SUSTAINABLE MICROFINANCE SERVICES: A CASE STUDY OF SAVINGS AND CREDIT CO-OPERATIVES PROMOTED BY SLUM DWELLERS IN THE KATHMANDU VALLEY

A Thesis Submitted

To the Faculty of Humanities and Social Sciences

Central Department of the Rural Development

For the Requirements of the Partial Fulfillment of

Master of Arts

in

Rural Development

Submitted By:

SULOCHANA DHAKAL

Exam Roll No: 281129

Registration No: 9-2-447-63-2007

Centre Department of Rural Development

Tribhuvan University

Kirtipur, Kathmandu

December, 2017

RECOMMENDATION LETTER

This Thesis entitled **SUSTAINABLE MICROFINANCE SERVICES: A CASE STUDY OF SAVINGS AND CREDIT CO-OPERATIVES PROMOTED BY SLUM DWELLERS IN THE KATHMANDU VALLEY** has been prepared by **Sulochana Dhakal** under my guidance and supervisor. I hereby forward this thesis to the evaluation committee for final evalution and approval.

……………………........

(Prof. Dr. Prem Sharma)

Thesis supervisor

Date : 2074-09-13

December 28, 2017

Letter of approval

This thesis entitled **SUSTAINABLE MICROFINANCE SERVICES: A CASE STUDY OF SAVINGS AND CREDIT CO-OPERATIVES PROMOTED BY SLUM DWELLERS IN THE KATHMANDU VALLEY.** prepared and written by Mrs. **Sulochana Dhakal** has been accepted as the partial fulfillment of the requirements for the Degree Master of Arts in Rural Development by the thesis evaluation committee.

Thesis Evaluation Committee

…………………………….

Prof. Pushpa kamal Subedi

(External and Head of the Department)

……………………….

Prof. Dr. Prem Sharma

(Thesis supervisor)

Date: 2074-09-30

(14 Jan,2018)

DECLARATION

I hereby declare that the thesis entitled **SUSTAINABLE MICROFINANCE SERVICES: A CASE STUDY OF SAVINGS AND CREDIT CO-OPERATIVES PROMOTED BY SLUM DWELLERS IN THE KATHMANDU VALLEY** submitted to the central department of Rural Development, Tribhuvan University, is entirely my original work prepared under the guidance and supervision of my supervisor. I have made due acknowledgement to all ideas and information borrowed from different sources in the course of preparing this thesis. The result of this thesis have not been presented or submitted anywhere else for the award of my degree or for any other purpose. Assured that no part of the content of this thesis have been published in any from before.

……………………

Date 2074-09-13 Sulochana Dhakal

December 28 TU, Regd.no.9-2-447-63-2007

ACKNOWLEDGEMENTS

I owe a special measure of gratitude to Prof. Dr. Prem Sharma my thesis supervisor, for his able guidance and constant inspiration in conducting this study. I am extremely grateful to all faculty members of Central Department of Rural Development of University campus Kirtipur.

I am indebted to other family members for their understanding and patience, without which I would not been able to devote long hours for this thesis work. My parents support has been immense value. I am thankful to my friends helping me during the field works.

Sulochana Dhakal

Jan 14, 2018

ABSTRACT

This present thesis is mainly focus on Saving and Credit Co-operatives promoted by slum dwellers in the Kathmandu municipality which deals with income, expenditure and saving process of the area. The research has been carried out to find out economic status of local residents. The research is exploratory and descriptive in nature. Mainly three groups are mentioned and researched as sample for the study on the matter i.e Pragati Mahila Samuha, Nava Deep Jyoti and Gyan Jhoti Mahila Samuha. This study mainly based on primary data as well as secondary data. Primary data were collected from face to face interaction through questionnaire, checklist and observation. Secondary data were collected from different journal, newspaper, website, research paper and municipality profile sources and so on data was aggregated to facts and numerical.

Slam dwellers area is a sample area to find out individual's income , expenditure and saving process. Saving habit of the local people helps to promote economic standard.The local people has developed saving habit for future purposes. It shows there is positives social impact on saving and credit co-operatives. Although less people are educated, there have concepts of saving for future.

Concluding the research, it can be said that there is various potentiality of saving and credit co-operatives. Some of the problem exist in the area regarding saving in the area such as lack of information , low income, and internet problems. However ,they can be minimized by proper management of different activities and resources.

TABLE OF CONTENTS

CHAPTER TWO

CHAPTER THREE

List of Figures

List of Tables

ACRONYMS

ACCU	Asian Confederation of Credit Union
ADB/N	Agricultural Development Bank in Nepal
BDS	Bachelor of Development Studies
BoD	Board of Directors
BWP	Banking With Poor
CB	Commercial Bank
CECI	Center For International Studies and Cooperation.
CED	Centre for Empowerment and Development
CGAP	Consultative Group to Assist the Poor
CMF	Centre for Microfinance
CSD	Centre for Self-help Development
DEPROSC	Development Project Service Centre
FINGO	Financial Intermediary Non-government Organizations
FSS	Financial Self Sufficiency
FY	Fiscal Year
GBB	Gramin Bikas Bank
HDI	Human Development Index
HMG/N	His Majesty Government of Nepal
IBP	Intensive Banking Programme
ICT	Information and Communication Technology
MBS	Master in Business Studies
MCPW	Micro credit Project for Women
MCSC	Micro Credit Summit Campaign
MDGs	Millennium Development Goals
MF	Microfinance
MFI	Microfinance Institutions
NEFSCUN	Nepal Federation of Saving and Credit Cooperative Unions Limited
NGO	Non Government Organizations
NRB	Nepal Rastra Bank
OSS	Operating Self Sufficiency

PCRW	Production Credit for Women
RMDC	Rural Microfinance Development Centre
ROSCA	Rotating Saving and Credit Unions
RSRF	Rural Self Reliance Fund
SCCs	Saving and Credit Cooperatives
SFCL	Small Framer Cooperative Limited
SFDB	Small Framer Development Bank
SFDP	Small Farmer Development Programme
UNDP	United Nation of Development Programme
WOCCU	World Council of Credit Unions

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The poverty reduction rate is low in Nepal because of low per capita income, concentrated urban growth and high population growth rate. Out of the population of 23 million, 31 % are living below the poverty line and out of this 3% and 15% of those households are covered under microfinance (Microfinance summit 2010). Most of the slum dwellers live in urban areas and they have limited access to financial resources and little opportunities to make use of financial services. Microfinance will help its members by provide access to financial resources, poor people who have no collateral can now make use of financial services and can get business opportunities to start new entrepreneurial activities from which they can generate employment and increase their income.

Although many programs have been implemented for poverty reduction in Nepal, microfinance programs in particular seem to be a poor targeted program, and will directly address the financial need of the poor.

Microfinance has evolved as economic development approach intended to benefit low-income people. According to Mr. Ledgerwood Jonnal (2000) the term Microfinance (MF) refers to the provision of **financial services** to low-income members, including their self-employment. Financial services generally means saving and credit services, however some microfinance organizations also provide micro-insurance and money transfer services to its members.

Microfinance provides financial services to poor and low-income households that have access to economic opportunities. This service develop the habit of saving among its members and allows house-hold and micro-enterprise to keep assets liquid and respond to the economic change by providing loans to its members without collateral in the guarantee of its group members.

Through microfinance has a positive impact on the local economy by developing micro-enterprises, creating jobs opportunities and increasing in income of household through promoting micro-enterprises, supply of goods and services to low-income populations this help to increase the productive use of capital.

Within Nepal there are a wide range of institutions activities in the microfinance sector, each with its own way of providing financial services access to the poor. Some microfinance specialists and writers distinguish between the so-called informal and formal sectors.

1.2 Focus of the Study

In the Human Development Index (HDI) Nepal ranks 145 out of 182 (Human Development Report UNDP, 2014) for a country like Nepal, on the low end of the HDI, sustainable Microfinance plays the important role. Since the Nepal economy is rural based. Most of the people who are settled in the rural and slum area have very low access to the financial services and because of this they are not able to utilize their entrepreneurial skills. The objective of the microfinance is to provide financial access to these people when there is no access of the financial services or have limited access to the financial services. Since microfinance is providing financial access to its members, those who don’t have access to financial resources, and develop the habit of saving among its members. So the entrepreneurial skills of individual microfinance members need to be developed in order to transfer their microfinance institution into success. Small scale rural enterprise should be involved in production, processing and other value added activities with reliable chain of demand and supply mechanisms. Microfinance providers should provide linkage to their members and in doing so the microfinance providers can be effective tools to uplift the economy and build wealth of individual members.

The study of sustainability of the microfinance organizations plays an important role. The interest rate that the micro finance institutions are charging must be calculated in a systematic manner which must be high enough to cover all the expenses of the institution. Micro finance organization performs best when their services are combined of successful practices from informal and formal financial institutions. Only sustainable interest rates are not enough for MFI’s, saving account offered to the poor must have numerous advantages like safe place to keep money and easy access to it when needed. So an effective saving service should offer Security, Liquidity, Convenience and Competitive returns because sustainable interest rate is the rate at which the institution will be sustain all the expenses of the organization will be covered from its own earning. Having sustainable interest rate is not enough for providing sustainable services in the society SCCs must be able to utilize its savings collected from the members in a safe portfolio, with sustainable interest rate, with efficient staff who can give the good outreach for sustainability of the SCC.

Hence the entire study is focused on the outreach, sustainable interest rates, portfolio quality and efficiency of the staff working in the SCCs.

1.3 Statement of Problem.

In today's context, microfinance service providers have been emerging as mushrooms. There are around seven thousand saving and Credit Co-operatives (NEFSCUN) (SCCs) working in Nepal. Only some of the SCCs are able to provide sustainable microfinance services to its members. To improve the economic condition of the members associated with the SCCs, hey should be able to provide effective credit services as well to their members. To be an effective microfinance service provider the SCCs should be Flexible, Quick, Ready to provide services, provide Collateral substitutes, Beating the Competition, provide Appropriate products and Easy accessible.

