



Cooperative Education Report

**Title: SACCOS and Loan Clients:
Periodical Growth of SACCOS and its
Socioeconomic Impact on Loan Clients**

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SACCOS AND LOAN CLIENTS

Title SACCOS and Loan Clients: Periodical Growth of SACCOS and its Socioeconomic Impact on Household income

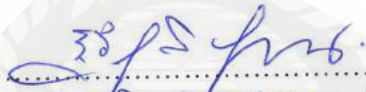
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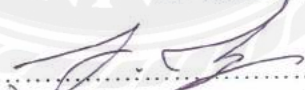
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We have approved this cooperative report as a partial fulfillment of the cooperative education program semester 2/2017

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Abstract

This internship is conducted at Mercy Corps, Nepal which is a global, non-governmental humanitarian relief and development agency that exists to alleviate suffering, poverty and oppression by helping people to build secure, productive and just communities. Chief objective of this study is to ascertain the progress brought up by ERP intervention in SACCOS and their loan clients. To discover the situation of the loan clients a survey was conducted on a sample of 73 loan clients. To find the situation of the SACCOS, financial and nonfinancial assessment was conducted, using PESOS and graded questionnaire respectively, on four SACCOS which were taken as sample. The sample for both the loan client survey and SACCOS assessment are taken from Dolakha and Sindhupalchowk district of Nepal. The data has been analyzed by using descriptive statistics, correlation and regression analysis. Hypothesis have been developed to know the impact of ERP intervention on the SACCOS and their loan clients. The results show that there has been positive impact of ERP intervention on both SACCOS and their loan clients. The SACCOS are conducting their activities more effectively and efficiently now as compared to before the intervention. Similarly, the loan clients are more conscious of their financial situation and decision making in their household as compared to before the intervention.

Keywords: ERP intervention / SACCOS/ loan clients

Acknowledgement

This study entitled “SACCOS and Loan Clients: Periodical Growth of SACCOS and its Socioeconomic Impact on Household Income” has been prepared for partial fulfillment of Bachelor of Business Administration. It is directed towards assessing advancements in Saving and Credit Cooperatives (SACCOS) of earthquake stricken areas of Nepal through of ERP intervention, by Mercy Corps, and the socio-economic impacts of the SACCOS on their loan clients.

Individuals and Organizations did contribute immensely towards the success of this study. I would like to extend my immense gratitude to Mr. Ganesh Bista, Program Manager, Financial services at Mercy Corps, Nepal for providing me with this opportunity to conduct such research project and to lead me through every obstacle and hardship that came during the preparation of this project. I am also grateful for capable assistance of all the faculties and staffs of the Kathmandu College of Management (KCM), Nepal and Siam University, Thailand whose efforts have equipped me with the knowledge to undertake this assignment.

I would also like to thank all the staffs of the enterprises under study for their cooperation in providing us all the necessary data for our study and sincerely appreciate the participation of the respondents for making this research report possible. I am equally indebted towards the Mercy Corps ERP team members for their continuous support and help. I appreciate the remarkable support of Mr. Lila Niraula, Senior Technical Officer at Mercy Corps, for providing me with tools and guiding me through the research methodologies.

I also extend our thanks to all the members of Rural Enterprise Development Committee (REDC) and Community Development and Environment Conservation Forum (CDECF) who supported me in any way while preparation of this project. Finally, I undertake full responsibility for any deficiencies that may have remained in this study. I believe that the experience and knowledge I have gained from this institution will help shape me and contribute much to my achievements in my future career.

Sunaina Shakya

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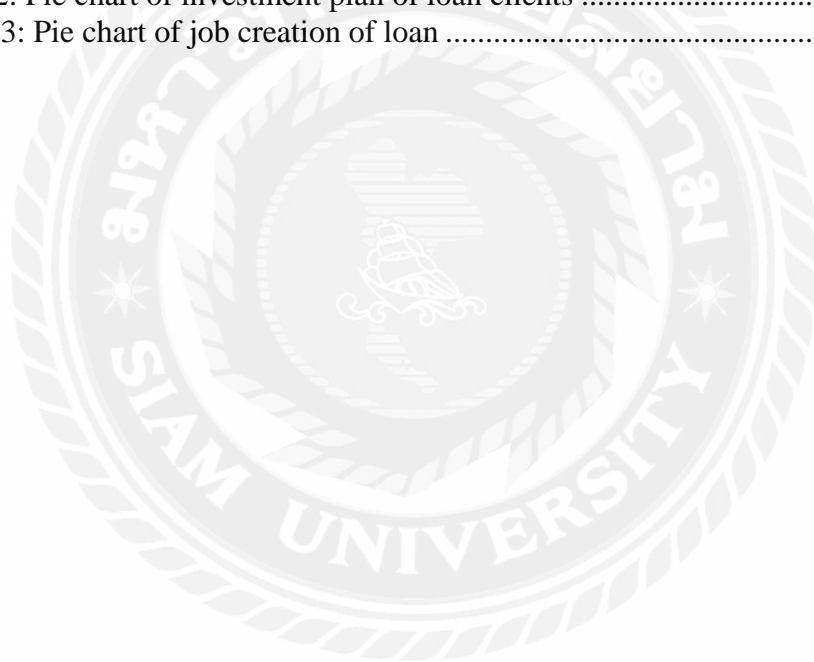
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Acronyms

AACCU	: Association of Asia Confederation Credit Union
ANOVA	: One-way analysis of variance
CDECF	: Community Development and Environment Conservation Forum
DOC	: Department of Co-operatives
DRR	: Disaster Risk Reduction
ELEPHANTS	: Earnings, Liquidity, Efficiency, Productivity, financial structure, Asset quality, Net growth, Targeting and inclusion, Self- governance
ERP	: Earthquake Recovery Program
FGD	: Focused Group Discussion
FI	: Financial Institution
FLT	: Financial Literacy
ICA	: International Cooperative Alliance
IME	: International Money Exchange
KCM	: Kathmandu College of management
KPI	: Key Performance Indicator
M&E	: Monetary and Evaluation
MoU	: Memorandum of Understanding
NGO	: Non-Governmental Organization
PAHAL	: Promoting, Agriculture, Health and Alternative Livelihoods
REDC	: Rural Enterprise Development Committee
SACCOS	: Savings and Credit Cooperative Society
SPSS	: Statistical package for the Social Sciences

Chapter 1: Introduction

Cooperative can be viewed as an association of people that is owned, operated and controlled by the people to meet their shared economic, cultural, and social needs and desires through a jointly-owned and democratically controlled enterprise. They can successfully induce socio-economic progress and cultural integration in underdeveloped societies by addressing the marginalization, low income, social deprivation of the member and mainstreaming community strength. Cooperatives have principle, values and norms are member centered.

International Cooperative Alliance (ICA) (1995) defined cooperative as “an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”

As per the three pillar economic model: government, cooperative and private sector have been identified as the three major stakeholder of nation economic building in Nepal. Existence of registered cooperative has crossed half century. Modern cooperatives began, in 1954 in Nepal, when the Department of Co-operatives (DOC) was established within the Ministry of Agriculture to promote and assist development of co-operatives. "Member from each household" policy was announced by the government through its annual plans and programs in 2015. Saving and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, Science and Technology, and Energy are the major types of cooperatives operating in Nepal (refer to annex 1). It is supposed that almost 6 million people are affiliated in approximately 34,512 cooperatives and more than 60,517 people are employed directly in Cooperative business (NEFSCUN, 2018).

1.1 Company Profile

Mercy Corps was established in 1979 to alleviate suffering, poverty and oppression by aiding people to build safe, productive and just communities. It is a non-governmental, humanitarian relief and development agency. The headquarter of Mercy Corps is in the USA and UK. Mercy Corps has worked in over 100 countries and is presently working in 41 countries around the world improving the lives of 19 million people. The principal focus of the agency is on countries that are in the middle of- or are suffering from- economic collapse, conflict, or disaster. Universally, Mercy Corps implements programs in sectors, including: economic collapse, disaster risk reduction, agriculture & food security; youth engagement; market development; emergency response; health; conflict management; community mobilization/ governance, and climate change.

Mercy Corps Nepal works to build the absorptive, adaptive and transformative potential of vulnerable individuals and communities across Nepal. Mercy Corps

began its operation in Nepal in 2005, with projects focusing on the sectors of economic and food security; climate, natural resource and disaster risk management; youth engagement; with the inclusion of women and disadvantaged groups as important cross-cutting themes throughout each intervention area. (Mercy Corps, 2018)

After the devastating earthquake of 2015 Earthquake Recovery Program (ERP) was commenced by Mercy Corps in Nepal. Initially, the program provided relief to the victims of the families who lost their house through distribution of emergency kits and essentials such as blankets and water purification tablets. Currently, through the program, Mercy Corp is working with various cooperatives through various NGOs in the earthquake stricken areas to build safer homes, provide financial access and increase financial literacy among the members of the community. The ERP project started in 2015 and ends at May of 2018. It targets the six rural areas of Nepal. The assessment of the cooperatives seemed important to know about the progress in the cooperatives and their contribution towards their members.

The purpose of this study is to develop, test, and recommend a tool and associated indicators for assessing the performance of financial cooperatives. It compares and contrasts available knowledge and experts' opinions to measure performance of cooperative and proposes the dimensions and indicators for measuring the performance of financial cooperatives in Nepal at the initial phase of and at the end of ERP intervention. Both primary and secondary data sets have been used for this study. The secondary data used in the analysis are obtained from monitoring report maintained by Mercy Corps which were rated under different criteria to measure the PESOS indicators and rated. In addition, questionnaires are also prepared to conduct surveys and presented to the SACCOS and their loan clients in Dolakha and Sindhupalchowk

Cooperatives generally provide an economic boost to the rural community as well. SACCOS are viewed as important institutions for improving the living and working conditions of both women and men. Since the users of the services they provide owned them, cooperatives make decisions that tend to balance the need for profitability with the welfare of their members and the community, whom they lend their services to.

1.2 Organizational Structure

Mercy Corps Nepal follows a centralized organizational structure. The organizational structure of Mercy corps can be seen in annex 2 (refer to annex). Mr. Sanjay Karki is the country director and under him are the director of programs, chef of party of PAHAL, senior HR officers, finance & compliance director, government liaison advisor and operations manager. Mr. Ganesh S Bista is the project manager and looks after financial services of recovery program,

ERP. I am working as a financial inclusion intern and my supervisor is Mr. Ganesh Bista.

1.3 Statement of report

Cooperatives promote the fullest possible participation in the economic and social development of all people and are a major economic force in developed countries and a powerful business model in developing ones. Worldwide, approximately 1 billion people are members of cooperatives. The economic activity of the largest 300 cooperatives in the world equals the 10th largest national economy.

Numerous benefits could be obtained from cooperatives; however, the development of cooperatives is not satisfactory in Nepal. Government has declared cooperative as one of the three pillars for Nepalese economic growth and interim constitution has focused on same, but implementation as per the declaration is weak and the speed of development needs to be accelerated. Despite the efforts of governmental agencies, international institutions, NGOs and other stakeholders for the cooperative movement in Nepal, the results are far from satisfactory.

Several studies have thrown light on the inadequacy of skilled manpower to regulate the cooperatives. Faulty investments in risk prone areas have proliferated due to lack of skilled human resource and inadequate knowledge, principles and practices of cooperative. Hence, laymen with a general and minimal understanding of cooperative principles are surprisingly the head of numerous cooperatives.

Crisis of ideology, crisis of capital, crisis of credibility or crisis of management can be seen in cooperatives all over the world (Taimni, 1997). Five challenges facing cooperatives were identified by Cheney which relate to cultural transformation, competition and expansion, centralization and reorganization, and programs to increase productivity and participation (Cheney, 1995). Groove on the other hand, explains that the major problems of SACCOS is how to keep balance in the two parts of cooperative business, efficiency and democracy since those who are charged with the operation of a cooperative chiefly the board and manager must serve two importance that are the imperatives of good business practices and the social purposes of a community of people (Grove, 1985). Hence, to maintain their special character, cooperatives must be two things in one: a business organization and a social entrepreneurship. (Laidlaw, 1974).

According to Levin, cooperatives play important role in global and national economic and social development. With regard to economic and social development, cooperatives promote the “fullest participation of all people.” They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus the promotion of cooperatives should be

considered as one of the pillars of national and international economic and social development (Levin, 2002).

Most of the people in Nepal are farmers and live in the rural areas. Their income level is low and thus can't afford even the basic necessities of life such as education, health, finance, housing facilities, electricity, telephone, water supply etc. In such context, cooperative can be the best economic means to uplift the economic standards of people of the lower income class living in rural and urban areas.

Mercy Corps, through ERP, is working majorly in disaster management, market supply and financial inclusion in the earthquake stricken areas. The study focus on the financial inclusion part of the ERP's objectives. Financial inclusion has been carried out in three steps namely access, usage and impact. Mercy Corps is working with SACCOS and funding them to create access for the local people towards financial services. The SACCOS and Mercy Corps have signed an agreement on certain terms and conditions for financial access function. Financial literacy programs are carried out for local people and beneficiary parties for efficient usage of the access created by the institution.

Therefore, this study has been conducted to know about the effect of ERP intervention in the selected SACCOS, of Dolakha and Sindhupalchowk, and the socio economic impact of SACCOS on their loan clients. Moreover, this study will explore the access and impact brought out in people through financial inclusion activity of Mercy Corps.

Our study is going to answer the following questions:

1. Have the SACCOS shown any improvement after the ERP intervention by Mercy corps?
2. Is there any socio economic impact of SACCOS on their loan clients?
3. Is there any relation between improvement in performance of SACCOS and savings of loan clients?
4. Is there any impact of number of loans taken on income generation of loan clients?
5. Is there any relation between savings and income generation of loan clients?
6. Is there any relation between number of loans taken and creation of jobs by loan clients?
7. Is there any relation between amount of loan increase in income?
8. Is there any relation between amount of loan and investment in productive sector?

1.4 Objectives of the study

The main objective of the study is to explore the improvements brought up by ERP intervention in SACCOS and their loan clients through assessment of the advancement of SACCOS through the involvement of ERP and exploration of the

socio-economic impacts of SACCOS on their loan clients. The objective of this study can be broken down as follows:

- To explore the relationship between number of loans, increase in savings and amount of loan taken with increase in income generation.
- To study the relationship between number of loans, increase in savings and amount of loan taken with job creation.
- To study the relationship between growth percentage of SACCOS and increase in household income.
- To explore the impact of number of loans, increase in savings and amount of loan taken with increase in income generation.

1.5 Expected outcomes

In Nepal, cooperatives can provide locally needed services, employment, circulate money locally and contribute to a sense of community or social cohesion. They can provide their employees with the opportunities to upgrade their skills through workshops and courses and offer youth in their base communities short and long-term employment positions.

The findings of this study will redound to the benefit of cooperatives of Nepal. Maintaining proper records of savings and credit among the members and the utilization of the raised capital is very important for future planning of the SACCOS. With optimal capital, SACCOS can provide sufficient loans to the needed which are used to improve their income generation as well as living condition. This type of research findings will benefit the people who make decisions related to capital structure to achieve the optimum level of firm's profit.

Number of loans taken by clients, increase in savings of the loan clients after taking loan and the amount of loan taken by clients are the independent variables under study and increase in income generation of a family after taking loan, plan for investment of loan and creation of jobs after taking loan as dependent variables.

