Nepal (ADB) in 1968. The Cooperatives faced problems of shortage of fund for credit disbursement to their members on the one hand and misappropriation of borrowed fund for personal uses by some of their officials on the other. Hence, the government commissioned a fact-finding mission in 1968 to probe the operations of 1489 cooperatives then registered with the Department of Cooperatives and the mission found most of them at defunct stage and recommended for their liquidation. Thereafter, the government introduced the Cooperative Revitalization Program in 1971. It authorized the Agricultural Development Bank Nepal to run cooperatives under its guidance and management. In 1976, 'Sajha Program' was launched and the Cooperatives were renamed as 'Sajha Societies'. The compulsory savings

collected under the Land Reform Program of 1964 (2021 B.S) were converted into the share capital of the Sajha Societies. The NRB conducted a benchmark survey in 1983/84 to assess the situation of the cooperatives. The study found that 94% of cooperatives were dealing with transactions of agriculture inputs and 85% were also found extending credit. Most of the cooperatives were running at losses and over 75% of the outstanding loan was overdue for more than 1 year. ADBN launched the Small Farmers Development Program in 1975 – first as pilot project at two sites, Sakhuwa Mahendranagar of Dhanush district in the Terai and Tupche of Nuwakot district in the hills. The strategy was to organize small farmers, tenants and landless laborers into groups and strengthen their receiving mechanism for tapping resources from service delivery agencies. Credit was provided under group Guarantee. It also focused on developing a habit of thrift and personal savings among the members of the groups. They also started group savings to realize self-reliance in financial resources. A total of 142,711 members who were organized into 19,597 groups were benefited from the program by July 1991/92. After the reinstallation of multiparty democracy in 1990, the government appointed a seven member National Cooperative Consultation Committee (NCCC) and dissolved the ‘Sajha Central Committee’. It also set up a National Cooperative Development Board (NCDB) constituted of 11 members to provide policy directives to the cooperatives. The government enacted a new Cooperative Act in 1992 to ease promotion and development of cooperatives as a vehicle of economic development in the rural areas. The government also emphasized the role of cooperatives for extending credit facilities and other services to the rural people in its Eight National Plan *Simkhada NR(2013)*.

The Nepal Rastra Bank (NRB) initiated Small Sector Lending in 1974 directing the commercial banks (CBs) to invest 5% of their deposit balance in Small Sector, which was later designated as the “Priority Sector Lending(PSL)” in 1976. The share of NBL and RBB in rural credit supply was 4.1% and 2.4% in the Sixth and 12.3% and 6.7% in the Seventh Plan periods. Loans under PSL were classified into agriculture, cottage industries and services. Target groups under PSL are low-income families with Rs. 2,511 or less as per capita income per year. The beneficiary must contribute 20% of the project cost if the loan size was more than Rs. 15,000. NBL and RB charged 15% to 16% interest rates on priority sector loans. They provided loans up to 80% of the appraised value of the collateral for low income and 70% for the high-income families. However, these CBs provided loans to the group members of Production Credit for Rural Women (PCRW) formed by Women Development Section (WDS) of the Ministry of Local Development and the groups formed by the bank staff without collateral on just group guarantee. The loan limit for such loans was Rs. 30,000.

The Grameen Bank model of Bangladesh was replicated in Nepal with the establishment of Eastern and Far- Western Grameen Bikas Banks (GBBs) in 1992. The target groups included in Tarai the farmers with holding less than 1 Bigha (0.67 ha) and in the hills with holding less than 10 ropani (0.5 ha), and the landless. It followed group approach in extending credit. Credit discipline was given top priority and loans were extended without collateral security on group guarantee.. The financial Intermediaries Act was enacted in 1998 to regulate the financial intermediaries NGOs (FINGOs) on carrying out microfinance activities. This was claimed to be a breakthrough in legalizing the operation and activities of NGOs as microfinance operator. Later 47 NGO got license from the NRB to operate as FI-NGOs. In 2004, the government introduced the Banks and Financial Institutions Ordinance (which was converted into an Act in 2006), which has a provision of licensing microfinance banks also as class 'D' banks. As a result, 13 microfinance banks have been issued license by the NRB till the date. In order to make available small wholesale funds to cooperatives and NGOs providing loans to the low income groups, the government had created a fund called Rural Self-Reliant Fund in 1991 with Rs. 20 million contributed by the government. The government with the assistance from ADB and NRB also established the Rural Microfinance Development Centre Limited (RMDC) in 1998, to provide larger wholesale loans to MFIs through implementation of the ADB assisted Rural Microfinance Project (RMP). After the operation of RMDC, several MFIs were added in the microfinance market and the coverage by the microfinance institutions also increased with faster speed *Simkhada NR(2013)*. With all these initiatives and efforts microfinance has gained a new momentum as an industry. Besides all these self-help groups also were promoted by several rural and community development projects of the government and donors to provide small credit to the self-help group members through grants for seed funds.

## **1.2 Existing Models of Microfinance**

There are quite a few prominent models of microfinance in the country. These include Cooperative model, SFCL model, Grameen Bank model and Community based organizations (COs) or Self-Help Groups (SHGs) model. In addition, Production Credit for Rural Women (PCRW) and Village Banks are also considered separate programs/models of microfinance in Nepal. The programs like Decentralized Local Governance Support Program (DLGSP), Poverty Alleviation Fund (PAF) and some other rural development programs have also included microfinance as a component following the SHG model. Each model has its historical background and operating system.

### **1.2.1 Cooperative Model**

This model targets all community members in a given locality irrespective of their social and economic status. Minimum twenty-five people can get together to run a cooperative in their respective locality/village. Currently, most of the members of these organizations belong to well to do families who can make savings. These cooperatives take savings deposits from their members and whoever wants to put savings in the cooperative is extended membership. They also provide loans to their members for a number of purposes. Loans provided to the members have a minimum term of three months to three years covering specific areas such as agriculture, housing, micro enterprises, or some social purposes. The SCCs are supposed to be self-regulated, which often are mismanaged due to the lack of control of members over the board of directors and members are not aware of the principles of a cooperative due to lack of membership education, these institutions have not been well regulated and supervised from higher authorities; as a result, many of them do not have standard accounting and sound management practices. They also lack good governance. In spite of all these, SCCs are considered more suitable financing model for the hills and mountains as they provide both savings and financial services to the members who are the local people in a homely atmosphere without much of bureaucratic process. Due to low cost operation, Their interest rates also are lower than other financial institutions.

### **1.2.2 Small Farmer Cooperative Limited Model**

The farmers' groups with common interest and proximity are integrated into intergroup associations and at the VDC level, all groups and inter-groups are represented in the Executive Committee. For the operation of the SFCL, the Executive Committee is formed of the members elected by the General Assembly. The Executive Committee is responsible for hiring the Manager and other staffs and for deciding on the rules and regulation needed to ensure the smooth and effective operation of the organization. The grassroots' groups organize regular meetings to collect mandatory savings and loan repayments and Applications for loan demand. These loan applications are forwarded to their respective inter-groups, which appraise them and forward with recommendations to the Executive Committee for final decision. The SFCL is generally confined to one VDC area and it targets only at the small farmers. The loans are extended mainly with collateral security.

### **1.2.3 Gramin Bank Model**

The Grameen Bank model of lending was started by Prof. Muhammad Yunus of Bangladesh was introduced in Nepal during 1990s by the GoN and NRB by establishing five regional Grameen Bikas Banks (GBBs), one each in 5 development regions of Nepal *Shrestha SM(2009)*. The approach is based on the formation of peer groups each comprising five members. Three to ten such peer groups form a center at a particular location – close to a village, where they meet once every week or month as decided by the members. Each group elects a group chairperson and each center a center chief to oversee the activities of group members and maintain group discipline, check utilization of loans and ensure timely repayment of loan installment. In such meet, group members collect savings and make demand for

Loans and also settle the loans or interest due and repay loan installments as per schedule. They do not need to provide collateral security for the loans but need to provide group guarantee for repayment. The approach is based on the formation of peer groups each comprising five members.

### **1.2.4 Self Help Group/Community Organization Model**

In Nepal there are several forms of informal self-help groups such as ‘*dhukuti*’, mothers’ group, and many other groups with specific objectives. This type of SHG needs not be pro-poor focused. Mostly, lower middle or middle class people are involved in this type of SHGs. In Nepal there are several forms of informal self-help groups such as ‘*dhukuti*’, mothers’ group, and many other groups with specific objectives. This type of SHG needs not be pro-poor focused. Mostly, lower middle or middle class people are involved in this type of SHGs. In India, SHG model is widely applied in a number of states by the banks with a view to extending microfinance services to a large number of poor communities at a lower cost of transaction. They are also linked with the commercial banks for loans. However, in Nepal SHGs are not tied up with the formal banking institutions. The ‘*Dhukut*’ system is a very old form of self-help group in Nepal; it has been in operation for more than 4 decades *Shrestha SM(2009)*.. Closely affiliated and well-acquainted persons form a group and start contributing a specified amount at specified intervals of time. In each collection meeting, the cash collected is given to one of the needy members for use as per the rules set unanimously by the group. Rules are found generally unwritten (but currently some group may have written rule), but agreed by all in the inception meeting. The member who has used the amount will also continue contributing the time bound amount till all the members get chance to use the money raised in each sitting.

### **1.2.5 Village Bank Model**

The Village Bank (VB) model was evolved from Latin America and tried out in Nepal between 1998 and 2001 in USAID funded Women Empowerment Project (WEP). Village Banks are grassroots level financial institutions – community-managed savings and credit associations aimed at providing financial services to community women through the mobilization of their own resources and enable them to achieve financial self-reliance *Shrestha SM(2009)*.. They have been promoted by the Pact Nepal in collaboration with some local NGOs and Cooperatives in the Terai region of Nepal. The project also lent some money to build up the external account of the VB, which was then lent to its members. However, they have not been linked up with the financial institutions and most such banks have been non-functional after the phase out of the project. A typical VB consists of 40-50 women. It begins with a literacy class of six months where savings credit operation process also was taught. Later, the VB mobilizes members' savings for providing loans for both productive and consumption purposes to the needy women members and also provides support for the capacity building of the banks. A member generally gets Rs. 3,000 to 10,000 at a time. The loan size depends on the amount of the savings available in the Village Bank.

Form the discussion of the different model, characteristics of Microfinance looks as fallows

- Democratic structure representing members and target groups
- Ownership and management by members
- Open and voluntary membership
- A one door service providing as per members' need including savings, credits, insurance, remittances, trainings and marketing
- Low administrative cost
- Undertakes social mobilization and community development programs to raise the living standard of the poor

### **1.3 Selected Organization**

During the research process, meanly two organization were selected as fallows

#### **1.3.1 Hamro Jankalayn Bachat Taha Rin Sahakari Sanstha(HJBTRSS)**

Hamro Janakalyan Saving and Credit cooperative Limited has been working on the field of saving and credit since its establishment in 1997(2054/Baishakh 17).16 years back from today, under the cooperative act, 1992 and cooperative regulation

1993, it was registered in division co-operative office, Kabre on 6<sup>th</sup> April 1997. In the beginning, it was started with the active participation of 26 share holder which has crossed more than 3429 plus its organization member. It has been collecting saving from member and also offering the certain amount of loan in reasonable interest for the productive economic activities. It is established with the Moto of Saving is the seed of development and the best for future”. The working area in the initial times were the Charikot, Mati and Makaibari VDCs and now is working with in the territories of Bhimeshor Municipality with Vision to helps to form the habit of saving and lending money to the shareholders for the productive skill and income generation activities. It also helps to support shareholders from economic hardship by providing loan in reasonable interest rate. The mission of the union is established as a strong financial organization for improving the life of shareholder by mobilizing the local resources devoid of all social discrimination. There are eight full time staff. They have different saving program like monthly saving, daily saving, optional saving, fix saving and child saving. The higher interest in member’s saving is 11% and the higher interest for Organizational loan provision to its member is 18 percent (HJBTRSS, Year Book, 2070). So the range interest between lending and saving is 7%. Now HJBTRSS has become a family of 3429 member. 13 board members including one woman has been playing the vital role for the progress of the institution *HJBTRSS Year Book 2070*.

Here is the total transaction for the activities of HJBTRSS

Table no.1.1 Transaction of HJBTRSS

Title	2065/66	2066/67	2067/68	2068/69	2069/70	Total
Share capital	2947700	4968600	6458800	9779400i	13740500	37895000
saving	46319665	56881866	66686446	87707406	112570776	370166159
loan	49649952	61217983	70338878	89623748	110657807	381488368
Investment						
Reserve fund	895586	999892	1114340	2106393	3864425	8980636
Bad Debts recover fund	625178	1171192	2271192	2650571	5351919	12070052
Other fund	95332	634175	2698919	3626518	6867867	13922811
Interest from loan	5184831	6136759	8232593	12019878	14031381	45605442
Other income	144728	300992	252610	48968	79375	826673
operation cost	1205760	6203068	8784573	12771443	24152680	53117524
Net income	350000	113867	111491	340086	140195	1055639
Total transaction	107418732	138628394	166949842	220674411	291456925	925128304

Sources: HJBTRSS, Annual report 2065/66-2069/70

The total transaction in each fiscal year looks increasing. By looking on last five years total transaction, HJBTRSS is working like reputed bank.

### 1.3.2 Sangini Mahila Bachat Tatha Rin Sahakari Sanstha(SMBTRSS)

By empowering the women living in its territory and using their skill for incoming generating activities as well as crating the saving habit of their income is the main target of these cooperatives. It was stabilized on the date of 2065/6/8 in division cooperatives office in Bhaktapur. It has been giving its priority for women empowerment, environment pollution control, saving and promoting the cultural heritage and value, concerning/revival program for women and children's healthcare. All the team members are uncourageous and excited women with vision of group mobilization, saving, social welfare via investment and awareness and quality of life for the cooperatives. The mission of the cooperatives is regular saving, goal oriented saving mobilization, common welfare and smooth loan flow. The higher rate for loan provision to its member is 18 percent and lowest is 14 percent where for member saving the higher is 12 percent and the lower is 10 percent. Now this institution has become a house for 333 active women. The contract address is Bhaktapur-15 Gathhagar and telephone is 01-6635461. The following are the investment indifferent sector.

Table no.1.2: Investment Sector of SMBTRSS

Investment sector	2065/66	2066/67	2067/68	2068/69	2069/70	Total
Education	-	54600	213506	122133	170000	560239
Business	1836000	1831264	3096781	5256763	7067623	19088431
Religious loan	38000	150000	110500	176533	184222	659255
Mourning	12000	133253	246000	98000	125723	614976
Small Business	53900	431763	963654	1218530	1503721	4171578
medical	-	-	175000	230000	386821	791821
Hire Purchase	-	-	-	180054	120000	300054
Foreign employment	-	201000	531222	551864	836612	2120698
Total	1939900	2801880	5336663	7833887	10394722	28307052

Sources: SMBTRSS, Annual report 2065/66-2069/70

## 1.4 Statement of the Problem

“Today, if you look at financial systems around the globe, more than half the population of the world - out of six billion people, more than three billion - do not qualify to take out a loan from a bank. This is a shame.” This is the quotation taken from what Muhammad Unus said *Shrestha SM(2009)*. Unus had created the Grameen bank model in Bangladesh which has become the best model for social development for financial growth among the poor in remote area in developing and under developing country like Nepal. He also says that “Soon we saw that money going to women brought much more benefit to the family than money going to the men. So we changed our policy and gave a high priority to women. As a result, now 96% of our four million borrowers in Grameen Bank are women.” *Shrestha SM(2009)* This statements itself speaks about the importance of microfinance. It speaks very clearly the important of investment for the women for self help or for the family economic development.

When we see the history of microfinance in Nepal, it is over three decades old. The demand for microfinance services by the poor and the destitute is ever increasing in the country. The government of Nepal, on the advice of the Nepal Rastra Bank promulgated “National Microfinance Policy, 2008” in order to do away with the problems related to organizational and legal issues with a view to smoothly providing microfinance services in the rural areas, increasing the access of the destitute class to such services, creating a healthy and competitive atmosphere among MFIs, and encouraging the private sector to get involved in the task of providing such services on a sustainable basis, Microfinance Policy, 2008 was introduced as a new mechanism to boost up microfinance industry. It aims to improve the smooth flow of funds to the poorest of the rural people by creating national fund for microfinance. Here is some point of problem of the statement

Another way, the microfinance sector is still in an infant stage and it is facing many problems and challenges. The members of most of the microfinance are inactive and the governance and management is weak. Staff and BoD are not well trained to carry out the activities of cooperative efficiently. Cooperatives lack business plan, appropriate MIS Reporting and staff incentive system and are not very effective to reach to poor and disadvantaged people. They also lack proper risk management and portfolio management mechanism. The Department of Cooperative is not well equipped for proper regulation and supervision of many tiny cooperatives competing in same VDC. The sector need to strengthen in the areas of Member education, good governance and management, targeting the

disadvantaged groups, good internal control system, maintaining good portfolio quality, applying staff performance evaluation and incentive to staff and amalgamation of tiny cooperatives. Here we can point out the problem like this:

1. Is the government's microfinance policy been working for the rural and poor people to their geographical, social and economical diversity in practice? Are they really working for the poverty alleviation in Nepali context?
2. Is the microfinance institution profit making or service oriented?
3. Is the collateral for the loan has become problem for poor member or not ?
4. Is the target group identification policy working properly or there is corruption?
5. Is there flexibility for poor and reach for interest earning in MFIs?
6. Why much microfinance is illegal and ruining out members saving?
7. Why microfinance in Nepal looks based on foreign donor rather than based on their own member?
8. Why MFI are not aware for member's awareness for sustainability for the institution?

## **1.5 Objectives of the Study**

Overall objective of the study is to identify problems and elaborate prospects of microfinance sector in Nepal for improving access to finance in needed area. More specifically the study will have the following objectives on the basis of two sample microfinance Hamro Janakalayn Bachat Tatha Rin Sahakari Sanstha-Dolakha and Singini Mahila Bachat Taha Rin Sahakari Santha- Bhaktapur.

- Explain the meaning, feature and organizational structure of microfinance.
- Elaborate the services provided by microfinance and their impact in the members and their family and identify either they are single purpose or multipurpose.
- Financial performance analysis as well as portfolio analysis of microfinance in Nepal. Where this study will analysis their loan, interest, dividend, bad debts, profit, share system and beneficiaries for the member.
- Are the members feeling homely atmosphere without Bureaucratic process in the sample institution or not?
- Identify the problems faced by the saving and credit cooperative sector in Nepal
- Analysis the prospects of microfinance for improving access to finance particularly in the hills and mountains of Nepal
- Recommend the way forward for strengthening cooperative sector for the improvement

## **1.6 Significance of the Study**

This study will deeply study for finding the answer for the problem above. It will also give recommendation to Microfinance Institutions-MFIs welfare. It will go deep to find the way for sustainable development of MFIs in Nepal on the basis of sample institutions.

## **1.7 Limitation of the Study**

There are various model of microfinance in Nepal. Some banks are following Gramin bank model of microfinance. Especially self help group model is famous for women empowerment program. Many I/NGOs are highly emphasizing for self help group model. Because of data available possibility, this study will focus only for cooperative model for microfinance. There will be only two sample cooperatives institution for the study purpose. One is Hamro Janakalyan Bachat Tatha Rin Sahakari Santha-Dolakha and another one is Sangini Mahila Bachat Tatha Rin Sahakari Santha-Bhaktapur. Meanly this study will be descriptive but being base on data available possibility it will also analysis data by using some financial tools.

## **1.8 Organization of the Study**

This study has included five chapters. The first chapter is focusing for the background of the microfinance institution where it describes the different model microfinance.. Chapter two is focused to analysis the history of cooperative in world and Nepal context. At the same time it describes about very common type of cooperative model that has been practicing in Nepal. Chapter two also structured for describing of the service provided by cooperative in Nepal. Chapter three is organized for explaining research design, showing the sources of data and so one. It simply explains about the correlation and its types.

Chapter four mainly organized for data analysis. Both Hamro Janakalyan Bachat Taha Rin Sahakari Sanstha (HJBTRSS) and Sangini Mahila Bachat Tatha Rin Sahakari Sanstha(SMBTRSS) are saving and credit type under Cooperative model. This is more focused to see the transaction and correlation in different transaction title for the institutions. Through the result of analysis it also talks about the problem finding. Chapter five meanly focused for giving the recommendation over the problem finding from the research. Finally bibliography and appendix are presented in prescribed form.