Saving and credit co-operatives are growing with the several reasons, they promise to reach to the poor and microfinance activities that can support income generating activities for enterprises and offering opportunities to the low income households. To provide these services SCCs must try to reach the point of becoming sustainable themselves.

An institution is said to be financially sustainable when it generate sufficient income from its financial services and investment activities to cover its operating expenses and to mention its real value of its equity. To be a sustainable organization all the effects of subsidies in Cash and in kind have to be removed from the statement, only revenue from ongoing financial services without donor supported services should be analyzed to find out the sustainability of the SCCs. Some of the organizations do not do this to find out the sustainability. The financial sustainability check will help to determine how profitable the SCCs are and help to understand elements of financial performance. Outreach analysis, Sustainable interest rate analysis,

- What is the outreach of the SCCs? Are the SCCs serving all the potential members in the society?
- Are the SCCs under the study area sustainable? Will it be able to provide the sustainable services to its members in the future?
- Is the staff working in the SCCs efficient enough? Are the staff providing services in an efficient manner or not?

1.4 Objective of the Study

The general objectives of the study is to analyse role of co-operatives in charging livelihood and saving of people especially in economy growth and proper utilization of saving in sukumbasi. The specific objectives of the study are

- To analyze the economic status of study area.
- To analyse the saving standard of local people.
- To determine the investment area of SCC.
- To encourage local people to have saving for future purpose.

1.5 Justification of the Study

LUMANTI initiated microfinance programs in 1996 with the formation of three women savings and credit groups in the slums and informal settlements of Kathmandu to provide them livelihood opportunities with the believe that saving money is a key tool in empowering and developing poor urban communities. Without reliable means of saving, many people have to sell their assets or borrow at high interest rates to meet their expenses. LUMANTI interacted with these communities and encouraged at least one woman from each household to join in a savings and credit group.

In 2002, some of these groups decided to combine their resources into a formal cooperative to ensure their sustainability. Due to legal restrictions, three different savings and credit cooperatives (SCCs), one each in Balaju, Boudha and Baneshwor, were promoted representing people from five no more than five adjoining wards..

So this study will be focused on analyzing these SCCs from different prospective Outreach, Sustainable interest rate, By analyzing this report will justify weather the work done by LUMANTI is appreciate-able or it is just wastage of resources and time, this report will also provide suggestions and recommendation to the SCCs for future improvement of the SCCs.

1.6 Limitation of the Study

This study is focuses on the selected SCCs which are managed by the slums and squatter dwellers in the Kathmandu valley and promoted by LUMANTI. The limitations of the study are as follows.

- The study covers only selected number of Savings and Credit Cooperative.
- Only five years data have been taken for the analysis.
- The research is based on information provided by the organization and published on the annual report of the organization.

1.7 Organization of the Study

The study report has been organized in five chapters;

Introduction This chapter deals with Background of the study, Focus of the study, Statement of the problem, Objective of the study, Justification of the study and limitation of the study. Review of literature and conceptual framework.

Review of literature This chapter deals with conceptual review, Concept of microfinance, Concept of Sustainability, Historical evaluation of Microfinance in Nepal, Co-operative as a micro finance Institution, Research review and Review of articles.

Research Methodology This chapter deals with Nature and source of date and Method of data analysis.

Data analysis and Presentation This chapter deals with over view of SCCs under the study area, Outreach analysis, Portfolio quality and efficiency of the SCCs.

Summary Conclusions and Recommendations This chapter deals with Summary Conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF LITERATURE

2 Introduction

This chapter consist the conceptual framework, research review and relevant theories for the analysis of the study. The former section reveals the relevant aspect of the study and later one deal with research article in the related topics published in different national and international journals by different authors.

2.1 Conceptual Review

This section comprises of general concept of Microfinance, Definition of the microfinance, Basic principle of microfinance, concept of outreach, Concept of sustainability, Principle of sustainable microfinance, Sustainability of SCCs, Historical evaluation of Microfinance sector in Nepal.

2.1.1 Principles of Sustainable Microfinance

Microfinance is the provision of financial services to the poor. This involves small amounts of savings, credit, insurance and money transfer services. There is significant net demand for financial services in many areas of the developing world, especially in rural areas. The formal banking system has so far been unable to fill the gap, even for the core services of safe savings and short-term credit for both productive activities and consumption. As a result a niche microfinance industry has emerged, and innovation and experimentation has led to success that has promoted the renewed interest and involvement of the commercial banking sector. A wide variety of methods have been used to reach these low-income communities with appropriate and affordable services, reflecting the diversity of contexts and environments in which these services are provided. While there are no specific methods that are appropriate in every context, there are certain principles that are recognized as good practice in delivering microfinance services. These principles are common to the range of institutions involved in the delivery of microfinance and reflect the fundamental principles of appropriateness and sustainability. The following is a summary of principles that are supported and promoted by the World Education Australia.

Microfinance services must fit the needs and preferences of clients

The delivery of appropriate financial services to low-income people requires a good understanding of their needs and desires. For example, loan sizes, terms and repayment frequency should match the affordability constraints of clients. Likewise, facilities for deposit collection and withdrawal should be accessible and convenient. A good understanding of these factors requires an ongoing investment in client research and feedback mechanisms, as it is the clients themselves that are best positioned to determine whether their needs and preferences are being met. Institutions should be willing to test new products, seek ongoing client feedback, and respond to client demands and preferences as required.

Microfinance is a powerful instrument against poverty

Access to appropriate and sustainable financial services enables the poor to increase incomes, build assets and reduce their vulnerability to external shocks. Microfinance allows poor households to move from everyday survival to planning for the future, investing in better nutrition, improved living conditions, and children's health and education. Microfinance products and services should be designed with clients' vulnerability and poverty context in mind, and those initiatives that have a poverty reduction agenda should measure and assess their performance in terms of poverty reduction.

Microfinance means building financial systems that serve the poor

In many countries, microfinance continues to be seen as a marginal sector and primarily a development concern for donors, governments, and socially responsible investors. In order to achieve its full potential of reaching a large number of poor people, microfinance needs to become an integral part of the financial sector. This requires the involvement of conventional financial service providers, regulators and related industry bodies.

Interest rate ceilings can damage poor people's access to financial services

The per unit costs involved in making many small loans are significantly higher than those associated with fewer, larger loans. Likewise, operating in high inflationary environments with weak financial markets, and engaging in uncollateralized lending to people living in remote areas, is considerably more expensive than collateralized lending to urban residents in a developed and stable economy. It is therefore not appropriate to compare interest rates and fees across countries, geographical locations, and clients. Unless microfinance providers can charge interest rates that are above average bank loan rates, they invariably cannot cover their costs, and their growth and sustainability will be limited by the scarce and uncertain supply of subsidized funding. When governments regulate interest rates, they usually set them at levels too low to permit sustainable microfinance. At the same time, microfinance providers must avoid setting a sustainable interest rate based on an inefficient operation as this results in operational inefficiencies and related costs being passed on to poor clients and may reduce the pressure on the provider to improve its performance. In order to avoid this situation, clear pricing policies and mechanisms should be in place and shared with stakeholders and founders to ensure that all parties can together monitor interest rates to ensure their appropriateness.

The importance of financial and outreach transparency

Because microfinance has a social agenda and involves a wide range of stakeholders, it is important that accurate and comparable information be available to monitor and assess the social and financial performance of programs. This information is required by bank supervisors, regulators, donors, investors and clients so that they can adequately assess the risks and returns associated with various providers and services. The microfinance industry is vulnerable to political interference because of its need to charge higher than usual levels of interest to poor clients. Transparent financial and outreach reporting can help to mitigate concerns related to unfair pricing of products

2.2 Concept of Microfinance

Microfinance plays a significant role in uplifting the economic condition of economically backward people living in the country. It is primarily concerned with saving and credit in the past but nowadays to be a complete microfinance organization it must provide the service of Saving, Credit, Insurance and money transfer. It can be a powerful tool of poverty reduction, which enables the poor to build assets, increase income level and reduce the vulnerability to economic weakness. It is estimated that in the South Asian region about

45% of all the people live that use microfinance services in order to raise their living standards (Patel, 2007)

The main challenge for microfinance service providers is to provide sustainable financial services to those ‘hard core’ poor. There are nearly one billion populations of people who are still lacking access to basic financial services, the goal of micro Credit Summit campaign (MCSC) is to reach 100 million of the world’s poorest families with credit for self-employment and other financial and business services by 2005.

2.2.1 Definition of Microfinance.

Simply defined micro finance refers to "the provision of financial services to the poor". However, many promoters and practitioners prefer a narrower, more specific definition. Sometime the definition is quantified (i.e., in terms of the size of the Loan). At other times, the purpose of the loans provided is specified (usually in terms if loans for self-employment activities that generate income). Definitions of microfinance (MF) differ between countries, organizations and programs. Some of the standard features of such definitions are:

- **Size:** Loan are micro, or Very small in Size,
- **Saving Services:** Savings services in-built as integral part,
- **Target Users:** micro-entrepreneurs and low -income households,
- **Utilization:** the use of funds not only for income generation, and enterprise development, but also for community use (health/education), etc.
- **Terms and conditions:** most terms and conditions for microfinance are flexible and easy to understand, and suited to local conditions of the community.

This leads to some defining MF in terms of the extension of financial services to "the unbankable" i.e., those households not served by mainstream banks.

Consultative Group to Assist the Poor (CGAP) has defined Microfinance as: Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks.