The following null hypotheses were formulated for the study:

H0₁: There is no significant positive relation between no. of loans and increase in income generation.

H0₂: There is no significant positive relation between increase in savings and increase in income generation.

H0₃: There is no significant positive relation between amount of loan and increase in income generation.

H0₄: There is no significant positive relation between no. of loans and job creation.

H0₅: There is no significant positive relation between increase in savings and job creation.

H0₆: There is no significant positive relation between amount of loan and job creation.

H0₇: No. of loans has no significant negative impact on increase in income generation.

H0₈: Increase in savings has no significant negative impact on increase in income generation.

H0₉: Amount of loan has no significant negative impact on increase in income generation.

H0₁₀: There is no positive significance relation between growth percentage of SACCOS and increase in household income of loan clients.

1.6 Limitation of the study

Although this research was carefully prepared, there're still a number of limitations and shortcomings. Some of the limitations of the study are:

1. The study is cross-sectional which implies that the views held by individuals may vary over the years.
2. The non-inclusion of government officials as policy-makers, past members, and non-members could have limited our understanding of social performance from multiple stakeholders prospective. Future research may be needed in other sectors of the economy.
3. Some of the people of the sample had to be replaced, from the replacement list, as they were not available.
4. Since all the districts under ERP could not be covered due to time limit, the results may not be applicable for all the SACCOS overseen by ERP.
5. As the study is cross-sectional, the views held by individuals may vary over the years.
6. Findings can be flawed or skewed if there is a conflict of interest with the funding source.

Chapter 2: Literature reviews

The review of literature has been further divided into two sub-sections. In the first subsection, there will be an epigrammatic description on the review of theories. In the second subsection, there will be discussion on concepts applied in this study alongside with job descriptions

2.1 Main theories

Cooperatives generally provide an economic boost to the rural community through mobilization of savings and empowering people by having good manner and behavior of using savings and loans. The following theories are related to SACCOS and their loan clients.

2.1.1 Social capital theory. Social capital is a term used to describe a person's participation or position within a particular social group, which contributes to their lives in certain ways. It is what provides access to resources embedded in social relationships. Social capital theory deals with three distinct concepts: resource, structure of a network or topology and nature of relationship. The driving concept behind the theory of social capital is that a person's position within a particular group provides certain benefits that work to their advantage. (White, n.d.).

The social capital theory by Stein 1960 suggests that when people perform in a group such as a cooperative society or self-help group, it leads to the economic and social development of the group, individuals in the group and the immediate community where such group operates from. Social development is the improvement in relationship between people while the economic development is divisible into two parts as improvement in financial condition and physical progress such as material acquisition which include real estate development. This is significant since economic development does not take place without increase in physical material acquisition and financial resources . (Kah, Olds, & Kah, 2005)

2.1.2 Loanable funds theory. The Loanable Funds Theory is a theory of the market interest rate. According to which the interest rate is determined by the demand for and supply of loanable funds. Loanable funds are the sum total of all money people and entities in an economy have decided to save and lend out to borrower as an investment rather than personal consumption. It includes all forms of credit, such as loans, bonds, or savings deposits. The loanable funds doctrine was formulated in the 1930s by British economist Dennis Robertson and Swedish economist Bertil Ohlin.

The theory of loanable funds uses classical market analysis to describe the supply, demand and interest rate for loans in the market for loanable funds. Loanable funds market follows the general law of supply and demand where an increase in supply tends to lower interest rates if demands remains unchanged and

vice versa. The interest rate in market will reach equilibrium and stabilize when supply in loanable funds equals the demands for them.

2.2 Concept applied alongside with the given job descriptions

There are many prosperous theoretical and empirical literatures related to cooperatives and their members. This sub-section focuses on previous empirical research that have helped to develop this study. These empirical studies attempted to measure cooperatives' performance by analyzing the effect of various financial and non-financial factors. The final results of these studies proved inconsistent in some areas and consistent in others. The lists of studies cover the period from 2013 to 2017 that were conducted in various countries and are presented in chronological order.

O. Oluyombo (2013) gauged the role played by cooperative societies' loans services on members' economic condition through household income generation in rural areas where there is no bank or other formal financial providers. The author set a hypothesis that, there is no relationship between participation in a cooperative and increase in household income. The hypothesis of investigates the relationship that exists between access to cooperative loan and household income of the members.

The population of the study were unregistered cooperative societies in Ogun State, Nigeria and the sample randomly selected which included five cooperatives in each local government area from which 11 individuals from the membership list were randomly selected to participate in the impact survey questionnaires which included both loan as well as non-loan members. The responses from the survey were analyzed with an independent sample t-test in order to calculate significant differences in means between the two groups. Similarly, in order to determine the demographic variables that contributed significantly to the result One-way analysis of variance (ANOVA) was used while the standard effect size was used to determine the relationship that exists between the dependent and independent variables from the t-test result. To determines if there is a significant difference between the two groups on demographic variables such as gender and marital status, chi-square test of significance was applied to variables measured on ordinal or nominal scale while t-test was applied on ratio and interval data.

The study found that that participation in a cooperative as loan member is associated with increase in household income, however membership duration, house ownership, and marital status are the three variables that contributed significantly to the increase in household income reported by loan members in addition to the loan. Two main reasons were recognized for increase in household income which are: expansion of business and commencement of new business were. The level of household income increases, of borrowers, due to use of

cooperative loan because the loan serves as additional investment and therefore helps to improve economic position for better living standard of the members.

Nav Raj Simkhada (2017) conducted a research on Indicators for Measuring Performance of Financial Cooperatives in Nepal. In this study the author aims to develop, test, and recommend a tool and associated indicators for assessing the performance of financial cooperatives. He found that there was no proper monitoring of cooperatives due to lack of many important indicators for assessing performance thus he tries to identify and recommend different indicators for measuring performance of financial cooperatives in Nepal. The population of the study included the cooperatives affiliated with Small Farmer Development Bank.

He conducted Individual expert interviews and Focus Group Discussions (FGDs) with experts and practitioners in the cooperative and micro finance institution to collect their feedback on Key Performance indicators (KPIs) to be included in the appraisal tool for financial cooperatives. Then, he compared the recommended indicators with literature and categorized them into different dimensions of performance measurement of financial cooperatives. The selection of sample was done by applying purposive sampling technique and it included 31 experts working with cooperatives, microfinance institutions, donor organizations, wholesale financial service providers, and supporting organizations working in the cooperative or microfinance field during February-April, 2016. The experts during interview and panel discussion also strongly suggested for incorporating social and governance related indicators.

A performance measurement tool with dimensions and indicators under each dimension to measure performance was prepared after comparing the findings of the FGD with the findings of in-depth individual interviews. Then, the tool was translated into Nepali and tested with five cooperatives in the Kathmandu valley. The tool was then applied/piloted with 210 randomly selected cooperatives representing all geographical locations of Nepal (plain, hills, and mountains), mix-sex cooperatives and women only managed cooperatives while covering small, medium and large size cooperatives and cooperative with different age. After analyzing the collected information, the findings were presented in the national microfinance summit 2017 based on which KPIs and standards were recommended for Nepali financial cooperative sectors and also were useful to the cooperatives around the globe.

The study identified nine dimensions and 32 financial and 25 self-governance related indicators to assess performance of financial cooperatives in Nepali context. The nine dimensions identified by the study are: Earnings, Liquidity, Efficiency, Productivity, Healthy capital structure, Assets quality, Net growth, Targeting, and Self-governance which may be abbreviated as ELEPHANTS.

Fiona (2017) evaluated Non-financial tools and Indicators for Measuring the Impact of Co-operatives. This report is directed towards providing a better understanding of the non-financial reporting and measurement landscape for co-operatives especially what tools and indicators are available and could be taken up by co-operatives.

Variables of the study were: scope, target audience, source, developer, for collection and reporting, analysis options, time frame, and benchmarking opportunities. A combination of deductive and inductive analysis approach was taken. A descriptive approach to study this topic was employed.

The author came across over 80 different pre developed tools that aimed to report on non-financial indicators, some of which were: Global Reporting Initiative (GRI), Social return on investment (SROI), Accountability, International Integrated Reporting Framework (IIRC), Social Accounting, B-corps, STARS, Earth Charter, United Nations Global Compact, etc., which had been used by IOCs, non-profit organizations, universities and co-operatives. Similarly, many proprietary tools were found that were purpose-built to be used only by the company that developed it and sometimes to be used only once.

It was determined that there were limited cooperative-specific tools which have been developed for different purposes and have different motivations and implementation practices. Moreover, there were very few with measurable indicators and aligning metrics. Within these tools, there seems to be stress on the social component of sustainability for cooperative tools over environmental component, and this social link has a connection to the Cooperative Principles. And finally, there is petite information on the take-up of cooperative-specific tools. Therefore, researchers and assessing authorities create appropriate assessment tools according to the needs of the nation and the cooperatives including measurable and comparable metrics which bring out relevant information.

Chapter 3: Methodology

This chapter has been divided into two sections. First section includes brief description of the roles and responsibilities assigned by Mercy Corps, while second section includes the detailed description of the project assigned by Mercy Corps.

3.1 Roles and responsibilities assigned by company

Mercy Corps has been implementing Earthquake Recovery program in Dolakha, Sindhupalchowk, Kavrepalanchowk, Nuwakot, Makwanpur and Sindhuli districts as in integrated program with DRR, Financial Services and Market Systems Development components to build resilience capacities of the families and communities in the earthquake affected areas. They take a systems-based approach in our programming, with the aim of improving the lives and potential of vulnerable individuals and communities across Nepal.

3.1.1 General Position Summary. The primary function of this internship is to design a research study in consultation with the program team, conduct study and submit report to the program team and the college.

3.1.2 Essential functions. Some major functions as an intern are as follows:

- Finalize a research topic in consultation with ERP team.
- Develop a research design to conduct the study. Finalize the research design and data collection tools in consultation with ERP team
- Study of the program design and project progress data related to the study topic.
- Field study and information collection.
- Data analysis
- Prepare a report of the research documenting the literature review, research methodology, research findings, and recommendations.
- Finalize the report submit to ERP team and the College.

Some other function as an intern are:

- Other duties as assigned by the supervisor.
- Conduct himself/herself both professionally and personally in such a manner as to bring credit to Mercy Corps and to not jeopardize its humanitarian mission.

3.2 Project details

After consulting with the ERP team of Mercy Corps it was finalized to conduct this study entitled “SACCOS and Loan Clients: Periodical Growth of SACCOS and its Socioeconomic Impact on Loan Clients.” The details of this study are explained below.

3.2.1 Research Design. The research design adopted in this study consist of assessment, explanatory and correlational designs to address various objectives of the study. Descriptive research design describes situations and is selected to study the relationship between a dependent variable and independent variables.

Explanatory research design is conducted in order to identify the extent and nature of relationships between various relationships working within a similar constraint It focuses on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. The key research statements are based on research hypothesis and this study is conducted in the later stages of decision making.

Correlational research design provides empirical evidence suggesting if the two or more variables are related or not. Positive correlation between two variables is when an increase in one variable leads to an increase in the other and vice versa. Negative correlation is when an increase in one variable leads to a decrease in another and vice versa. Two variables are not correlated if change in one doesn't lead to change in the other. This research design is selected for the study to show the correlation analysis between dependent and independent variables.

3.2.2. Sample selection. ERP has been actively working in six districts in Nepal affected by the earthquake. For SACCOS assessment, the population of this study is six SACCOS of Dolakha district and five SACCOS of Sindhupalchowk district of Nepal and the sample contains two SACCOS from Dolakha and two SACCOS from Sindhupalchowk. The sample includes Janasewa Miteri SACCOS of Hawa village and Mahila Sakchhyarta SACCOS of Sahare village of Dolakha district and Ramche SACCOS of Ramche village and Himchuli SACCOS of Maneshwara village of Sindhupalchowk. The sample for SACCOS assessment constitutes about 36.36% of the population. The assessment has been done for two periods i.e. at the time of MoU which is 2015 and at the end of the ERP i.e. 2018.

For the loan client survey, the population includes all the loan clients of the SACCOS that were taken as sample, for the cooperative assessment, who have outstanding loan of more than NRs. 25000. The sample consists of 73 loan clients among which 8 are from Hawa, 21 from Sahare, 32 from Ramche and 12 from Maneshwara. The sample of loan clients constitutes 5% of the total population of the research (refer to annex 3). The sample selection was through Rao Soft software.

3.2.3 Data collection. The loan client survey is completely based on primary data. The data is collected through survey questionnaire of 70 questions, refer to annex 5, to be presented to the sampled loan clients. The data for SACCOS assessment is collected through a combination of primary and secondary sources. The non-financial factors are collected through a graded questionnaire and the financial data is collected from the monitoring report of all

SACCOS maintained by the Mercy Corps which is submitted regularly by the local NGOs of the sampled areas.

3.2.4 Data analysis and tools. The main purpose of data analysis in this study is to explore the growth in SACCOS in Dolakha and Sindhupalchowk after the intervention of ERP and to examine the betterment in socioeconomic conditions of the loan clients after utilizing loans from SACCOS and their satisfaction towards the SACCOS.

Cooperative assessment of the SACCOS is done through two categories namely Financial and Non-financial study. The financial assessment is done at the time of MoU with Mercy Corps and at the present condition with the help of PESOS tool created by Association of Asia Confederation Credit Union (AACCU), refer to annex 4, which examines the situation of SACCOS with Portfolio quality, Efficiency, Stability, Operations and Structure of assets as the main performance indicators. For Portfolio quality, allowances for probable losses and portfolio at risk are calculated. Calculation of asset yield, operational self-sufficiency, rate of return, loan portfolio profitability, cost per rupee loan and administrative efficiency is done to measure the efficiency of the SACCOS. Solvency, liquidity and net institutional capital is calculated to measure the stability. For operations, performance of membership growth and trend in external borrowing is calculated. Finally, asset quality and asset structure is measured to indicate the structure of assets.

The non-financial analysis is done through rated questionnaire which indicates Leadership which contains functions of EC members composition and reporting, Human resource and management containing their functions and duties, staff development and compensation and benefits, System and mechanism which is measured by maintenance of books of accounts, manuals, structure and physical infrastructure, Economic aspects include adequacy of internal control and self-sufficiency and Membership which contain their composition, governance, services and training and record keeping.

Correlation analysis is done between the independent variable i.e. improvement percentage of the SACCOS and household income generation to check the relation between SACCOS improvement and the socio-economic conditions of the loan clients. Correlation between improvement in SACCOS and increase in household income is done to check whether improvement in SACCOS has affected the economic condition of the loan clients. Also correlation analysis has been done between savings, no. of loans taken to increase in income and creation of jobs to determine the impacts on loan clients. IBM SPSS statistics software was used to calculate correlation and regression of variables.

Chapter 4: Results and Discussion

The aim of this study is to find out the impact of ERP intervention on the cooperatives and the socio economic condition of the loan clients. To address the aim, this study employs various tools and techniques in order to find the affect. This chapter gives detailed information on the results of this study, with refined discussion.

4.1 Contributions of student made during internship

This study helped the agency to determine how successful ERP intervention has been and if the goals of the project have been met or not. In order to analyze the condition of the SACCOS both financial and non-financial assessment of the SACCOS were conducted. Similarly, to know about the socioeconomic condition of the loan clients a survey was conducted. The results from the assessment of SACCOS and the data collected from loan client survey are discussed below:

4.1.1 Non-financial assessment of SACCOS. For non-financial assessment of SACCOS a questionnaire was developed and the EC members and employees were interviewed with the help of developed questionnaire regarding the following headings:

Leadership. Leadership position of the SACCOS were determined by taking into consideration four factors namely functions and duties of EC members, composition of EC members and reporting and decisions of EC members.

