

NIRDHAN CREDIT PROGRAM IN NEPAL
(On-going Impact Evaluation)

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Foreword

Nirdhan has completed its three years by march, 1996. This on-going impact evaluation carried out under the request of NIRDHAN covers the branches and borrowers which have completed at least one year by march, 1996. We have tried to examine the performance of the program more objectively from different dimension. We hope that this study will be helpful to serve its purpose. We thank NIRDHAN for entrusting us this study. Finally, we want to record deep appreciation to the chairman of NIRDHAN, board members, manager of the Central Office, the branch managers, staff and all others who have helped us from their sides to make this study successful.

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Executive Summary

NIRDHAN was started in March 1993 at Terai District of Western Nepal as a credit program at the NGO level. The program has exclusive feature of lending to women. By October 1996, it has reached to a level of 3600 borrowers, 900 groups, 8 branches, 96 personnel (including trainees) and Rs11.2 million credit to the borrowers. The program has been operated in four Terai districts: Rupandehi, Kapilbastu, Chitwan and Nawalparasi at present. The central office handles the administration and monitoring of the branches and does not operate the lending separately. The program is an replication effort of Bangladesh Grameen Bank at NGO level through action research. In view of the branches and staff number, NIRDHAN should be considered to have expanded fast.

Both the lending and borrowers of NIRDHAN are increasing steadily. Generating of the individual and group saving are also expanding in a reasonable speed. Average saving per group (of 5 borrowers) has stood at Rs. 1500 and the average personal saving has stood at Rs. 171. But, the group formation and lending expansion has not yet reached to the profit making level. The operating cost per rupee of lending is, however, decreasing consistently over the years. It decreased from the level of Re.0.49 in 1993 (first year) to Rs 0.13 in 1996. Including the income on fund deposit in other banks/shares, implicit return on the fund used (before the cost of fund) was negative 51.6% in the first year(1993). The return has rapidly improved to positive 7.2% within three years(1994). If the same speed of adjustment continues, NIRDHAN is expected to meet its cost of fund within two years. After three years from now, one could expect the program to start making an absolute profit. NIRDHAN seems to be well aware of the opportunity cost of cash held by utilizing money in other bank saving accounts and government bonds. This aspect should be given due attention in future, as well.

With a few negligible exception in the beginning, the program has been able to confine the selection of its borrowers within the specified poverty limit and the loan flow has been basically in the small scale income generating programs. However, pocket concentration of the lending by type of portfolio from the view point of market need in future is not thought out, yet. Presently, there seems an excessive drive towards increasing lending volume by the branches at the cost of group formation which might result in by-passing the appropriate portfolio identification for the poor, in future.

The return to the borrowers appears reasonably good. It ranges between Re 0.45 to 0.80 per rupee of expenditure within six months on an average and the borrowers in general had no complain on the exiting interest rate charged by NIRDHAN. Perception of the borrowers is that their income increase will be sustainable.

The program has been able to give good impression to the borrowers and has generated broader socio economic impact in them. The wage of both male and female labourers in the NIRDHAN program implemented area has increased by 15 and 21 percent respectively compared to the adjoining non-program area. Consciousness among the borrowers is rising. The program has not made any negative impact on the landlord – labour relation. Rather, it has improved because the bargaining power of labourer has increased due to the improvement in their economic status. Consequently, the rural power structure has been less tight compared to the past.

All the borrowers are married and have the average age of 33 indicating a matured active age group. Average land holding of the participant is .72 ha, which is close to the NIRDHAN prescribed limit of 0.75 ha. About 80 percent of the participant expressed that NIRDHAN staff had encouraged them to participate in the program. Time waited on receiving loan is six to seven days and loan is received mostly in a single visit.

Average cumulative investment per activity by second year is Rs 10021 and 81% of the financing need of the schemes is met from NIRDHAN source. 80 percent of the borrowers have been able to repay the weekly installment from the NIRDHAN financed activities itself. Weekly average margin of the borrowers is Rs 179 over the installment to be paid by the borrowers. Income expenditure ratio on an average including the installment payment is 1.61 with highest (1.9) in trade and lowest (1.1) in work buffalo.

Employment generated per activity, on average, is 1.3 adult full time and 0.9 adult and 0.7 children part time. Various types of assets are generated and improved by the participants. About 11 percent bought land, 10.5% bought black and white TV, 42% bought ornaments, 10.5 percent improved their house roof from thatched to pakki, 23.4% bought radio, 6.3% bought bicycle, etc.

Most of the social indicator improved after NIRDHAN. Number of people growing vegetable, planting flower, taking part in community plantation has increased. Similarly, percentage of daughters going to school has increased substantially. Majority of the participants feel that NIRDHAN has brought many positive social changes regarding the behavior in the community including the husband wife relation. Social awareness indicators also showed positive changes. 60 percent of the participants owned the earning by themselves and two third spent the earnings by mutual discussion.