Poor people usually address their need for financial services through a variety of financial relationships, mostly informal. Credit is available from informal moneylenders, but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and other mutual savings societies. But these tend to be erratic and somewhat insecure. Traditionally, banks have not considered poor people to be a viable market.

Different types of financial services providers for poor people have emerged - non-government organizations (NGOs); cooperatives; community-based development institutions like self-help groups and credit unions; commercial and state banks; insurance and credit card companies; telecommunications and wire services; post offices; and other points of sale - offering new possibilities.

These providers have increased their products offered and improved their methodologies and services over time, as poor people proved their ability to repay loans and their desire to save. In many institutions there are multiple loan products that help in; providing working capital for small businesses, larger loans for durable goods, loans for children’s education and cover for emergencies. Safe, secure deposit services have been particularly well received by poor clients, but in some countries NGO microfinance institutions are not permitted to collect deposits.

Remittances and money transfers are used by many poor people as a safe way to send money home. Banking through mobile phones (mobile banking) makes financial services even more convenient, and safer, and enables greater outreach to more people living in isolated areas.

Financial services for poor people have proven to be a powerful instrument for reducing poverty, enabling them to build assets, increase incomes, and reduce their vulnerability to economic stress.

2.2.2 Basic Principles of Microfinance

Main objective of the microfinance is to provide financial services to the poor people that do not have access to the financial services. The following basic principles for providing microfinance are the following.

Cost per unit of service must be held low The cost per unit of service device must be kept low enough so that poor people can have access to the services delivered by the Microfinance institution.

Client friendly procedure There must be a variety of products in the SCCs so that members can select the products as their desire. SCCs must be able to offer different types of saving and loan products to its members.

Standardized, efficient procedure, To satisfy the members by providing standardized, efficient procedure SCCs must be guided by the policy and not by the Chairman or the staff of the SCCs. If the policies are effective in the SCCs then the services provided by them will be standardized and can be implemented efficient in the society.

Fees charged to cover cost. SCCs are registered in the society with the motto of providing services to the members not for charity and profit. To provide sustainable services in the society SCCs must charge some fees to the members for their services so that they will be able to cover the cost of the transactions.

Highly disciplined clientele and workforce, the members which are affiliated with SCCs must be highly disciplined in terms of repayment of the loan and saving and depositing in the SCCs on time. The work force of the SCCs must be well discipline in terms of financial matter and be efficient enough to provide services to the members in the society.

Concerned with impact of financial services on clients, only providing financial services to the poor is not the great work but they must also start analyzing the impact of the credit that is provided, which is very important. Financial services must uplift the living standard of the members by providing employment opportunities and increasing income of the members in the society.

2.2.3 key Operating Principles of Microfinance

Any micro finance organization that is operating in the society and has the desire to provide sustainable services in the society they must give emphasis on the following activities.

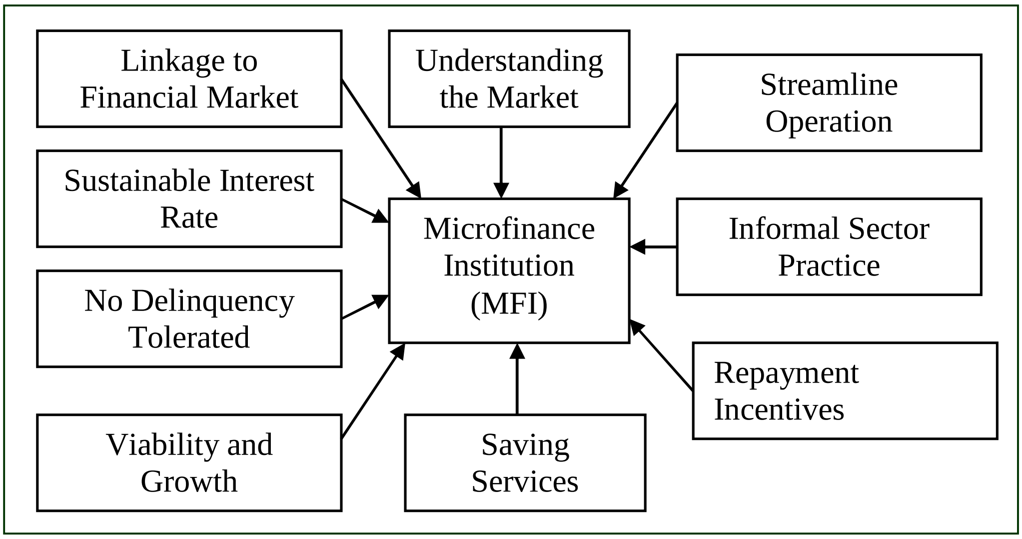
Understanding the market, before providing services in any society SCCs must be able to understand the demand of the members leaving in that society. To provide sustainable services in the society SCCs must be able to analyze the need of the members. It the SCCs provides the services to the members by analyzing the need then they can utilize the resources in the productive manner.

Straight-line operation, Straight line operation refers to the activities that are carried out by the SCCs and must be focused on equally treatment of every member in the society. There must be the policy in the SCCs it must be guided by the policies.

Informal Sector Practices, SCCs must be able to follow some of the practices that are followed by the informal sectors money lenders, the process must be short and easy enough, guided by the policy so that it will be easy for the members.

Repayment incentives, Members of the SCCs must be motivated to pay the loan back on time by providing some of the incentives to the members when they pay loan on time.

Figure 1: Components of key operating Microfinance



Source: - Microfinance distance learning course 2017.

Saving Services, SCCs must be able to provide different types of saving schemes in the society from which they can collect a huge amount of funds which will be an important part of the SCCs funds to invest in the society. Saving services provided by the SCCs must be safe, reliable and trust worthy in the society.

Viability and Growth, SCCs must be able to attain the level of viability in the society by providing different types of services from the organization and to attain the sustainability the organization must be able to analyses the outreach of the organization.

No delinquency rate, Delinquency is poison for financial organizations that are providing loans. So SCCs must be able to identify the proper portfolio before investing funds which have been collected from the members. All the investments made from the SCCs must be guided by the policy of the organization this in order to limit the risk loan delinquency.

Sustainable interest Rate, The interest rate charged by the SCCs must be large enough to cover the expenses of the organization. MFI’s are for providing services not for charity and profit. The interest charges by the SCCs must be large enough to cover the expenses of the SCCs. But SCCs should also consider that they should not out price themselves and become to expensive.

Linkage to the market, only providing financial services to the member is not enough. SCCs must have linkage to the market so that their members can sell their product in the market and earn return from the investment. In this way they will be able to pay interest and return the loan on time to the SCCs.

2.3 Concept of Sustainability

Sustainability is the ability of a micro-finance program to maintain its operations and continue to provide service to its customers or clients. A program is sustainable when internally generated revenues of the MFI are sufficient to cover all program expenses over long term.

2.3.1 Financial Viability

Financial viability refers to the ability of an MFI to cover its costs with its interest and fees. To be financially viable, an MFI cannot rely on donor funding to subsidize its operations.

To determine financial viability, self-sufficiency indicators must be calculated. There are usually two level of self-sufficiency against which MFIs are measured: operational self-sufficiency and financial self-sufficiency. If and organization is not financially self-sufficient, the subsidy dependence index can be calculated to determine the rate at which the MFIs interest rate need to be increased to cover the same level of costs at which the same revenue base .

Revenue is generated when the assets of an MFI are invested or put to productive use. Expenses are incurred to earn that revenue. To determine financial viability, to earn that revenue (Yield) is compared to total expenses. If revenue is greater than expenses, the MFI is self-sufficient. It is greater than expenses, the MFI is self-sufficient. It is important to note that only operating revenue (from credit and saving operation and investments) should be considered when determining financial viability or self-sufficiency. Donated revenue or revenue from other operation such as training should not be included, because the purpose is determine the viability of credit and saving operation.

Expenses incurred by MFIs can be separated into four distinct groups; financing costs, loan loss provisions, operating expenses, and the cost of capital. The first three expenses are the actual expenses that MFIs incur, while the last cost is adjusted cost that all MFIs must consider. Various adjustments are made to ensure that the MFIs financial statements adequately reflected total expenses

2.3.2 Two Levels of Self-sufficiency

As the microfinance industry matures, the definition of self-sufficiency has begun to narrow. A few years ago people spoke about three (or four) levels of self-sufficiency that MFI's should progressively aim to achieve. Some analysts consider an MFI to be operationally self-sufficient (Level one) if the revenue it generated from operations covered its operation cost, including Loan loss provisions, Reaching level two meant that an MFI generated enough revenue to cover financing cost, operating expenses, and loan provision. Level three (financial self-sufficiency) referred to revenue that cover non-financial and financial expenses calculated on a commercial basis "profit without subsidy" (Christen and others 1995)

Currently, most people in the microfinance industry refer to only two levels of self-sufficiency: operational self-sufficiency and financial self-sufficiency. However, the definition of operational self-sufficiency varies among different MFIs and donors. The difference in view is about what financing costs should be included. Whereas actual financing cost used to be included only in levels to and three (as above), some analysts include them in calculating both operational and financial self-sufficiency and some only in calculating financial self-sufficiency.

2.3.3 Operational Self-Sufficiency (OSS).

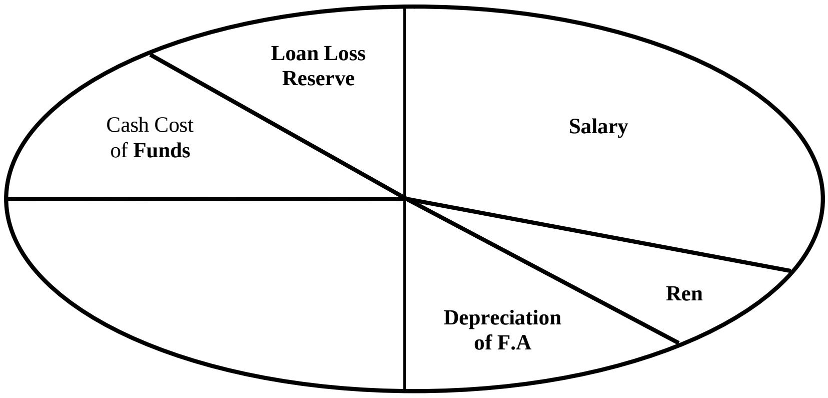
Operational self-sufficiency is defined as generating enough operating revenue to cover operating expenses, financing costs and the provision for loan losses.