## CHAPTER 2

### REVIEW OF LITERATURE

The process of reading, analyzing, evaluating, and summarizing scholarly materials about a specific topic is called review of literature. The results of a literature review may be compiled in a report or they may serve as part of a research article, thesis, or grant proposal. Review of Literature consists of study of past research studies and relevant information that they used and induced. It is an advancement of existing knowledge and in-depth study of subject matters. It starts with a search of a suitable topic and continuous throughout the volumes of similar or related subjects. This chapter with about review of literature; deals with the review of the cooperative model of microfinance. The more details are in descriptive manner, for this study, various books, journal and articles as well as the past thesis review were taken into consideration. During the review of this research, in depth study and theoretical investigation regarding cooperative aspects and their present application and potentialities also are made.

#### 2.1 Cooperative History in the World

The first recorded formal cooperative began in England, in 1844, Rochdale Pioneers of England. The subsequent success of the Rochdale Pioneers of England began the spread of cooperatives throughout world. Credit cooperative is pioneered in Germany by Franz Schulze (1809- 1883). Franz first established credit committee in 1950 to provide credit to the members in urban area of Germany. This committee was established as a cooperative in 1852. In 1856 he published book called cooperative banking which help to expand the cooperative in other part of Germany. Due to his effort cooperative act was came into operation in 1867. F.W. Raiffeisen (1818-1888) has established a organization to assist poor farmer in 1849 in the rural area of Germany. He started the cooperative principal called “Each For All and All For Each”. In 1877 The Grand Union of Rural Cooperative Societies which were also called Raiffeison Union *cooperative directory 2007, page 29.*

The idea of accomplishing more though people working together toward a common purpose was taken a step further on August 18, 1895, with the foundation of the International Cooperative Alliance (ICA). The ICA sought to organize the efforts of individual cooperatives at the international level. Through the exchange of information and experiences the ICA was able to make its member organizations stronger and more effective.

## 2.2 Cooperative History in Nepal

Microfinance is one of the best alternatives to generate self-employment. It provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self employment and income generation. Women who could gain access to microfinance services have been able to create self-employment opportunities and have been economically and socially empowered through increased income earning from their small projects. The MFIs and the wholesale lending institutions such as RMDC together have raised the level of awareness and the required skills of these women to successfully carry out locally feasible income generating activities. Many participating women have now become self-reliant both economically and socially with the acquired knowledge and skills, and the resultant income from the microfinance program. Thus, microfinance has become a strong means to reduce poverty especially of the women. Among the many developmental programs implemented in Nepal, microfinance programs have a strong rural orientation and are targeted at the poor. They have been in continuous operation even during the period of conflict or Maoist war.

The term microfinance was not used in earlier part of the history of rural microfinance. It has been found used in Nepal only in the later part of 1990s. Rural credit in Nepal began in 1956 with the opening of Credit Cooperatives in Chitwan Valley to provide loans to the re-settlers coming from different parts of the country. The government through the creation of the Cooperative Development Fund (CDF) arranged some credit support to the re-settlers through those cooperatives. In 1963, the government established the Cooperative Bank, which was later converted into the Agricultural Development Bank Nepal (ADB) in 1968. The Cooperatives faced problems of shortage of fund for credit disbursement to their members on the one hand and misappropriation of borrowed fund for personal uses by some of their officials on the other. Hence, the government commissioned a fact-finding mission in 1968 to probe the operations of 1489 cooperatives then registered with the Department of Cooperatives and the mission found most of them at defunct stage and recommended for their liquidation. Thereafter, the government introduced the Cooperative Revitalization Program in 1971. It authorized the Agricultural Development Bank Nepal to run cooperatives under its guidance and management. In 1976, 'Sajha Program' was launched and the Cooperatives were renamed as 'Sajha Societies'. *Shrestha SM(2009)* The compulsory savings collected under the Land Reform Program of 1964 (2021 B.S) were converted into the share capital of the Sajha Societies. The NRB conducted a benchmark survey in 1983/84 to assess the situation of the cooperatives.

The study found that 94% of cooperatives were dealing with transactions of agriculture inputs and 85% were also found extending credit. Most of the cooperatives were running at losses and over 75% of the outstanding loan was overdue for more than 1 year. ADBN launched the Small Farmers Development Program in 1975 – first as pilot project at two sites, Sakhuwa Mahendranagar of Dhanush district in the Terai and Tupche of Nuwakot district in the hills. The strategy was to organize small farmers, tenants and landless laborers into groups and strengthen their receiving mechanism for tapping resources from service delivery agencies. Credit was provided under group guarantee. It also focused on developing a habit of thrift and personal savings among the members of the groups. They also started group savings to realize self-reliance in financial resources. A total of 142,711 members who were organized into 19,597 groups were benefited from the program by July 1991/92. After the reinstatement of multiparty democracy in 1990, the government appointed a seven member National Cooperative Consultation Committee (NCCC) and dissolved the ‘Sajha Central Committee’. It also set up a National Cooperative Development Board (NCDB) constituted of 11 members to provide policy directives to the cooperatives. The government enacted a new Cooperative Act in 1992 to ease promotion and development of cooperatives as a vehicle of economic development in the rural areas. The government also emphasized the role of cooperatives for extending credit facilities and other services to the rural people in its Eight National Plan.

The Nepal Rastra Bank (NRB) initiated Small Sector Lending in 1974 directing the commercial banks (CBs) to invest 5% of their deposit balance in Small Sector, which was later designated as the “Priority Sector Lending” in 1976. The NRB subsequently initiated “Intensive Banking Program” (IBP) in 1981 to boost up PSL lending to the low income group and required CBs to raise PSL to 8% of CBs’ loans and advances, which was further raised to 12% in 1989. The main partners of PSL were the Nepal Bank Ltd. (NBL) and the Rastriya Banijya Bank (RBB) - the two state controlled CBs. The share of NBL and RBB in rural credit supply was 4.1% and 2.4% in the Sixth and 12.3% and 6.7% in the Seventh Plan periods. Loans under PSL were classified into agriculture, cottage industries and services. Target groups under PSL are low-income families with Rs. 2,511 or less as per capita income per year. The beneficiary must contribute 20% of the project cost if the loan size was more than Rs. 15,000. NBL and RB charged 15% to 16% interest rates on priority sector loans. They provided loans up to 80% of the appraised value of the collateral for low income and 70% for the high-income families. However, these CBs provided loans to the group members of Production Credit for Rural Women (PCRW) formed by Women Development Section (WDS)

of the Ministry of Local Development and the groups formed by the bank staff without collateral on just group guarantee. The loan limit for such loans was Rs. 30,000. *Cooperative directory 2007, page32.*

The Grameen Bank model of Bangladesh was replicated in Nepal with the establishment of Eastern and Far- Western Grameen Bikas Banks (GBBs) in 1992. The target groups included in Tarai the farmers with holding less than 1 Bigha (0.67 ha) and in the hills with holding less than 10 ropani (0.5 ha), and the landless. It followed group approach in extending credit. Credit discipline was given top priority and loans were extended without collateral security on group guarantee. The board of directors of the GBBs comprised of the NRB and CB representatives and is headed by the Deputy Governor or Executive Director of NRB. The share capital of the first two GBBs was mainly contributed by the government and the NRB (75%), and by the CBs (25%). The first two GBBs started functioning from the middle of 1993. They charged 20% interest rate and the main source of fund for lending came from NRB and CBs. In the meantime, two NGOs – the Nirdhan and the Centre for Self-help Development (CSD) also launched microfinance programs replicating Grameen model in 1993 and 1994 respectively.

The financial Intermediaries Act was enacted in 1998 to regulate the financial intermediaries NGOs (FINGOs) on carrying out microfinance activities. This was claimed to be a breakthrough in legalizing the operation and activities of NGOs as microfinance operators. With the enforcement of this Act, two FI-NGOs, Nirdhan, and the Centre for Self-Help Development (CSD) also got registered under it. Later 47 NGO got license from the NRB to operate as FI-NGOs. In 2004, the government introduced the Banks and Financial Institutions Ordinance (which was converted into an Act in 2006), which has a provision of licensing microfinance banks also as class 'D' banks. As a result, 13 microfinance banks have been issued license by the NRB till the date. In order to make available small wholesale funds to cooperatives and NGOs providing loans to the low income groups, the government had created a fund called Rural Self-Reliant Fund in 1991 with Rs. 20 million contributed by the government. The government with the assistance from ADB and NRB also established the Rural Microfinance Development Centre Limited (RMDC) in 1998, to provide larger wholesale loans to MFIs through implementation of the ADB assisted Rural Microfinance Project (RMP). After the operation of RMDC, several MFIs were added in the microfinance market and the coverage by the microfinance institutions also increased with faster speed. The government had also instituted another wholesaler, the Sana Kisan Bikas Bank Limited (SKBBL) in 2001 to provide wholesale funds to the Small Farmers Cooperative Limited (SFCL) in 2001. Thus

far, 228 SFCLs have been formed with 139,368 members and 111,494 borrowers. As of April 2009 a savings amount of Rs. 916.18 million has been mobilized, a cumulative loan of Rs. 4,702.80 million disbursed to the ultimate clients (group members), out of which Rs. 3,898.51 million have been recovered leaving Rs. 804.29 million as outstanding. The overdue amount stood at Rs. 21.36 million and the overdue rate at 2.65% *Shrestha SM(2009)*.

The Government of Nepal (GoN) and the central bank introduced Grameen Bank (GB) approach of Bangladesh by establishing two GBBs, one in the Far-Western Development Region and another in the Eastern Development Region in the year 1992. Soon after 3 more GBBs were also established one each in the remaining three development regions. Five private GB-model replicating banks and several Financial Intermediary Non-Government Organizations (FI-NGOs), and Savings and Credit Cooperative Societies (SCCSs) also came into existence following the GB approach which enhanced the accessibility of the poor to the microfinance services at their doorstep. The group members understand the problems and capabilities of all members, and the Loan Officer, who goes to provide service at the doorstep, also gets an opportunity to closely assess the reality of the local situations. Both these factors help to effectively use the loan funds provided to the group members and a system of close monitoring for productive use of loans is also made possible by the decisions of the group together with the Loan Officer. The total coverage of members and borrowers by the 60 principal MFIs following GB approach stand at 842,205 and 655,536, respectively in July 2008. The cumulative loan disbursement has reached Rs. 41,508.50 million, loan recovery Rs. 35,061.97 million and the outstanding Rs. 6,446.53 million. The total overdue loan stood at Rs. 264.75 million generating an overdue rate of 4.10% on average. The total savings mobilized by July 2008 stood at Rs. 2,229.24 million (34.58% of loan outstanding).

In 1982, the government also launched a women focused microfinance program (PCRW) – 'Production Credit for Rural Women through the Women of the Ministry of Local Development with the support of the government owned commercial banks for credit, which has outreached 82,416 women.

Similarly, the government has been making provision of credit component in several donor assisted rural development projects also for supporting self-employment, promotion and income earning activities. These projects include Participatory District Development Program (PDDP), Poverty Alleviation Fund (PAF), Decentralized Local Governance Support Program (DLGSP) and many others which had followed the Self-Help Group (SHG)/Community Organization

(CO) model of micro financing. Institutional development is a prerequisite for the promotion and development of credit programs for the poor and their outreach. The decade of the 1990s is the landmark in the history of microfinance in Nepal.

### **2.2.1 Major Types of Cooperatives in Nepal**

Co-operative is a form of business enterprises, or community organization, incorporated in service to its members and users, in order to meet their common economic, social and cultural needs and aspirations. Co-operative is jointly-owned and democratically controlled by its members and users on the basis of one member, one vote. Co-operatives follow democratic, participatory and transparent decision-making processes and organizational structures so that their members and users (i.e. owners, workers and consumers) may be directly responsible for benefiting themselves and the society in general. Co-operatives are based on the value of self-help, mutual help, self-responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, owners, social responsibility and caring for others. Cooperative principles by which co-operatives put their values into practice are:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for Community

*Source Cooperative directory 2007, page32 .*

#### **A. Saving & Credit Cooperatives**

All the saving and Credit cooperatives runs under Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN), the member based national apex organization of Savings and Credit Cooperative Societies (SACCOS) and their District Unions (DUs).NEFSCUN is committed to the development, promotion and strengthening of its member organizations through supporting SACCOS and DUs in their aim to contribute for the upliftment of financial, social cultural aspiration of individual members of respective community. NEFSCUN follows the credit union principles propounded by World Council of Credit Union (WOCCU) in 1984.In fact, initially, the concept of formal credit union was not realized in Nepal. During 1987, the Association of Asian Confederation of Credit Unions (ACCU) appeared as an angle of credit unions to provide technical support with a seminar

on the “Importance of Savings” for the representatives of spontaneously formed informal savings and credit groups in different part of the country. After this, the need of an apex organization of savings groups was realized and a committee for the formation of NEFSCUN was formed under the chairmanship of Mr. Bhoj Raj Ghimire on August 16, 1988. Later, NEFSCUN was registered formally under the cooperative Act 1992 on September 14, 1993. Now there are 1,717 Members SACOS member organization,51 DUs,69 Districts coverage and Over 1 Million Individuals Members About NEFSCUN. *Source: Shrestha SM(2009)*

## **B. Multipurpose Cooperatives**

Multipurpose is performing different activities in united manner. Multipurpose cooperative might be the business or farm. It belong to the people/member that there for owner and they have invested stake in business. Members invest in the business to providing working capital. Multipurpose cooperative collects the scattered resource around the target area and use them with different purpose. Up to the ending of Ashad 2069(BS) Nepal has 4136 registered multipurpose cooperative. They have 35650 of executive board member and more than 1864033 members. Multipurpose has provided the job opportunity for 7697 people. IT has its share capital is about Rs. 5266512 where people has deposited Rs. 25722997 and loan provision is about Rs. 32831319. *Source: Shrestha SM(2009)*

## **C. Dairy Cooperatives**

In Nepal dairy sector is getting more popular these days. Nepal is meanly depending with India for dairy production since for long time. Lately government has given its high priority for the dairy cooperative which has minimized the import of the production from India and other country. At the same time cooperative member is taking lot of benefit on it. The data that had published in Ashad-2069(BS), Nepal has 1749 register dairy cooperative with its 102808 member for the share. They have 1649 working staffs.

Together with above cooperative there are so many other cooperative named as below:

- Agricultural Cooperatives
- Consumer Cooperative
- Cooperative for Hydropower Electricity
- Vegetable and tea Cooperative
- Herbal & Honey Cooperative
- Health Cooperative
- Cooperative for Communication

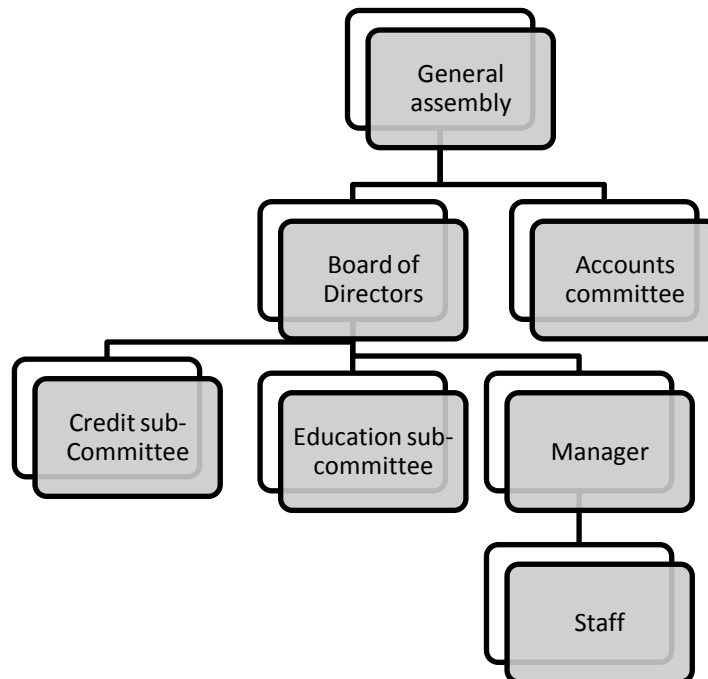
The sources of fund for these cooperatives come mainly from saving deposits from members. It is, however, not possible to segregate on lending to cooperatives from each possible source because there is no report and mechanism to this effect. The figures on overdue loans of cooperatives are also not available from the source. With regard to interest rate, the cooperatives pay higher rate on savings compared to banks and finance companies. Besides all these self-help groups also were promoted by several rural and community development projects of the government and donors to provide small credit to the self-help group members through grants for seed funds.

The cooperative model is feasible for all regions of Nepal, Terai, Hills, mountains and valleys. Savings and Credit Cooperative (SCC) can achieve higher efficiency due to its lower operating costs and relatively larger loan sizes. Today, the Interim Constitution of Nepal has considered the co-operative sector as one of the three pillars for national development. The major types of co-operative societies operating in Nepal are Saving and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, Science and Technology, and Energy. It is believed that some 3 million people are already affiliated in approximately 19,724 cooperatives and more than 50,000 people are employed directly in Cooperative business *Source: Shrestha SM(2009)*.

## 2.3 Operational Modality and Organizational Structure of Cooperatives

The operational modality and organizational structure of cooperative look like as follow:

Figure 2.1  
Operational Modality and Organizational Structure of Cooperatives



## 2.4 Service Provided by Cooperatives

Following are the services that has provided by cooperative

- A. Saving Service
- B. Loan Service
- C. Insurance Service
- D. Non Financial Service
  - Milk Collection and Processing
  - Selling of Agricultural Product
  - Training on Income Generating Activities
  - Health Care Service
  - Community Development Activities
  - Awareness Raising Activities
- E. Poverty Alleviation Service
  - Employment Generation

- Institution Building
- Increase in Income
- Improvement of Health
- Improvement of Education
- Women Empowerment

## **2.5 Conceptual Framework**

### **A. Member**

The members are the owner of the cooperative model. The cooperative has its basic condition that to enter as member of the cooperative organization. The person has to fill up the form to be the member with small charge, than most of the cooperative provide at least a share. In cooperative, members are the borrower of the loan at the same time they are depositor too.

### **B. Owner Share**

The member's share is the owner share in cooperative which have the right for a vote for the curative. Some cooperative provided more share to collect the capital for the investment propose. But they must have the limitations for number of owner share.

### **C. Saving/Deposit**

Saving or deposit is the amount that cooperative member accumulates in cooperatives. The main propose deposited amount become the flow of unused fund to productive way. Also additional money on deposit as interested is another proposes for the deposit.

### **D. Loan**

The amount that member get from cooperative with propose to earn more is with condition to refund after the certain time period with additional amount is called loan. The propose of the loan would be the welfare of its members. The interest amount in cooperative becomes lesser than the loan that banks provided for the general people.

## **E. Investment**

Investment is time, energy, or matter spent in the hope of future benefits. Investment has different meanings in economics and finance. In economics, investment is the accumulation of newly produced physical entities, such as factories, machinery, houses, and goods inventories.

In cooperative finance, investment is putting money into an asset with the expectation of capital appreciation, dividends, and/or interest earnings. This may or may not be backed by research and analysis. Most or all forms of investment involve some form of risk, such as investment in equities, property, and even fixed interest securities which are subject, among other things, to inflation risk. It is indispensable for project investors to identify and manage the risks related to the investment. In cooperative microfinance term investment is the loan provision for the member.

## **F. Credit Risk/Bad Debts**

The credit risk refers to the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. They are mainly two types

- Systematic Risk
- Unsystematic Risk

## **G. Interest**

Interest is a fee paid by a borrower of assets to the owner as a form of compensation for the use of the assets. It is most commonly the price paid for the use of borrowed money, or money earned by deposited funds. When money is borrowed, interest is typically paid to the lender as a percentage of the principal, the amount owed to the lender. The percentage of the principal that is paid as a fee over a certain period of time (typically one month or year) is called the interest rate. A cooperative deposit will earn interest because the cooperative is paying for the use of the deposited funds. Assets that are sometimes lent with interest include money, shares, consumer goods through hire purchase, major assets such as aircraft, and even entire factories in finance lease arrangements. The interest is calculated upon the value of the assets/loan in the same manner as upon money.

Interest is compensation to the lender, for a) risk of loan amount loss, called credit risk; and b) forgoing other investments that could have been made with the loaned asset. These forgone investments are known as the opportunity cost. Instead of the cooperative using the assets directly, they are advanced to the borrower/member. The borrower then enjoys the benefit of using the assets ahead of the effort required to pay for them, while the lender enjoys the benefit of the fee paid by the borrower for the privilege. In economics, interest is considered the price of credit.

Interest is often compounded, which means that interest is earned on prior interest in addition to the principal. The total amount of debt grows exponentially, most notably when compounded at infinitesimally small intervals, and its mathematical study led to the discovery of the number  $e$ . However, in practice, interest is most often calculated on a daily, monthly, or yearly basis, and its impact is influenced greatly by its compounding rate

## **2.6 Review of Journals and Articles**

Very limited numbers of journals are available in management and it is further hard to find journals in the subject matter of cooperative in the context of Nepal. There are very limited numbers of articles can be found relating to management of cooperative institution. Specially, it is rare in the case of this research topic. However, there are available some independent-studies which are related to the research process.