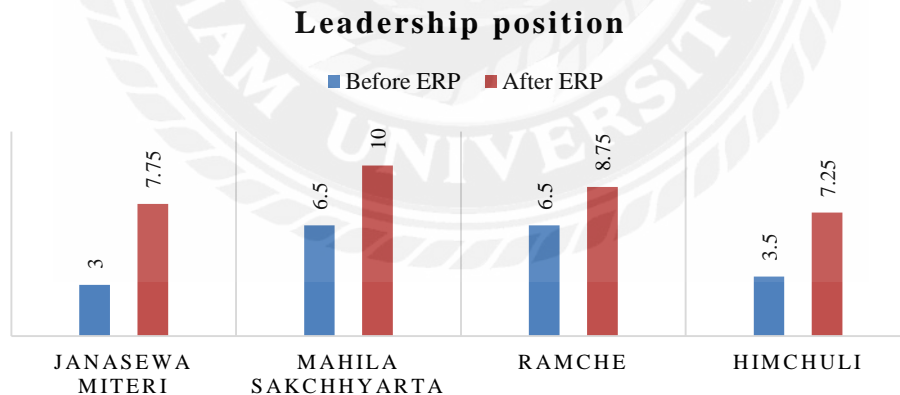


Figure 1: Bar graph of leadership position

From the above bar graph, figure 1, we can see that there has been significant growth in leadership position in all four of the SACCOS. The greatest and the least change is seen in Janasewa Miteri and Ramche SACCOS respectively. Improvements have been seen in segregation of function and

responsibilities of EC members in three of the SACCOS except Ramche because it had been functioning well before the intervention of ERP.

In Ramche SACCOS, involvement of women in EC was not enough and they did not give much consideration towards the guidelines given to them by Mercy Corps. It was seen that the financial statements were seldom presented in the EC meetings. Though the findings of the report were analyzed and incorporated in future plans they were not worked upon immediately. The EC members had received proper training on management and finance, created business and budget plans and currently had divided the outstanding loans into current, doubtful and bad but sufficient provisions for the same were yet to be created.

In Himchuli SACCOS, it was seen that most decisions were made by the chairman and other members were inactive in decision making and controlling the activities of the SACCOS. Meetings were not conducted regularly. Age classification of the loans was done but creation of provision had not been done.

Janasewa Miteri SACCOS seemed to be in very bad condition but ERP intervention managed to bring it to a moderate situation. The functions and duties of all the EC members had now been properly segregated and meetings were conducted regularly. Budget and business plans were created and reviewed but feedback were not considered. Loan status was discussed during the meetings and age classification of the loans was done but enough provision was not allotted.

Mahila Sakchhyarta SACCOS has been functioning most efficiently in context of leadership position among the SACCOS under study. They are lacking in involvement of disadvantaged groups in EC and insufficient provisions towards the age classified outstanding loans.

Human resource and management. Human resource and management functions were determined with study of three components namely Functions and Responsibilities of Management team, Staff development & Career planning and Compensation of Benefits of EC members and the management team.

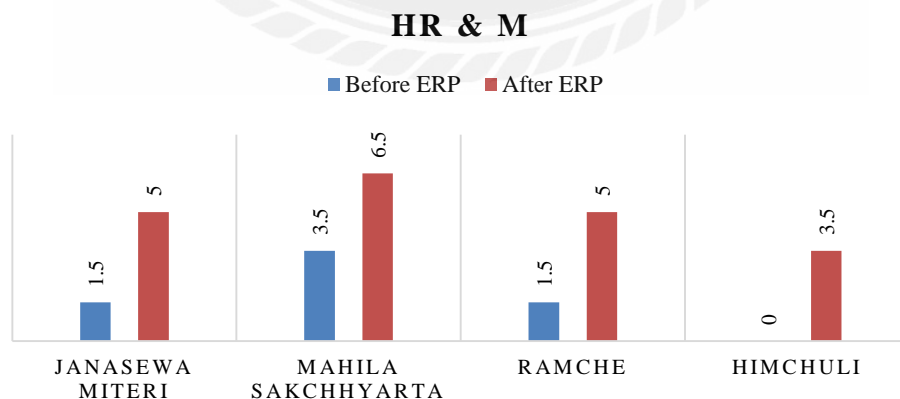


Figure 2: Bar graph of human resource and management

Almost equal growth is seen, as in figure 2, in all four of the SACCOS, in terms of development of Human resource and management. Improvements were seen in all the SACCOS in segregation of duties and responsibilities among the available management team but their attendance in regular meetings. There were no specific performance appraisal system or mechanism in any of the SACCOS. Self-assessment was done by the employees of Janasewa Miteri and Mahila Sakchhyarta and Himchuli SACCOS but no such activities were seen in Ramche SACCOS. Salary scaling according to responsibility was done in Ramche and Himchuli but in the other two, salaries were paid as per the mutual agreement between the EC members and the employee. In both SACCOS of Dolakha, wages were provided to EC members but in Sindhupalchowk, the EC members voluntarily didn't accept it.

System and mechanism. In order to evaluate the position of systems and mechanism within the SACCOS, four determining factors were identified. The factors were Maintenance of books of accounts, Preparation of manuals, Physical Infrastructure and Organizational Structure.

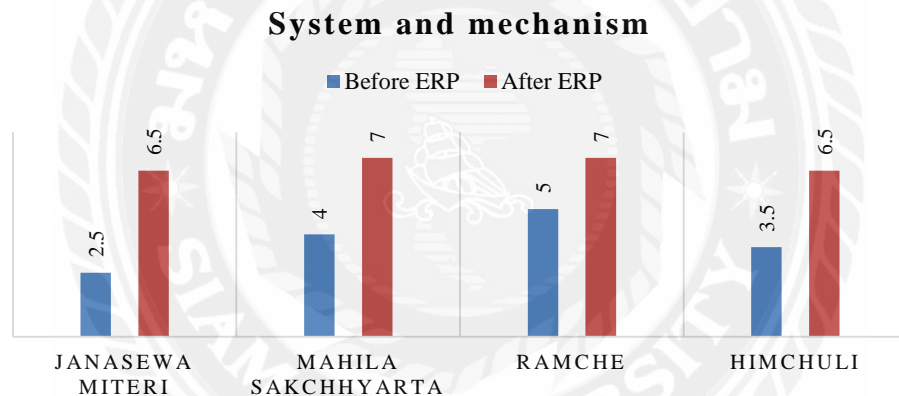


Figure 3: Bar graph of system of mechanism

The highest and the lowest improvement is seen in Janasewa Miteri and Ramche SACCOS respectively but the present condition of both of them is equal and better than their counterparts, from figure 3. All the SACCO's books of accounts were well maintained and updated timely and journal vouchers and trail balance were prepared regularly. None of the SACCOS had manualized their books of accounts and did not possess a written operational structure of the organization. Janasewa Miteri, Mahila Sakchhyarta and Ramche SACCOS all had their own office premise but Himchuli operated in a rented flat but all the SACCOSs had infrastructures to keep the record books, registers and documents safely.

Janasewa Miteri had two staffs and two computers among which one was provided by Mercy Corps along with a printer. One of the staff had received

training on using software for accounting but was still confused in operation of the software.

Mahila Sakchhyarta had three staffs and one of them was good with the software and taught the junior staff about the software. A proper chart of organizational structure was printed and displayed.

Ramche SACCOS hadn't financial statements on time. There were enough equipments to fulfill the current needs but might need addition in a few years.

Himchuli had two staffs who were qualified to run the software properly but they were found to be absent a lot of time and the office never opened on time.

Economic aspect. In order to evaluate the economic aspect of the SACCOS adequacy of internal control and self-sufficiency were taken as the measuring factors.

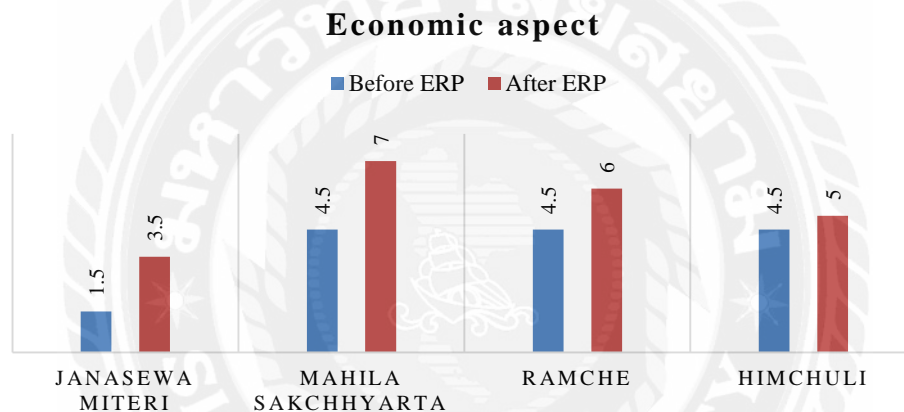


Figure 4: Bar graph of economic aspect of SACCOS

The highest progress in economic aspect is seen, from figure 4, in Janasewa Miteri followed by Mahila Sakchhyarta and the least progress is seen in Himchuli. Internal audit is carried out regularly by all of the SACCOS but there seems to be shortfall in implementations of outcomes that come through the audit and the process is slow in all of the SACCOS. Himchuli and Mahila Sakchhyarta are being able to fulfill loan demands of its members but the other two are still struggling to provide sufficient loans. In order to meet the demand of loans Ramche is increasing its membership and making deposits compulsory and regular. All other SACCOS seem to be self-sufficient financially except for Janasewa Miteri, this seems to be because of low interest income and low service fee of the SACCOS.

Membership position. The membership position of the SACCOS is evaluated taking into consideration the following factors: Composition of members, Governance, Service to members and Training & Record keeping.

The membership size as per the age of the SACCOS is fulfilled in all the sampled SACCOS and they had maintained membership registration book but Janasewa Miteri did not record the drop out members as they believed it would cause complications in calculation of members and share dividends. All of the SACCOS conducted the general assembly annually. In case of, Janasewa Miteri and Himchuli, they could not meet the quorum in their previous AGM as the members of the SACCOS were far from the venue and they were unable to send written invitation to the members of the SACCOS respectively.

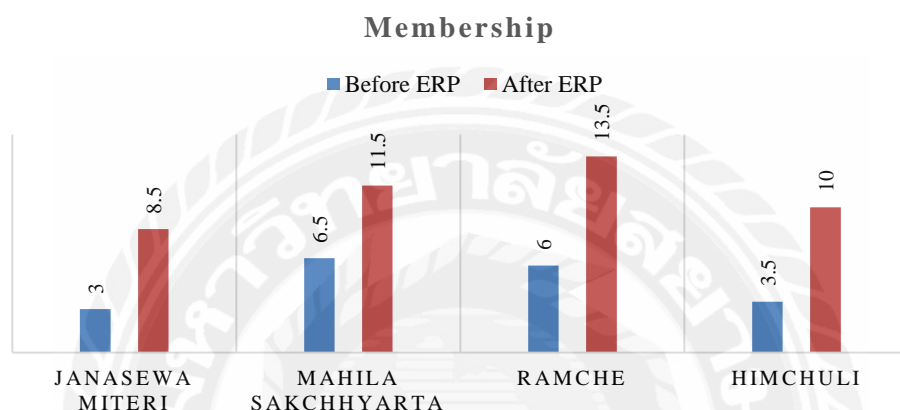


Figure 5: Bar graph of membership position of SACCOS

Janasewa Miteri collects savings and interest on loans within the first three days of the week and provides loan on a specific day of the week so that they can focus on record keeping and calculations for rest two days but this is a little inconvenient for the members. In the other three SACCOS, transactions can take place any day of the week and updates are made on daily basis.

All SACCOS had some common savings products such as Mandatory, Voluntary, Child, Term, Khutrukke, Pension and Insurance savings but Ramche and Mahila Sakchhyarta SACCOS had some extra saving products. Loan products have also increased since ERP intervention before there were two or three loan products, after the intervention there are various loan products such as Business, Agriculture, LRC, Housing, Foreign, Social and Education loan.

Ramche had been providing micro-insurance and remittance facilities while other SACCOS were trying but had not been able to operate such functions. All the SACCOS were actively working for FLT Program. Mahila Sakchhyarta had even requested reading materials so that they can operate FLT classes by themselves and raise awareness among the community. The institutions used to provide loans and collect savings without any prior information to the members before the intervention of ERP. Currently, all the clients are oriented about loan and their obligations towards the SACCOS and also given a passbook which

contains all the information regarding the loan such as installment and interest payments.

Looking at the aggregate condition of non-financial assessment, as seen in figure 6, the highest progress through ERP intervention is seen in Janasewa Miteri followed by Himchuli. Ramche shows the lowest progress as it was already functioning in a good condition well before its involvement with Mercy Corps.

Advancement is seen in all five of the areas selected for assessment. On average there has been similar improvement in management and operational performance of the SACCOS in both Sindhupalchowk and Dolakha.

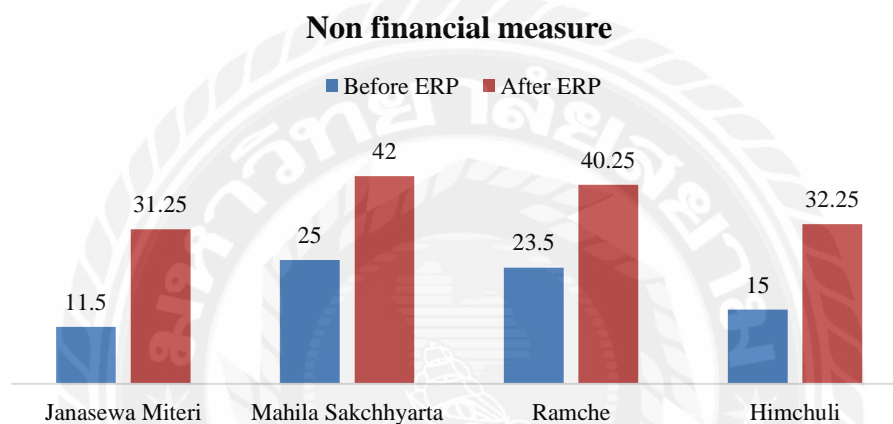


Figure 6: Bar graph of Non-financial assessment of SACCOS

4.1.2 Financial assessment. In order to assess the financial position of the SACCOS, PESOS rating was utilized. PESOS rating takes into consideration 5 indicators to measure the financial status of a cooperative or a microfinance institution. The five indicators that have been measured are Portfolio Quality, Efficiency, Stability, Operations and Structure of Assets. The indicators have been graded according to the values obtained from certain formulas under each of the indicator.

As observed in table 1, in terms of portfolio quality, none of the SACCOS had sufficient provisions as per the age classification of loans. The loan loss provision could be utilized for current loans but for other past due loans the amount of provision was insufficient. Janasewa Miteri had high amount of past due loans because of installments that couldn't be recovered hence it has high portfolio at risk which is not advisable for a financial institution. Mahila Sakchhyarta has 12% of its portfolio at risk which is moderate and can recover from the state with little effort. The state of portfolio at risk of Ramche and Himchuli are satisfactory as they had been collecting outstanding loans in proper period of time.