Operational self-sufficiency thus indicates whether or not enough revenue has been earned to cover the MFI's direct cost, excluding the (adjusted) cost of capital but including any actual financing cost incurred.

Other MFIs argue that operational self-sufficiency should not include financing cost, because not all MFIs incur financing cost equally, which thus makes the comparison of self-sufficiency ratios between institutions less relevant. Some MFI funds all of their loans with grants or concessional loans and do not need to borrow funds – or collect savings and thus either do not incur any financing costs or incur minimal cost. Other MFIs, as they move progressively towards financial viability, are abeles to access concessional or commercial borrowings and thus incur financing cost. However, all MFIs incur operating expenses and the costs of making loan loss provisions, and they should be measured on the management of these costs alone.

Furthermore, MFIs should not be penalized for accessing commercial funding sources, nor should MFIs that are able to finance all of their loans with donor funds be rewarded. To increase its self-sufficiency, the MFI must either increase its yield (return on assets) or decrease its expenses (financing costs, provision for loan loss, or operating costs). It will be further clear from the picture below.

Figure 2: Components of operating self sufficiency



Source: - Microfinance distance learning course 2017.

2.3.4 Financial Self-Sufficiency (FSS)

Financial self-sufficiency indicates whether or not enough revenue has been encored to cover both direct cost, including financing costs, provisions for the loan loss, and operating expenses, and indirect costs, including the adjusted cost of capital.

The adjusted cost of capital is considered to be the cost of maintaining the value of the equity relative to inflation and the cost of accessing commercial rate liabilities rather than confessional loans.

Many MFIs funds their loans with donated funds and to continue funding their loan portfolio, they need to generate enough revenue to increase their equity to keep pace with inflation. (It the MFI was to operate with borrowed funds, the financing cost in the income statement would capture the cost of debt and the cost of inflation, because inflation only affect equity and not liabilities. Liabilities are prices by the lender to cover the cost of inflation, because the borrower in this case, the MFI repays the loan in the future with inflation currency. If it turns out that the rate of inflation is greater than the rate of interest on the loan, the leader loses money, not he MFI.) Furthermore many MFIs also access concessional financing (quasi-equity) at below-market rates. Consideration must be given to this subsidy and an additional cost of funds included, based on the MFI accessing commercial loans. Theoretically, this plus the MFIs on somewhat level playing field regardless of their funding structures (although this will vary depending on the degree to which the MFI is livered)

Ideally, MFIs move progressively towards achieving operational self-sufficiency first and then financial self-sufficiency. Often, as an MFI matures, it experiences increasing financing costs as it accesses market-rate funding, decreasing provisions for loan losses as it manages its delinquency, and decreasing operating costs as it become more efficient. (Financing costs are affected by changes in the cost of funds and the mix between debt and equity [grants, donations, and retained earning] in the MFI's funding structure. As increase in the interest paid by MFI or an increase in the debt portion of the portfolio funding (relative to donated equity) will increase financing cost. Each of this change affects the achievement of self –sufficiency.

2.3.5 Sustainability of the Saving and Credit Cooperative (SCCs)

Saving and credit cooperative (SCCs) are the Community Based microfinance service providers. Until and unless they are sustainable in the society they cannot provide sustainable services to their members. To obtain sustainability microfinance, organizations must pass though two different level of Self-sufficiency. Operational Self Sufficiency and Financial Self Sufficiency are the two different levels that the organization must pass through to obtain sustainability in the community. To obtain this sufficiency stage SCCS must charge the interest rate in such a way that will be big enough to cover all the cost of the organization.

2.4 Historical Evolution of Microfinance in Nepal.

The earliest initiatives for establishing micro-finance in Nepal date back to the 1950s, when the first credit cooperatives were established. For providing rural financial services, this was the first step. These cooperatives primarily intended to provide credit only to the agriculture sector. The next milestone was SFDP in 1975 within ADB/N. This program covers the entire country and aims to organize farmers into small groups to provide credit without collateral.

In 1981, NRB introduced the Intensive Banking Program (IBP) and compelled to the commercial bank to finance at least 7 percent on the priority sector, which was further increased to 12 percent in 1990. Now this compulsion is being phased out gradually.

In 1992, Grameen Bikash Banks were initiated by the government sector, crossing a milestone in rural micro-financing in Nepal and NGOs started Grameen banking activities in certain areas.

Table 1: Evolution of the micro-finance sector in Nepal

S.No	Evolution	Date
1	Credit co-operatives	1950s
2	Co-operative bank	1963
3	Small farmer groups	1970s
4	SFDP was established under ADB/N	1975
5	Commercial banks began to follow priority sector lending directives	1974
6	The IBP program tries to involve commercial banks in micro-credit	1981
7	Gender based micro-credit – PCRW	1982
8	Gender programs refined – MCPW	1994
9	Replication of Grameen Banking model	1992
10	Co-operative act was established to support the credit cooperatives	1992
11	Government-run MF programs - Bisheswor with the Poor, Women's Awareness program, government peace movement, etc.	

Source: - http://www.hotelnepal.com/nepal_news.php

Savings and Credit Groups

There are tens of thousands of unregistered SCGs in Nepal's, some of which are quite large even though they are not registered either as NGOs or co-operatives. The vast majority of these SCGS grew out of assorted development initiatives (literacy programs, water and forestry user groups, mother and child programs, etc.) into which a savings component had been introduced, if only to strengthen the likelihood that the group would continue to meet and be active, after the specific program intervention had been completed. Given the limited prospects of such smaller groups, and the problems that promoting agencies face in maintaining outreach to large numbers of scattered, small groups, considerable attention is being paid nowadays to mechanisms for federating and institutionalizing these groups.

Traditional Savings and Credit Groups

Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as a rotating savings and credit associations (ROSCAs), but known locally as Dhukuti or similar terms. These tend to be non-registered, but quite formally structured in terms of membership rights and obligations, etc.

2.5 ***Co-operative as* a *Microfinance Institution*.**

Since all the analysis is based on the cooperative microfinance I want to highlight the two main differences between co-operatives and other types of businesses, the purpose of a co-operative are to provide services to members. The international motto of the saving and credit co-operatives is "Not for profit, not for charity, but for service".

Secondly, the co-operatives are on a democratic basis. All members in good standing have one vote when general meetings are held and decisions are made.

So in a co-operative, you are not just a client. You are an owner, a shareholder, a decision maker, a member and user.

2.5.1 Characteristics of a good financial institution:

The following are some of the desired characteristics of Financial Institutions (Training Manual 2000, CMF)

- Provide appropriate services as per the clients demand.
- Provide different types financial services
- Price the products reasonably keeping a balance between affordability and cost recovery.
- Financially stable, Sound and solvent
- Be able to expand its operations
- Financially self-sufficient
- Good governing structure.
- Quick processing of loan and simple procedures.
- Maintain Sufficient Liquidity.
- Maintain low transaction cost
- Proper Management information system in people.
- Maintain transparency
- Clear policies

2.5.2 Strategies for providing sustainable microfinance services:

The Sustainability of microfinance service is linked to two factors: Mobilization of internal resources and soundness of financial practices.

Internal Resources mobilization

Own internal resources mobilization through share capital, savings deposits and retained profit makes the MFIs independent of government and donor funding.

Micro-savings: Different saving products such as voluntary savings withdrew able at any time, fixed deposit, none withdraw able regular compulsory savings and daily savings through collection services at doorsteps etc. need to be offered at real positive interest rates.

Micro-credit: Micro-credit provision may be appropriately differentiated in terms of maturities, installments, Services and collateral requirements (ranging from joint liability and personal guarantees to tangible collateral and pawning), rather than in terms of loan purpose, which is costly to appraise and for fundability reasons, difficult to control. Viability and Sustainable microfinance schemes focus on:

- Prudent adjustment to household's savings.
- Investment and repayment capacities
- Small Loan Size
- Repeat Loan
- Dynamically growing saving to credit ratios
- Market rate of interest
- Loan maturities and repayment modalities according to client needs
- Incentives for timely repayment
- Cost effective monitoring system.

Micro insurance: Micro insurance is the most undeveloped part of microfinance. There are various schemes that are viable benefiting both the institution and the clients contributing to loan security and resource mobilization.

2.6 Research Review

This section deals with the review of articles published by different authors in international scenario and review of the dissertation written by different authors. The articles and case study on sustainability and information about microfinance were obtained from the official website http://online.sagepub.com/. Other data comes from WOCCU, ACCU, Banking with poor (BWTP), the review of dissertations is made by me with respect to various authors from their master degree coerces visiting in central library, Kirtipur, Kathmandu.

2.7 Review of Articles.

In the article Do Microfinance programs Really Serves the poor? (2008) Mr. Chris D. Gingrich states that. During the past 25 years development organizations worldwide have increasingly relied on microfinance programs to help alleviate poverty and achieve various development objectives. These programs typically aim to provide financial services to poor households otherwise cannot access formal financial markets. One such example programme is the Grameen Bikas Bank (GBB) in rural southeast Nepal. While GBB targets poor households, the evidence reveals that the vast majority of GBB clients are relatively wealthy, as measured by land ownership and other socioeconomic indicators. In addition, GBB’s poor clients also feel less satisfied with its services than do wealthy clients, suggesting that GBB has not adequately tailored its products to the needs of the poor. Possible reasons for GBB’s shortcomings include Nepal’s caste system, rigid loan repayment schedules, and below-market interest rates on loans. Remedies to improve GBB’s outreach to the poor include flexible repayment schedules, higher interest rates, and increased staffing to recruit poor households and monitor their loans.