# **CHAPTER 3**

## **RESEARCH METHODOLOGY**

This chapter presents all the necessary steps to be followed throughout this research work in order to achieve and accomplish the objective of the study. Research methodology discussed in this chapter helps to guide the research study providing different issues and aspect. It systematically solves the various sequential steps to adopt by a researcher in studying problem with the objectives in view. This chapter is to outline the nature and sources of data, sample selection & classification of variables, techniques and steps adopted in interpreting and analyzing the data. It also focuses on how to collect required data, what is the population and sample, and what techniques to be adopted to analyze and interpret.

### **3.1 Research Design**

Research design is the conceptual structure within which research is performed. Research design is an overall framework or plan, which specifies the sources and types of information relevant to the research problem. In this study, the research is based on recent historical data, which are collected from various secondary sources. The research study covers the data of five fiscal years up to 2069/70. . This study is some analytical, empirical and less descriptive. Analytical, in the sense that, all the available data are analyzed by using statistical tools and techniques, such as, correlation, mean etc. All the data used in this study have been taken from related sources. The study is purely empirical due to purely historically data.

### **3.2 Population and Sampling**

A small portion chosen from the population for studying its properties is called sample and the number of units in the sample is known as size. The method of selecting for study a small portion of the population to draw conclusion about the characteristic of the Population(Universe) is known as sampling. Sampling may be defined as selection of part of the population on the basis of which a judgment or inference about the universe. Thus sampling procedures provide generalization on the basis of relatively small proportion of the population. At the same way Population or Universe refer to any collection of specified group of human being or non human entities such as objects, educational institution, financial institution, geographical area etc. theoretically, population is the large group(PKSharma& AK Chaudhary 2065). So among the thousands of cooperatives all around from Nepal

only two multipurpose cooperative, Hamro Janaklyan Bachat taha Rin Sahakari Sanstha(HJBTRSS) and Sangini Mahila Bachat Tatha Rin Sahakari Sanstha(SMBTRSS) are taken as sample of the study.

### **3.3 Nature and Source of Data**

This research study is mainly based on secondary data. Published annual report of the cooperative is taken as the basic source of data. Similarly, related books, magazine, journals, articles, Nepal Rastra Bank banking directive and financial statistics and related website etc. Previous related studies to the subject are also counted as the source of information.

### **3.4 Data Collection Techniques**

Almost the data, which are necessary for the research is, collected from secondary sources. However, during the study period, informal opening survey has also been taken with the cooperative member, related cooperative official and SACOS staffs. The information has also been collected by financial documents provided by commercial banks, NRB (Nepal Rastra Bank), trading manual published by NEFSCUN, SACOS, Cooperative department of Nepal government, commercial banks periodical articles of sample cooperatives, related Websites and previous research reports. The annual report for both cooperative is the main resource for the data. The staff interview was taken to find out their view and experience for strength, opportunity, strong point analysis of their working MFIs.

### **3.5 Correlation**

Correlation analysis is the statics tool that we can use to describe the degree to which one variable is linearly related to other variables. Two or more variable are said to be correlated if change in the value of one variable appears to be related or linked with change in the other variable correlation is analysis of the covariance between two or more variables. Correlations say just degree of relationship between two or more variables. It does not tell is anything about cause and effect relationship i.e if there is high degree of correlation between two variable we cannot say which is the cause and which is the effect. Correlation doesn't necessarily imply causation while causation always implies correlation.

There are meanly three types of correlation

## A. Simple Correlation

The degree of relationship between two variables is known as simple correlation. For example, the correlation is found between the yield of wheat and the use of chemical fertilizer or between money supply and the general price level. The most widely use in practice for calculating correlations coefficient between two variable is Karl Persons correlation coefficient. The correlation coefficient between two variable X and, usually denoted by  $r(x, y)$ ,  $r_{xy}$ . For simply  $r$  is a numerical mesure of liner relationship between them and is defined as  $r = \text{Cov}(X,Y)/\sigma_X \cdot \sigma_Y$ . But for the direct method the following formal can be used.

$$r_{XY} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

There are few methods for calculating the correlation like

- I. Direct Method.
- II. Actual Mean Method
- III. Assumed Mean Method
- IV. Step Deviation Method

## B. Partial Correlation

The study of the degree of the relationship between one independent variable and one particular independent variable by keeping all other independent variables involved as constant is called partial correlation. In other words, partial correlation analysis measures the strengthen of the relationship between one depended variable and one independent variable in such way that variations in other independents variable are taken into account. The partial correlation is also called net correlation.

Where three variables consider Price, Demand and Money Supply which are indicated by X,Y & Z respectively as there are three variables only, then there three partial correlation coefficient which provide the measure of the relationship between two variables, with the effect of theirs variable illuminated.

$\rho_{XY.Z}$ = the coefficient of partial correlation between X and y when Z is held constant or when the effect of Z is eliminated.

$$\rho_{XY.Z} = \frac{\rho_{XY} - \rho_{XZ}\rho_{ZY}}{\sqrt{1 - \rho_{XZ}^2}\sqrt{1 - \rho_{ZY}^2}}$$

$\rho_{XZ.Y}$  = the coefficient of partial correlation between X and Z when Y is held constant.

$\rho_{YZ.X}$  = the coefficient of partial correlation between Y and Z When X is held constant.

### **C. Multiple Correlation**

The Study of the relationship among three or more variable at a time is called Multiple correlation. In other words in multiple correlation, all the given variables are studied at one time by taking one variable as dependent and all the remaining variables as independent.

Here is some calculation of correlation between two variables to see their linear relationship. The investment amount has converted to hundred. It has compared with year's total amount. And the total amount has converted in Rs. 100

## CHAPTER 4

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Data Analysis of HJBTRSS

Comparatively HJBTRSS is the bigger SACCOS. Here are mainly two types of analysis for the data as follows:

##### 4.1.1 Transaction Analysis

In general: Agreement, contract, exchange, understanding, or transfer of cash or property that occurs between two or more parties and establishes a legal obligation is called the transaction. In cooperative model, activity affecting a account that effects a change in the asset, liability or net worth account is the transaction. In saving and credit cooperative there are meanly two parties one is the member and another one is the cooperative institution as person. Here is the detail analysis with different title of transaction for the sample cooperative institution. The transaction analysis is focused for the different loan sectors, saving sectors and member increment sectors as well.

##### 4.1.1.1 Male and Female Members Analysis

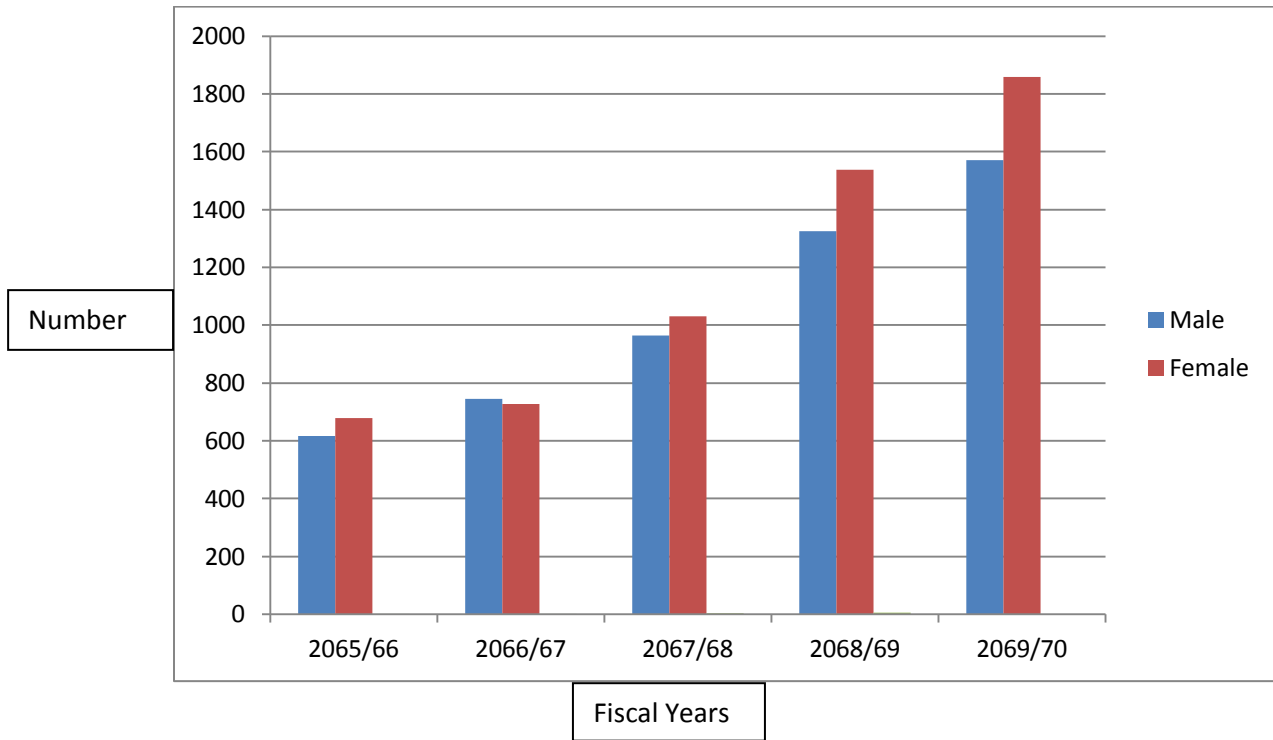
Hamro Janakalyan Bachat Tatha Rin Sahakari Sanstha is multipurpose where everyone from their targeted area can be the member and the shareholder. There we have not found the gender differentiation. The following is the trend of their member increment since the last five year.

Table No.4.1 Male and Female Member of HJBTRSS

<b>Year</b>	<b>Male</b>	<b>Female</b>
2065/66	616	678
2066/67	746	728
2067/68	965	1031
2068/69	1325	1538
2069/70	1570	1859

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.1 Male and Female Member of HJBTRSS



Here the red bar shows the female status and blue stand shows the male number of HJBTRSS. In 2066/67, the number of female member looks down that the number of male. But remaining other years female member are increasing rapidly increasing. However the membership is bind with in Bhimeswor Municipality. Mountain and remote area look not under HMBTRSS target.

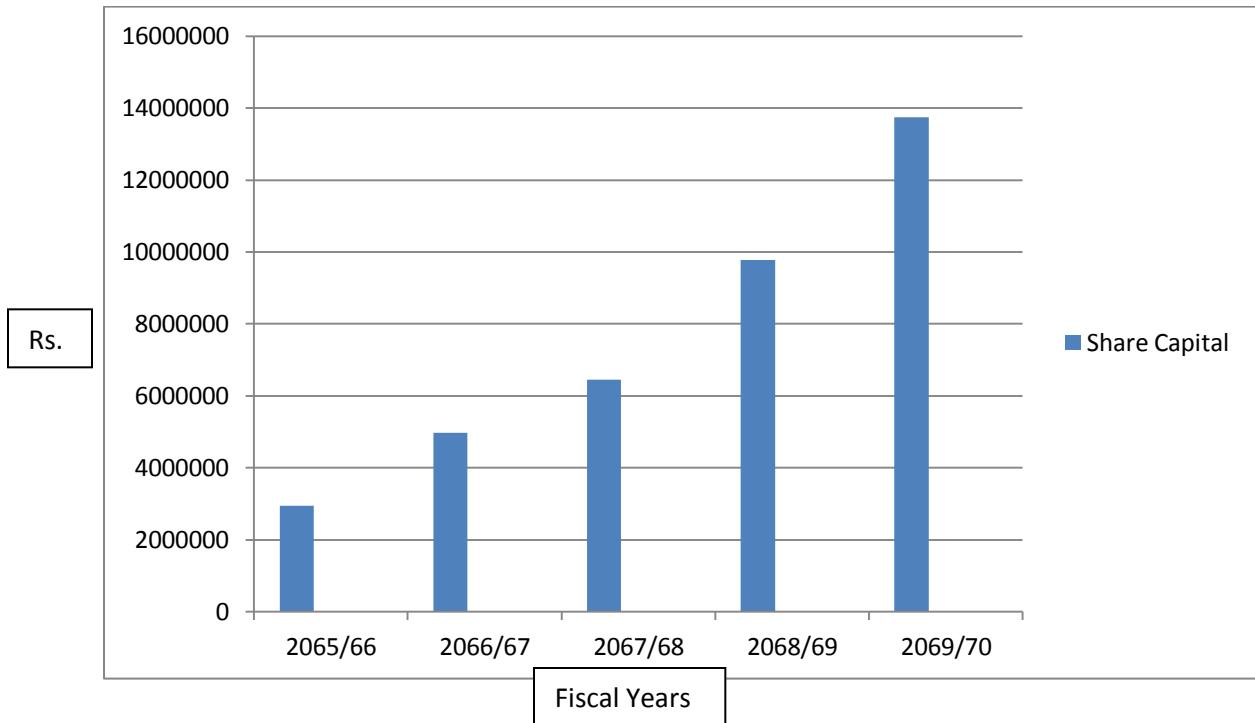
#### 4.1.1.2 Share Capital Analysis

Table No.4.2 Share Capital of HJBTRSS

Years	Share Capital in Rs.
2065/66	2947700
2066/67	4968600
2067/68	6458800
2068/69	9779400
2069/70	13740500

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.2 Share Capital Trend of HJBTRSS



The share price for the HJBTRSS has been growing up. That means it has able to raise the trust of its member in its activities.

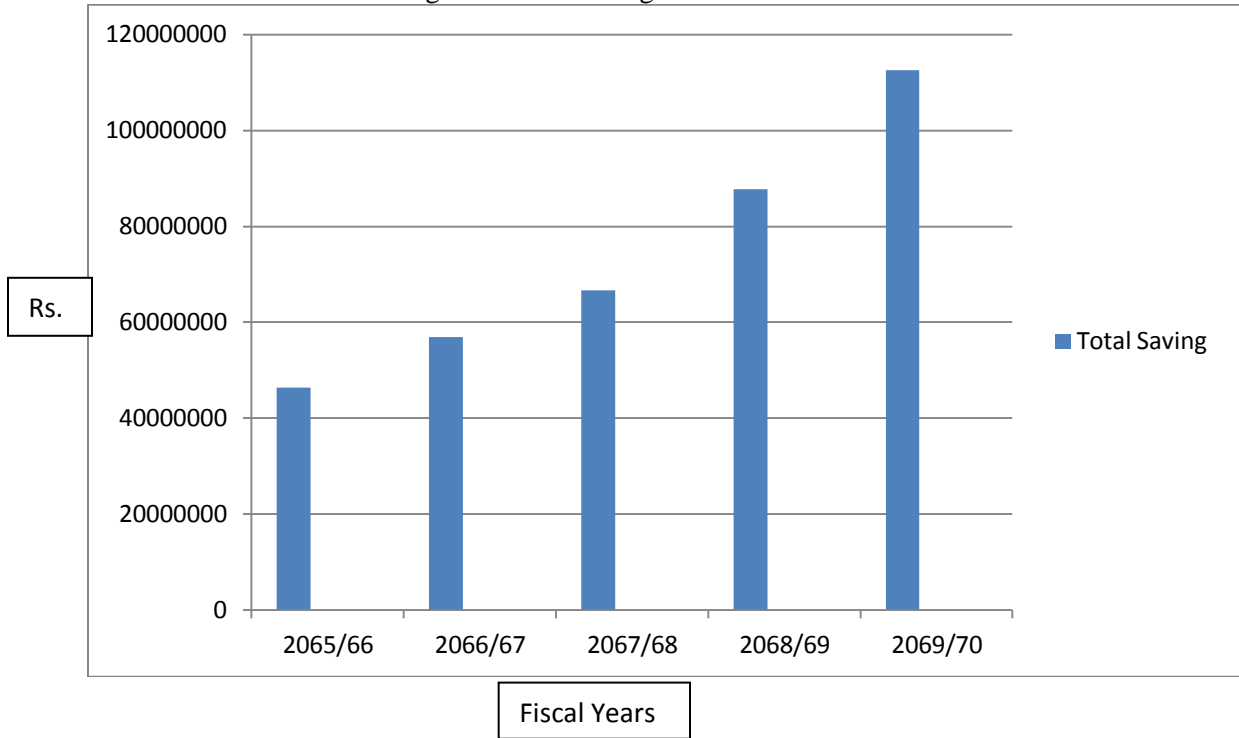
#### 4.1.1.3 Saving Analysis

Table No.4.3 Saving of HJBTRSS

Years	Total Saving in Rs.	% Change
2065/66	46319665	0
2066/67	56881866	22.80
2067/68	66686446	17.24
2068/69	87707406	31.52
2069/70	112570776	28.34

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.3 Saving of HJBTRSS



Being based on last five year, Average Percentage change or increment is about 19.98%. If we see in bar chart we can smoothly and constantly improvement for the saving habit of the member of Hamro Inaklayan Bachat Tatha Rin Sahakari Santha. These trends can positively analyzed member's trust for their saving security

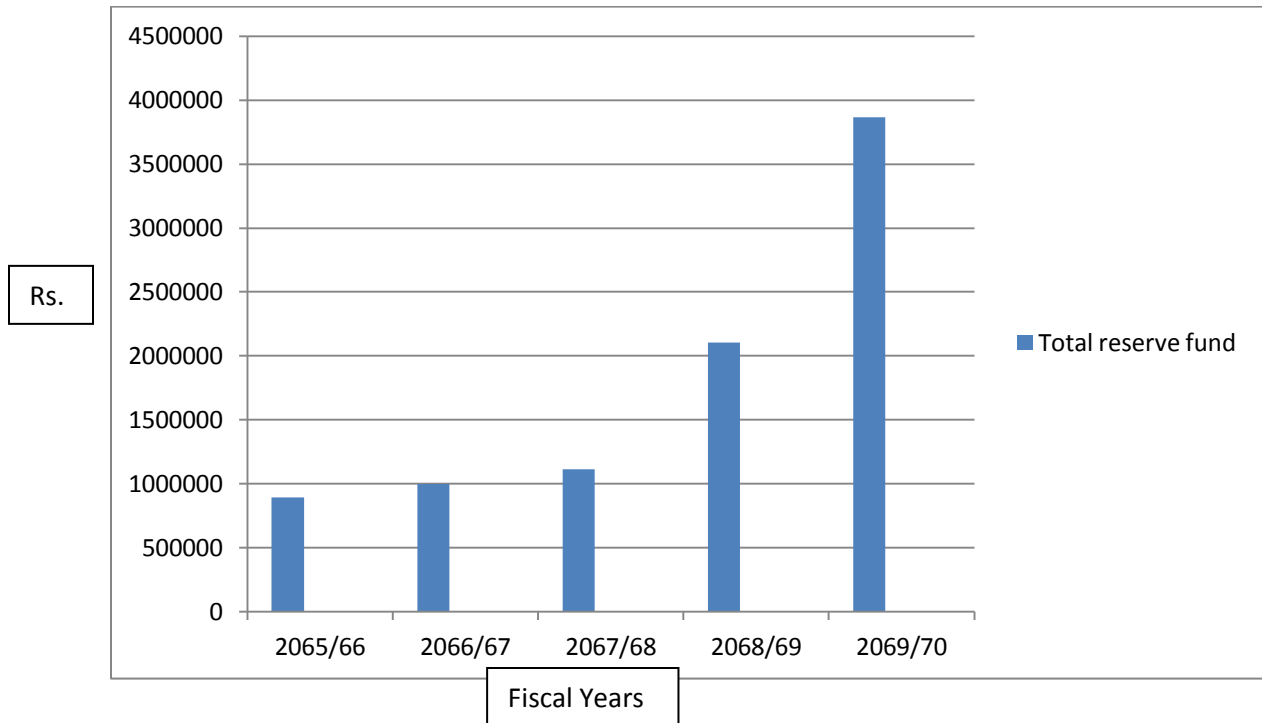
#### 4.1.1.4 Reserve Fund Analysis

Table No.4.4 Reserve Fund of HJBTRSS

Years	Total Reserve Fund in Rs.	% Change/Increment
2065/66	895586	0
2066/67	999892	11.65
2067/68	1114340	10.27
2068/69	2106393	89.03
2069/70	3864425	83.46

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.4 Reserve Fund of HJBTRSS



Average reserve fund for last five years increased by 38.88 percentages. Year 2065/66 -2067/68 look quite stable. From 2068/69 reserve fund ratio has increased by 89.03 percent and 83.46 percent. It means HJBTRSS has some challenges as well where they are having reserve fund more and more. Either they are not able to invest the amount or the risk in the cooperative is increasing.