Table 1
PESOS financial assessment of SACCOS

Marking		Janasewa Miteri	Mahila Sakchhyarta	Ramche	Himchuli
P	Before ERP	0.0	0.0	4.5	4.5
	After ERP	0.0	5.5	4.5	4.5
E	Before ERP	8.0	7.0	6.0	9.0
	After ERP	7.0	7.5	7.0	7.0
S	Before ERP	3.0	5.0	9.0	9.0
	After ERP	3.0	9.0	9.0	9.0
O	Before ERP	3.5	3.5	3.5	3.5
	After ERP	3.5	3.5	3.5	3.5
S	Before ERP	4.5	4.5	4.5	4.0
	After ERP	5.0	4.3	5.0	4.5

There is no change in efficiency of functioning of Mahila Sakchhyarta and it is in moderate condition. Janasewa Miteri shows weaker level of asset yield which means it is not able to generate income efficiently through its assets and also the loan has not been profitable to the SACCOS. It is efficient in managing its cost of asset, loan portfolio and earning power of members. Similarly, both Ramche and Himchuli, are weak in converting asset into income and portfolio is not profitable.

Observing the stability of the SACCOS, none of the four SACCOS have sufficient net institutional capital after subtracting the losses. Solvency, i.e., ability to provide loans at a moment's notice and liquidity, degree of protection of member's savings is fair in Mahila Sakchhyarta, Ramche and Himchuli. Janasewa Miteri is in a weak condition of solvency and liquidity because of a smaller amount of fixed and liquid asset and large amount of deposit.

Growth of members is targeted in all four of the SACCOS and they have been able to achieve the number of members as previously expected. Himchuli is observed to have increasing external borrowings for its operations which could bring problems in the future and can cause hindrance in day to day working of the institution. Janasewa Miteri and Ramche have decreasing external borrowing which indicates strong and efficient day to day operation of the institution.

Observation of Asset Quality shows that the percentage of non-income generating asset is very low in all four of the SACCOS which is the positive indicator towards growth. In terms of Asset structure, the condition of Himchuli is very weak because of lack of adequacy of the assets financed by the deposits and the members share capital. The other three SACCOS have moderate condition of asset structure and is sustainable for functioning of the institution.

4.1.3 Aggregate SACCOS assessment. Observing the progress in the SACCOS combining the financial and non-financial measures, it can be concluded that Mahila Sakchhyarta has the highest percentage growth in performance after the intervention of ERP followed by Janasewa Miteri, Himchuli is the least affected.

On an aggregate the SACCOS in Dolakha show high performance improvement after the ERP intervention. This can be because the SACCOS in Dolakha had not been in operation prior to their involvement with Mercy Corps.

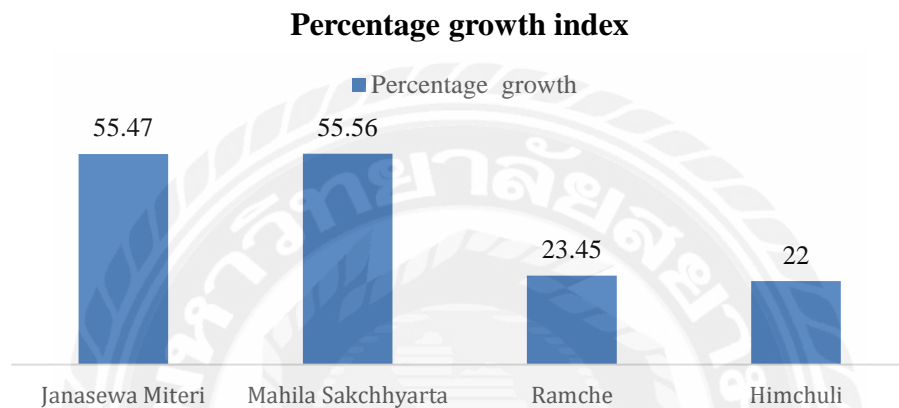


Figure 7: Aggregate growth of SACCOS after ERP intervention

In case of SACCOS in Sindhupalchowk, Ramche is continuing with the processes how they used to work before ERP intervention and Himchuli SACCOS is not making efficient utilization of the funds and resources provided by Mercy Corps.

4.1.4 Loan client survey. This section has been further divided into four subsections. In the first subsection, we discuss about the frequency distribution of the variables under study, the second subsection presents the descriptive statistics, the third subsection presents the analysis and result of correlation and the fourth subsection shows the analysis and result of regression analysis.

Frequency distribution of variables. The frequency distribution for each variable under study and some other variables, that were part of the questionnaire, across Dolakha and Sindhupalchowk as well as total of both these districts are analyzed and tabulated in table 7, refer to annex.

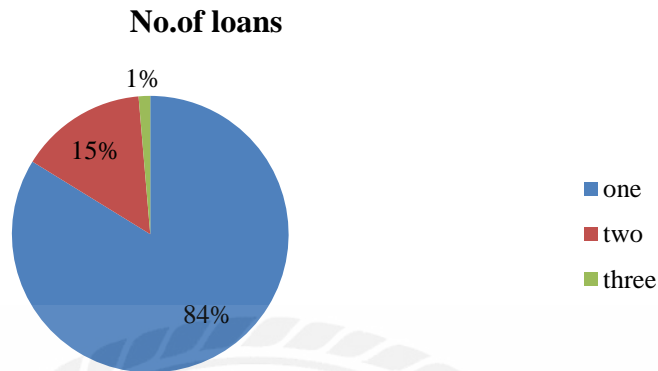


Figure 8: Pie chart of number of loans taken

From above figure 8, it can be observed that, after the earthquake of 2015 AD, most of the people took loan only once and just 1% had taken loan three times. This is because loan cannot be issued without repayment of outstanding loan and many had not paid their previous loan or had recently taken loan.

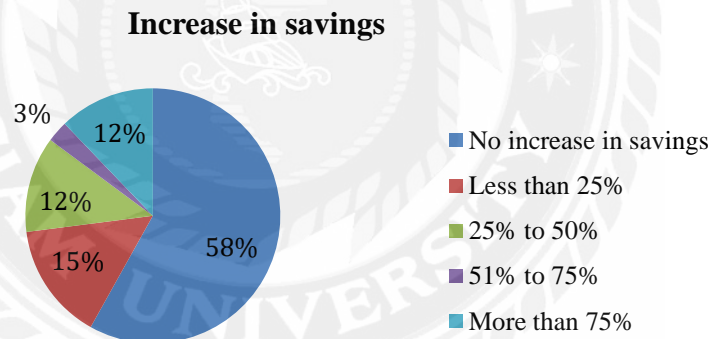


Figure 9: Pie chart of increase in savings of loan clients

It is understood from figure 9 that the most of the loan clients did not have an increase in their savings after taking loan and 41% of people that were interviewed had an increase in their savings as compared to before taking the loan. 15% of the sample had less than 25% increase in their savings as compare to before taking the loan and 12% of the people could save 75% more than they used to. The increase in savings can be contributed to the increase in household income through the utilization of loans.

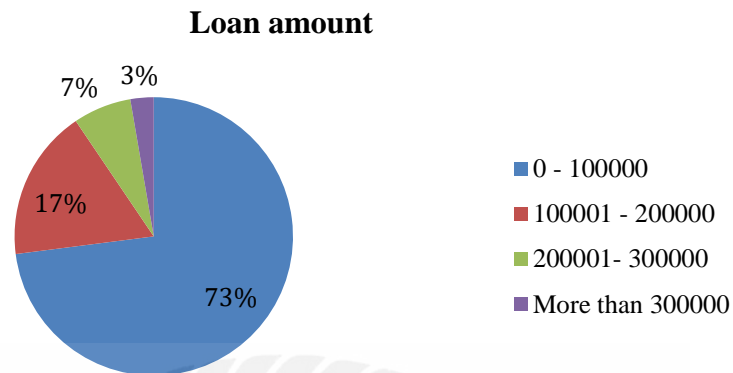


Figure 10: Pie chart of loan amount

From the above figure 10, it can be witnessed that about 73% of the sample have taken loan up to NRS.100000 and only 3% of the sample have taken a huge amount of loan greater than NRS.300000. Loans are provided on the basis of the deposit amount of the members of the institution, i.e. higher the amount of deposit in the SACCOS, higher the loan amount they can withdraw from there.

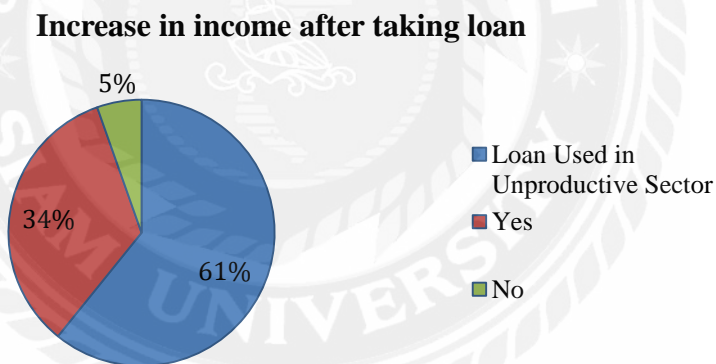


Figure 11: Pie chart of increase in income of loan clients

From figure 11 it can be found that 61% of sample did not face any increase in income after taking loan as the loan was invested in unproductive sector such as building houses. Out of the loan client who had taken loan, 34% had an increase in household income through the utilization of loans. The highest increase in income is through investment of the loan in small business such as market vendor and convenience stores. Few loan clients have invested the loan amount in livestock raising and cattle farming in order to increase their level of household income. There were few outstanding examples of investment of loans.

A client in Hawa, Mr. Surya Bahadur Sunuwar Dolakha had established saw mill and furniture manufacturing through loans and had tremendous increase in income. He also invested in projects such as stone crushers and lime stone plants. In Sahare, a client had established a chicken poultry farm through loan and bought a few chicks and through that business she has more than 150 chicken at her home and is able to easily handle household expenses of her whole family, refer to annex 3.

From figure 12, we can see that most of the people, 78%, did not face any increase in their income after taking loan as it was spent on unproductive sector such as reconstruction of house after the earthquake and on other household expenses. Among the people who had increased income 22% had either invested or had plan to invest their increased income. 19% of the sample had already invested in productive sector and gained and 3% had plans to invest their increased income in their existing enterprise. One particular example of expanding electronic shop and adding computer institute to it with the help of loan in Ramche.

Investment or plan to invest the loan amount

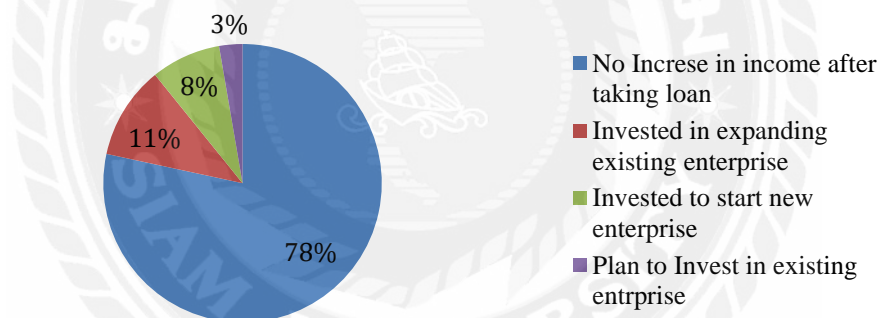


Figure 12: Pie chart of investment plan of loan clients

Looking below at the figure 13, it can be witnessed that majority of the people i.e. 95% could not create any part time or full time jobs after utilizing their loan either in productive sector or unproductive sector. Total of four people of the sample i.e. 5% were able to create either part time or full time jobs. Out of the four people who were able to create jobs, one person of Dolakha had created eleven full time job where as three people of Sindhupalchowk were able to create a total of two-part time jobs and two full time jobs.

Job creation

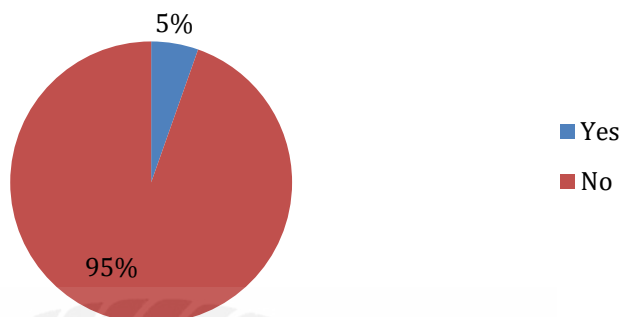


Figure 13: Pie chart of job creation of loan clients

Table 7, refer to annex 3, also presents the presents the frequency and percent of some other variables that had been indicated by our research. It was observed that inclusion of female members was more effective in Dolakha. 82% and 57% of the sample being female in Dolakha and Sindhupalchowk, which brings the aggregate of 67% inclusion of females in this study. 51.4% of the loan clients made financial decisions at home with discussion among husband and wife while in 30% of the loan clients, the household decisions were made by only one member of the family. The loan clients assign the progress in decision making by female to the financial literacy program.

90% of the loan clients are conducting regular savings. When inquired about advantage of saving 54% of the loan clients expressed it helped them take loans easily and at a lower interest than other FIs. 15% of the sample who said saving was not advantageous were uncertain of the financial benefit of saving to them.

On an average it takes eight days in all SACCOS to get the loan amount after the initial application. If the amount of loan is small and the SACCOS has enough money in its vault, loan is provided immediately. But loans of more than one lakh rupees is discussed and provided only if approved by the EC members.

Only 5% of the sample spent the loan in other purpose than the initially approved one. In Himchuli it was seen that, clients were advised to approve their loans for purposes with lower interest such as LRCF loan and then use that loan to for housing reconstruction showing their past cattle as proof that they are utilizing the loan for LRCF. This causes difficulty in collecting interests and loan installments and it also reduces the income it could generate.

Observation of profile regarding fulfillment of requested amount shows that 96.6% of participants in Dolakha received loan equal to the amount they initially requested. In Sindhupalchowk the fulfillment is less as 29% of the participants did not get the requested amount. This is because the members in Sindhupalchowk request a higher amount of money which mostly is for housing reconstruction. Also it is because of weakness in SACCOS to hold cash to provide as loans.

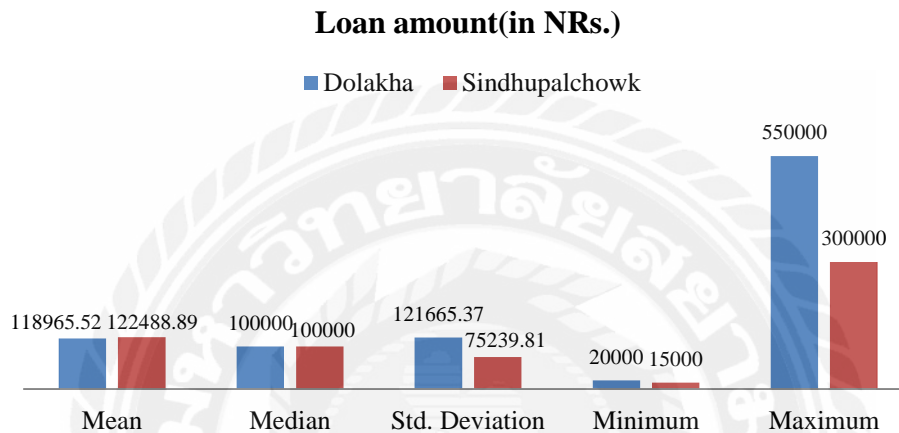


Figure 14: Comparison of loan amount taken between districts

Figure 14, shows that the mean and median value of the amount of loan in both Dolakha and Sindhupalchowk are almost the same. The maximum amount of loan given out in Dolakha is greater than that of Sindhupalchowk and so is the case with the minimum loan amount to be given out. The standard deviation of Dolakha is found to be Nrs. 121665.37 whereas the standard deviation of Sindhupalchowk is a bit lower than that of Dolakha i.e. Nrs. 75239.81.