In journal "The World Bank and Microfinance in the 1990s Cultural Dynamics" (2007) by Umud K. Dalgic Microfinance as a development policy tool has enjoyed an increasing popularity in the last few years. The United Nations declared 2005 as the international year of micro credit. Since Muhammad Yunus and his Grameen Bank shared the Nobel Peace Prize in 2006, microfinance is once more under the spotlight. The prominence of development programs is mainly promoted by powerful international organizations like the World Bank. This article examines the World Bank's World Development Reports over time to demonstrate how the Bank became interested in, interpreted, and framed microfinance in accordance with its general background assumptions on poverty and development. The neoliberal interpretation by the Bank in the 1990s of notions such as social capital and gender is crucial for understanding its adoption of microfinance.

In the research paper "Factors Explaining the Rating of Microfinance Institutions" (2005) by Carlos Serrano-Cinca of University of Saragossa states that growing relevance of Microfinance Institutions (MFIs) has led to the development of specialized MFI rating agencies that perform global risk assessments. In this article, the authors have conjectured different hypotheses pertaining to the relationship between financial and social indicators and the ratings assigned. The authors tested the hypotheses empirically by using MFIs' accounting information and ratings from a leading agency. As expected, the larger, more profitable, more productive, and less risky MFIs achieved better ratings. This proves the usefulness of MFIs' ratings for providers of funds. In contrast, the authors did not observe any relationship between social performance and rating. Given MFIs' important social mission, agencies should develop ratings that accurately reflect the achievement of social goals.

Mr. Nara Hari Dhakal Microfinance Specialist, Advisor of Center for Empowerment and Development (CED-Nepal) on his study paper namely “Emerging Issues in Nepalese Micro Finance Sector” explores emerging issues on Micro Finance (MF) in Nepal and strategies towards developing a sustainable MF sector through a review of the state of the art on developing Nepalese MF sector. The paper has concluded that historically Nepal witness MF as an anti-poverty and development tools and demonstrated a significant paradigm shift on the sector beginning late 1990’s and it forward departure as an industry, which benefit thousands of the poor people, poor women, micro-entrepreneurs and peasant farmers and anticipate that the industry should transform further as a lucrative business providing financial services for the poor. In order that all these changes will happen the paper has identified emerging issues such as policy on macro-economy and financial system stability, regulation and supervision of MF sector, institutional capacity building, expanding the frontier of MF services in remote areas, introduction of Information and Communication Technology (ICT), encroachment or unfair competition and financial viability and uncovered the clear need to address these issues properly and in time.

Mr Puspa Raj Sharma on his study paper “Financial Sustainability of Selected MFIs of Nepal” he aims to analyze the financial sustainability of selected MFIs. He deals with concept of sustainability, financial sustainability including operational and financial self-sufficiency. It also deals operating performance, staff productivity, portfolio quality and relation of financial sustainability with other variables. Nepalese MFIs are not strong from status of sustainability perspective at present. PI-MFIs are in better position than GI-MFIs.

CHAPTER THREE

RESEARCH METHODOLOGY

3 Introduction

This study has been carried out to find our whether the real microfinance organization Saving and Credit Co-operatives (SCCs), organized by the women in the slum and squatter area of the Kathmandu valley promoted by LUMANTI, will able to give sustainable services to its members or not. Selected SCCs were visited and the required data for the research was collected. While collecting the information only those SCCs were selected which were legally registered under the co-operative act in their respective district cooperative department.

Main target of the microfinance organization is to provide the microfinance activities to its members. Under the microfinance activities Saving, Credit, Money transfer, Insurance and other financial activities are included. The main tasks of the microfinance organization is to collect saving and to invest that savings in the proper manner. While investing that savings the organization should be able to identify the suitable portfolio so that the investment is secure and that will be collected in the desired time. In this report I have analyzed the portfolio quality so that it will be clear from the report weather the selected organization have the suitable portfolio quality or not.

To attain sustainability position every organization has to pass through two major stages operationally self-sufficiency and financially self-sufficiency.

3.1 Nature and Source of Data

The study is mainly based on the secondary data, which has been obtained from annual reports, progress reports and publications of the SCCS covered under the study. Besides this, the primary information has been collected through the focus group discussion, one to one interview

3.2 Method of Data Analysis

To overcome through the research question and meet the objective of the study, Outreach analysis, Pricing of the product will be analyzed.

3.2.1 Outreach Analysis

Financial performance is not enough only for the SCCs outreach analysis of the SCCS is one of the important tool that will help to determine the actual coverage of the SCC in its working area. So the outreach analysis of the SCC will be carried out from different angle. Under outreach analysis following analysis will be carried out.

- Length of Outreach
- Cost of Outreach

3.2.2 Pricing the Product

Sustainability / Viability related to the ability of a micro-finance program to maintain its operation and continue to provide services to its customers or clients. To be financially viable and MFI needs to establish a capital base sufficient to support the desired scales of operations and also be able to meet all the costs through internally generated income over the long run. Attaining sustainability should remain the main thrust of MFI.

Income structure of the MFI has definite role in attaining viability to the MFI. Interest and fees determine the income of an MFI. Interest rate and fee structure should be judiciously set for attaining Sustainability of the MFI.

Technical Criteria for Setting Interest Rates:

Interest and Fee income must be applied to following four basic areas.

- Institution's cost of funds,
- Operating and administrative expenses
- Expected losses related to risk increased in asset management (Loan Loss)
- Return on capital investment in the institution.

Even those MFI that utilize the best currently available lending and administrative technologies will have to continue to change interest rates that ranges somewhat higher that those commonly found in local banks, so that they may extend their operations over vast sectors of the local lower income economy.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4 Introduction

This chapter deals with the presentation and analysis of data collected from the different sources. As stated in the theoretical presentation, outreach analysis, portfolio quality analysis, efficiency of the staff, and sustainability of the selected SCCs have been analyzed have been done to determine the outreach, portfolio quality, sustainable interest rate and staff efficiency of the SCCs under the study area.

4.1 Overview of SCCs under Study

All three (Pragati, Navadeep, and Gyanjyoti) are LUMANTI promoted SCCs represents an innovative approach to organize communities in slums and informal settlements as a self-help effort to manage provision of microfinance services. Emergence and growth of these SCCs has supported expansion of the institutional outreach of microfinance services to those sections of the society which are still neglected through government efforts. These SCCs covers 11 wards within Kathmandu municipality. Total number of shareholders in these SCCs as of July 2017 was 1283 representing 75 self-help groups. Number of shareholders is higher (464) in Pragati followed by Gyanjyoti (451 shareholders) and Navadeep (368 shareholders).

Table 2: Characteristics of SCCs under the study 2017

S.N.	Particulars	Pragati	Navadeep	Gyanjyoti	Total
1	Date of establishment (year)	059/2/2	059/4/1	059/1/31	
2	Ward covered (No)	4	2	5	11
3	Groups (No)	28	25	22	75
4	Shareholders (No)	464	368	451	1283

Source: Field Survey 2017 and Progress Report of concerned SCCs

Operational Strategy and Products Delivery

Primary reasons to facilitate emergence and growth of these SCCs lie at sustainable delivery of financial services to low income clients living in slums and informal settlements. These SCCs include two tier systems of operations. LUMANTI facilitated savings credit groups willing to join in the SCCs as shareholders. Group coordinator of the savings and credit group acts as an intermediary between shareholders and SCCs. Only member of the women savings and credit groups promoted by LUMANTI can be eligible for SCCs membership. Interested member must regularly participate in introductory workshop related to cooperatives organized in their/nearby settlements, after which members willing to acquire share of the SCCs share must complete the membership form with introduction by at least one shareholder. Hence, membership of these SCCs is confined among women members of the savings and credit groups living in slums and informal settlements. Along with application, members should include copy of the citizenship certificate, three copies photos (two pass-port size and one auto size); cash deposits of Rs. 1000 as entry fee; and Rs. 100 as membership fee, Rs. 100 for pass-book fee. One shareholder must purchase five shares each with Rs. 100 and she must deposit minimum regular savings of Rs. 200 for the first month.

They operate from fixed place; an office established to undertake transactions and provides forum for their operations. Two staff recruited by BoD undertakes day to day operation. Their operations involve delivery of financial products (savings and loans) that provides fundamental basis for revenue generation. Group coordinators mainly act as a link between SCCs and shareholders as well as savings collection and lending activities in groups. They regularly deposit the amount in SCCs. Three sub-committees (account, education and loan) within each SCCs oversee, undertake in-depth assessment of different activities and recommend to BoD for final action. The BoD makes final decisions on all transactions under the recommendation of sub-committees and group coordinator. In general, such arrangements are cost and time effective though few minor cases of fraud and misuse by group coordinator has been evident.

4.2 Outreach

If SCCs is to be able to increase access financial service to the poor over the long term, it must achieve both outreach and viability. Good outreach means reaching large numbers of people especially very poor with quality financial services. Viability means being able to operate at level of profit that support sustain services without the donor support and funds.

As of July 2009, these SCCs had 1283 shareholders, all participating in savings services and 1010 (79%) receiving lending services. Proportion of loan clients was highest (148 %) in

Pragati and lowest (5%) in Navadeep. Percentage of loan client is more than 100% in Pragati Mahila because they are doing transaction out of shareholders but there are only 5 % of the members who are getting loan services in Navadeep because members are not interested on loan because of the diversification of the loan products in SCCs. All the three SCCs are characterized by significant growth (10.5%) in shareholders over last two years (2007 and 2008) with variation across SCCs. The growth in membership in Gyanjyoti (18.6%) which is almost three times more in compare to Navadeep (6.5%) and Pragati (6.5%).