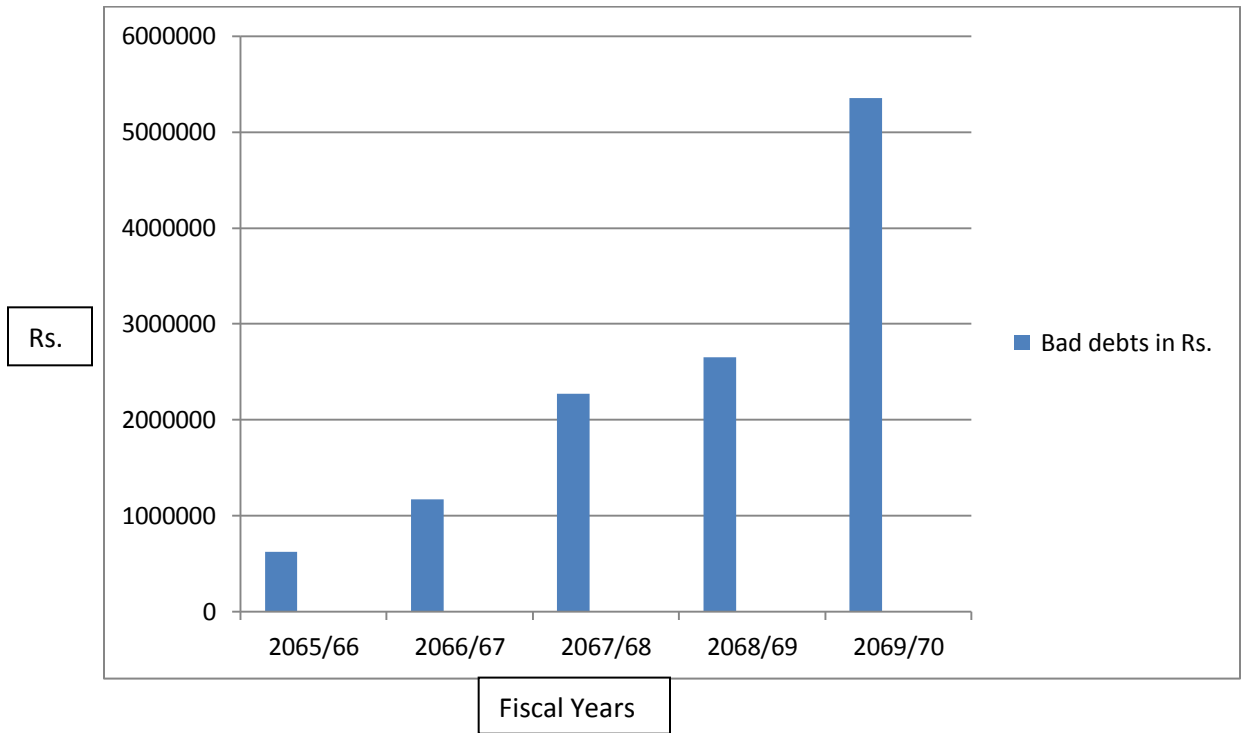
#### 4.1.1.5 Bad Debts Recover Analysis

Table No.4.5 Bad Debts Recover of HJBTRSS

Years	Bad Debts in Rs.	% Change/Increment
2065/66	625178	0
2066/67	1171192	87.33
2067/68	2271192	93.92
2068/69	2650571	16.70
2069/70	5351919	101.92

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.5 Bad Debts Recover of HJBTRSS



From the above table and chart we clearly see that bad debts or sinking fund is increasing rapidly. That means together with its increasing saving and credit trend bad debts also increasing. Year 2069/70 looks in dangerous where the cooperative is increasing bad debts recover fund by 101.92 percent than the previous year. It might be the future challenge. It also represent that cooperative is so

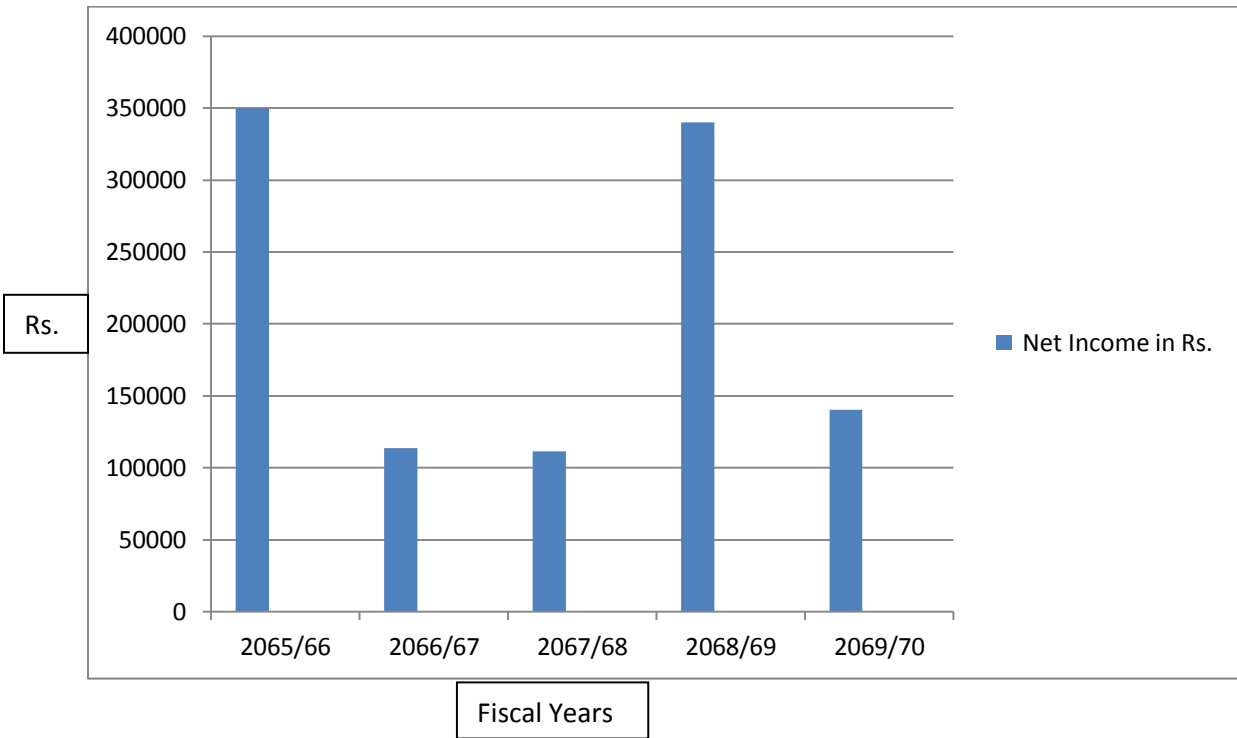
#### 4.1.1.6 Net Income/Profit Analysis

Table No.4.6 Net Income/Profit of HJBTRSS

Years	Net Income in Rs.	% Change/increment
2065/66	350000	0
2066/67	113867	-67.47%
2067/68	111491	-2.09
2068/69	340086	205.03
2069/70	140195	-58.78

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.6 Table No.4.6 Net Income/Profit of HJBTRSS



Average growth for income for last five years about 15.76 %. In the starting year, it looks very high net income with 350000. The year of 2066/67 and 2067/68 is quite in same range. Again 2068/69 is increased by 205.03 percent compare to year 2067/68. The trends for income look more ups down. That show the lack of business plan or somehow it is absence of targeting. Also shows the cooperatives weakness for portfolio Management.

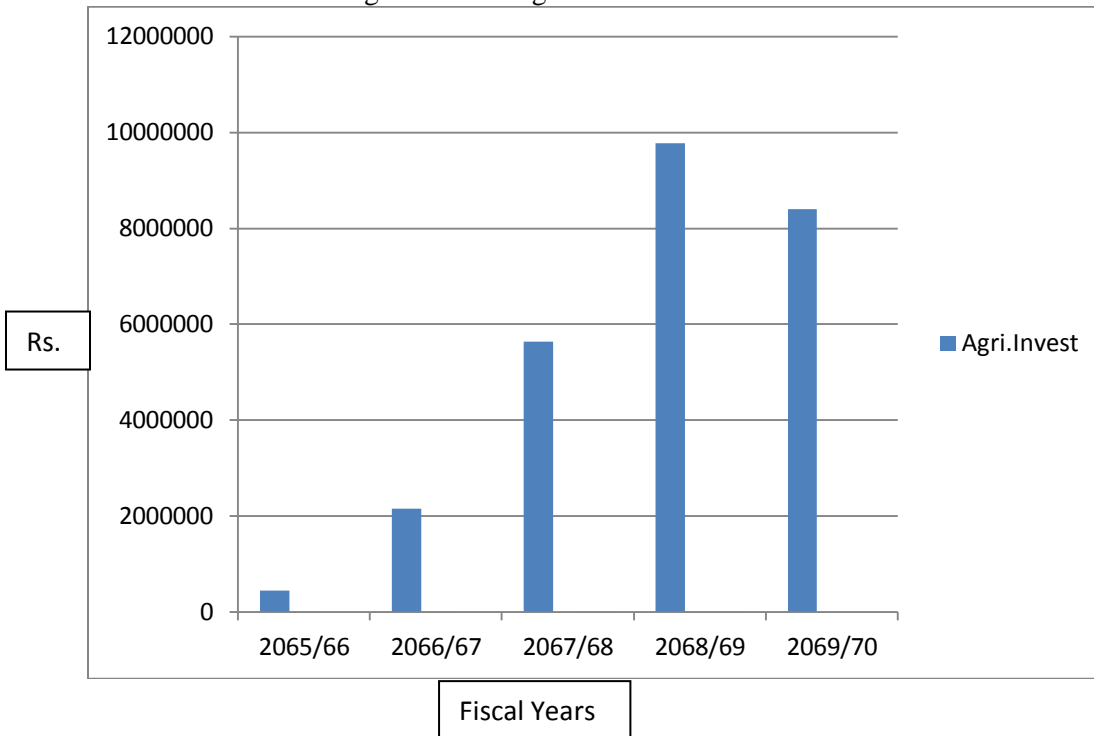
#### 4.1.1.7 Agricultural Loan Analysis

Table No.4.7 Agricultural Loan of HJBTRSS

Years	Agriculture Investment
2065/66	455000
2066/67	2163000
2067/68	5633000
2068/69	9779515
2069/70	8407167

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.7 Agricultural Loan of HJBTRSS



The agriculture loan investment has taken about 5.7% loan proportion in total of list five year. The loan proven trend looks far better compare to the percentage increment in the base year. Fiscal year of 2068/69 is the best year for the member who are involved in farming. But From year 2069/70 the loan prohibition for Agricultural member is decreasing. Most probably that's because of the token loan provision with high interest rate of 18%.

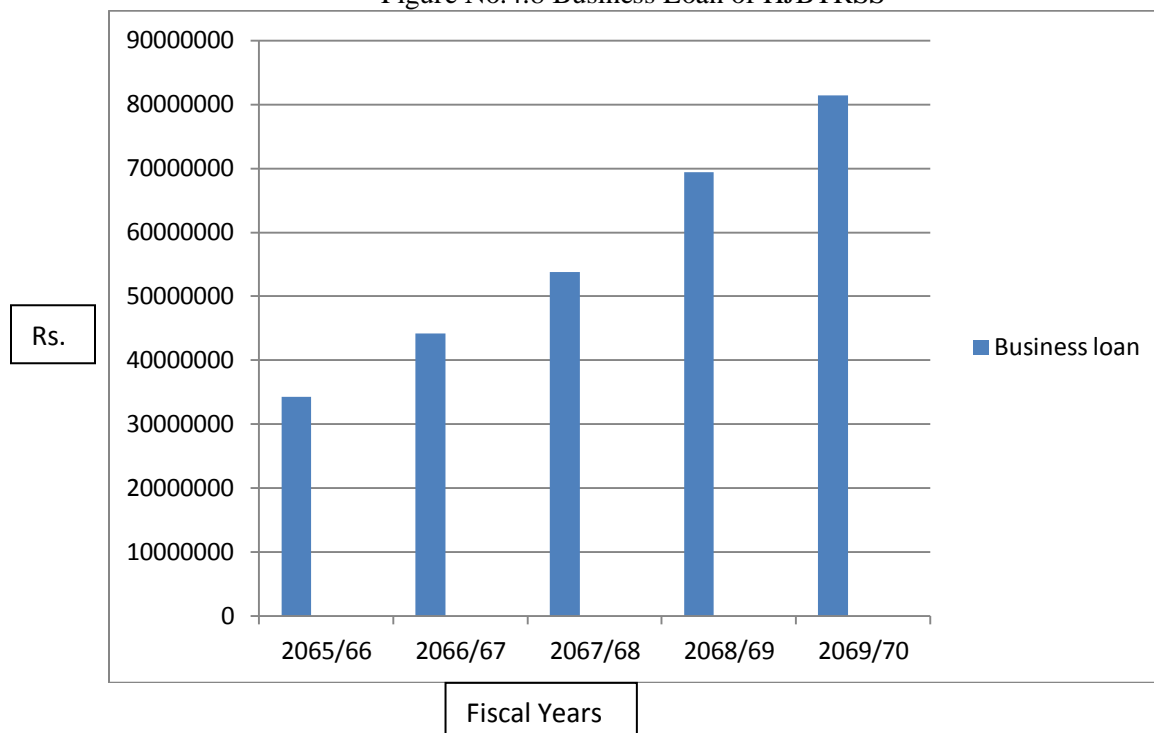
#### 4.1.1.8 Business Loan Analysis

Table No.4.8 Business Loan of HJBTRSS

Year	Business loan
2065/66	34321503
2066/67	44194391
2067/68	53782853
2068/69	69382916
2069/70	81421408

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.8 Business Loan of HJBTRSS



Loan investment for the business activities is about 74% in total amount of last five years which is leading loan amount for HJBTRSS. Business loan is high income investment for the cooperative with 15-16 % interest. Also the invested amount is increasing with straight line in bar chart with continues growth. So HJBTRSS is heavily concern for the business and profit earning rather than loan providing to the hill and mountain for the poorest than poor.

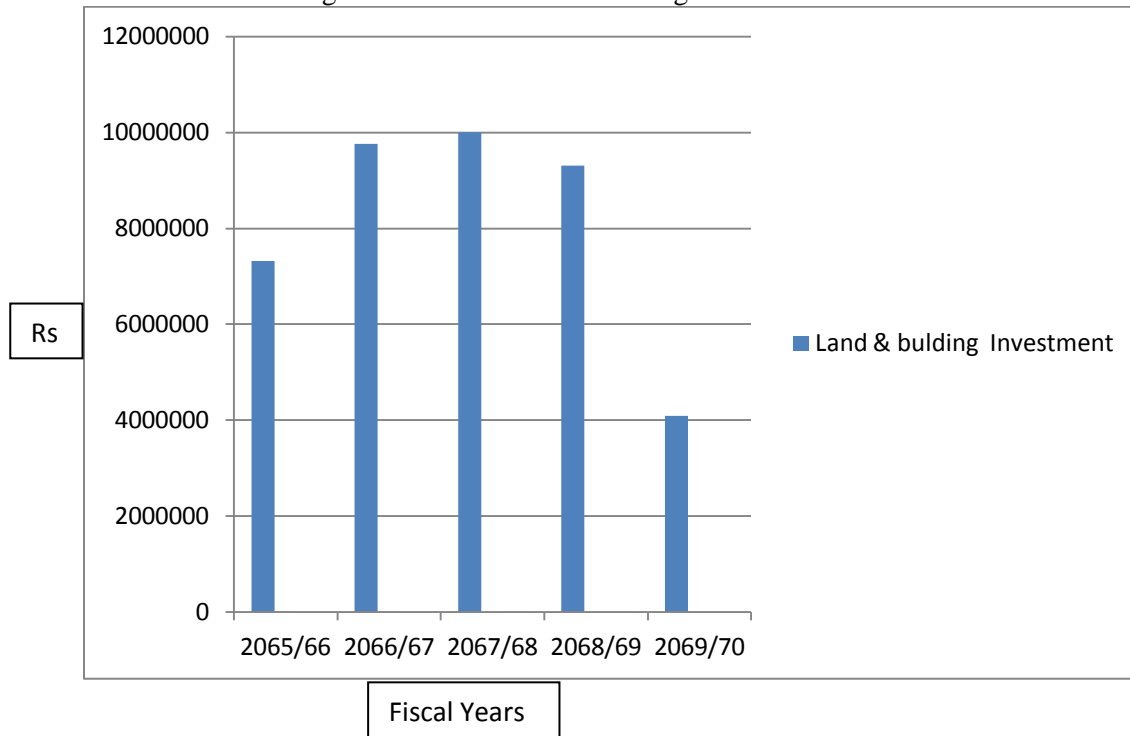
#### 4.1.1.9 Loan for Land and Building

Table No.4.9 Land and Building Loan of HJBTRSS

Years	Land & building Investment
2065/66	7319980
2066/67	9756440
2067/68	10002783
2068/69	9311072
2069/70	4086446

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.9 Land and Building Loan of HJBTRSS



The loan investment for in total loan amount for the last five years for Land and building is about 11 percent. Which is second highest loan provision with 16 percent interest. This looks very much concern for the building construction in dense area rather than poorer of the poor life welfare provision. The last years is dramatically low investment for such title. That is because of new investment title named token loan with 18 percent investment.

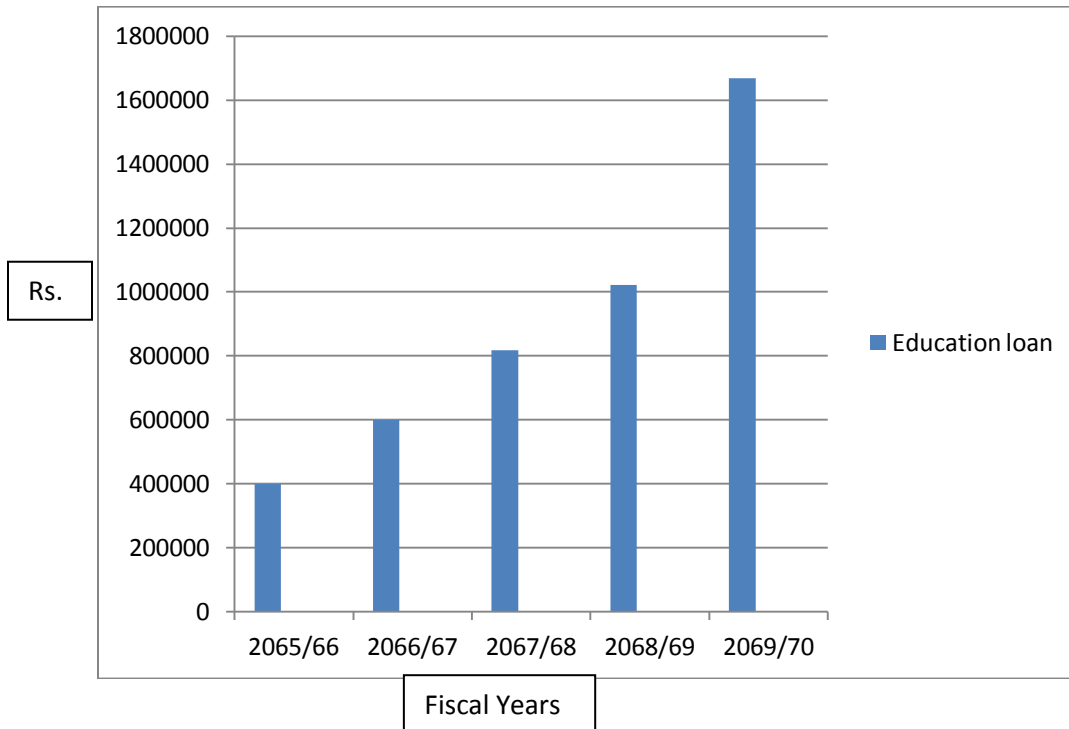
#### 4.1.1.10 Loan for Education Analysis

Table NO.4.10 Education Loan of HJBTRSS

Years	Loan Amount in Rs.
2065/66	400000
2066/67	600000
2067/68	818242
2068/69	1022210
2069/70	1668300

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.10 Education Loan of HJBTRSS



Total investment for education provision is about 1.24 percent in total investment in last five years. Good sign is the increasing trend for education loan with 14 percent interest rate.