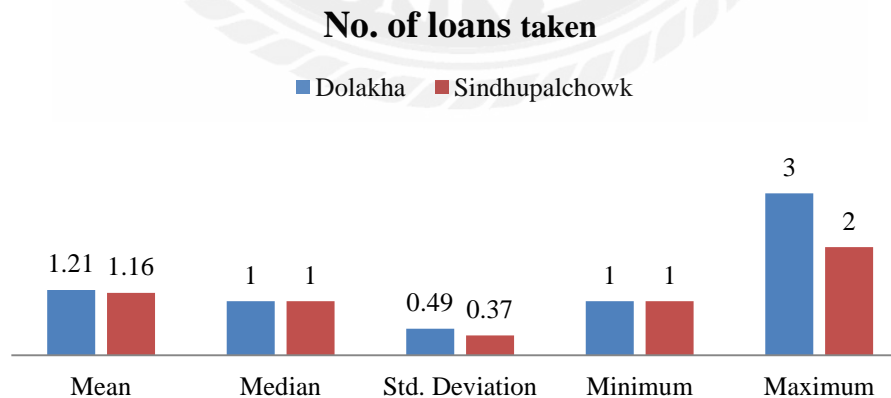


Figure 15: District wise comparison of no. of loans taken

Figure 15 displays that the median and the minimum number of loans taken by a single person after the earthquake of 2015 AD from their respective SACCOS is the same. There is not much difference in the mean number of loans taken in both Dolakha and Sindhupalchowk, the mean number of loans taken in Dolakha is 1.21 with a standard deviation of 0.49 whereas the mean number of loans taken in Sindhupalchowk is 1.16 with a standard deviation of 0.37. The maximum number of loan taken by a single person is three times in Dolakha where as it is only twice in Sindhupalchowk.

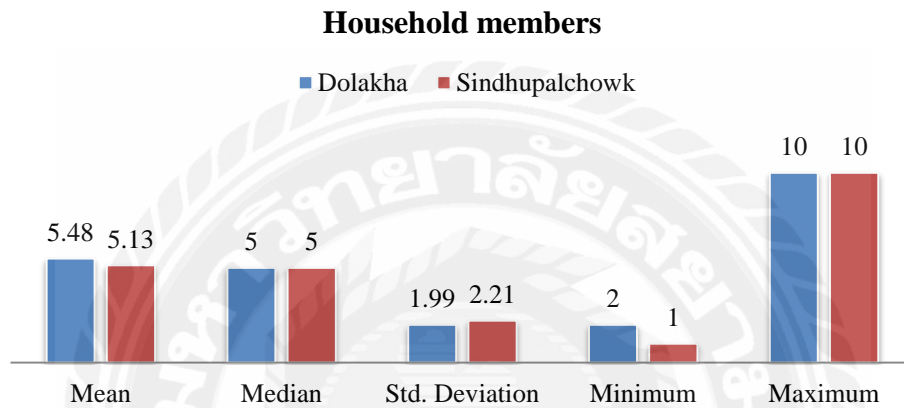


Figure 16: District wise comparison of household members

Figure 16 shows the number of members in the family of the loan clients. It can be observed that the number of household members of both Dolakha and Sindhupalchowk area is very similar. The mean number of household members in Dolakha is 5.48 with a standard deviation of 1.99 and the mean number of household members in Sindhupalchowk area is 5.13 with a standard deviation of 2.21. the maximum number of household members of both the areas are the same i.e. 10 and the minimum number of household members in Dolakha is 2 whereas in Sindhupalchowk is 1.

Loan procurement period(in days)

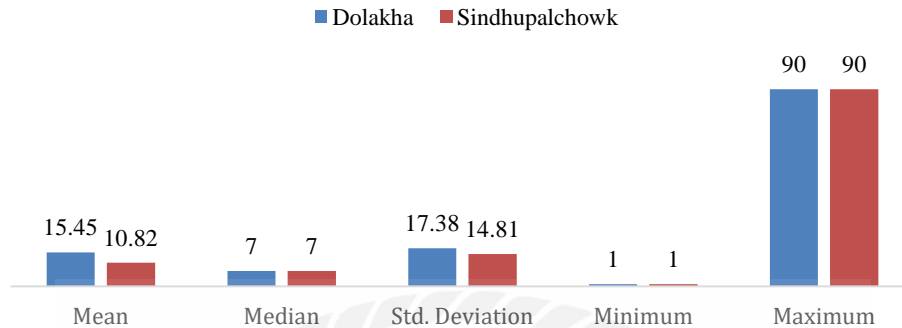


Figure 17: District wise comparison of loan procurement period

The figure 17 shows the maximum, minimum and median number of days to get the loan after requesting for loan is same in both Dolakha and Sindhupalchowk. Whereas, the mean number of loan procurement days in Dolakha is 15.45 days with a standard deviation of 17.38 days and the mean number of loan procurement days in Sindhupalchowk is 10.82 days with a standard deviation of 14.81 days.

Loan period(in years)

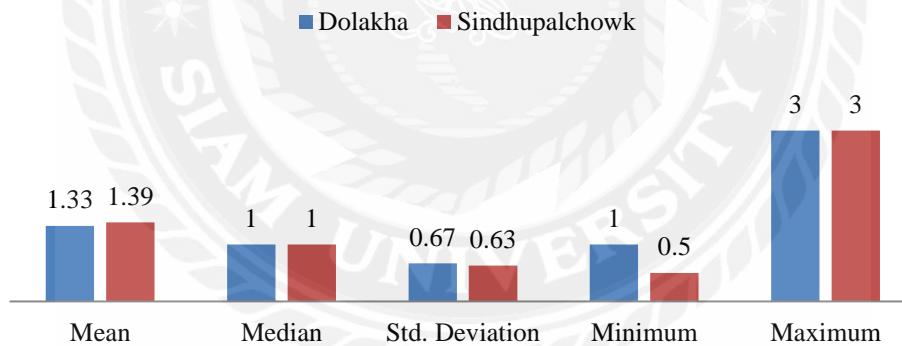


Figure 18: District wise comparison of loan period

From the above figure 18 it can be observed that the loan payback period (in years) is very similar in both Dolakha and Sindhupalchowk. The mean years to payback loan in Dolakha is 1.33 years with a standard deviation of 0.67 year and the mean years to payback loan in Sindhupalchowk is 1.39 years with a standard deviation of 0.63 year. The minimum number of years to pay back the loan is same for both Dolakha and Sindhupalchowk i.e. 3 years and the median number of years is also the same i.e. 1 year.

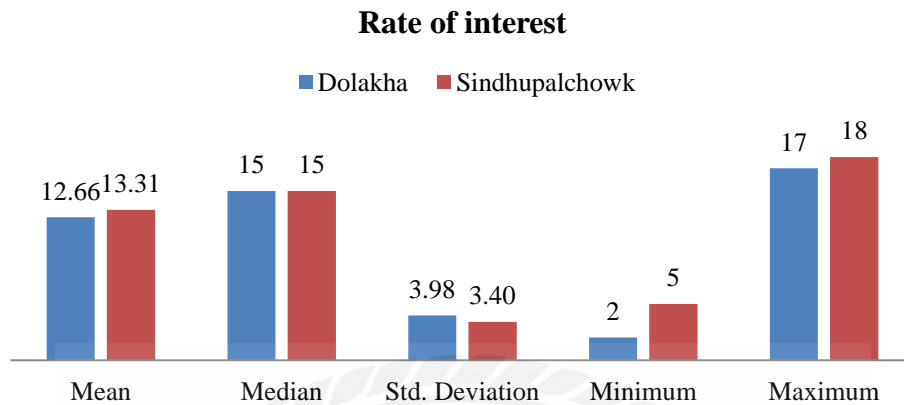


Figure 19: District wise comparison of interest rate on loans

From figure 19 it can be witnessed that the mean rate of interest on loan in Dolakha is 12.66% with a standard deviation of 3.98% and the mean rate of interest in Sindhupalchowk is 13.31% with a standard deviation of 3.40%. The minimum and maximum rate of interest in Dolakha is 2% 17% respectively and the minimum and maximum rate of interest in Sindhupalchowk is 5% and 18% respectively. The median rate of interest in both Dolakha and Sindhupalchowk are the same i.e. 15%.

Correlation analysis among the variables under study. Table 2 depicts the correlation analysis of variables under study. The correlation analysis is conducted for the whole sample. Increase in income after taking loan is correlated with number of loans taken, increase in savings of the loan clients after taking loan and the amount of loan taken by clients. Similarly, creation of jobs after taking loan is correlated with number of loans taken, increase in savings of the loan clients after taking loan and the amount of loan taken by clients.

Table 2 exhibits the correlation for all samples between increase in household income after taking loan and number of loans taken, increase in savings of the loan clients after taking loan and the amount of loan taken by clients. Number of loans taken, increase in savings of the loan clients after taking loan and the amount of loan taken by clients are observed to have an insignificant relationship with increase in household income after taking loan. Number of loan taken and increase in savings are observed to have a positive relationship with increase in household income indicating that as number of loans taken and increase in savings increases there will be an increase in household income of the loan clients. The amount of loan taken by clients is observed to have a negative relationship with increase in household income of the loan clients representing that as there will an increase in amount of loan taken by the loan clients there will be a decrease in the household income of the loan clients.

Table 2
Correlation of all variables

Variables	No. of loans	Increase in Savings	Loan Amount	Increase in Household income	Investment of loan	Job Creation
No. of loans	1					
Increase in Savings	0.191	1				
Loan Amount	-0.056	-.250*	1			
Increase in Household income	0.095	0.083	-0.078	1		
Investment of loan	0.124	0.114	-0.04	.644**	1	
Job Creation	-.214*	-0.041	-0.009	-0.039	-0.132	1

* Correlation is significant at the 0.05 level (1-tailed).

** Correlation is significant at the 0.01 level (1-tailed).

Furthermore, it can be observed from table 2 the correlation for all samples between creation of jobs after taking loan and number of loans taken, increase in savings of the loan clients after taking loan and the amount of loan taken by clients. Number of loans taken is observed to have a significant relationship creation of jobs after taking loan. Increase in savings of the loan clients after taking loan and the amount of loan taken by clients are observed to have an insignificant relationship creation of jobs after taking loan. Number of loan taken, increase in savings and the amount of loan taken by clients are observed to have a negative relationship with creation of jobs after taking loan indicating that as number of loans taken and increase in savings increases there will be a decrease in creation of jobs after taking loan and vice versa.

Regression analysis. Table 3 depicts the regression analysis to show the impact of number of loans taken by clients, increase in savings of the loan clients after taking loan and the amount of loan taken by clients on increase in income generation of a family after taking loan on. Table 3 depicts the regression analysis to show the impact of number of loans taken by clients, increase in savings of the loan clients after taking loan and the amount of loan taken by clients on plan for investment of loan.

In this study, the regression equation for income generation in household income and its dependent variable was as follow:

$$Y_1 = 0.385 + 0.079 X A_1 + 0.057 X B_1 - 0.063 X C_1$$

Where, Y_1 = Income Generation in HH

A_1 = No. of Loans

B_1 = Increase in Savings

C_1 = Loan Amount

Table 3

Regression of all dependent variables with income generation

Model	Constant	No. of loans	Increase in Savings	Loan Amount	F-value	R square
Model 1	0.335 (0.117)	0.095 (0.578)			0.313	0.004
Model 2	0.382 (90.000)		0.066 (0.192)		1.736	0.024
Model 3	0.549 (0.000)			-0.074 (0.441)	0.599	0.008
Model 4	0.385 (0.114)	0.079 (0.648)	0.057 (0.277)	-0.063 (0.525)	0.747	0.310

The R² is low because of nominal data.

We can observe from table 3 that the coefficient of number of loans and increase in savings of the loan clients after taking loan is positive whereas the coefficient of loan amount is negative and the p-value for number of loans taken, increase in savings of the loan clients after taking loan and loan amount is insignificant. Therefore, there is no significant impact of number of loans taken by clients, increase in savings of the loan clients after taking loan and the amount of loan taken by clients on increase in income generation of a family after taking loan on.

It means that if there is one percent increase in number of loans taken by clients then there will be an increase in income generation of a family by 7.9%. Similarly, one percent increase in savings of the loan clients after taking loan or the amount will increase the income generation on the loan clients by 5.7%. Whereas, one percent increase in loan amount will decrease the income generation of the loan clients by 6.3%.

This analysis shows R-squared, or the coefficient of determinants, value of 31%. This indicated that the explaining power of number of loans taken by clients, increase in savings of the loan clients after taking loan and the amount of loan taken by clients together on increase in income generation of a family after taking loan is 31%. Other statistical tools are needed to find better results.

4.2 Details of related learning process and new knowledge received.

4.2.1 Insights from SACCOS assessment. The result reveals that improvement of average 55% in the SACCOS of Dolakha and 23% of growth is seen in SACCOS of Sindhupalchowk. Among the four sampled SACCOS, Mahila Sakchhyarta SACCOS is functioning most efficiently and Himchuli SACCOS is still struggling due to poor management and lack of cooperation between the EC members and the staffs.

Some major findings are listed below:

- In terms of the assessment grades in current state, Janasewa Miteri SACCOS has scored C, representing fair performance and other three samples, i.e., Mahila Sakchhyarta SACCOS, Ramche SACCOS and Himchuli SACCOS scored B, representing fair performance.
- All the SACCOS show improvement in decision making and management of their respective institution and are working actively towards increasing capital of the SACCOS as well as providing more services to its members.
- Age classification of loans has been done in all of the SACCOS but none of them are able to create loan loss provision which is required to be maintained as per the due date of the outstanding loans. Only one account of loan loss provision has been made which suffices only for the current loans.
- All the SACCOS have well maintained books of accounts which now needs to be upgraded and digitalized through the provided system in excel. The staffs are easily performing basic computations in the system but are struggling to understand moderately complex mechanisms and computations.
- SACCOS in Dolakha need to increase its capital because they are not able to fulfill the loan demands of the clients.
- Janasewa Miteri SACCOS and Himchuli SACCOS have high amount of outstanding loans and past due loans and they are not working effectively to recover the amount which can cause crisis within the institution.
- Himchuli SACCOS is the only one among the sample who have not prepared printed annual report containing all the progresses of the institution and explained it be for saving money and show higher profit for the institution and this caused lower attendance during the AGM as well.
- Involvement of women members was lacking in Janasewa Miteri SACCOS, Ramche SACCOS and Himchuli SACCOS and social inclusion is lacking in all sampled SACCOS which hinders the entry of ideas from various sectors and can create favoritism in certain decision which may not be the best for the institution and its members.
- Authority in Himchuli SACCOS is too centralized with most of the decision made by its chairperson and other EC members remaining dormant and not showing high enthusiasm towards better functioning of the institution.
- Janasewa Miteri SACCOS has separated days in a week for different transactions which may make functioning easier for the institution but can create inconvenience to the members as they are not able to take service at their suitable time.