Table 3: General overview of SCCs under the study in 2017

S.N.	Particulars	Pragati	Navadeep	Gyanjyoti	Total
1	Shareholders (No)	464	368	451	1283
2	Regular savings (No)	464	368	451	1283
3	Daily Saving	342	0	235	577
4	Khutruke / Child Saving	92	67	123	282
5	Festival Saving	128	0	20	148
6	Loan clients (No)	687	17	306	1010
7	% of loan clients	148	5	68	79
8	Growth in shareholders last year	6.5	6.5	18.6	10.5

Source: Field Survey 2017 and Progress Report of concerned SCCs

Growth of Saving Members

To get the service from the SCCs members must buy at least one share. But to generate funds in the SCCs, SCCs have a practice of accepting savings from the nonmembers like the children saving from the children of shareholders. Sometime even they collect savings from nonmembers on the guarantee of the shareholders to maintain liquidity in SCCs. But to be eligible to get the lending facilities he/she must buy at least one share of the SCCs.

From the table below it shows that the increment in the membership is in increasing order but in the fluctuation manner. In the year 2014 Pragati Mahila have negative increment in the membership (-5.9%) this indicates that there was decrease in the membership during that year on the same way in the year 2016 the growth in the membership is highest (36.9%) in compare to other SCCs under the study. In Nava Deep Jyoti increment in the membership is in the increasing order it varies from (5.1%) increment in the year 2015 to (19.9%) increments in the year 2014. On the same way in Gyan Jyoti Mahila the increment in the membership is in increasing order it varies from (20.1%) in the year 2015 to (34.4 %) increment in the year 2016.

Table 4: Savings and Growth in Savings in SCCs under Study (2013 - 2017)

S.N.	Year	Number of Saving Members			Increase in %		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila	Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2013	520	254	239	-	-	-
2	2014	491	317	314	-5.9	19.9	23.9
3	2015	506	334	393	3.0	5.1	20.1
4	2016	802	376	544	36.9	11.2	27.8
5	2017	1026	435	829	21.8	13.6	34.4

Source: Field Survey 2017 and Progress Report of concerned SCCs

This indicates that the SCCs are in the process of expanding the breath of outreach. According to the PEARLS standard the growth in the saving members must be > 10% depending upon the member of staff working in the SCCs at least there must be 500 individual saving members per staff in the SCC.

4.2.1 Length of Outreach

Under the study the length of outreach has been analyzed from the dimension of product diversification (saving product diversification and loan product diversification). The impact of the service diversification has been analyzed under length of outreach. SCCs must be able to introduce the products and services according the the need of members and the services and product diversification must so that new members will be attracts towards the SCCs.

Saving product diversification.

Most of the SCCs working in Nepal have one product which is compulsory saving. With the span of time SCCs have started introducing different types of products in the SCCs. This will be clear from the table below. All together there are four types of saving products in the SCCs in the year 2017.

Table 5 : Saving Composition of SCCs under Study in 2017

S.N.	Type of savings products	Saving Composition			Percent of Saving Composition		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila	Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	Regular savings	4,250,116.0	7,142,083.1	6,000,000.0	45.3	84.6	51.2
2	Daily savings	3,124,521.0	-	3,518,914.4	33.3	0.0	30.1
3	Khutruke	840,514.0	1,300,324.9	1,937,225.0	9.0	15.4	16.5
4	Festival savings	1,158,412.0	-	252,475.6	12.4	0.0	2.2

Source: Field Survey 2017 and Progress Report of concerned SCCs

From the table above it shows that Pragati and Gyanjyoti have introduced four types of saving products to its members but in the case of Nava Deep Jyoti they have only two types of saving products. The highest saving amount collected is in Gyanjyoti (Rs, 11,708,615) and followed by Pragati Mahila (Rs, 9,373,563) and Nava deep (Rs, 8,442,408). For Nava Deep 45.3 % of the Fund is collected from regular saving, 33.2 % is from the daily saving, 9% from the Khutruke saving and finally 12.4 % from the festival saving. On the same way for Gyan Jyoti 51.2 % of the Saving is collected from regular saving, 30.1 % is from the daily saving 16.5% from the Khutruke saving and finally 2.2 % from the festival saving. In Nava Deep 84.6% is from the regular saving and 15.4 % from the khutruke saving. From this analysis it is justified that by introducing the new types of saving scheme more amount of saving amount can be collected in the organization.

Loan Product Diversification

Amount collected as a saving must be invested in the good portfolio to return that saving in the good order at the time of request from the member. If SCCs can return the saving to the members in good order when requested then only it will be the safe place to the members to deposit saving. So SCCs have to diversify their loan products that will be suitable for the members. From the table below it shows that there are 8 types of loan scheme available for the members in Pragati Mahila and Gyanjyoti Mahila but in the case of Nava Deep Jyoti they have five types of loan scheme available.

Table 6: Amount of Loan portfolio in different schemes in the year 2017

S.N.	Type of savings products	Amount of Loan (Rs)			Percent of Loan Amount		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila	Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	Medical loan	700,000	-	750,000	7	-	6
2	Enterprise loan	1,300,000	5,000,000	4,000,000	14	59	34
3	Housing loan	2,059,000	1,600,000	1,700,000	22	19	15
4	Education	2,000,000	1,200,000	898,749	21	14	8
5	Debt management	2,400,000	1,000,000	1,434,090	26	12	12
6	Land purchase	1,255,008	-	1,031,300	13	-	9
7	Foreign employment	1,774,205	-	1,130,000	19	-	10
8	Others	2,681,270	703,503	1,556,655	29	8	13
9	Total	14,169,483	9,503,503	12,500,794	151	113	107

Source: Field Survey 2017 and Progress Report of concerned SCCs

The above table shows the different types of loan schemes available, including amount outstanding loan under each scheme at the end of the year 2017. In Pragati Mahila and Gyan Jyoti Mahila there are eight types of loan scheme available for the members this indicate that members have lots of choice they can chase according to their need. Loan product diversification in the SCCs will help to diversify the risk of the outstanding loan also. In Pragati Mahila the maximum amount of the loan outstanding is 29% in one scheme whereas the lowest is 7% only, followed by Gyan Jyoti Mahila have maximum of 34% and lowest of 6% and on the same way Nava Deep have only five portfolio and the highest amount of loan used in one scheme is 59% and the lowest is 8 %. As much as the scheme of loan is available in the SCCs that much the portfolio can be formed and the risk will be diversified. Because of the desired scheme and services available in the SCCs it will help to increase the membership and help to increase the length of the SCCs.

Trend in Growth of Loan Clients

The main earning of the SCCs depends on the amount of loan issued to the member. Easy and efficient loans and Savings services of the SCCs will help to increase the membership in the SCCs, because members are getting unnecessary hassle from the mainstream financial institutions. Easy and efficient service from the SCCs will spread the positive message to the nonmember in the society and they will be attracted towards the SCCs.

Table 7: Detail of loan members in the SCCs during the study period

S.N.	Years	Number of loan members			Percent increment of loan members		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila	Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2013	196	98	146	-	-	-
2	2014	323	121	168	39.3	19.0	13.1
3	2015	397	179	203	18.6	32.4	17.2
4	2016	541	24	245	26.6	-645.8	17.1
5	2017	687	17	306	21.3	-41.2	19.9

Source: Field Survey 2017 and Progress Report of concerned SCCs

Above table shows that the increment of loan member in the SCCs under the study area is in the increasing order except in Nava Deep Jyoti it shows the negative increment of (-645.8%) in the year 2016 and (-41.2%) in the year 2017. This is because they have not introduces the new schemes of saving and loan to the members according as per the demand of the members. But in the case of Gyan Jyoti Mahila and Pragati Mahila the increment is in the positive manner.

4.2.2 Cost of Outreach

Since outreach is defined as SCCs' ability to provide high quality financial services to a large number of clients and this concept addresses fundamental difference between SCCs and normal commercial finance institutions - most SCCs are established to accomplish a mission that is partly or wholly socially motivated and not simply to maximize shareholder's return. Although these missions differ, most SCCs are involved in extending financial services to the poor and excluded and commonly used outreach indicators (These are the indicators recommended by CGAP for assessing SCCs' performance).

Operating Cost Per Shareholder.

Since the main objective of the SCCs is to provide financial services to its members to coop with the change in the economic to perform entrepreneurial activities in the society. But it will be the duty of the SCCs to increase the shareholders wealth in the SCCs also. From the table below it can be clearly seen that the operating cost per shareholders is in the increasing order.

In the year 2017 operating cost per shareholder is highest in Nava Deep Jyoti Mahila (Rs 3471) and followed by Pragato Mahila (Rs 3391) and in Gyan Jyoti Mahila (Rs 3202). In the year 2013 cost was lowest (Rs 730) Nava Deep followed by Pragati Mahila (Rs 885) and by Gyan Jyoti Mahila (Rs 934). From this it can be clearly seen that the increment of the operating cost per share holder is highest in Nava Deep Mahila, and followed by Pragati Mahila and Gyan Jyoti Mahila. Since the operating cost per shareholder is in the increasing order this indicate that the increment of the shareholders in compare to operating cost is low.

Table 8: Operating Cost per Shareholder in SCCs under Study (2013 - 2017)

S.N.	Year	Operating cost per shareholders		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2013	885	730	934
2	2014	1454	1285	1447
3	2015	1809	1625	1965
4	2016	2877	2813	2891
5	2017	3391	3471	3202

Source: Field Survey 2017 and Progress Report of concerned SCCs

Operating Cost Per Saving Members

From the table below it shows that that operating cost per saving member is highest in in the year 2017 in Nava Deep Jyoti (Rs 2936) and followed by Gyan Jyoti Mahila (Rs 1742) and Pragati Mahila (Rs 1533). Since the operating cost per saving member is in the increasing order this indicate that the increment in the saving members in the SCCs is low.