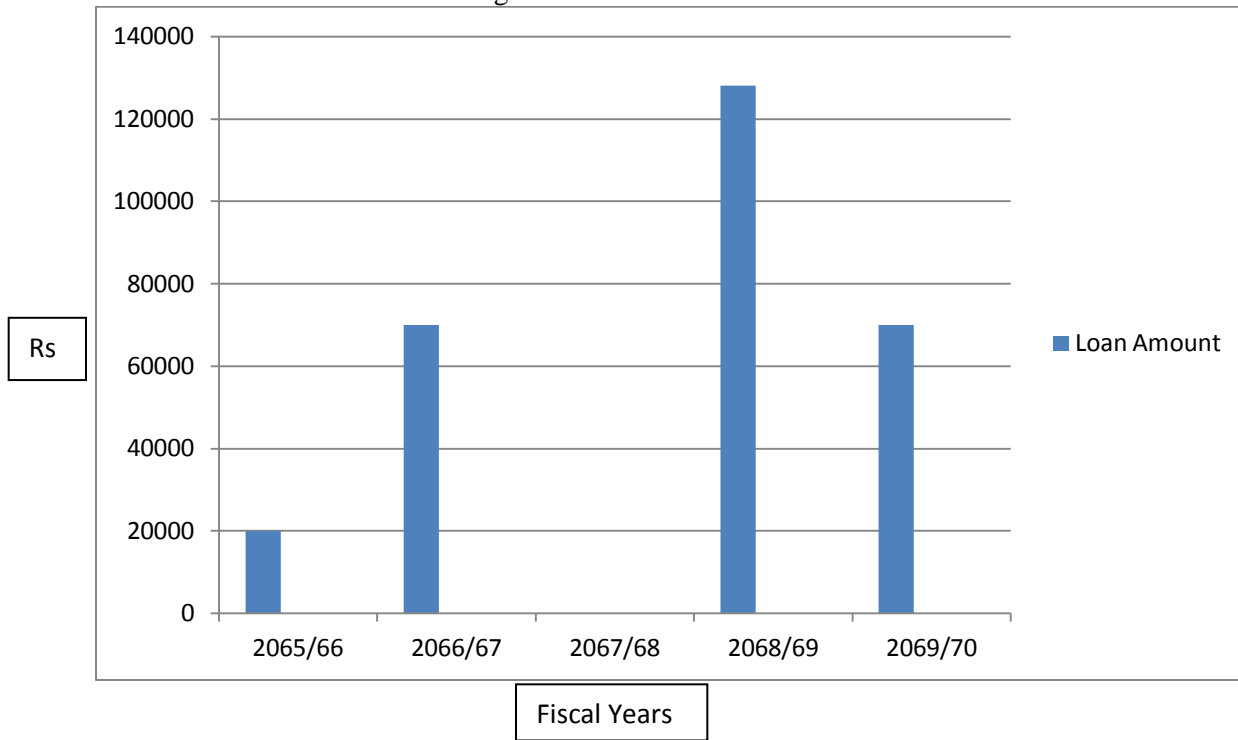
#### 4.1.1.11 Health Loan Analysis

Table No.4.11 Health Loan of HJBTRSS

Years	Loan Amount Rs.
2065/66	20000
2066/67	70000
2067/68	0
2068/69	128036
2069/70	70000

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.11 Health Loan of HJBTRSS



The total loan for Education in last five years has covered 0.07% which is the minimum portion of loan provision sector for HJBTRSS. In this case HJBTRSS looks weaker for social responsibility. 2067/68 has zero percent provision.

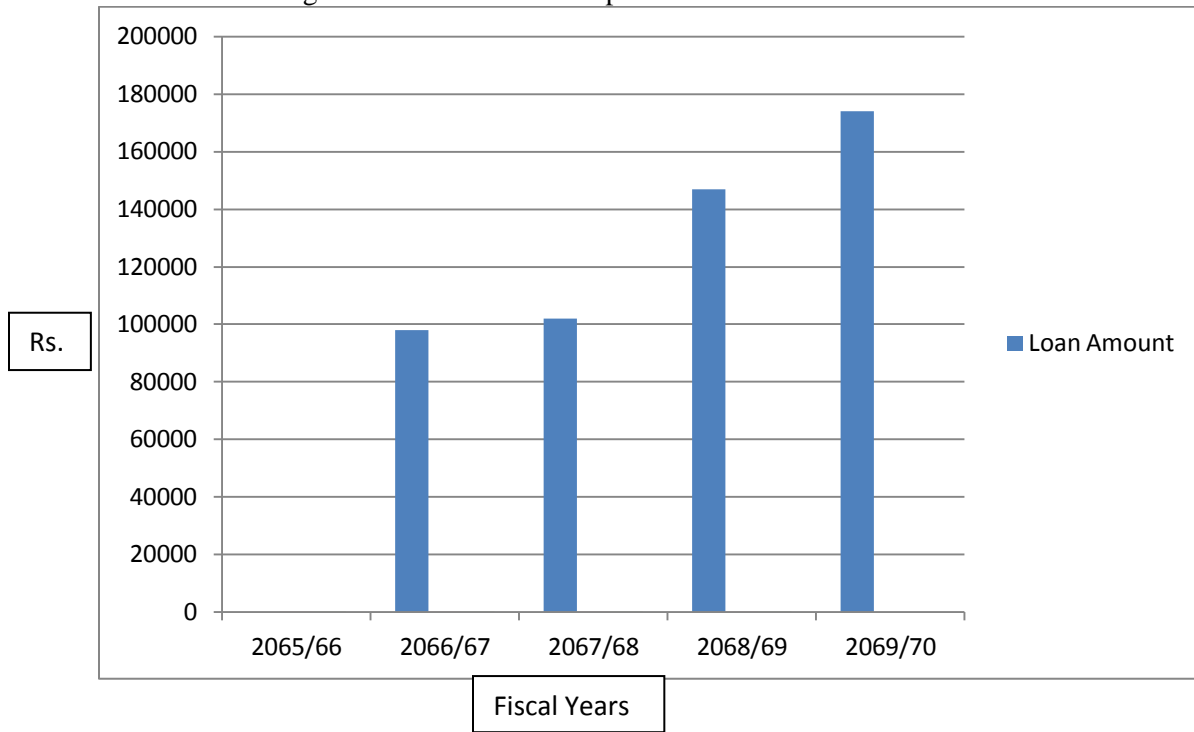
#### 4.1.1.12 Women Empowerment Loan

Table No.4.12 Women Empowerment Loan of HJBTRSS

Years	Loan Amount in Rs.
2065/66	0
2066/67	98000
2067/68	102000
2068/69	147000
2069/70	174000

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure no.4.12 Women Empowerment Loan of HJBTRSS



There are 54.21 percent member are female in HJBTRSS. But loan provision for women empowerment is about 0.43% percent. If we just look on the trend, it is satisfied but in real evaluation HJBTRSS is not concern for their 54.21 percent member's welfare. But good sign is they have made provision on it.

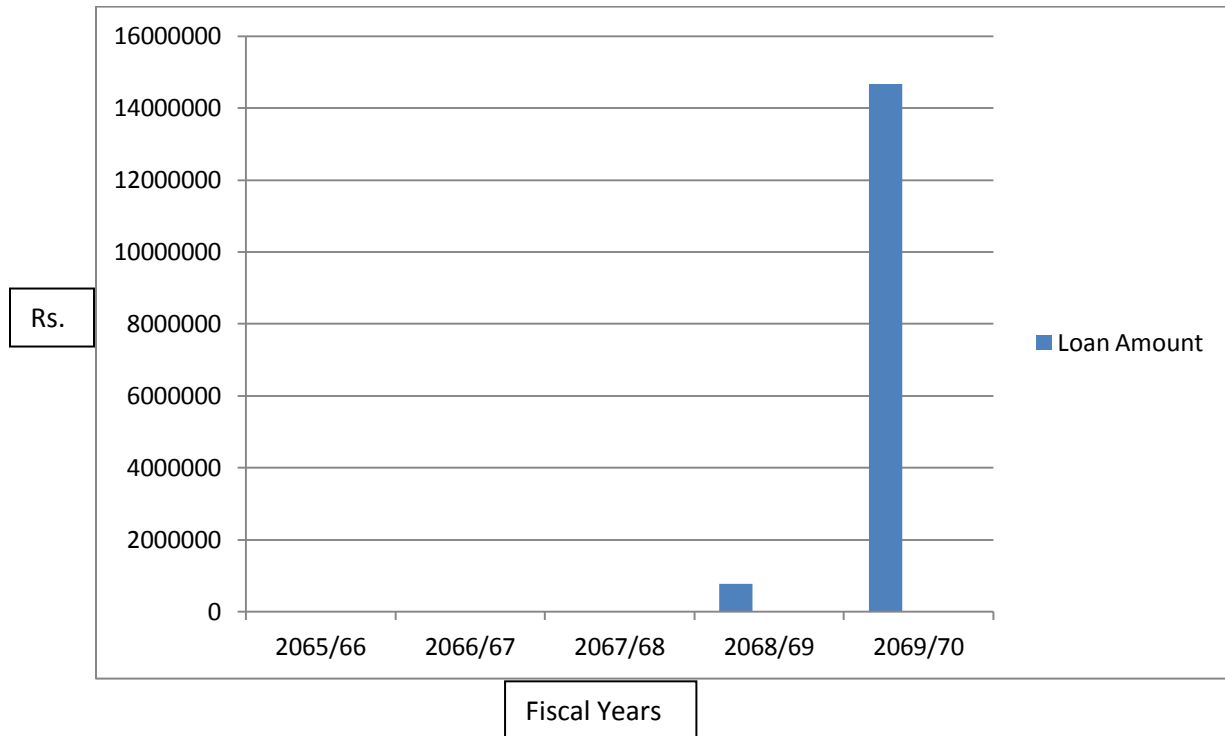
#### 4.1.1.13 Token Loan Investment

Table no.4.13 Token Loan of HJBTRSS

Years	Loan Amount
2065/66	0
2066/67	0
2067/68	0
2068/69	773000
2069/70	14671043

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure no.4.13 Token Loan of HJBTRSS



In last two year the new provision named token loan has occupied around 4.27 percent amount with 18 percent interest rate. Token loan is long term loan with maximum limit of 10 Lakhs.

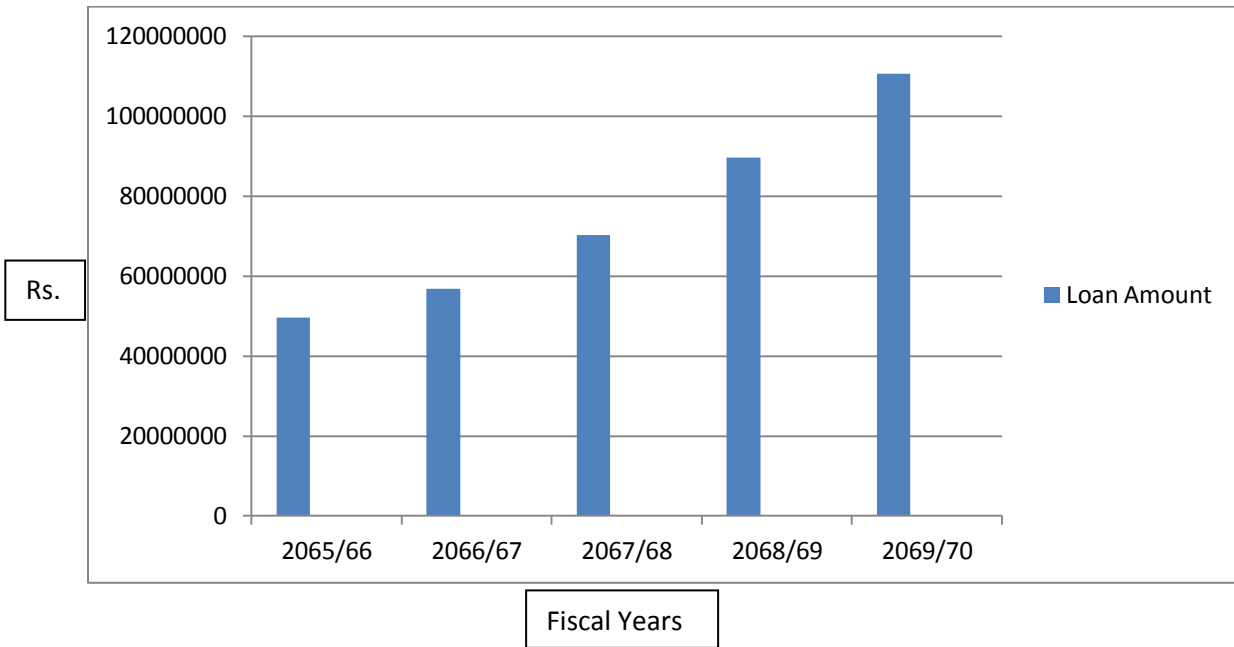
#### 4.1.1.14 Total Loan Investment

Table no.4.14 Total Loan Investment of HJBTRSS

Years	Loan Amount in Rs.
2065/66	49649952
2066/67	56881831
2067/68	70338878
2068/69	89623749
2069/70	110657807

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure no.4.14 Total Loan Investment of HJBTRSS



Saving trend looks very fantastic. The growth trend is stable since last five years. Member looks more satisfied to save with HJBTRSS.

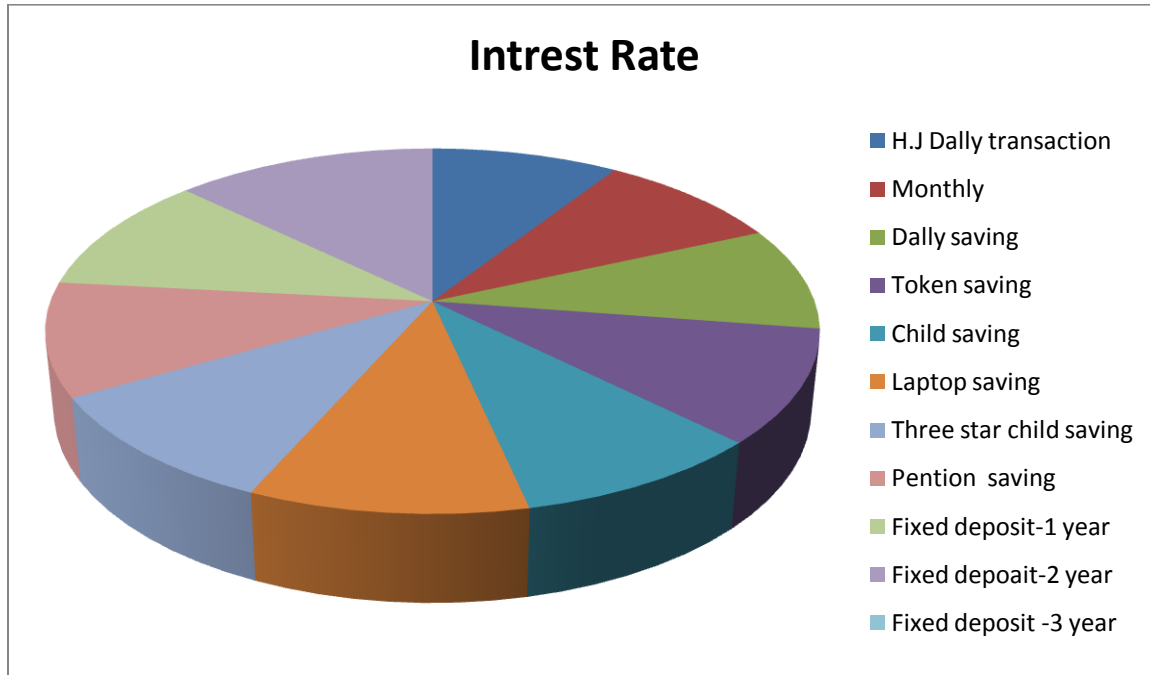
#### 4.1.1.15 Interest Rate for Saving

Table no.4.15 Interest Rate for Saving of HJBTRSS

H.J Dally transaction	8%
Monthly	10%
Dally saving	10%
Token saving	10%
Child saving	11%
Laptop saving	10%
Three star child saving	11%
Pention saving	11%
Fixed deposit-1 year	11%
Fixed depoait-2 year	11.5%
Fixed deposit -3 year	14%

Sources: HJBTRSS, Annual report 2069/70

Figure No.4.15 Interest Rate on Saving of HJBTRSS



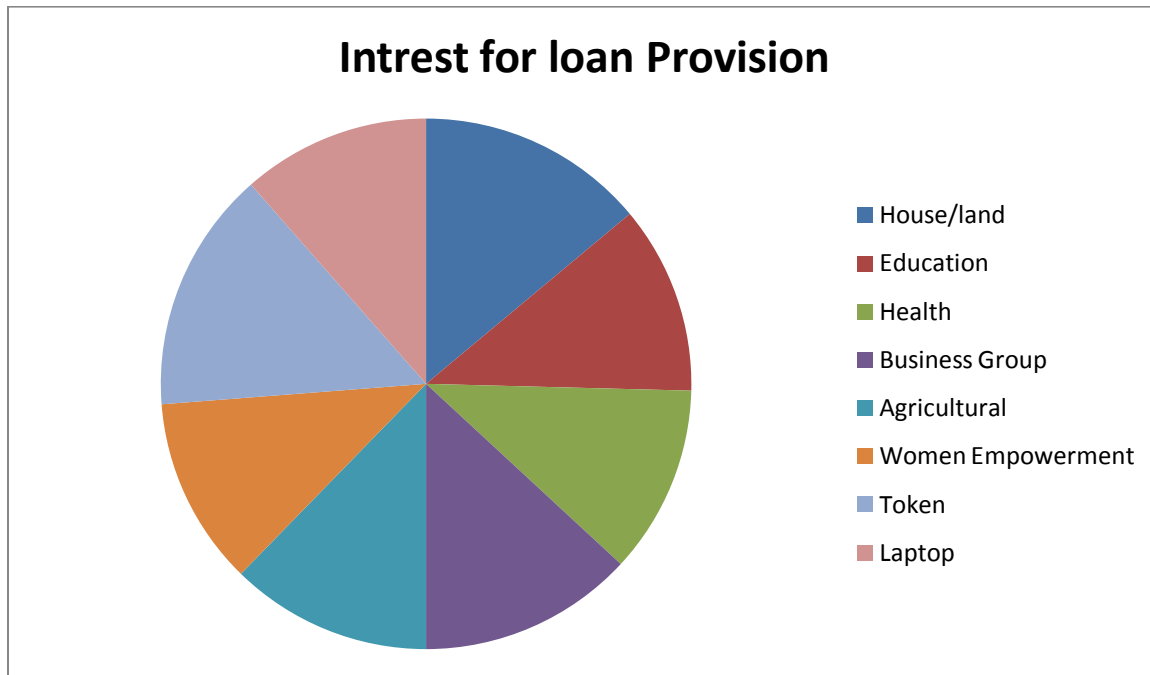
#### 4.1.1.16 Interest for Loan Provision

Table No.4.16 Interest for Loan of HJBTRSS

Business	15%
House/land	17%
Education	14%
Health	14%
Business Group	16%
Agricultural	15%
Women Empowerment	14%
Token	18%
Laptop	14%

Sources: HJBTRSS, Annual report 2069/70

Figure no.4.16 Interest for Loan of HJBTRSS



From the above table Business loan looks most expensive for its members. The interest range is 4%.