- Ramche SACCOS had been providing remittance and insurance services to its members but other SACCOS seem to have not been determined towards starting such service because even though there are plans to provide these services very limited actions have been taken towards achieving the goal.
- The SACCOS are facing difficulty retaining their staffs because of less benefits and more hectic work and lack of people to support them. As soon as the staffs gain more skill they try to move towards better easier jobs which puts the SACCOS in turmoil.

4.2.2 Insights from loan client survey. Through the correlation and regression analysis it is observed that there is a positive significant relationship between investment plan and increase in household income. A major socio economic impact can be seen with job creation. It is observed that with increase in number of loans taken there is increase in job creation by the clients. With increase in loan amount though, it is observed that but investment and household income decreases with increase in loan amount.

Some major finding that came from loan client survey are as follows:

- Even though information regarding terms and conditions of loan is explained to the clients, the SACCOS do not reconfirm the information that has been passed on and hence the clients are confused about the interest rate and some complex processes such as compounding of interest.
- Increment of income through loans has been possible for the ones who have taken business loans and utilized for opening or betterment of their business such as convenience stores and market vendors. But, Loans taken for other productive sectors such as agriculture and LRCF has increase in savings or increase in income and the clients are working how they always used to.
- There is lack of monitoring on who is utilizing the loan because it is observed that the member of SACCOS is present for the signing and withdrawing the loan, but the loan is being utilized by someone else and in case of untimely repayment, the member of SACCOS may get into trouble because of such practices.
- In Himchuli SACCOS it was seen that, EC members themselves encourage the general members to approve their loans for a different purpose and utilize them for housing reconstructions. In some cases, the loan clients themselves take loans for LRCF and later show their previously owned cattle for proof but utilize it for personal expenses.
- The members needed clarification on new laws regarding the SACCOS and whether they have to withdraw their deposit if they are from a different rural municipality.

Chapter 5: Conclusions

5.1 Self-assessment as a future professional

The internship at mercy corps was a learning process to conduct both primary as well as secondary research. This study facilitated in gathering knowledge of both quantitative and qualitative research methodologies. It was a great opportunity to interact with organizational employees as well as citizens of various rural community. The internship helped in understanding functioning of INGOs in Nepal and their positive contribution towards infrastructural development and awareness building. This study presented a great understanding not only of working within an office but also of field activities, monitoring of NGOs and related financial institutions. Experience was gained as an office employee, field staff, external evaluator as well as research person through this internship. It was a very helpful period for career planning as it provided experience of various sectors such as service sector, business sector as well as financial sector.

There were various challenges during the internship. Working in an informal environment in an organization which monitors different sectors can bring confusion regarding the performed activities with the various missions of the project. The field work was challenging as we had to reach remote areas of Sindhupalchowk and Dolakha on foot. Some loan clients were hesitant to provide information because they considered it breach of privacy and did not understand why they were being asked questions about the loan they had already repaid. Despite the challenges, the research was conducted and completed properly with both SACCOS and loan client's aspect covered. The data gathered was useful for the project and the results showed that the ERP intervention had positive impact on non-financial aspect of the SACCOS but more effort was needed towards building financial stability within the institution. The local people of the ERP site were more proactive towards savings and bettered their living standard with the use of loans after taking the financial inclusion classes.

All in all, the research can be considered a success and it was a great learning experience. It provided us knowledge of how an INGO works and the situation of the financial sector in rural Nepal.

5.2 Comparison of practical learning VS theory

While majority of the clients were pleased with the SACCOS some shared weaknesses of the cooperative that they are a member of. The first weakness is that most of the clients shared was that the SACCO did not provide sufficient amount of loan and sometimes they did not get the amount that they requested and had to arrange the deficit amount either by borrowing from friends, family, other FIs or by selling their personal assets. Some of the clients pointed

out that certain information related to loan or the saving and loan products were not clearly given out, while some of the clients were aware others were not. So, the second weakness seen was lack of sufficient information about the loan and savings products and the details of the loan taken. Members of Himchuli SACCOS thought that the employees there lacked professionalism and complained that the cooperative did not open on time.

After the investigation with loan clients, discussion with SACCOS and partner organization these are some suggestions that have been proposed:

- It was proposed that the interest rate on loans and the service charge on loan would be lower so that the members will afford to take greater amount of loan and invest it to increase their household income.
- Clients hoped that the interest on saving would increase and the process of getting loan would be easier than it already is.
- Cooperatives could perform credit rating and provide good creditors loan faster with less interest, encouraging others to repay their loan on time.
- It was proposed that the cooperative should monitor the creditors to confirm that the loan is being used for the same purpose that it was initially approved for and ensure that no creditor defaults on their loan.
- It was suggested that the employee of the cooperative either might collect the amount to be deposited or the interest amount of loan by visiting the house of the member during a certain time or collect the required amount in the meeting of the societal group, as most clients lived far from the SACCOS.
- There were recommendations from many clients that the cooperative should be transparent in its functioning and that all the people should be given equal opportunity to be a part of the cooperative.
- The EC members should not include their family and friends only in the cooperative but should hire those people who are skillful and those who prove to be best for the cooperative, in other words there should not be agency problem.
- Beside Ramche SACCO there are no other cooperatives in our sample that provided IME and insurance services. Hence, the members of other cooperatives recommended the cooperatives to provide these services as well.
- Mercy Corps must make sure that the employees of partner organization are motivated to perform their job and should conduct performance assessment of SACCOS regularly.
- The performance of SACCOS of Dolakha district was commendable so Mercy Corps can form a project to support cooperatives there.

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Annexes

Annex 1	Situation of Cooperatives in Nepal
Annex 2	Organization Structure
Annex 3	Sample of the study
Annex 4	Frequency distribution of variables under study
Annex 5	SACCOS assessment tool
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Annex 7	Photo Gallery



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Annex 1: Situation of Cooperatives in Nepal

Table 4

Situation of Cooperatives in 2017/18 according to Department of Cooperatives

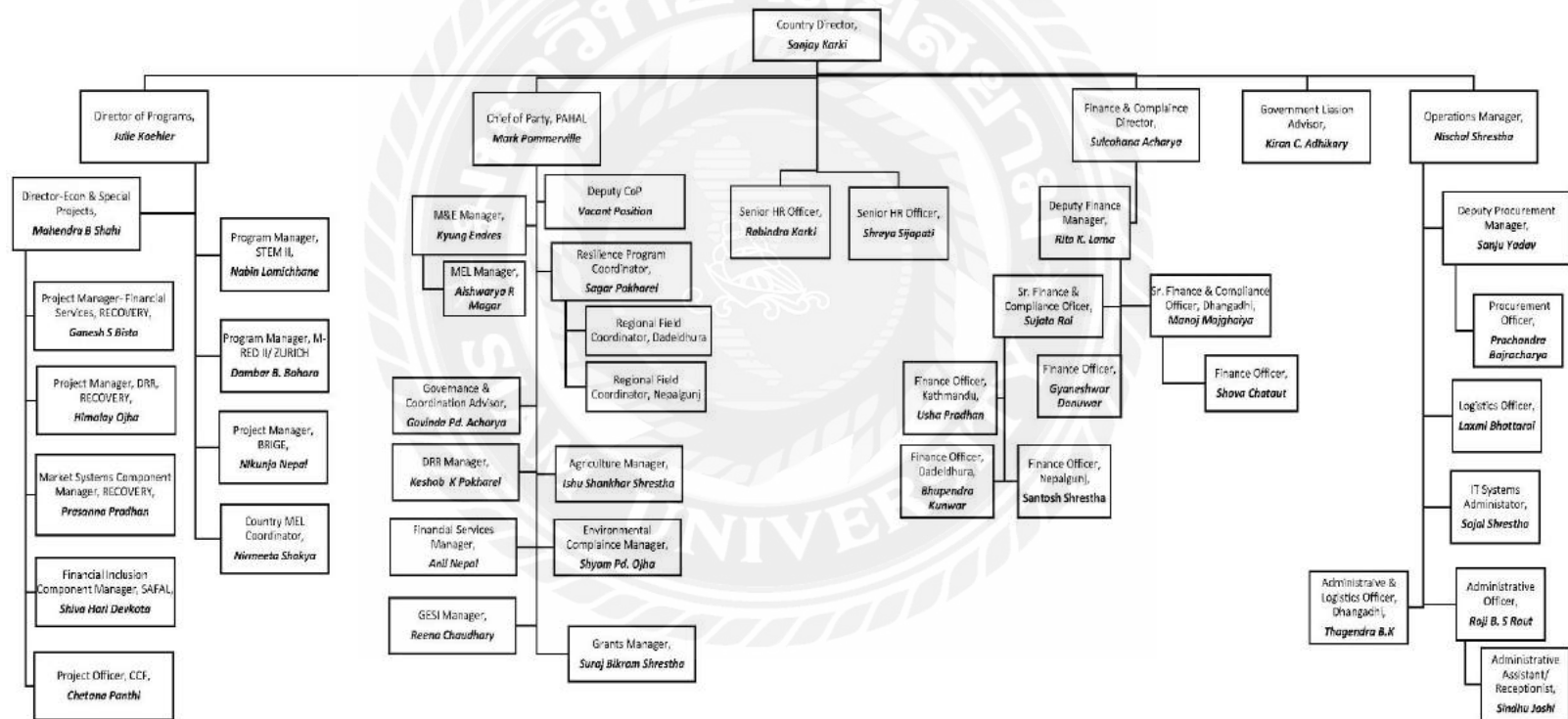
Types of Coops	No of Coops	BOD			Members			Employees			Rs. (In '000)				
		Female	Male	Total	Female	Male	Total	Female	Male	Total	Share capital	Deposits	Loan	Other	Total
Savings and Credit	13578	39205	58548	97753	1776089	1669465	3445554	17450	17997	35447	54384769	217492843	179879716	118628	179998344
Multipurpose	4371	12326	19279	31605	618236	655541	1273777	6070	6015	12085	10753850	63265504	62385026	78270	62463296
Agriculture	10921	32575	43629	76204	614716	477549	1092265	3234	3449	6683	5085810	16547078	24971792	173311	25145103
Dairy	1658	3702	9151	12853	31748	74145	105893	381	1272	1653	330980	850669	812097	9953	822050
Consumer	1423	2944	6587	9531	29150	41575	70725	274	397	671	323572	773362	930916	27208	958124
Hydro	463	808	2972	3780	17870	63500	81370	79	339	418	197564	90901	147464	8931	156395
Vegetable and Fruits	193	561	986	1547	10723	9544	20267	52	81	133	43412	90822	72466	217	72683
Tea	108	170	686	856	2832	9131	11963	20	24	44	118594	34879	51922	224	52146
Coffee	155	408	758	1166	2917	4676	7593	48	74	122	12447	22058	31381	163	31544
Jadibuti	186	418	1069	1487	4887	6418	11305	36	51	87	63741	40033	60131	13613	73744
Bee Keeping	93	272	477	749	2187	2154	4341	24	29	53	9294	9241	19332	86	19418
Communication	143	325	840	1165	5362	11691	17053	286	270	556	292443	85281	111166	115	111281
Health	128	323	746	1069	6322	8131	14453	333	547	880	579015	337987	507380	429	507809
Sugarcane	48	54	308	362	1229	1725	2954	0	1	1	6335	17273	24686	0	24686
Junar	45	222	147	369	890	1233	2123	4	7	11	2288	9424	8328	0	8328
Other	999	3199	4132	7331	88356	55589	143945	751	922	1673	974601	2497158	3696636	12776	3709412
Total	34512	97512	150315	247827	3213514	3092067	6305581	29042	31475	60517	73178715	302164513	273710439	443924	274154363

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Annex 2: Organizational Structure



ORGANIZATIONAL ORGANOGRAM MERCY CORPS NEPAL



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Annex 3: Sample of the study

Table 5

Sample of the study

Area	Name of SACCO	Client's Name	MCID	Area	Name of SACCO	Client's Name	MCID
Dolakha	Janasewa Miteri SACCOS	Rum Kumari Sunuwar	117	Sindhupalchowk	Himchuli SACCO	Bijaya Lama	334
		Amarmaya Sunuwar	543			Durga Parajuli Paudel	N/A
		Bishnu Bdr. Sunuwar	544			Indira Raut	742
		Durga Bahadur Sunuwar	624			Lalmaya Tamang	N/A
		Menuka Karki	6			Laxmi Kumari Bhandari	81
		Ram Pd Sharma	467			Narayan Prasad Acharya	666
		Som Pd Sharma	459			Purna Kumari Gurung	217
		Surya Bdr. Sunuwar	324			Raj Kumari Tamang	365
	Mahila Sakchhyarta SACCO	Ambika Neupane	184			Ramshran Bhujel	623
		Bhadramaya Khadka	122			Sanjita Tamang	469
		Bhagwati Bhandari	456			Sanumaya Thing Lama	588
		Bhojkumari Roka	173			Sujata Bhandari Paudyal	695
		Diptika Budhathoki	N/A			Sujita Raut	729
		Chameli Shrestha	617		Ramche SACCO	Anil Sapkota	165
		Harshamaya Subedi	101			Balaram Tamang	257
		Hemkumari Shrestha	404			Bhotini Thami	849
		Kalika Phunyal	325			Ganga Prasad Timalisina	990
		Kamala Shrestha	N/A			Hemkumari Timalisina	994
		Maiya Khadka C	799			Kesari Timalisina	993
		Menuka Khulal	508			Krishna Kumari Dhakal	1038
		Parbati Shrestha	N/A			Krishna Prasad Timalisina	1005
		Radha Shrestha	N/A			Krishna Timalisina	1002
		Yashodha Giri	N/A			Laxman Tamang	52
		Sabina Khadka	N/A			Laxmi Dhakal	439
		Seema Pandey	44			Laxmi Timalisina	1150
		Sunatali Khadka	N/A			Lila Bdr. Mager	419
		Thir Kumari Neupane	150			Madhav Timalisina	971
		Yamkumari Khadka	1113			Maili Tamang	1077
		Yamkumari Phunyal	297			Mohamaya Timalisina	1002
						Nanimaya B.K.	801
						Panchamaya Tamang	N/A
						Prem Bdr Tiwari	1003
						Prem Kaji Shrestha	903
						Rishiram Timalisina	993
						Sabin Tamang	1089
						Sabita Timalisina	987
						Sanchamaya Tamang	246
						Shova Timalisina	997
						Sukumaya Shrestha	305
						Sumitra Timalisina	719
						Sune Tamang	88
						Suntali Timalisina	N/A
						Surya Bahadur Timalisina	871
						Surya Subedi	434
						Umakumari Timalisina	1149

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Annex 4: District wise frequency profile of data