Table 9: Operating Cost per Saving Members in SCCs under Study (2013 - 2017)

S.N.	Year	Average Saving Balance		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2013	638	730	934
2	2014	1161	1160	1332
3	2015	1480	1445	1600
4	2016	1557	2424	1951
5	2017	1533	2936	1742

Source: Field Survey 2017 and Progress Report of concerned SCCs

4.2.3 Pricing the Product

Product pricing refers to the interest rate that the organization is charging on their products. Income structure of SCCS will define the role in attaining the viability of SCCS Interest rates and fees structure of the SCCS must be judiciously set for attaining viability of the SCCS. Under this study is carried out and analyzed on the institutional cost of funds, operating and administrative expenses, Expected losses related to risk increased in assets management and return on capital investment in the institution. And finally the interest rate will be calculated.

4.2.4 Institutional Cost of the Funds

Table below shows the institutional cost of the funds for all three SCCs. Institutional cost for all the SCCs under the study area are in the increasing order. In the time of 5 year span total institutional cost of the funds for the five year time is highest in Pragati Mahila (Rs 2,166,164.9) followed by Gyanjyoi (Rs 1,944,868.4) and Nava Deep Jyoti (Rs 1,217,181.6). This indicates that higher the expenses higher must be the income to increase the income the interest rate charge must be high or SCCs can raise funds by introducing different types of saving schemes and invest that collected funds in different loan portfolio by increasing the membership in the SCCs.

Table 10: Institutional cost of the funds of SCCs under Study (2013 - 2017)

S.N.	Year	Institutional Cost of Funds		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2013	153,384.5	54577.0	103110.0
2	2014	239,313.3	139166.0	192387.0
3	2015	361,660.0	232536.0	294359.0
4	2016	505,484.0	342432.0	463363.0
5	2017	906,323.1	448470.0	891649.0
Total		2,166,164.9	1,217,181.0	1,944,868.0
Average		433,233.0	243,436.0	388,973.0

Source: Field Survey 2017 and Progress Report of concerned SCC

From the table above it shows that the average institutional cost of funds is highest in Pragati mahila (Rs 433233) and followed by Gyan Jyoti Mahila (Rs388973) and Nava Deep Jyoti (Rs 243436). This clearly shows that the institutional cost of fund is directly related to each other. It the membership is higher the institutional cost will be high if the membership is low the institutional cost will be low. It is clear from the above table.

4.2.5 Return on the Capital Investment

SCCs who are running in the society have to collect institutional funds that which will help them to run smoothly in the bad times. SCCS collect these types of funds by selling shares and collecting membership fees. These types of funds collected in the SCCs are important funds for the organization. From this they will buy the needed material for the organization to raise zero investment funds in SCCS. All the SCCS under the study area have a proper return on the capital investment as thy get interest from the different loan portfolios. From the discussing during the field visit all the SCCs under the study charge 18% interest rate in average to all types of loans this interest rate is including other expenses.

4.2.6 Sustainable Interest Rate.

Viability of SCCs, and consequently their sustainability, is closely linked to their financial spread. SCCs' lending interest rates (24% at declining balance) are obviously higher than prevailing rate around 18% in formal market. In effect, SCCS mostly operates in urban and semi-urban areas, where risks and transaction costs are relatively low.

Operating Self-Sufficiency

Operating self-sufficiency indicates weather or not enough revenue has been earned to cover the MFI direct cost, excluding (adjusted) cost of capital but including any other actual financial cost incurred.

From the table below it shows that the operating self-sufficiency of the SCCS is in Fluctuation manner in the year 2017 Pragati Mahila have the Highest Higher operating self-sufficiency stage (135.1%) and followed by Gyan Jyoti Mahila (131.6%) and Nava Deep Jyoti (125.1%). This shows that all the SCCS under the study have more than 100% operating self-sufficiency this indicate that they are able to earn sufficient earning which is enough to cover direct dost of the SCCs.

Table 11: Operating Self Sufficiency of SCCs under Study (2014 - 2017)

S.N.	Year	Operating Self Sufficiency %		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2014	144.6	128.2	152.6
2	2015	176.3	131.4	154.6
3	2016	136.8	127.6	133.6
4	2017	135.1	125.1	131.6

Source: Field Survey 2017 and Progress Report of concerned SCCs

Financial Self-Sufficiency

It indicates weather or no enough revenue is enough to cover both direct cost and indirect cost, including financing cost, provisions for the loan loss and operating expenses and indirect costs, including the adjusted cost of capital.

From the table below the financial self-sufficiency of the selected SCCs under the study area shows that all are able to attain financial sufficiency from their day to day operation. In the year 2017 Nava Deep Jyoti has the highest financial self-sufficiency (106.3%) followed by Gyan Jyoti Mahila (102.6%) and Pragati Mahila (101.8%). This shows that all the SCCs have the financial self-sufficiency greater than 100 % this indicate that they all are viable in the society and they need not to depend on the donors fund to provide sustainable services in the society to the member.

Table 12: Financial Self Sufficiency of SCCs under Study (2014 - 2017)

S.N.	Year	Financial Self-sufficiency %		
		Pragati Mahila	Nava Depa Jyoti	Gyan Jyoti Mahila
1	2014	110.7	101.4	118.9
2	2015	131.7	97.4	119.8
3	2016	105.7	105.8	105.6
4	2017	101.8	106.3	102.6

Source: Field Survey 2017 and Progress Report of concerned SCCs

4.3 Major Findings of the Study

Outreach Analysis.

The shareholders growth shows that the growth of share holders on average in the selected SACCOS is increasing but highest in the year 2017 and the lowest is in the year 2015. Individual analysis shows that Gyanjyoti SACCOS, with 22.9% growth, has the highest increment in share members compared to others, followed by Navadeep Jyoti SACCOS, 13.6% growth and Pragati Mahila SACCOS, 6.9% growth, in the year 2009.

Five year analysis of the overall saving and growth in saving shows that the saving is increasing over the years. Where as in the individual analysis of the saving we find a negative growth in the year 2006 in Pragati Mahila (-5.9%), however in Navadeep and Gyanjyoti SACCOS there is a positive increment in the saving collected by the SCC's.

Saving product composition analysis shows that diversification of products is important for the SCCs. SCCs must introduce various saving products that are suitable for their shareholders; this will help to increase the growth of the savings amount in the SCC. It was found that there were only four types of saving products in the Pragati and Gyan Jyoti SCC's where as Nava Deep have only two types of saving products. The highest proportion of the saving is collected from regular saving and followed by daily saving, khutruke saving and festival saving.

The loan product composition analysis shows that diversification of the loan portfolio is one of the important areas that will enable SCC's to make the loan secure. There are eight different types of loan available in Pragati and Gyan Jyoti SACCOS where as in Nava Deep there are only five types of loan products. The highest proportion of the loan is invested in the Entrepreneurial (34%) sector, followed by housing loans (22%) and debt management (22%).

The analysis of the demand of the loan members shows that there is the increment in the number of loan clients in the study period. But in Nava Deep Jyoti there is negative growth in the year 2016 and 2017 (-645.8 % and -41.2%), one of the problems is that there are no suitable loan products that are helpful for their members. Gyanjyoti (18.6% to 39.3%) and Nava Deep (19.9% to 13.1%) have a positive increment of members taking a loan. This indicates that the SCCS are increasing their out reach, by providing loan services to more members.

The analysis of the average loan size shows that the average loan size over the past five year is growing. This shows that the capacity of the SCCs to provide loans is increasing. In Pragati Mahila average loan size grew from Rs13, 293 to Rs 20,625, in Nava Deep from Rs 15,183 to Rs 559,030 and in Gyan Jyoti the loan size grew from Rs 13,736 to 40,852. From the analysis it shows that the per member loan is highest in Nava Deep and lowest in Pragati Mahila.

The analysis of the average savings balance shows that the average savings balance per member per year is in increasing order; in Pragati Mahila from Rs 4,914 to Rs 9,136, Nava Deep from Rs 5,762 to Rs 19,408 and in Gyan Jyoti from Rs 7,531 to Rs 14,124. This shows that the funds collected from the members is growing.

The analysis of the operating cost per savings members shows that the cost per saving members goes on increasing from Rs 628 to Rs 934 in the year 2013 and it ranges from Rs 1,533 to Rs 1,742 in the year 2017. This shows that the cost per savings member is increasing in all the SCCs that were part of the study.

CHAPTER FIVE

SUMMARY AND CONCLUSION

5 Introduction

Microfinance experiences of selected SCCs under the study has opened new dimensions in Nepalese microfinance circumstances, especially on addressing financial needs of urban poor living in the slums and informal settlements. The efforts have been instrumental to expend outreach of microfinance services to low income urban women using credit union methodology. This study made an assessment on Outreach, Sustainable interest rate, Portfolio quality and Staff productivity in these SCCs for the sustainability of the SCCs. This section summarizes the major Summary, conclusions and recommendations of this study.

5.1 Summary

Since the performance of the SCCs on achieving the sustainability has been analyzed from the dimensions of Outreach, pricing the product, portfolio quality and staff performance has been analyzed in depth to find the answers to the research question

From the analysis it is summarized that performances of these SCCs are mixed owing to deficiencies on diverse aspects of their operation such as outreach, portfolio quality, sustainable interest rate and staff efficiency. Outreach analysis shows that average increment in the shareholders is relatively low in compare to average increment in the number of average saving members. But the increment of shareholders and the saving member is in the positive trend above the standard. This positive increment is because of the product diversification in the SCCs it have introduced four different types of different saving scheme whereas 8 different types of lending scheme. Product diversification is the one of the effective tool to increase membership in the SCCs.