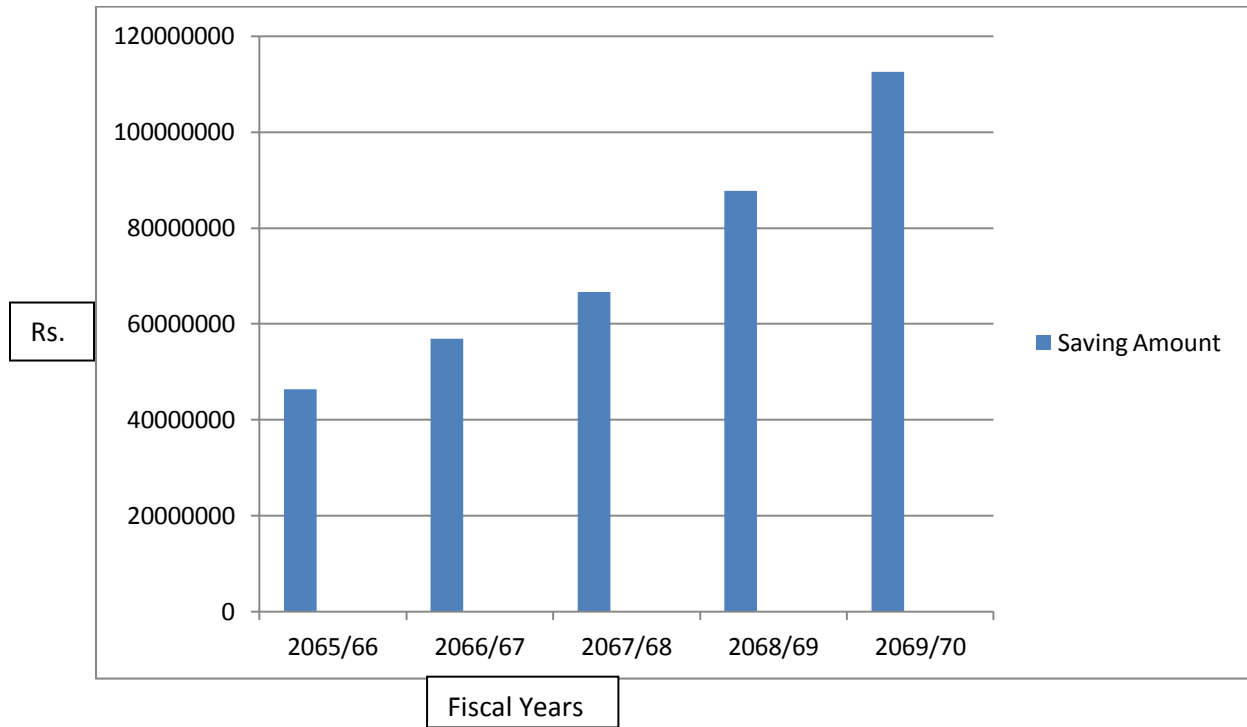
#### 4.1.1.17 Total Saving Analysis

Table no.4.17 Total Saving of HJBTRSS

Years	Saving Amount
2065/66	46319665
2066/67	56881866
2067/68	66686446
2068/69	87707406
2069/70	112570776

Sources: HJBTRSS, Annual report 2065/66-2069/70

Figure No.4.17 Total Saving of HJBTRSS



#### 4.1.2 Correlation Analysis

##### A. Between Number of Female Member and Investment for the Women Empowerment

Year(n)	Female X	Investment Y	X <sup>2</sup>	Y <sup>2</sup>	XY
2065/66	52.4	0	2745.76	0	0
2066/67	49.38	18.80	2438.38	353.44	928.34
2067/68	51.16	19.57	2617.34	382.98	1001.2
2068/69	53.72	28.22	2885.83	796.36	1515.97
2069/70	54.21	33.40	2938.72	1115.56	1810.61
n=5	$\frac{\sum X=260.8}{7}$	$\sum Y = 99.99$	$\sum X^2 = 13626.03$	$\sum Y^2 = 2648.34$	$\sum XY = 5256.12$

Using Direct Method

$$\rho_{XY} = \frac{\sum XY - \frac{\sum X \sum Y}{n}}{\sqrt{\frac{\sum X^2 - \frac{(\sum X)^2}{n}}{n-1}} \sqrt{\frac{\sum Y^2 - \frac{(\sum Y)^2}{n}}{n-1}}}$$

$$= \frac{5 \times 5256 - 260.87 \times 99.99}{\sqrt{5 \times 13626.03 - \frac{260.87^2}{5}} \times \sqrt{5 \times 2648.34 - \frac{99.99^2}{5}}}$$

$$= 0.01$$

There is low degree of of positive correlation between Female membership and the investment for their welfare. The coopration looks verbally talking about women welfare but in action they are not concern/investing for women welfare activities.

### B. Correlation Between Total Saving and Business Investment

Year(n)	Total Saving X	Business Investment Y	X <sup>2</sup>	Y <sup>2</sup>	XY
2065/66	43.12	69.13	1859.33	4778.95	2980.88
2066/67	41.03	77.70	1683.46	6037.29	3188.03
2067/68	40.05	76.46	1604.01	5846.13	3062.22
2068/69	39.74	77.42	1579.26	5993.86	3076.67
2069/70	38.62	73.58	1491.50	5414.01	2841.66
n=5	∑ X =202.56	∑ Y =374.29	∑ X <sup>2</sup> =8217.56	∑ Y <sup>2</sup> =2807 0.24	∑ XY =15 148.8

$$\begin{aligned}
 \rho_{XY} &= \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}} \\
 &= 5 \times \frac{15148.8 - 202.56 \times 374.29}{\sqrt{5 \times 8217.56 - 202.56^2} \sqrt{5 \times 2807.24 - 374.29^2}} \\
 &= -72/121.58 \\
 &= -0.6
 \end{aligned}$$

It means there is high degree of negative co relationship between total saving per year an its investment for the business. That means the cooperative is giving its high priority for another loan investment title like token loan or Land and building etc. Actully in general case it was suppose to be high degree positive co relationship between saving increments and loan investment for business. Another positive thing is that business loan is high percentage of interest. While the data explain, the are not that much investing for high interest rate investment sector.

### C. Correlation Analysis of Agricultural Loan with its Total Saving

Year(n)	Total Saving X	Agriculture Investment Y	X <sup>2</sup>	Y <sup>2</sup>	XY
2065/66	43.12	0.92	1859.33	0.85	39.67
2066/67	41.03	3.80	1683.46	14.44	155.9
2067/68	40.05	8.01	1604.01	64.16	320.8
2068/69	39.74	10.91	1579.26	119.02	433.56
2069/70	38.62	7.60	1491.50	57.76	293.51
n=5	$\sum X = 202.56$	$\sum Y = 31.24$	$\sum X^2 = 8217.56$	$\sum Y^2 = 256.23$	$\sum XY = 1243.44$

Using Direct Method

$$\rho_{XY} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times 1243.44 - 202.56 \times 31.24}{\sqrt{5 \times 8217.56 - 202.56^2} \times \sqrt{5 \times 256.23 - 31.24^2}}$$

$$= -110.77 / 132.776$$

$$= -0.83$$

Which means there is high degree negative correlation between saving trend and agricultural investment trend. That means cooperative is not giving high priority for agricultural loan investment sector. Especially HJBTRSS has its working area in village where there are many people involved for the farming. Every year they have nice improvement for total saving but no improvement for the investment for farmer. This is not good.

### D. Correlation Analysis between Total Loan Investment and Education Loan Investment

Year(n)	Total loan X	Educational loan Y	$X^2$	$Y^2$	XY
2065/66	46.22	0.8	2136.28	0.64	36.98
2066/67	44.16	1.05	1950.11	1.12	46.37
2067/68	42.13	1.16	1774.94	1.35	48.87
2068/69	40.61	1.14	1649.17	1.30	46.30
2069/70	37.96	1.15	1440.96	1.32	43.65
n=5	$\sum X = 211.08$	$\sum Y = 5.3$	$\sum X^2 = 8951.46$	$\sum Y^2 = 5.73$	$\sum XY = 222.17$

Using Direct Method

$$\rho_{XY} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times 222.17 - 211.08 \times 5.3}{\sqrt{5 \times 8951.46 - (211.08)^2} \sqrt{5 \times 5.73 - (5.3)^2}}$$

$$= -7.874 / 10.665$$

$$= -0.74$$

Which is high degree negative correlated. That means here is very highly negatively investment looking on its saving trends. Cooperation investing big loan. The loan investment has been increasing rapidly. But the loan provision for the social sector like education looks not that much related with loan amount. The HJBTRSS has its interest for education loan is about 14% which is lower than other interest rate. May be this might be the reason for why they are not showing their kin interest for education sector. Publicity is another fact for giving priority.

## 4.2 Data Analysis for Sangini Mahila Bachat Tatha Rin Shahakari Sanstha(SMBTRSS)

Singini Mahila Bachat Tatha Rin Shahakari Sanstha was registered in 2065/06/08 in Madhyapur Thimi ward no. 15. Now it has many others territory outside Bhaktapur as well. Here it comes trend analysis of Sangini.

### 4.2.1 Transaction Analysis

The transaction happened in the past gives member an idea of what will happen in the future. Here is some transactional analysis for SMBTRSS

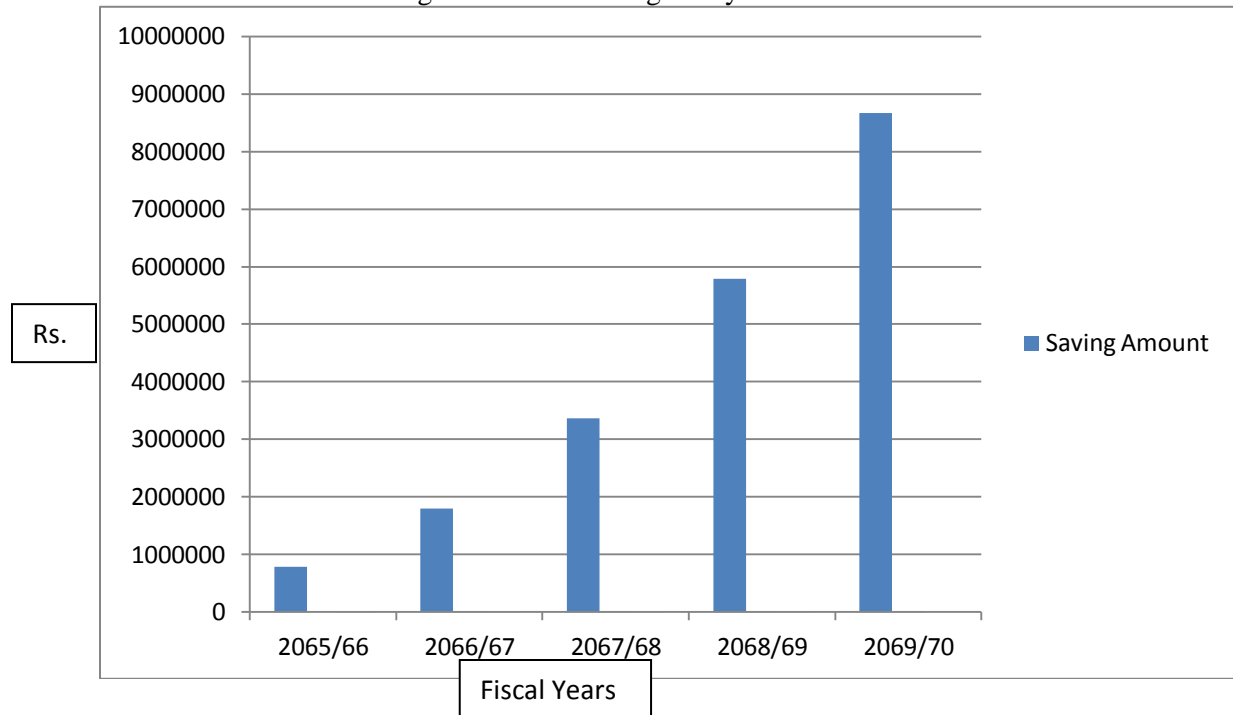
### 4.2.1.1 Saving Analysis

Table No.4.18 Saving Analysis of SMBTRSS

Years	Saving Amount in Rs.	Approximate % change
2065/66	781528	-
2066/67	1797258	129.97
2067/68	3363284	87.13
2068/69	5787871	41.89
2069/70	8671012	49.81

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.18 Saving Analysis of SMBTRSS



Looking on above data, the saving ratio with SMBTRSS, looks better. But looking on the table, first year saving looks higher i.e 129.97 where the trend of saving looks down if, we base on the percentage change trends.

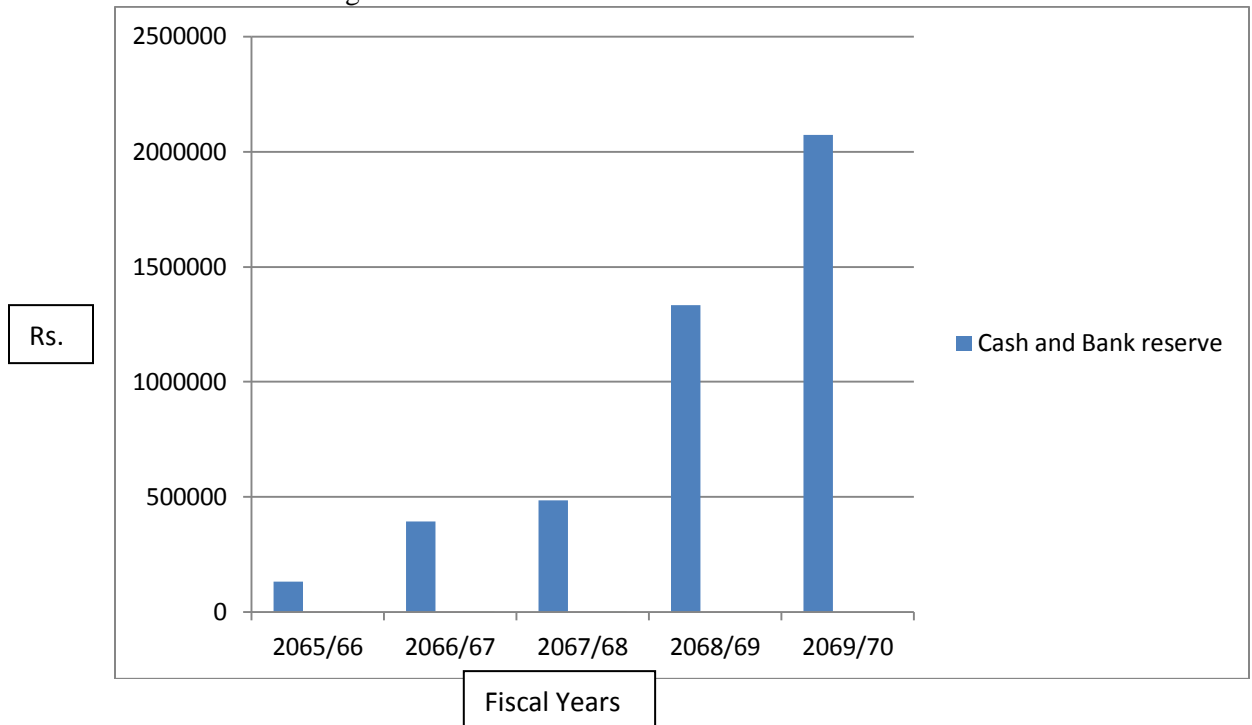
### 4.2.1.2 Cash and Bank Reserve Analysis

Table No.4.19 Cash and Bank Reserve of SMBTRSS

Years	Cash and Bank reserve Rs.	Approximate % change
2065/66	133525	-
2066/67	394886	195.73%
2067/68	485675	22.99%
2068/69	1333829	174.63%
2069/70	2071302	55.29%

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.19 Cash and Bank Reserve of SMBTRSS



From the above table and bar chart we can analyze that the cash and bank saving is dramatically increasing. That mean the cooperatives is getting problem for investing the amount properly and they do not have proper condition/limitation for the liquid cash.

### 4.2.1.3 Membership Increment Analysis

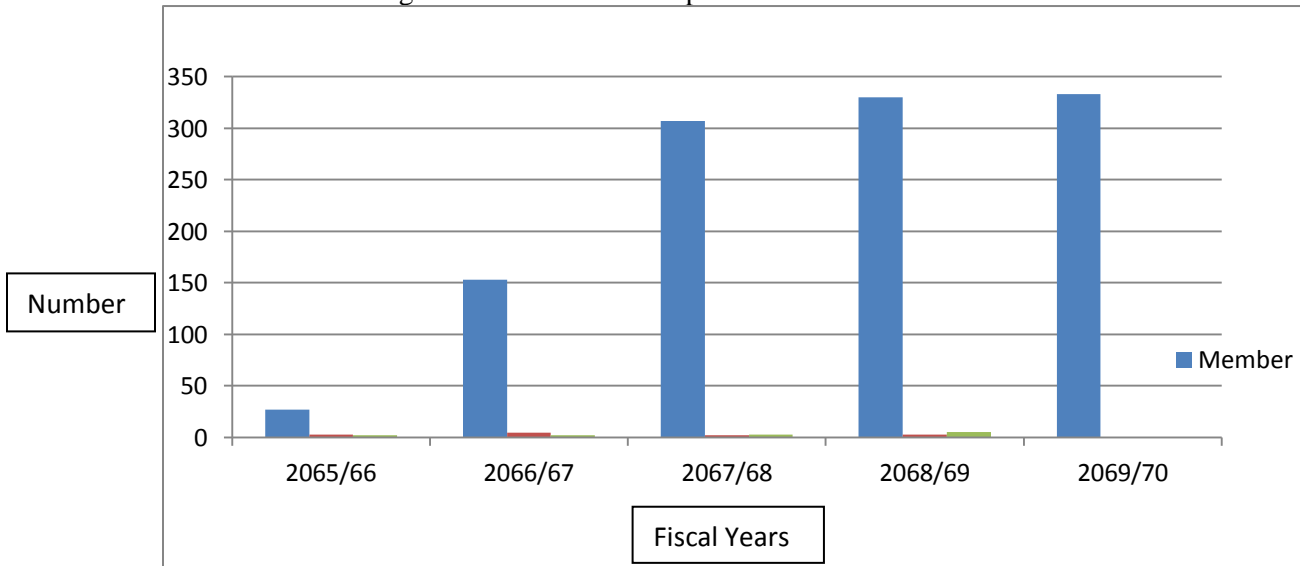
This cooperative is women concerned by it name. So the members are only women. Comparative analysis looks not possible between male and female. Here we see the increment of the member.

Table No.4.20 Membership Increment of SMBTRSS

Years	Member	Increment %
2065/66	27	-
2066/67	153	466.67
2067/68	307	100.65
2068/69	330	7.49
2069/70	333	0.9

Sources: SMBTRSS, Annual report 2065/66-2069/70

FigureNo.4.20 Membership Increment of SMBTRSS



From the above table and chart we can see that year of 2065-67 looks more aggressive year for member increment. But year 2068/69 and 70 looks not aggressive. That means people looks losing the interest or management have stopped member increment strategy. But in common sense, microfinance has to increase the members if it has been developing its financial activities. First high increment with 466.67% and 0.9 percent in the year 2070 looks sensitive for smooth growth for the cooperatives.

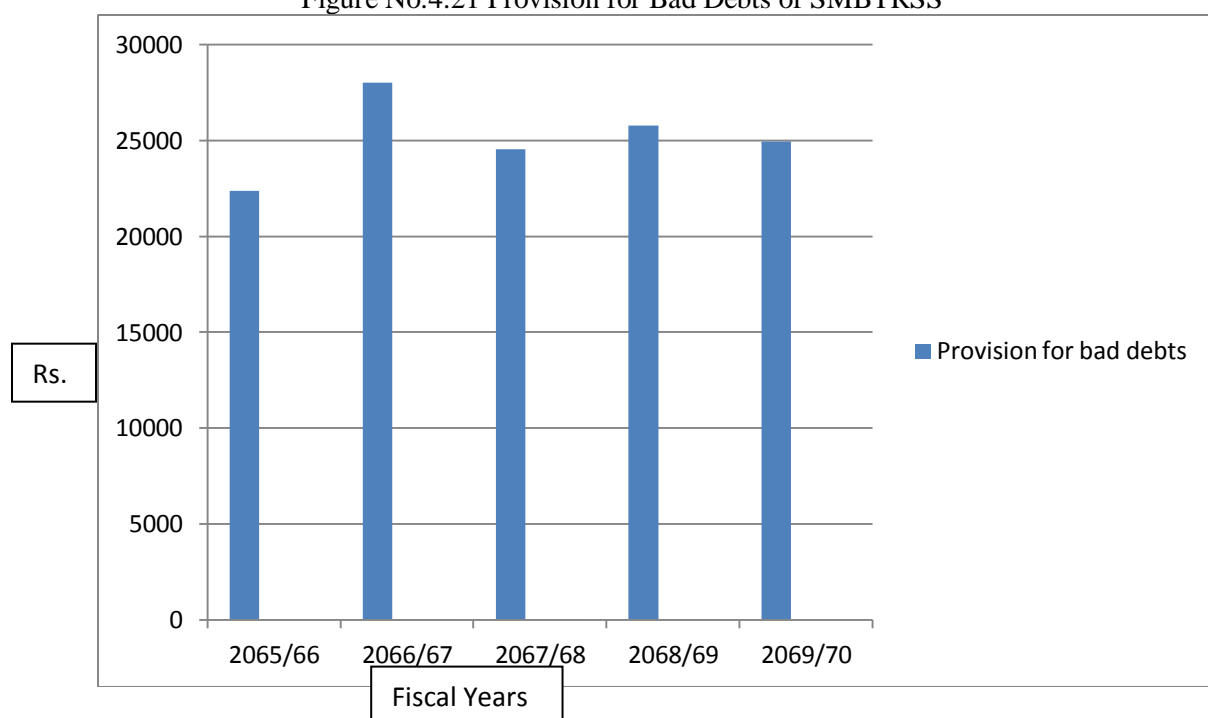
#### 4.2.1.4 Provision for Bad Debts Analysis

Table No.4.21 Provision for Bad Debts of SMBTRSS

Years	Provision for bad debts	% Change
2065/66	22365	-
2066/67	28018	25.28
2067/68	24548	-12.39
2068/69	25772	4.99
2069/70	24930	-3.27

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.21 Provision for Bad Debts of SMBTRSS



In above table and chart we can see that provision for the bad debts looks quite stable. Compare to year of 2065/66 , 2066/67 look little risky period. But remaining other period looks ok condition. This means the cooperative is able to handle bad debts increments. It shows their performance is better.