Table 6

District wise frequency distribution profile

Variables	Program Site					
	Dolakha		Sindhupalchowk		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Panel A: Ethnicity Profile						
Brahmin/ Chhetri	18	62.1	26	57.8	44	59.5
Dalit	1	3.4	4	8.9	5	6.8
Janajati	10	34.5	15	33.3	25	33.8
Total	29	100	45	100	74	100
Panel B: Gender Profile						
Male	5	17.2	19	42.2	24	32.4
Female	24	82.8	26	57.8	50	67.6
Total	29	100	45	100	74	100
Panel C: NRA grant instalments Profile						
Did not receive grant	3	10.3	10	22.2	13	17.6
1	3	10.3	9	20	12	16.2
2	11	37.9	26	57.8	37	50
3	12	41.4	0	0	12	16.2
Total	29	100	45	100	74	100
Panel D: Financial decisions maker Profile						
Whole family	6	20.7	8	17.8	14	18.9
Wife	3	10.3	8	17.8	11	14.9
Husband	1	3.4	10	22.2	11	14.9
Husband and Wife	19	65.5	19	42.2	38	51.4
Total	29	100	45	100	74	100
Panel E: Regularity in saving Profile						
Yes	28	96.6	39	86.7	67	90.5
No	1	3.4	6	13.3	7	9.5
Total	29	100	45	100	74	100
Panel F: Benefit of saving Profile						
Access to loan	12	41.4	28	62.2	40	54.1
Earned interest	3	10.3	3	6.7	6	8.1
Safe money	4	13.8	4	8.9	8	10.8
Investment Opportunity	1	3.4	0	0	1	1.4
Emergency Use	7	24.1	1	2.2	8	10.8
Saving not advantageous	2	6.9	9	20	11	14.9
Total	29	100	45	100	74	100

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Panel G: Purpose of future loan Profile						
As per need	14	48.3	21	46.7	35	47.3
LRCF	4	13.8	3	6.7	7	9.5
Purchase Land	0	0	1	2.2	1	1.4
Enterprise Business	4	13.8	8	17.8	12	16.2
No plans to borrow	7	24.1	12	26.7	19	25.7
Total	29	100	45	100	74	100
Panel H: Loan Procurement period(in days) Profile						
1	2	6.9	2	4.4	3	4.1
2	0	0	10	22.2	10	13.5
4	0	0	4	8.9	4	5.4
5	2	6.9	3	6.7	5	6.8
6	1	3.4	0	0	1	1.4
7	12	41.4	12	26.7	25	33.8
10	1	3.4	2	4.4	3	4.1
15	2	6.9	6	13.3	8	10.8
16	1	3.4	0	0	1	1.4
20	1	3.4	0	0	1	1.4
30	6	20.7	5	11.1	11	14.9
90	1	3.4	1	2.2	2	2.7
Total	29	100	45	100	74	100
Panel I: Loan purpose Profile						
Other	1	3.4	4	8.9	5	6.8
Business	7	24.1	8	17.8	15	20.3
Agriculture	3	10.3	4	8.9	7	9.5
LRCF	2	6.9	6	13.3	8	10.8
Housing	13	44.8	22	48.9	35	47.3
Social	2	6.9	1	2.2	3	4.1
Education	1	3.4	0	0	1	1.4
Total	29	100	45	100	74	100
Panel J: Loan spent on same purpose as approved						
Yes	27	93.1	43	95.6	70	94.6
No	2	6.9	2	4.4	4	5.4
Total	29	100	45	100	74	100
Panel K: Repayment of principal instalments Profile						
Monthly	8	27.6	4	8.9	12	16.2
Yearly	1	3.4	32	71.1	1	1.4
Quarterly	20	69	0	0	52	70.3
Lump sum	0	0	9	20	9	12.2
Total	29	100	45	100	74	100
Panel L: Repayment of interest instalments Profile						
Monthly	21	72.4	34	75.6	55	74.3
Yearly	1	3.4	2	4.4	3	4.1
Quarterly	7	24.1	9	20	16	21.6
Total	29	100	45	100	74	100
Panel M: Requested amount fulfilment Profile						
Yes	28	96.6	32	71.1	60	81.1
No	1	3.4	13	28.9	14	18.9
Total	29	100	45	100	74	100

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Variables	Program Site							
	Dolakha		Sindhupalchowk		Total			
	Frequency	Percent	Frequency	Percent	Frequency	Percent		
Panel A: No. of loans taken Profile								
one	24	82.8	38	84.4	62	83.8		
two	4	13.8	7	15.6	11	14.9		
three	1	3.4	0	0	1	1.4		
Total	29	100	45	100	74	100		
Panel B:Increase in savings (after taking loan) Profile								
No increase in savings	16	55.2	27	60	43	58.1		
Less than 25%	1	3.4	10	22.2	11	14.9		
25% to 50%	4	13.8	5	11.1	9	12.2		
51% to 75%	2	6.9	0	0	2	2.7		
More than 75%	6	20.7	3	6.7	9	12.2		
Total	29	100	45	100	74	100		
Panel C: Loan Amount Profile								
0 - 100000	25	86.2	29	64.4	54	73		
100001 - 200000	1	3.4	12	26.7	13	17.6		
200001- 300000	1	3.4	4	8.9	5	6.8		
More than 300000	2	6.9	0	0	2	2.7		
Total	29	100	45	100	74	100		
Panel D: Increase in income after taking loan Profile								
Loan Used in Unproductive Sector			18	62.1	27	60	45	60.8
Yes			9	31	16	35.6	25	33.8
No			2	6.9	2	4.4	4	5.4
Total			29	100	45	100	74	100
Panel E: Investment or Plan to Invest the loan amount Profile								
No Increase in income after taking loan			22	75.9	36	80	58	78.4
Invested in expanding existing enterprise			2	6.9	6	13.3	8	10.8
Invested to start new enterprise			4	13.8	2	4.4	6	8.1
Plan to Invest in existing enterprise			1	3.4	1	2.2	2	2.7
Total			29	100	45	100	74	100
Panel F: Job creation Profile								
Yes			1	3.4	3	6.7	4	5.4
No			28	96.6	42	93.3	70	94.6
Total			29	100	45	100	74	100

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Annex 5: SACCOS assessment tool

Table 7 SACCOS Non-financial Assessment

A. Leadership					
	Questions	Standard Points	Points Obtained		Remarks
			Before ERP	After ERP	
	A.1. Functions, duties and responsibilities				
A.1.1	<i>Are the functions, duties and responsibilities of Executive Committee Members well defined, segregated and approved?</i>	1			
A.1.2	<i>Are meetings conducted regularly by the board and committees?</i>	1			
A.1.3	<i>Are the business plan, annual plan and budget prepared, reviewed and approved?</i>	1			
A.1.4	<i>Are the policies formulated and implemented in accordance with laws, rules and regulations and bylaws?</i>	1			
	A.2. Composition				
A.2.1	<i>Is the composition of EC Members in accordance with the duly approved policies of the SACCOS?</i>	1			
A.2.2	<i>Is the composition of EC Members diverse? Women Percentage ... Disadvantaged percentage ..</i>	1			
	A.3. Reporting and Decisions				
A.3.1	<i>Are the financial statements included in the monthly agenda of the Executive Committee?</i>	0.5			
A.3.2	<i>Is there a regular analysis and interpretation on the FS and standards during Executive Committee meeting?</i>	1			
A.3.3	<i>Are the majority of EC Members knowledgeable in the development of business plan and annual budget plan?</i>	1			
A.3.4	<i>Is there regular presentation and interpretation of loan status and prepare action plan for its implementation?</i>	1			
A.3.5	<i>Has the loans been divided into Current, Doubtful and Bad?</i>	0.5			
A.3.6	<i>Has provisions been created according to the age classification of loans?</i>	1			
	Sub Total	11			

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B. Human Resource and Management					
	Questions	Standard Points	Points Obtained		Remarks
			Before ERP	After ERP	
	B.1. Functions, Duties and Responsibilities				
B.1.1	Are the functions, duties and responsibilities of management well-defined?	1			
B.1.2	Is the management meetings scheduled and conducted regularly?	1			
B.1.3	Are regular meetings consistently attended by all staff?	1			
	B.2. Staff development and Career Planning				
B.2.1	Is performance appraisal conducted at least once a year?	1			
B.2.2	Have the Executive Committee members received training?	1			
B.2.3	Is the institutional capacity building for management staff written and implemented?	1			
	B.3. Compensation and benefits				
B.3.1	Is there a salary scaling according to the duties?	0.5			
B.3.2	Are the recognition, incentives and benefit packages provided to employees?	1			
B.3.3	Does the institution pay Executive Committee member's allowances?	0.5			
	Sub Total	8			

C. System and Mechanism					
	Questions	Standard Points	Points Obtained		Remarks
			Before ERP	After ERP	
	C.1 Maintenance of Books of Account				
C.1.1.	Is there a separate books of account per business activity?	1			
C.1.2.	Are the books of account updated?	1			
C.1.3.	Are day-to-day transactions of the institution being prepared voucher with enclosing original bills and supporting documents?	1			
C.1.4.	Is the trail balance from the balance of the main and sub-ledger accounts being extracted each month?	1			
	C.2 Manuals				
C.2.1.	Are the documents needed by the SACCOS manualized?	0.5			
C.2.2.	Are manuals provided to users?	1			

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C.3 Physical Infrastructure					
C.3.1.	Does the Institution have own office premises?	0.5			
C.3.2.	Is the office secure to keep the official documents?	0.5			
C.3.3.	Does the institution have necessary equipments for daily operation?	0.5			
C.3.4.	Has the institution purchased computer and printer and installed accounting software to support financial transactions?	1			
C.4 Structure					
C.4.1.	Is the organizational structure in accordance with the provision of the rules and regulations and bylaws?	0.5			
C.4.2.	Is the operational structure in accordance with the provision of the laws, rules and regulations and bylaws?	0.5			
Sub Total		9			

D. Economic Aspect					
	Questions	Standard Points	Points Obtained		Remarks
			Before ERP	After ERP	
	D.1 Adequacy of internal control				
D.1.1.	Is the accounting system well defined?	1			
D.1.2.	Are the signing authorities clearly defined and approved?	1			
D.1.3.	Is internal audit conducted periodically?	1			
D.1.4.	Is the internal audit observations acted upon by management immediately?	1			
	D.2 Self Sufficiency				
D.2.1.	Is the institutional internal capital sufficient to meet loan demand?	0.5			
D.2.2.	What efforts have been made to achieve the needs and demands?	0.5			
D.2.3.	Is the loan repayment rate above 95% and delinquent loan rate less than 5%?	0.5			
D.2.4.	Is the Financial Self Sufficiency of the SACCOS more than 100%?	0.5			
D.2.5.	Does the institution have documented own and grant income separately?	1			
	Sub Total	7			

E. Members					
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	Questions	Standard Points	Points Obtained		Remarks
			Before ERP	After ERP	
	E.1 Composition				
E.1.1.	<p><i>Has the institution maintained the following membership composition?</i></p> <p><i>Membership Composition: Total Members:...</i></p> <p><i>Women Members: >50% Women Members:...</i></p> <p><i>Disadvantage Members: >60% Disadvantage Members:...</i></p>	2			
E.1.2.	<p><i>Is the membership size as follows?</i></p> <p><i>1-3 years maturity 50 - 200 members</i></p> <p><i>4-6 years maturity 200 - 500 members</i></p> <p><i>7+ years maturity 500 or more</i></p>	1			
E.1.3.	<i>Has the institution documented membership registration book?</i>	0.5			
E.1.4.	<i>Has the institution recorded drop out members?</i>	0.5			
	E.2 Governance				
E.2.1	<i>Is the definition of membership and criteria of membership clearly defined in by-laws?</i>	1			
E.2.2	<i>Is the General Assembly takes place at least once a year?</i>	0.5			
E.2.3	<i>Is there more than 50% attendance rate of members in AGM?</i>	0.5			
E.2.4	<i>Does the SACCOS have a written strategic plan for membership expansion?</i>	1			
	E.3 Services to Members				
E.3.1	<i>Do the monthly savings collected and loan mobilized regularly?</i>	1			
E.3.2	<p><i>Does the institution provide variety of savings services?</i></p> <p><i>Mention:</i></p>	2			
E.3.3	<p><i>Does the institution provide variety of loan services?</i></p> <p><i>Mention:</i></p>	2			
E.3.4	<i>Does the instituion offer other financial services such as micro-insurance, remittance?</i>	1			
E.3.5	<i>Does the instituion conduct social services or awareness raising activities such as literacy program, preventive cure, child education, etc?</i>	1			
	E.4 Training and record keeping				
E.4.1	<i>Does the institution provide pre-membership orientation before providing membership to the new members?</i>	0.5			
E.4.2	<i>Are the members responsible for account keeping trained?</i>	0.5			
	Sub Total	15			

Table 8 SACCOS Financial Tool

RATIOS	FORMULA	PURPOSE	STANDARD	Score	Points	Actual Score	Obtained
<i>P-Portfolio Quality</i>							
Portfolio at risk	Balance of loan with one day missed payment/Total loan outstanding	Measures the risk of default risk in the portfolio	5% or less	5% or less	7.5		
				6-10%	6		
				11-15%	4.5		
				16-20%	3		
				21-25%	1.5		
				26% and above	0		
Allowance for probable losses on loan	Amount of allowance for loans over 12 months past due/Total outstanding balance of loans over 12 months past due	Measures the adequacy of the allowance for probable losses of loans	100%	100%	2.5		
				80-99%	2		
				60-79%	1.5		
				36-59%	1		
				10-35%	0.5		
				9% and below	0		
	Amount of allowance for loans 1 to 12 months past due/Outstanding balance of loans 1 to 12 months past due		35%	35%	2.5		
				25-34%	2		
				17-24%	1.5		
				9-16%	1		
				1-8%	0.5		
				0	0		

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<i>E-Efficiency</i>							
Asset Yield	Undivided Net surplus/Average total assets	Measures the ability of coop's assets to generate income	At least inflation rate	At least inflation rate 1-2% below inflation 3-4% below inflation More than 4% below IR 0 or negative yield	2 1.5 1 0.5 0		
Operational self sufficiency	(Interest income from loans+ Service fee+ Filing fee+ Fines, penalties, surcharges)/ (Financing Cost + Administrative cost)	Measures the ability of the coops to sustain its operations	>100%	120% and above 111-119 101-110% 100% below 100%	2 1.5 1 0.5 0		
Rate of return on member's share	Interest on Share Capital/Average member's share	Measures the earning power of the member	Higher then inflation rate	Higher than Inflation rate Inflation rate 1-2% below inflation rate more than 2% inflation rate Zero or -ve ROR	2 1.5 1 0.5 0		
Loan portfolio profitability	(Interest income from loans+ Service fee+ Filing fee+ Fines, penalties, surcharges)/ Average total loans outstanding	Measures how profitable the loan portfolio is	more than 20%	20% and above 13-19% 7-12% 1-6% 0 or negative	2 1.5 1 0.5 0		
Cost per rupee loan	(Financing Cost +(Administrative cost- Members' benefit expense))/ Average total loans outstanding	Measures efficiency in managing the coops loan portfolio	Nrs 0.10 PER Nrs 1.0 LOAN	10 and below .11 to 0.15 .16-.20 above .20	1 0.75 0.5 0		
Administrative efficiency	Administrative cost /Average total assets	Measures the cost of managing coop's assets	3 to 10%	10% and below 11-15% 16-20% above 20%	1 0.75 0.5 0		

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<i>S-Stability</i>							
Solvency	((Total Assets+ Allowances)-(Total liabilities- Total deposits+ Past due loans+ Loans restructured+ Loans under litigation))/(Total deposits+ Share capital)	Measure sthe degree of protection that the coop has for member savings and shares in the event of liquidation of the coop's assets and liabilities	at least 10%	110 and above	5		
				100-109%	4		
				90-99%	3		
				80-89%	2		
				70-79%	1		
				below 70%	0		
Liquidity	(Liquid assets- Short term payables)/ Total deposits	Measures the coop's ability to service its members withdrawal and deposit on time	not less than 15%	15% and above	5		
				12-14%	4		
				9-11%	3		
				6-8%	2		
				1-5%	1		
				0	0		
Net institutional capital	(Reserves+ Allowances from probable losses)-(Past due loans+ Loans under litigation+ Problem assets)/ Total Assets	Measures the level of insttutional capital after subtracting the losses	at least 10%	10% and above	5		
				7-9%	4		
				5-6%	3		
				3-4%	2		
				1-2%	1		
				0	0		