Since they are able to attain OSS and FSS this indicate the interest rate and fees charged by SCCs large enough to cover all expenses this shows that they are sustain. Portfolio analysis shows that the portfolio has been diversified in different products because of this the organization have diversified the risk. Delinquent loan is 0%, recovery rate is 100% and loan loss reserve ratio is greater than 1% which is on the standard immediately the loan is issued from the SCCs 1% of the loan is treated as the delinquent loan this makes the SCCs strong enough to work in the market.

Since the job description is essential for staff which will guide him to perform the task accordingly. There is lack of job description because of this it make difficult to analysis the performance of the staff. Since there are two staff working in each SCCs whole the organization is managed by this two staff they are responsible to perform all the activities single staff is looking after the saving, loan, and administrative activities. Though there is no any prescribed job analysis of staff efficiency is outstanding.

Analysis from the dimensions of Outreach, pricing the product, portfolio quality and staff efficiency shows that the outreach is in the increasing order and providing services to its potential members in the society. From the product pricing it conclude that SCCs are able to meet the stage of sustainability because they have already passed two level of sufficiency (OSS & FSS) so that organization will be able to provide same types of services to the members in the future also. Because of the efficient Board of Directors (BoD) and Staff organization is able to manage the loan in excellent portfolio.

5.2 Conclusion

LUMANTI promoted three SCCs have ensured access to the poorest of the poor women from urban squarer families to bring them out to the formal money markets and provided them relief out of exorbitant interest rates charged by the informal money lenders or live in miserable and inhumane conditions. In other word, the initiatives have united most vulnerable and vastly neglected women and to a large extent created an environment wherein women create their own security.

SCCs Outreach

Data analysis and presentation under outreach it concluded that the growth in the shareholders, saving members, is in increasing order in the year 2009 which is above the standard prescribed by ACCU in the ACCESS. On the same way SCCs has belief that products and serviced delivered should be done keeping in the SCCs to cover the potential members in SCCs so they have introduced 4 saving and 6 loan schemes. Because of product diversification SCCs are able to increase saving membership and loan client as per the standard of PEARLS.

Product Pricing

Product pricing is one of the important tasks of the organization that have to perform before investing. From the above calculation it shows that SCC will be sustain at 13 % interest on the loan if it gives 8 % interest on the saving accumulated in the SCC. There is a margin of 6% with this six percent all the other expense of the SCCs can be covered. But SCCs are charging the interest of 16% in the loan. This indicates that they charging higher interest rate. They can reduce the interest rate what they are charging.

5.3 Recommendations

Current performance of three LUMANTI-promoted SCCs reveals that LUMANTI had promoted these SCCs with sufficient home works and clear vision. These SCCs are operating at efficiency level that is significantly higher than other SCCs of similar years of operation. They have attained two level viability are running in the level of sustainability, this study has identified some areas requiring immediate action as recommendations.

The capacity of the BoD should be enhanced on different aspects such as accounting, financial management, internal control and supervision, etc. Need and effectiveness of three sub-committees (account, education and loan) should be revisited to enhance their roles on addressing management issues. There is a need to back the establishment of reserve fund in these SCCs with the loan loss provision exercises in addition to upgrading simple internal control system of these SCCs in context of their complex management structure primarily to check fraud and miss-use. External support need to gear towards strengthening financial management system as well as BoD’s capacity on financial analysis, especially on fund management.

Despite operating at modest cost and staff inputs, administrative expenses constitute single largest components in the cost structure of the SCCs. Sustaining viability level already attained requires improvement on operating efficiency. Two SCCs (Pragati and Gyanjyoti) have attained OSS and FSS and Navadeep also possess prospects of attaining OSS and FSS.

Maintaining efficiency level attained is a challenge to these SCCs for future which requires improved fund management and efficient cost control policies.

Loan disbursement should be directed more on trade/IGAs and shareholders should be encouraged to invest on education and health care out of revenue from IGAs, rather than borrowing. In order to motivate them to borrow on trade/IGAs, credit plus services should be provided through training on skill and entrepreneurship development, marketing networking and business consultancy services. Loan products should be diversified so as to promote business investment through proper linkages with government and non-government BDS providers and including features of investment finance rather than simply microfinance to facilitate emergence and growth of production oriented enterprises.

production inputs; (ii) new skills on business improvement - increasing productivity, and reducing production costs or accessing more profitable market; (iii) up-to-date and reliable information in various forms - business consultancy services or special events such as exhibitions and trade fairs; and (iv) support for establishing and operating an enterprises such as legal services (e.g. registration of enterprises), training of owners and workers, special laboratory services for testing goods produced by the enterprises, and intermediation to establish contracts with larger firms through networking and linkages for efficiency and effectiveness.

REFERENCES

ADB/N (2003) "*Micro finance development in Nepal.*" Kathmandu, Nepal.

CECI (1996) "*Community Based Savings and Credit Organizations in Nepal: Current Status and Future Prospects*" Kathmandu, Nepal.

CECI-Nepal (1998) *"In Search of Best Practices: A study of Community-Based Savings and Credit Organizations in Nepal"* Kathmandu, Nepal.

CECI-Nepal (2001) *"Book-Keeping Systems for Savings and Credit Organizations: Guidelines for Promoters"* Kathmandu, Nepal.

CECI-Nepal (2001) *"Financial Management of Savings and Credit Cooperatives: training Manual*".

CECI-Nepal (2001) *"Introductory Brochure on Cooperative Act"* Kathmandu, Nepal.

CECI-Nepal (2001) *"Manual for the financial Auditing of Savings and Credit Cooperatives"* Kathmandu, Nepal.

CGAP (2009) "*Financial Access, Measuring Access to Financial Services around the World*" Washington, DC, USA.

CMF (2005), "*Impact Assessment of SACCOS in Nepal's Hill Districts*" Kathmandu, Nepal.

CMF and CECI-Nepal (2001) "*Principles of Microfinance*" Module – I, Kathmandu Nepal.

CMF and CECI-Nepal (2002). "*Management of MFI"* Module – II. Kathmandu, Nepal.

CMF (2003) "*A Directory of MFIs in Nepal*". Kathmandu, Nepal.

Cody International Institute (1999) *"The Microfinance Strategy, Business Planning for Microfinance Organization."* St. Francis Xavier University, Antigonish, Canada

Dhakal N. H. (1999) "*Expansion of Micro-finance Services: The Development of Community Based Saving and Credit Cooperative in Nepal"* Agriculture Credit, Bi-Annual Journal, ADB/N, Central Training Institute. Kathmandu, Nepal.

Dhakal N. H. (2004) "*Microfinance for Achieving Millennium Development Goal in Nepal"* Agriculture Credit, Bi-Annual Journal, ADB/N, Central Training Institute. Kathmandu, Nepal.

Katherine Stearns (1991) "*Interest Rates and Self-Sufficiency*" GEMINI.

Legdgerwood J. (1999) *"Sustainable Banking with the Poor: Micro finance Hand book*" The World Bank, Washington, D.C., U.S.A.

Maharjan P. (2009) *"PEARLS Analysis of Cooperatives: A comparative Study"* Master level Dissertation, United College, T.U.

NEFSCUN (2009) "*Credit Unions Micro finance Innovations*" Kathmandu, Nepal.

Rajbhandari G. P. (2004), *"Development and Management of Co-operative in Nepal"* Kathmandu, Nepal.

Richard J. Van Ness, Ph.D. (1999) *"Measurement of Sustainability A Multivariable Eclectic Approach*" Pact Publisher United Nations Plaza, New York, U.S.A.

Richardson D. C. (2000) *"Pearls Monitoring System"* World Council Information Center. Madison, Wisconsin, U.S.A.

Shrestha B. K. (1999), *"Small Farmers Development to Small Farmers Cooperative Limited: A Major Innovation in suitable Poverty Reduction at the Grassroots"* Agriculture Credit, Bi-Annual Journal, ADB/N Central Training Institute. Kathmandu Nepal.

Special Unit for Microfinance (2002) *"Microfinance Distance Learning Course"* New York, U.S.A.

Srinivasan R. and Sriram M. S. *"Microfinance: An introduction"* Round Table Vol. 15, No. 2. Indian Institute of Management. Banglore, India.

Annex - one

Questionnaires for the finance people

Name of Co-operative : Address:
Established in:

1.What are the facilities in your Co-operative ?

a) saving b) loan c) both

2) How many members are there in your saving and credit co-operatives?

a)above 150 b) above 200 c) above 300

3) How many staff are there?
………………………………………

4) About how much amount is collected in a month?
………………………………………

5) Do you think that such Co-operatives is important ?

a) Yes b) No c) can't say

6) Do you think local people are benefiting from the co-operative? How?
………………………………………

7) Have you flowed loan those who are in need ? why?
………………………………………….

8) What are the main problem of Co-operative in this area ?
……………………………………………..

9) Have you noticed any changes in behavior of local people because of co-operative?
……………………………………………….

10) In your opinion ,what are the impact of co-operative in slum dwellers?
………………………………………………

Annex - two

Questionnaires for the local people

Name :- Age:-
Address:- Occupation:-
Sex:-

1) Do you know about the co-operative ?
a) Yes b) No

2) What kind of individual have economic activity ?
…………………..................

3) How much do you save in a month?
……………………….

4) Do you have any expection from co-operative?
…………………………

5) What can we do for the increasement of members in future ?
…………………………

6) What are the importance of local co-operative?
………………………………………..

7) Are there any negative impact of co-opratives ? What are they ?
……………………………………………….

8) Have you felt any kind of bad results from co-operative?
…………………………………

9) What is your main gain from Co-operative ?
………………………………

10) In your opinion how can a co-operative uplift economic standard of the people?
…………………………………………………..