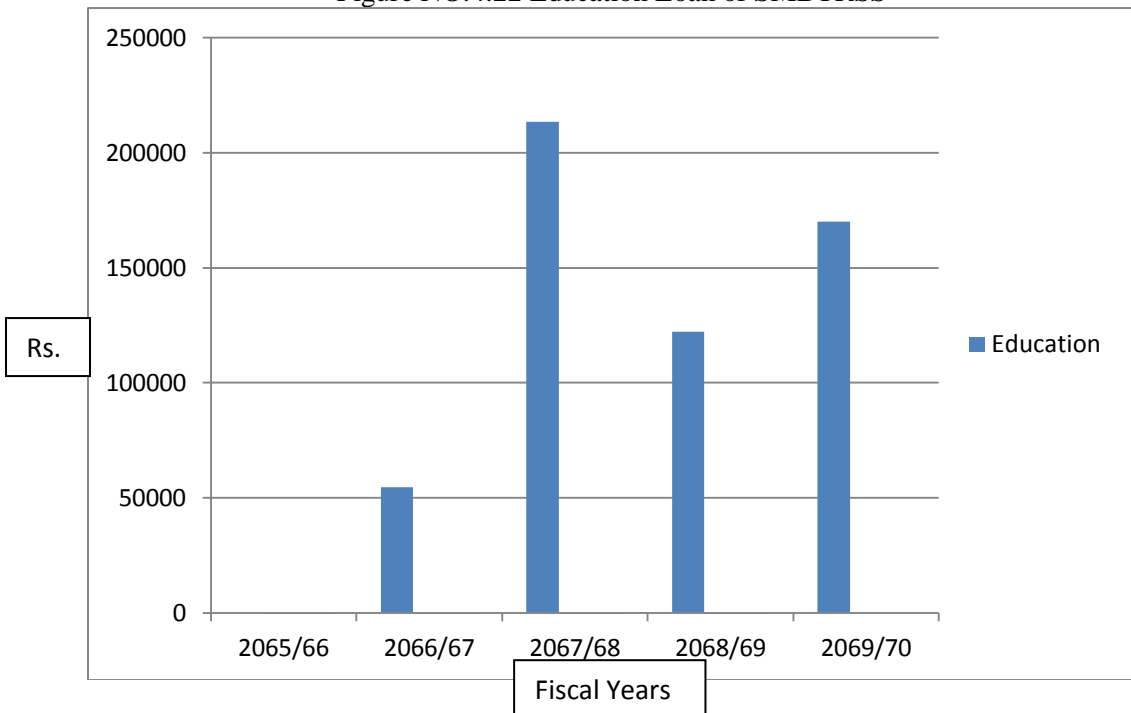
### 4.2.1.5 Loan Investment for Education

Table No.4.22 Education Loan of SMBTRSS

Years	Education	Increment %
2065/66	-	-
2066/67	54600	
2067/68	213506	291
2068/69	122133	-42.8
2069/70	170000	39.19

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure NO.4.22 Education Loan of SMBTRSS



From the above table and chart, it looks Singini has no big provision for the education loan. The interest rate for Sangini for education loan is about 14 % which is less income compare to business loan with 16 percent interest and Hire purchase and Foreign employment loan investment with 18 percent interest for Sangini. In total of five years investments Sangini has its education investment is about 1.98% which is very minimum investment.

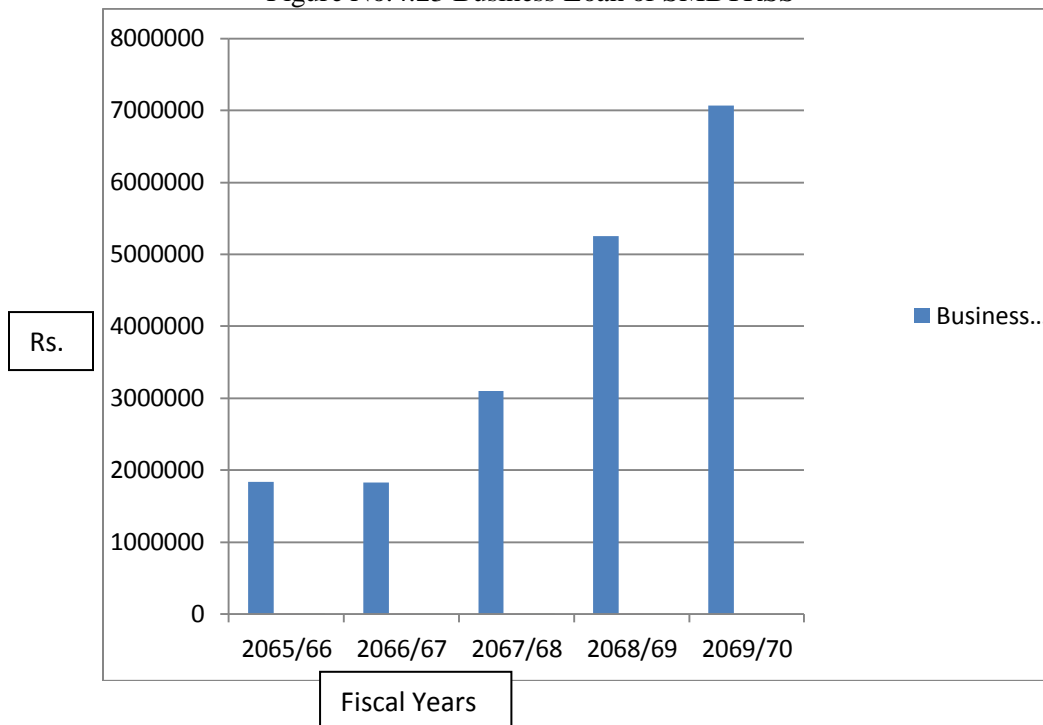
### 4.2.1.6 Business Loan Analysis

Table No.4.23 Business Loan of SMBTRSS

Years	Business Loan in Rs.	Increment %
2065/66	1836000	
2066/67	1831264	-0.25
2067/68	3096781	69.11
2068/69	5256763	69.75
2069/70	7067623	34.45

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.23 Business Loan of SMBTRSS



In five years average, business loan has taken its 67.33 percent of investment which has carried out 16 percent interest on loan. The second year of Sangini, management looks little unsure about the investment in business. But after that from 3<sup>rd</sup> year, management is highly focusing its loan investment for business. It looks cooperative is giving priority for profit making than service provide.

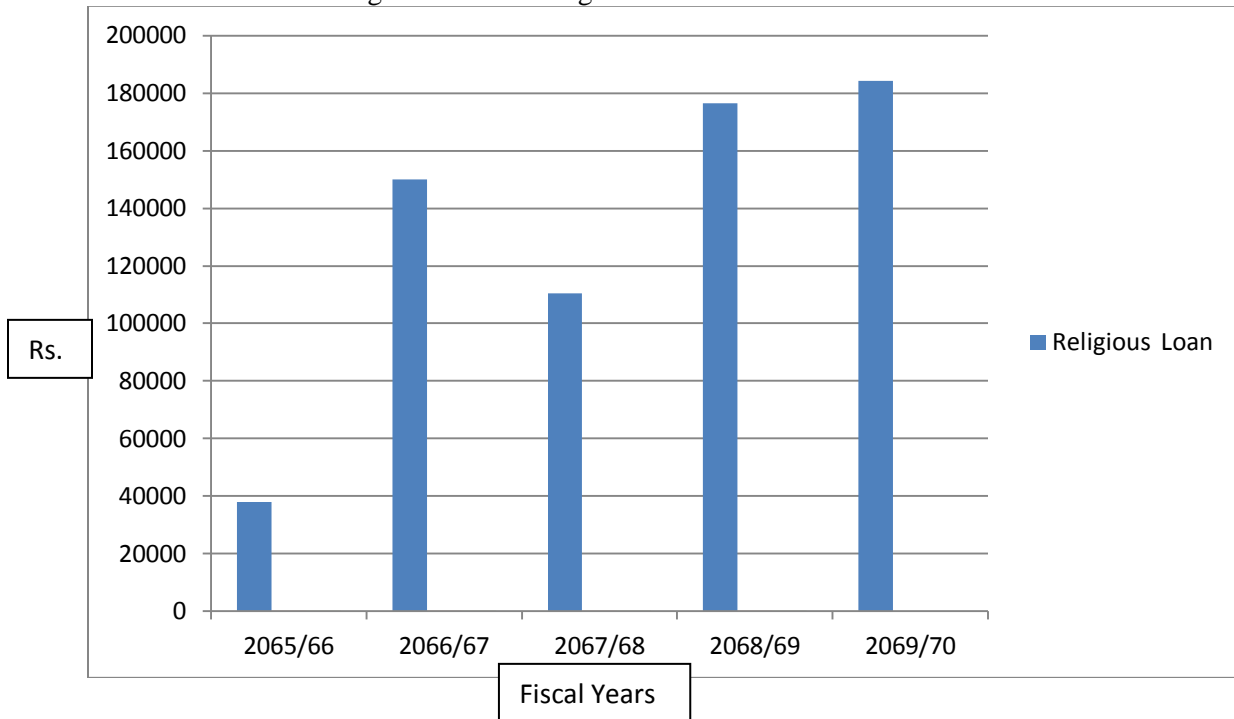
### 4.2.1.7 Religious Loan Investment Analysis

Table No.4.24 Religious Loan of SMBTRSS

Years	Religious Loan in Rs.	Increment %
2065/66	38000	-
2066/67	150000	29.47
2067/68	110500	-26.33
2068/69	176533	59.76
2069/70	184222	4.35

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.24 Religious Loan of SMBTRSS



The five year average loan investment for religious title is about 2.33%. It is good to see that cooperative has provision for religious loan for the religious courtly like Nepal. The interest rate is low with 14 percent which is comparatively affordable. The trend of the loan investment in first three years looks jig jack. Trend in last 2 years is increasing. That is the positive sign of Singini.

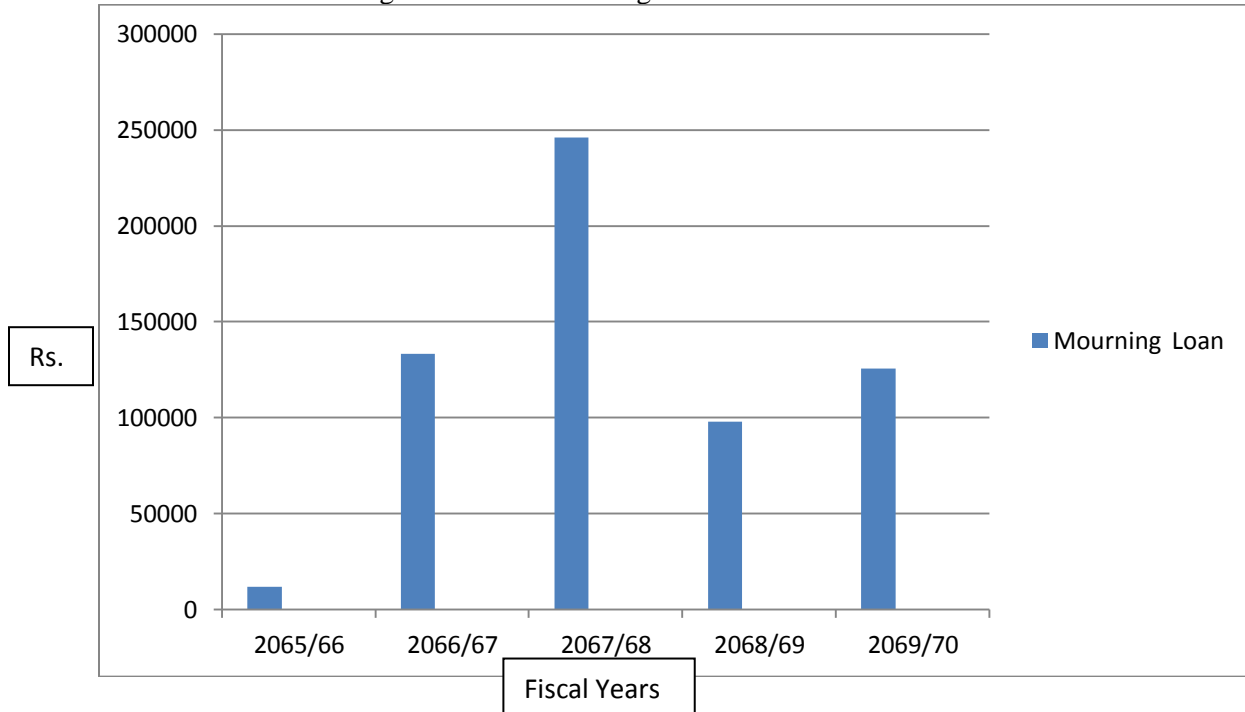
### 4.2.1.8 Mourning Loan Investment Analysis

Table No.4.25 Mourning Loan of SMBTRSS

Years	Mourning Loan in Rs.	Increment %
2065/66	12000	-
2066/67	133253	1010.44
2067/68	246000	84.61
2068/69	98000	-60.16
2069/70	125723	28.29

Sources: SMBTRSS, Annual report 2065/66-2069/70

FigureNo.4.25 Mourning Loan of SMBTRSS



Its good sign that Sangini has provision for mourning loan. The average mourning loan for last five years is about 2.17 percent. And the trend looks ups down. The interest rate is 14%. That is affordable.

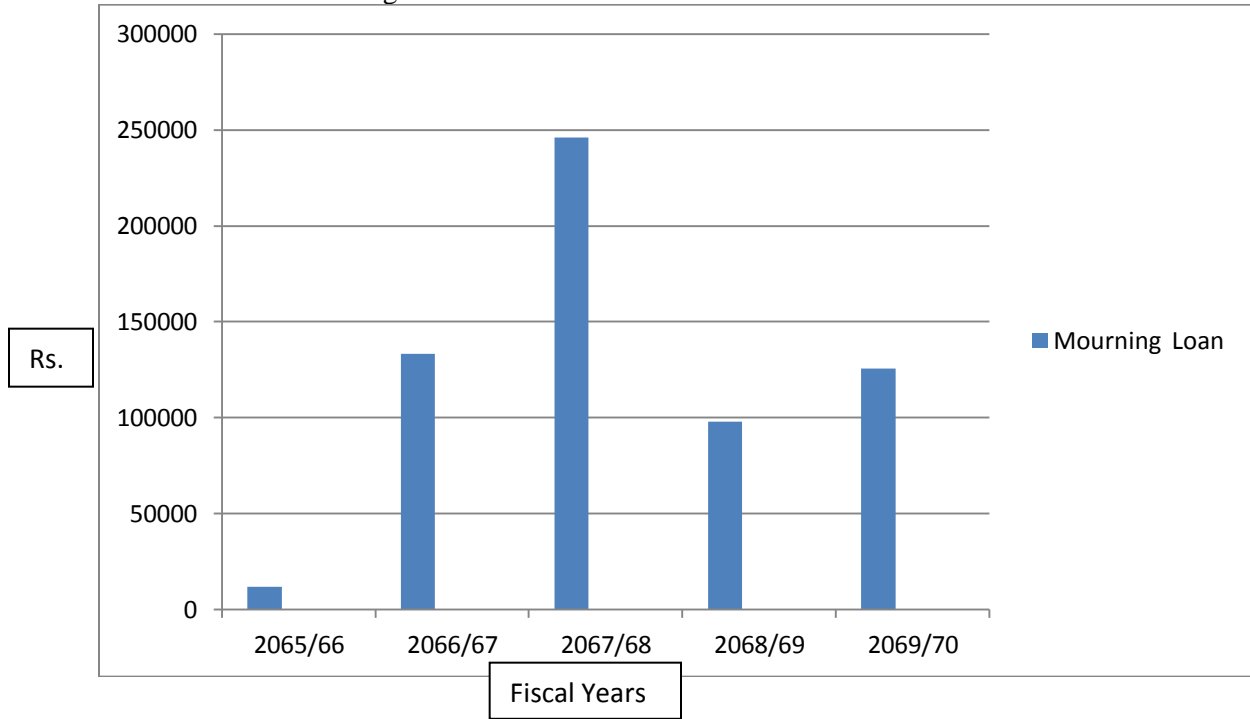
### 4.2.1.9 Medical Loan Investment Analysis

Table NO.4.26 Medical Loan of SMBTRSS

Years	Mourning Loan	Increment %
2065/66	12000	-
2066/67	133253	1010.44
2067/68	246000	84.61
2068/69	98000	-60.16
2069/70	125723	28.29

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.26 Medical Loan of SMBTRSS



The five year average portion for medical with total loan investment is about 2.8 percent. The medical loan in year 2067/68 is the higher loan investment year. The interest charge for medical loan is 14 percent.

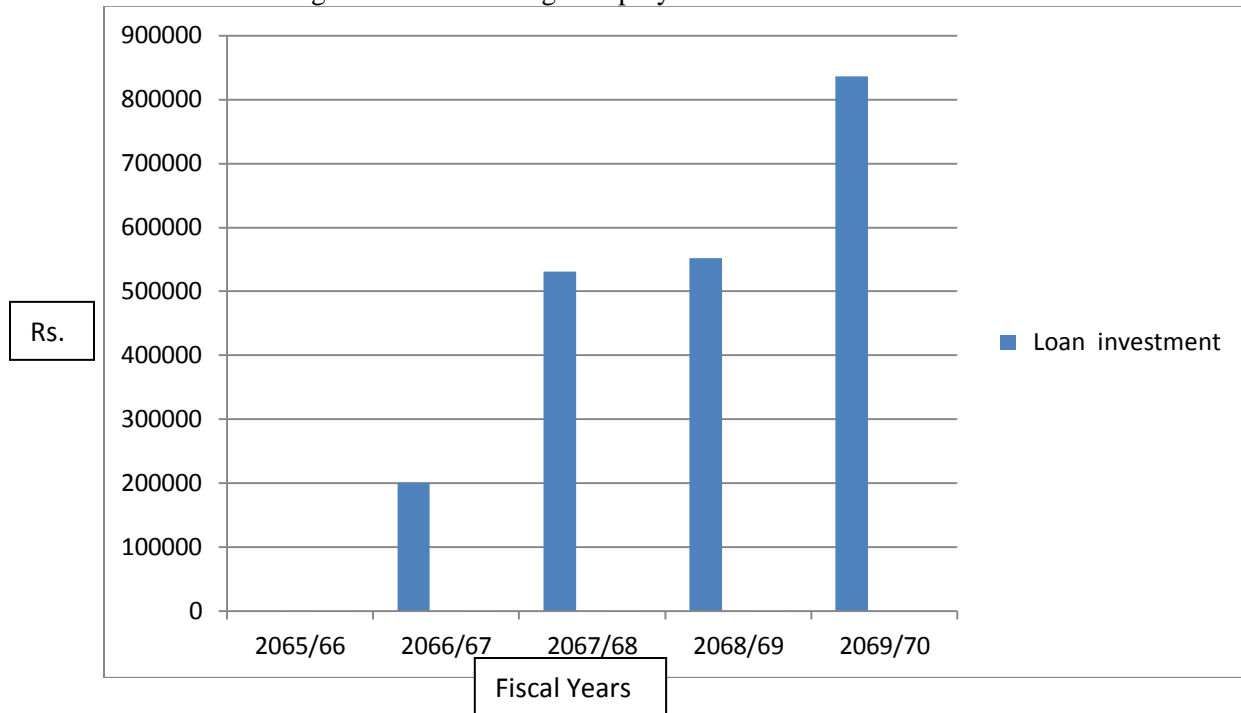
### 4.2.1.10 Foreign Employment Loan Investment Analysis

Table No.4.27 Foreign Employment Loan of SMBTRSS

Years	Loan investment	Increment %
2065/66	-	-
2066/67	201000	-
2067/68	531222	164.29
2068/69	551864	38.85
2069/70	836612	51.6

Sources: SMBTRSS, Annual report 2065/66-2069/70

Figure No.4.27 Foreign Employment Loan of SMBTRSS



From the above table and chart, loan investment for foreign employment looks aggressively increasing. The average loan portion for last five year is about 7.49 is comparatively high portion with 18 percent interest. That means cooperative is highly emphasizing for high income investment. That means Singini is giving priority for income rising than service giving.

## 4.2.2 Correlation Analysis

### A. Correlation Analysis of Education Loan and Business Loan

Year(n)	Education Loan(X)	Business Loan (Y)	$X^2$	$Y^2$	XY
2065/66	-	94.64	0	8956.73	0
2066/67	1.95	65.36	3.8	4271.92	127.45
2067/68	4	58.03	16	3367.48	232.12
2068/69	1.56	67.10	2.43	4502.41	104.67
2069/70	1.63	67.99	2.66	4622.64	110.82
n=5	$\sum X = 9.14$	$\sum Y = 353.12$	$\sum X^2 = 24.89$	$\sum Y^2 = 25721.18$	$\sum XY = 575.06$

$$\rho_{XY} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times 575.06 - 9.14 \times 353.12}{\sqrt{5 \times 24.89 - (9.14)^2} \sqrt{5 \times 25721.18 - (353.12)^2}}$$

$$= -352.2 / 400.06$$

$$= -0.87$$

So the correlation between Education loan and business loan is high degree negatively correlated.