<i>O-Operations</i>							
Performance of membership growth	Actual increase in the number of members/ Target increase in the number of members	Determines the performance of change in membership vis-s-vis target	Target set in the development	75-100% of Target	2.5		
				50-74%	2		
				25-49%	1.5		
				1-24%	1		
				status quo	0.5		
				Decreasing	0		

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Trend in external borrowings	(Ending external borrowings- Beginning external borrowings)/ Beginning external borrowings	Determine the percentage of change in external borrowings	decreasing towards 0	No external Borrowings	2.5		
				Decreasing status quo	1.5		
				Increasing	1		
					0		

Structure of Assets							
Asset Quality	Non-earning assets/Total assets	Measures the percentage of total assets that are not producing income	not more than 5%	5% and below	2.5		
				6-7%	2		
				8-9%	1.5		
				10-11%	1		
				12-13%	0.5		
				14% and above	0		
Asset structure	Total Deposits/Total assets	Measures the percentage of total assets financed by deposits	55-65%	55-65%	2.5		
				45-54%/66-70%	1.5		
				34-44% / 71-75%	0.5		
				below 35% or above 75%	0		
	Total loan receivables/ Total assets	Measures the percentage of total assets invested in the loan portfolio	70-80%	70-80%	1		
				60-69% or 81-85%	0.75		
				50-59% /86-90%	0.5		
				40-49% / 91-95%	0.25		
	Total member share capital/ Total assets	Measures the percentage of total assets financed by members' share capital	35-45%	39% and below	0		
				35-45%	1.5		
				30-34%	1		
				25-29%	0.5		
				below 25%	0		

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Table 9 Total Rating

	Total	Obtained
Non-Financial	50	
Financial	50	
Sum Total	100	

Adjectival rating	
Excellent Performance (A)	80% - 100%
Satisfactory performance (B)	60% - 79%
Fair Performance (C)	40% - 59%
Needs Improvement (D)	Below 40%

		Janasewa Miteri		Mahila Sakchha		Ramche		Himchuli		Dolakha		Sindhupalchowk	
		Before Project	End of Project	Before Project	End of Project	Before Project	End of Project	Before Project	End of Project	Before Project	End of Project	Before Project	End of Project
Total Financial Measure	50	19	18.5	20	29.7	27.5	29	30	27.5	19.5	24.1	28.7	28.2
Total Non- financial Measure	50	11.5	31.2	25	42	23.5	40.2	15	31.7	18.2	36.6	19.2	36
Total Measure	100	30.5	49.7	45	71.7	51	69.2	45	59.2	37.7	60.7	48	64.2
<i>Adjectival Rating</i>		<i>D</i>	<i>C</i>	<i>C</i>	<i>B</i>	<i>C</i>	<i>B</i>	<i>C</i>	<i>C</i>	<i>D</i>	<i>B</i>	<i>C</i>	<i>B</i>
<i>Growth rate</i>		63.11%		59.44%		35.78%		31.67%		60.93%		33.85%	

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Annex 6: Client Survey Questionnaire

ERP Cooperative Assessment

"At this time, do you want to ask me anything about the survey?"

May I begin the interview now?

- ☐ Yes [1]
- ☐ No [2]

IDENTIFICATION INFORMATION

ID #.....

Client's Name (First and last)

Interviewer's Name (First and last) ...

Program Site

- ☐ Dolakha [1]
- ☐ Sindhupalchowk [2]
- ☐ Kavre [3]
- ☐ Nuwakot [4]

Name of Village

- ☐ Hawa [1]
- ☐ Sahare [2]
- ☐ Ramche [3]
- ☐ Maneshwara [4]

Name of Rural Municipality

- ☐ Tamakoshi [1]
- ☐ Barhabishe [2]

Name of SACCOS

- ☐ Janasewa Miteri SACCOS [1]
- ☐ Mahila Sakchhyarta SACCOS [2]
- ☐ Himchuli SACCOS [3]
- ☐ Ramche SACCOS [4]

Date Borrower Joined SACCOS

.....

A. PERSONAL INFORMATION

1. Sex

- ☐ Male [1]
- ☐ Female [2]

2. Age

- ☐ 0-5 [1]
- ☐ 6-9 [2]
- ☐ 10-14 [3]
- ☐ 15-19 [4]
- ☐ 20-24 [5]
- ☐ 25-34 [6]
- ☐ 35-49 [7]
- ☐ 50 plus [8]

3. Marital Status

- ☐ Single [1]
- ☐ Married [2]
- ☐ Separated [3]
- ☐ Widowed [4]

4. Ethnicity

- ☐ Brahmin/ Chhetri [1]
- ☐ Dalit [2]
- ☐ Janajati [3]
- ☐ Other please specify [0].

5. What is the highest level of education that you have completed?

- ☐ No Schooling [1]
- ☐ Primary [2]
- ☐ Lower Secondary [3]
- ☐ SEE [4]
- ☐ 10+2 [5]
- ☐ Graduation [6]
- ☐ Post-Graduation [7]

6. How many members are living in your household, including yourself?

- ☐ 1 [1]
- ☐ 2 [2]
- ☐ 3 [3]
- ☐ 4 [4]
- ☐ 5 [5]
- ☐ 6 [6]
- ☐ 7 [7]
- ☐ 8 [8]
- ☐ 9 [9]
- ☐ 10 [10]

7. No. of male members in family.....

No. of female members in family.....

0-5 Years.....

6-9 Years.....

10-14 Years.....

15-19 Years.....

20-24 Years.....

25-34 Years.....

35-49 Years.....

50 Plus.....

B. SAVINGS

8. Are you saving regularly?

- ☐ Yes [1]
- ☐ No [2]

9. What type of savings do you have in SACCOS(s)? Other, please specify:

- ☐ Mandatory [1]
- ☐ Voluntary [2]
- ☐ Fixed Deposit [3]
- ☐ Child Saving [4]
- ☐ Emergency [5]

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- Insurance Savings [6]
 - Other, specify [0]
- 10. Has saving been advantageous to you?
 - Yes [1]
 - No [2]
- 11. How?
 - Earned Interest [1]
 - Money is safe [2]
 - Investment opportunity [3]
 - Emergency Use [4]
 - Other..... [0]
- 12. Why do you think so?.....

C. NRA GRANT

- 13. Have you received NRA grant at any point of time for housing reconstruction?
 - Yes [1]
 - No [2]
- 14. How many instalments did you receive?
 - One [1]
 - Two [2]
 - Three [3]
- 15. What have you used it for? Other, please specify:
 - Reconstruction of house [1]
 - Household expenses [2]
 - Agriculture [3]
 - Investment in micro enterprise [4]
 - Education [5]
 - Other, Specify [0]
- 16. Have you been using grant for reconstruction of housing by applying Earthquake Resistant technology?
 - Yes [1]
 - No [2]
- 17. In what ways are you applying those?
.....
- 18. If not housing reconstruction, why did you use the grant for other purpose?
.....

- 19. Why were you unable to receive NRA Grant?
 - No need of grant [1]
 - Didn't apply because don't know where to go [2]
 - Didn't apply because I don't have sufficient documents [3]
 - Applied but got rejected [4]
 - Other, Specify [0]

D. LOAN PROVISIONS

- 20. Do you know about the loan provisions created by the government for housing reconstruction through financial institutions?
 - Yes [1]
 - No [2]
- 21. Have you taken such loan?
 - Yes [1]
 - No [2]
- 22. How much have you borrowed? (In Rupees)
 - 25001 – 50000 [1]
 - 50001 – 100000 [2]
 - 100001 – 150000 [3]
 - 150001 – 200000 [4]
 - 200001 – 250000 [5]
 - More than 250000 [6]
- 23. Where did you borrow from?
 - Commercial Bank [1]
 - Development Bank [2]
 - Finance Company [3]
 - Microfinance Institutions [4]
- 24. Did you use these loans for other purpose other than housing reconstruction?
 - Yes [1]
 - No [2]
- 25. What did you use loans for?
 - Meeting HH expenses [1]
 - Agriculture [2]
 - Investment [3]
 - Education [4]
 - Others [0]
- 26. Has the loan been utilized for housing reconstruction with application of Earthquake Resistant Technology?
 - Yes [1]
 - No [2]
- 27. In what way have you been able to apply the technology?...
- 28. Has the loan been utilized for agriculture through adoption of climate resistant technology?
 - Yes [1]
 - No [2]
- 29. How have you been able to apply the technology?
.....

E. Loan from SACCOS

- 30. Have you borrowed from a SACCOS?
 - Yes [1]
 - No [2]
- 31. Which SACCOS have you borrowed from?.....
- 32. How many times did you take the loan?
 - 1 [1]
 - 2 [2]

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- 3 [3]
- 4 [4]
- 5 [5]

Loan Information

33. In which year(s) you took loan?
- 2015 [1]
 - 2016 [2]
 - 2017 [3]
 - Other [0]
34. How much did you borrow? (In Rupees)
- 0 -100000 [1]
 - 100001 – 200000 [2]
 - 200001 – 300000 [3]
 - More than 300000 [4]
35. How long is the loan period? (In years)
36. For what purpose was your loan approved?
- Business [1]
 - Agriculture [2]
 - LRCF [3]
 - Housing [4]
 - Social [5]
 - Education [6]
 - Other [0]
37. Where did you use the loan?
- Business [1]
 - Agriculture [2]
 - LRCF [3]
 - Housing [4]
 - Social [5]
 - Education [6]
 - Other [0]
38. Did you spend loan on the same purpose as approved initially for?
- Yes [1]
 - No [2]
39. If loan was used for other matters than initially approved purpose, why?
40. What did you use/spent loan for?
- Productive sector [1]
 - Unproductive sector [2]

If loan was spent on productive sector:

41. Do you think using loans have contributed to increase your household income?
- Yes [1]
 - No [2]
42. If yes, how did it increase?
- Expanding existing enterprise
 - Started new enterprise
 - Get a job
 - Purchase land/ stock
43. Do you have plans of investing the increased income that you were able to earn by utilizing loans?

- Yes [1]
 - No [2]
44. How/where do you plan to invest
- Expanding enterprise
 - Started new enterprise
 - Stock/ Land
45. Why do you think your income did not increase even after utilizing the loans for productive purpose?
- Lack of market to invest in [1]
 - Money used up for household expense [2]
 - Loss in investment [3]
 - Repayment of past loans [4]
 - Used for social purpose (family/social functions) [5]
 - Other, please specify [0]
46. How much interest rate was charged? (In %)
47. How do you repay the principal instalments?
- Monthly [1]
 - Yearly [2]
 - Quarterly [3]
 - Lump Sum [4]
48. How do you repay the interest instalments?
- Monthly [1]
 - Yearly [2]
 - Quarterly [3]
49. How much is your outstanding loan? (in Nrs.)
- 0 – 25000 [1]
 - 25001 – 50000 [2]
 - 50001 – 100000 [3]
 - 100001 – 150000 [4]
 - 150001 – 200000 [5]
 - 200001 – 250000 [6]
 - More than 250000 [7]
50. How much amount did you request (in Npr)?
51. How much did you receive?.....
52. How did you cover the remaining amount?
- Sold assets [1]
 - Loan from other financial institutions [2]
 - Loan from relative and friends [3]
 - Used previous savings [4]
53. What would have you done if you had not taken this loan?
54. What are the sources of income in your family?
- Agriculture (Land Farming) [1]
 - Agriculture (Livestock farming) [2]

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- Market Vendor (buying & selling goods, clothing, petty shop) [3]
- Fishing [4]
- Services (e.g., sewing) [5]
- Migrant worker in family (remittance income) [6]
- Unskilled labor work (e.g., porter, dishwashing, laundry) [7]
- Skilled labor work (e.g., mechanic, carpenter) [8]
- Supplier to market vendors or other seller [9]
- Enterprise business (shops selling soaps, candle, handicrafts, etc.) [10]
- HH Work [11]
- Farm labor [12]
- Others [0]

55. Have you been able to create jobs?

- Yes [1]
- No [2]

No. of full-time jobs created:.....

No. of part-time jobs created:

56. Do you think using loans have contributed to increase your productivity level?

- Yes [1]
- No [2]

57. How much savings has increase?

- Less than 25% [1]
- 25% - 50% [2]
- 51% - 70% [3]
- More than 75% [4]

58. Do you have a plan to borrow from SACCOS in the future for income generating activities?

- Yes [1]
- No [2]

59. How/ where do you plan to invest your loans?

- Agriculture (Land Farming) [1]
- Livestock farming [2]
- Invest in shares [3]
- Purchase land [4]
- Enterprise business [5]
- Others, Specify [0]

F. Loan Payback

60. Does the SACCOS remind you at the time of repayment?

- Yes [1]
- No [2]

61. Which of the following best describes your experience in repaying your loan?

- Easy to pay [1]
- Within my capacity to pay [2]
- Difficult to pay [3]
- Don't know [99]
- Other, please specify [0]

62. Are you facing any difficulty in repaying your loans to SACCOS?

- Yes [1]
- No [2]

63. What caused your repayment problems?

- Loan activity (project) was not profitable [1]
- I or others in my family had been sick [2]
- Used some of the loan money for food or other items for the hh [3]
- Sold on credit and did not paid back in time [4]
- Don't know [99]
- Others, Specify [0]

G. Loan Sufficiency and Satisfaction

64. Who makes financial decisions regarding borrowed money?

- Wife [1]
- Husband [2]
- Wife and Husband [3]
- Other, please specify [0]

65. How long does it take to get loan (in days)?

66. Does SACCOS explain to you the terms and condition of loan?

- Yes [1]
- No [2]
- Sometimes [3]

67. Does the SACCOS provide full information on different types of products?

- Yes [1]
- No [2]

68. Are you satisfied with the services provided by the SACCOS?

- Yes [1]
- No [2]

69. What weaknesses have you seen in the SACCOS?

- Do not provide enough loan [1]
- Lack of knowledge on products [2]
- Not have sufficient information [3]
- Untimely Activities [4]
- Unprofessional Employee [5]
- Office not opened regularly [6]
- Others, please specify [0]

70. Suggestions for SACCOS

SACCOS AND LOAN CLIENTS

Annex 7: Photo Gallery



Figure 1: With staffs of REDC and Janasewa Miteri SACCOS at Hawa, Dolakha



Figure 2: Chicken farming by loan client at Sahare, Dolakha

SACCOS AND LOAN CLIENTS



Figure 3: Survey with loan client at Ramche, Sindhupalchowk



Figure 4: With EC Chairperson and Staffs of Mahila Sakchhyarta SACCOS

SACCOS AND LOAN CLIENTS



Figure 5: Client Survey at Ramche, Sindhupalchowk



Figure 6: During SACCOS assessment at Ramche SACCOS, Sindhupalchowk

SACCOS AND LOAN CLIENTS



Figure 7: Loan client preparing vegetables for vendors at Maneshwora, Sindhupalchowk



Figure 8: Client survey at Hawa, Dolakha

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