### B. Correlation Between Business Loan and Foreign Employment Loan

Year(n)	Business Loan (X)	Foreign Loan (Y)	$X^2$	$Y^2$	XY
2065/66	94.64	0	8956.73	0	0
2066/67	65.36	7.17	4271.92	51.41	464.63
2067/68	58.03	9.95	3367.48	99.01	577.39
2068/69	67.10	7.04	4502.41	49.56	472.38
2069/70	67.99	8.01	4622.64	64.16	544.60
n=5	$\sum X = 353.12$	$\sum Y = 32.17$	$\sum X^2 = 25721.18$	$\sum Y^2 = 264.14$	$\sum XY = 2059$

$$\rho_{XY} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times 2059 - 353.12 \times 32.17}{\sqrt{5 \times 25721.18 - (353.12)^2} \sqrt{5 \times 264.14 - (32.17)^2}}$$

$$= 1064.87 / 1066.61$$

$$= -0.99 \sim -1$$

The investment look perfectly negative correlated.

### **4.3 Problem Findings**

#### **A. Reaching with poor and neediest in remote hill and mountain is lacking**

There are many microfinance institutions (MFIs) that cropped up in recent years. Most of them are concentrated in areas which have easy proximities to market and also have high density of population. They have not been able to build up right approach to outreach the neediest people. Often they have the tendency to serve less poor and less vulnerable groups. The institutions do not have right culture and mindset to serve the poorer first. Most MFIs do not feel comfortable to launch services to the deprived groups of the far flung areas in the country. As a result, the poorest of the poor and the vulnerable groups of hills and mountains have not been benefited from the services of MFIs. MFIs think that they cannot penetrate the remote areas due to higher costs involved in loan administration. They have the prejudice that they cannot operate in remote areas, without subsidy or grant support for operating cost from the government or donors until they attain operational self sufficiency. Lack of market for products and very limited economic activities due to low density of population have posed problem to the financial institutions to expand their operations in the remote hills and mountains. Likewise, low level use of suitable agriculture technology is another problem in promoting microfinance in the geographically remote areas. Lack of alternatives to subsistence farming is also hindering microfinance services in these areas. Moreover, market for the agricultural products is constrained due to high transportation cost.

#### **B. Inequality, Entrust, Insecurity and Political Instability**

An increase in inequality between the incomes of the rural poor and the urban rich also hinders the poverty reduction and growth prospects. Funds are more attracted in the areas where return to capital is higher and/or cost of lending is lower. This creates budget insufficiency among MFIs to reach the ultimate poor living in the remote corners, which are left out. The poor in the market areas where the loan funds could be turned over in quick successions easily absorb the limited funds. At the same time many MFIs are losing their trust and run away with high amount of member's deposit. That has lost people's trust for Microfinance specially for saving and credit institutions. Even though the Maoist insurgency is over, insecurity still prevails all over Nepal especially in the Eastern Terai due to the political instability and the activities of a few political groups, and terrorists' outfits. The criminal groups operating in Nepal-India border areas are also taking benefits of this volatile situation and looting money from the financial institutions. There have been constant threats and intimidation to the MFI staff working in the Terai districts. Continuous *bundh*, strikes and *chakka* jams also have paralyzed the

business prospects of the microfinance clients and the movement of MFIs' staff to their target groups.

### **C. Inactive Member**

Active members and clients are the corner stone for the success of a cooperative. In the cooperative where member are active, united and understand their roles and responsibilities, they themselves advocate for their organization and abide by cooperative by-law and policies. The active members are regular in depositing savings, loan payment and participate actively in different activities of the cooperative. The experiences have shown that regular member education program and interaction program help to educate the members on their roles for smooth functioning of an organization. The program help aware member that they are the owner of the organization and encourage them to increase their participation in purchasing share, depositing savings, paying loan regularly and day to day management of the cooperative. The member education/interaction program will be a good forum to collect feedbacks for improving organization's policies, program and products. However, many cooperatives in Nepal lack effective members' education and interaction program.

Member sensitization, cooperative education, internal resource generation, training and social & community development programs should be implemented along with credit activities so that feelings of ownership by members can be increased. The more member participation in cooperative for generating internal resources the more they will be active in day to day management of their institution. The active participation of member in generating capital and other resources increase the feelings of ownership and member participation in day to day operation of a cooperative. The cooperative act and principle, envisioned that it should be owned and managed by the members. However, cooperatives in general and program promoted cooperatives in particular have very weak feelings of ownership, which is the major cause of dormant cooperatives'.

### **D. Weak Governance and Management**

Cooperative is governed by an elected or appointed representative body of the members who are the owners with social or financial stakes in the institution. Governance is the process by which the representative body usually called either as Board of directors or managing committee guides an institution through management in fulfillment of its mission and objectives. The board of directors is

accountable to the shareholders who entrusted them with the responsibility of fulfilling the institutions mission and objectives.

The Cooperative Act has made the provision of BOD and other committees divides areas of authorities and responsibilities to maintain check and balance and to ensure effective management and good governance of the cooperatives. The BOD is accountable to the GA and is responsible to hire manager and staff for the day to management and operation of the society. The BOD formed policies, strategies and plan and implement them through staff. The board is responsible for the overall management of the cooperatives. The act has authorized ASC to perform quarterly internal auditing and supervising the day to day function of a society. The ASC maintain proper checks and balances to control fraud. It reviews all the decision made by BOD and other committee, and checks whether it is made as per policy and best interest of the society and members. If ASC finds irregularities; it advices the BOD for the corrective actions. If the BOD doesn't take required action to correct irregularities or mistake, it can call the GA and presents the findings to the members. The GA can decide to take required action to the BOD or any board of director. Therefore, for the long term sustainability of a society, the cooperatives should have a strong ASC.

The BOD and staff need commitment to bring positive change in the society. The management is responsible to formulate and implement plan and provide better services to member in competitive price. In good performing cooperatives, both management and ASC member are active and committed to manage the society. ASC in most of cooperatives is defunct and board is not active in managing and governing the cooperatives.

#### **E. Inadequately Trained Human Resource**

Cooperatives need trainings and Technical Assistances (TAs) support to impart knowledge and skills for managing the organisation in professional way. Cooperatives need training in three levels: cooperative education/ financial literacy to members, technical training to staff - In the areas of cooperative management, financial management, bookkeeping, business planning and training to BoD- In the areas of cooperative management, managing meeting, good governance etc. Most staff of cooperative is hired locally. There are both advantages and disadvantages of hiring staff from the business areas of cooperatives. It was expected that the

local staff are familiar with local context, they know the credit worthiness of the members and they operate office in the appropriate time of the members. Once business volume and membership size of a cooperatives cross certain thresh hold; it should either upgrade skills of existing BoD and staff or recruit competent staff and BoD. If it is not possible to upgrade the competency level of current manger by training and exposure to catch up the pace of the growth of the institutions, cooperatives must look the competence staff from outside. Only professional manager could handle the complexity of managing financial institutions after certain level. However, on the one hand cooperatives are not giving emphasis to trained BoD and staff and on the other quality training facilities are not available.

#### **F. Lack of Business Plan**

Most of the cooperatives lack business plan; those who have business plan don't apply it for day to day operation and evaluation of the performance of cooperatives. Active participation of BoD and management is a must to make a realistic business plan and to make them responsible to implement it. Some cooperatives prepare yearly plan and budget to be presented in GA but lack effective implementation and review of the performance. Most of the cooperatives have not given any target to staff and there is no systematic review of performance of staff. Staff salary and benefit are not linked with loan portfolio and other performance.

#### **G. Weak MIS Reporting and Performance Standard**

Accurate and appropriate financial information generated through monitoring and information system strengthens management decision-making and is essential for achieving efficient operations. Equally important is the ability to provide financial information, according to recognized standards, to donors, commercial lenders, depositors and supervisory authority. This determines whether an institution can gain access to sources of funds needed for expansion. Without such information, banks will not consider an institution credit worthy nor will regulators consider it sufficiently sound for deposit taking. Good financial reporting is therefore essential for leverage and outreach.

Most of the cooperatives lack appropriate MIS. Some cooperatives produce MIS report, however, report is neither compare with target nor take necessary

corrective action to improve performance. Many cooperatives don't produce report on timeliness and accurate manner. Most of them do not delegated authority and responsibilities and has not developed the performance evaluation system to evaluate the performance of manager and other staffs.

## **H. Absence of Targeting**

Experiences showed that women owned and managed cooperatives have good performance and have strong financial health. The women are regular in meeting, savings deposit and loan payment. Beside a few successful cooperatives, most of other cooperatives are accepting membership when they approach the society. The greatest challenges of the cooperatives lie at expanding services to the poor. Extensive research demonstrates that poor saves even in the absence of financial instruments. They must save, if they are to meet inevitable cash demands generated by their family emergencies and cyclical expenses. Effective savings instruments can enhance financial management by poor clients and ultimately increase the productivity of their limited assets. Offering poor families effective mechanism for financial savings can have greater potential outreach than does credit. The poor can be provided small credit when they accumulate some amount of savings. However, Most of the cooperatives don't have targeting membership expansion plan and they don't have information of membership on the basis of gender and socio economic strata.

## **I. No Emphasis on Risk Assessment and Management**

Risk management is the process of managing the probability or the severity of the adverse event to an acceptable range or within limits set by an organization. Risk management is a complete set of policies and procedures which organizations have in place to manage, monitor and control their exposure to risk. A cooperative should have clear policies, procedure and strategies to manage credit risk, liquidity risk, market risk, operational risk, strategic risk, governance risk, reputation risk and regulatory and legal compliance risk to be sustainable and provide service to members on continuous basis. Good performing cooperatives have taken different measures to manage risks such as segregation of duties, loan approval limits, two people holding the keys of safe with double lock system and putting limit of cash in vault. However, most of the cooperatives lack clear strategy of identifying and managing risks and written policy on risk management. The cooperative act has

made the provision of ASC and authorized the committee to supervise activities and ensuring that the fund of cooperative are invested properly, there is no abuse of authority and misuse of fund. However, the ASC in most of the cooperatives are defunct.

#### **J. Weak Portfolio Management**

Cooperatives are mostly servings to those who do not have access to formal financial services and disadvantaged people. Serving to the poor has proved that poor pay loan if institution care them. Repayment of loans depends fundamentally on factors within the control of the lending institution such as reliability and quality of loan service, communication of clear repayment expectations, administrative efficiency and the development of close, almost personal, relationship with clients. Therefore, cooperative must provide services to members on efficient manner. They must prepare detail portfolio report on monthly basis and BoD must follow up on the progress made on recovery of delinquent loan on monthly basis. Cooperatives management must decide to classify loan and make provision by Central Bank of Nepal. After classification of loan cooperatives must have clear strategy to follow up and recovery of delinquent loan. Experiences have shown that design of product and methodology determines the loan repayment performance. However, most of cooperatives lack skills of designing products and they lack up to date information of portfolio.

#### **K. Nonexistence of Staff Performance Evaluation of an Incentive System**

Staff motivation is very important for the success of the cooperative and its program. Cooperatives are mostly run by community members and most of them are not adequately educated or trained to run societies. Therefore motivated staff is a key for the success of a cooperative. Successful institutions provide incentives to staff, such as monitory incentives and opportunities for growth. However, most of the cooperatives do not evaluate staff performance and incentive is not linked with performance.

## **L. Ineffective Regulation and Supervision**

Prudential regulation is essential for institutions that capture savings from the public. For cooperatives, the issues of regulation is particularly complex; not only in establishing regulatory norms but also in deciding which agencies are capable of supervising them effectively. Department of cooperatives are not sufficiently equipped to supervise and regulate cooperatives. Advocates have argued that cooperative need much less stringent than those for commercial banks. Federations could be an alternative to supervise cooperatives but they are not strong enough for the job.

## **M. Increased Duplication**

There are tough competition among cooperatives, microfinance banks, commercial banks and financial institutions in the accessible areas and duplication of services is major concern. A single member borrowed money from different institutions. Excessive borrowing may have adverse effect on quality of loan and long term sustainability of a cooperatives and financial institutions. Many tiny cooperatives are operating in a VDC, whereas a single cooperative can serve all the households in the VDCs and even neighboring VDCs. Number of cooperatives operating in the country is more than we need or we can manage.

## **CHAPTER 5**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

About 26% of the total population of Nepali lives below poverty line. Nepal living standard survey 2011 pointed out that 22% of the population captures 84% of the resources whereas the remaining 78% of the population is stuck with only 16% resources. Nepal's human development remains among the lowest in the world. United Nations Human Development Report (HDR) 2011 ranked Nepal in 157 positions out of 187 countries.

In recent years, micro-finance has proven to be an effective and popular measure in ongoing struggle against poverty. It has been successful in achieving two major development goals: reaching to the large numbers of poor and achieving sustainability. Impact studies of cooperative model have revealed that the programs have helped borrowers come out of poverty. However, access to rural people of Nepal in institutional credit is less than 30% and rest has to depend on informal credit market at exorbitant interest rate.

The community based cooperatives model of financial services has been proven an effective model for providing financial and non-financial services for the poorest community living in the hills, mountains and rural areas. Cooperatives are defined as a community based, member owned, managed and controlled organization. Cooperatives are structured for the sole purpose of providing desired service to members and each member is an owner, shareholder, decision-maker, and client. Therefore, a cooperative can tailor its policies and services specifically to meet the needs of its members in isolated villages of Nepal. Cooperatives operate under the guidelines of seven widely accepted principles prescribed by International Cooperative Alliance. These principles serve as the foundation for good cooperative management.

Micro finance program may not be sustainable in the long run, if the interventions are implemented in one part of the financial system only. Linkages to financial and non-financial services are necessary for the smooth functioning and sustainability of MFIs and empowerment of clients. Cooperatives provide both financial and non-financial services in cost effective way. Therefore, cooperatives services could be more sustainable than services of other financial institutions.

## **5.2 Conclusion**

Cooperative model has been proven effective in providing financial and social services for the poorest community living in the hills, mountains, tarai and rural areas. The cooperative movement has helped in creating institution of community for providing sustainable services in the community. It helped in employment generation, increasing income of members, improving health, education and sanitation condition of members and their families, women empowerment, improving physical infrastructure and overall development of society where it operate.

High recovery rate, low amount of overdue loans and interests in arrears, increase in share capital, increase in number of women and decrease in number of inactive members along with efficient and honest BoD and ASC indicate the better performance of a cooperative.

## **5.3 Recommendation**

In order to lessen the performance analysis, relationship calculation and observation, problems and overcome the challenges, the study makes the following recommendations for the consideration of the policy makers, the practitioners and the other stakeholders.

1. For reaching the poorest of the poor it is necessary to expand services to far flung remote areas and deepen the services down to them. The fund cost in Nepal is cheapest in Asia, which is only 5-6% as compared to India and Bangladesh where the fund cost of MFI is around 11%. MFIs in Nepal with this margin can still have some profit in providing microfinance services to the poor. MFIs specially the larger ones should change their mindset and gear up their programs towards far remote districts. However, they have to devise low cost model such as using mobile team to disburse and collect loans, monthly repayments etc. MFIs need to go to the deprived areas as their potential market and take necessary steps to design models suitable to

address the needs of the people therein and reduce cost of operation to the possible extent and realize profit within a certain timeframe.

2. With the growth of MFIs, it is needed to have matching number of institutions that can provide capacity building training to the MFIs. The government should come up with programs providing capacity building of the new MFIs such that they could develop professionalism and provide quality Microfinance services to the poor. It should also encourage institutions to continue their MFI-capacity building activities with provision of the required funds to support such activities.
3. It is also essential to maintain peace and security in the country in order to provide security to the MFIs, which would be stationed at remote locations for providing microfinance services to the poor. HJBTRSS has been giving its high priority for token loan since last year. Token loan is high interest loan with 18 percent interest. So, cooperatives looks more profit earning than service providing to the poor.
4. The 'will' to carry out MF services alone is not sufficient if the MFIs do not have expert hands at work. The staffs must have professional knowledge and skills to provide quality services to the poor. The MFIs have courage to carry out their duties but many of them lack a matching pool of knowledge and skills required for expanding and expediting their MF programs. Therefore, it is suggested to give more focus on developing professional skills to the staffs of MFIs.
5. The MFIs should be given legal authority to collect savings deposits from the clients as well as non clients in the remote districts to cultivate savings habits among the local people and also to raise internally financial resources generated by MFIs. The larger MFIs should be allowed by NRB to raise deposits from the non members to a certain limit. However, they should not be allowed to operate banking counters as the commercial banks.
6. In order to avoid staff corruption and racketing, MFI top management should be vigilant and watchful of staff behavior and relationships with clients and other vested interest groups. To this effect, they need to avoid duplication and overlapping of loans with other MFIs. They have to come up with required products and sizes of loans to address the needs of their clients. They also should pay attention to improving follow ups and checking of branches and clients.

7. The Nepal Rastra Bank should allow expansion of area coverage to the licensed FINGOs and the new MFIs to operate in districts which have thin coverage of microfinance and restrict new operation of MFIs in the overcrowded urban centers and Tarai districts. For Example, with in Bhimeswor Municipality, there are more than 25 cooperatives. More cooperatives are qued in registration process. That would be great if they goes in Thami area in Suri, Khare & Alampu which are more remote than Bhimeswor.
  
8. HJBTRSS & SMBTRSS both are namely multipurpose. But both of them are investing for profit earning area rather than community livestock development program. The cooperative has to take some social responsibility for children, women welfare, social development, education and so on. They must have to raise their activities for such kind of work.

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- *Improving Access to Finance Problems and Prospects of Cooperative Sector in Nepa* Mr. Nav Raj Simkhada: Microfinance and Cooperative Specialist

### Website links

- Website of Department of Cooperatives: [www.doce.org.np](http://www.doce.org.np) ; Consultative Group to Assist the Poor: [www.cgap.org](http://www.cgap.org); World Council of Credit Union: [www.woccu.org](http://www.woccu.org); International Cooperative Alliance: [www.ica.org](http://www.ica.org)
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- <http://www.financialnepal.com/articles/display/micro-finance-in-nepal:-problems-abound>
- <http://www.nefscun.org.np/index.php?page=content&id=10>
- [http://www.deoc.gov.np/downloadfile/broucher\\_1333869491.pdf](http://www.deoc.gov.np/downloadfile/broucher_1333869491.pdf)

## APPENDIX I QUESTIONNAIRE

**Dear Sir/Madam,**

This is to bring your kind information that this is an attempt to identify the Impact studies of Cooperative model: A study of Microfinance institutions in Nepal for the partial fulfillment of Thesis required for MBS degree, TU. You are kindly requested to fill up the following questionnaire with the best answer in your view. I would be grateful to you for the contribution of your valuable time and effort.

*Respondents:*

Name : .....

Sex: M [ ] F [ ]

Cooperative : .....

Position (Optional): .....

*Please tick the best answers.*

1. Why do the cooperatives are numerically and qualitatively growing up?
  - a) Member's interest
  - b) Interest of board of management
  - b) Government interest
  - d) All
  
2. To what extent the loan priority sector impacts for the saving scheme?
  - a) High
  - b) Medium
  - c) Low
  
3. What factors should be considered for reaching microfinance program for poorest of the poor?
  - a) Legal Restriction
  - b) Targeted community readiness
  - c) Cooperative capacity
  - d) All of above
  
4. What is the major motive of interested earning in your cooperative?
  - a) Cooperative sustainability.
  - b) Profit Making
  - c) To fulfill the member's expectation.
  - d) All of above
  
5. What are the saving schemes provided in your cooperative?
  - a) Dally Saving
  - b) Monthly saving
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  - d) Many other



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- a) Dally Saving
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  - c) Optional saving
  - d) Many other
6. Nepali community is losing their trust for saving and credit cooperative these days. Do you agree?
- a) Yes
  - b) No
  - c) Don't know
8. Cooperative program has highly impacted to its members economic life. Do you agree?
- a) Yes
  - b) No
  - c) Don't know
9. What would you like to suggest to other cooperatives for better influence for targeted membership?
- a) Better government low and policy
  - b) High emphasis for social development work
  - c) Cooperative education
  - d) All of above
10. What are the expectations for people to be member of your cooperative?
- a) Loan in low interested rate
  - b) Good will of the cooperative
  - c) Saving productiveness
  - d) Better management

*Thank You.*