The rules and regulations are mostly followed. But in some cases such as changing group leaders and center chiefs on time, not allowing relatives to remain in the same group etc, monitoring appears weak.

Recovery rate reported officially is 100% But, some defaults were witnessed in the field during Rapid Appraisal. However, the study has not caught-up such cases in the sampling. This reveals that, even if there are some defaults, they are negligible cases, so far.

NIRDHAN has also been involved in operating retail shop cooperatives since November 1994. Five cooperatives have been established and federation of the cooperatives is also formed. The cooperatives are facilitated with a loan of up to Rs 150 thousand from NIRDHAN at 10% interest rate. A share capital of Rs 100 per head is raised from the group members and the cooperative is directed by a board formed with them. All the cooperatives are in loss. It is highly recommend that NIRDHAN phase out them prior to getting into non-solvable trap that are faced by the cooperatives of the country. Instead of retail shops, small scale farmers marketing cooperatives for local agricultural commodities (e.g. milk, vegetables etc.) with the role of collecting from villages and distributing to cities could be relevant in the context of the study area.

Household survey is filled in only for the households which are made members. This has made it difficult to identify poorest families, potential borrowers and percentage of potential borrowers covered. Household survey should be done while identifying the program area itself. NIRDHAN is changing its policy toward this direction and it is a welcome step.

NIRDHAN need to make its portfolio expansion more planned. It has been presently financing whatever it has been getting as income generating activities for the farmers. So long as the borrowers are only a few, marketing of products may not be a problem. But when the coverage expands, the farmers could suffer from the marketing problem. It is recommended that portfolio expansion be based on pocket concentration approach.

Staffing at the head office is inadequate and they seem to be over burdened. Consequently, monitoring aspect of the program has been weaker. Since monitoring is most important for the success of any program, adequate staffing at the head office should get due attention.

Though the operating cost per unit of lending is declining, speed of the group formation should be increased for the profitability of the branches. A set criteria of staff on group formation/membership should be enforced strictly. The recommended break-even analysis will be helpful for this

NIRDHAN is increasing its branches faster. Opening of new branches seems to have got more emphasis on the availability of the fund and the horizontal expansion has got more emphasis than vertical expansion. Opening of new branches should go through a viability analysis and plan of operation should follow after making old branches viable in themselves. Fast horizontal expansion without making monitoring part strong could be problematic, in future. A cautious approach is recommended to be followed for this. If NIRDHAN wants to open branches also in hill, Terai framework can not be prototypely replicated without procedural changed to fit to the hill situation.

Gramin Bank is competing with NIRDHAN in the districts where NIRDHAN has already started operation. This unnecessary competition would reduce the credit potential for both. This problem could be resolved if Grameen Bank manager is made a board members of NIRDHAN.

Excluding chairman, only two board members (out of six) has once visited the program area over the last twelve months. Monitoring by them should be strengthened through their rotational inspection visits.

NIRDHAN staff seem to be more indulged in field activities and account keeping is lagging behind. It is recommended that all the branches be given separate accountant with account background and related training. When the branch is small, the accountant could do also the field work. Similarly, a computerized consolidated central accounting should be duly emphasized. Additionally, the ledger used by NIRDHAN for recording credits needs review and change to adapt to the expansion. A two day workshop by involving the accountants, managers and some experts may be helpful to prepare a modification in the ledger.

Mobility facility to branch managers has been seen as a problem for efficient monitoring. While there is provision for by-cycle loan for field workers, it is recommended that a motorbike be given to each branch manager and the monitoring staff of head office to facilitate the mobility of supervision by them. The yearly cost of motorbike could easily be met by the time saved by the manager and efficiency increased in monitoring.

Relation of NIRDHAN with district line agencies is weak and it is recommended that meeting once in two months be carried-out with them. The expenses incurred in such meeting could be recovered indirectly through the saving on the side support that NIRDHAN could get for various social activities e.g. literacy program, health, family planning, plantation etc. There is a lot that NIRDHAN could explore and improve in this area.

Husbands of the participants have felt inadequate consideration to them by NIRDHAN. The participant women also felt that if their husbands are not bypassed, it would prepare further conducive environment for working. A quarterly meeting by involving both the husbands and wives could eventually be helpful to increase the understanding.

NIRDHAN teaches only how to sign. Most of the members expressed that they would be happy to join a literacy training program if it is arranged by some one. NIRDHAN could arrange such program by utilizing quota of district literacy program. The involvement in literacy program would eventually benefit NIRDHAN,s overall credit and income performance.

Sixteen decisions are prayed in every meeting by the members. However, there is no formal committee to monitor how much of these decisions are actually followed by them. It is recommended that separate monitoring committee formed by involving some center members and a regular review be done by the committee about how much of the decisions are followed and what should be done to bring the improvement.

Some of the sixteen decisions identified to be followed by members need modification. For example, In case of a landless borrower, making a toilet and plantation individually are not practical. Even if they are in the sixteen decisions, they are hardly followed by the farmers. Some members are feeling guilty about it because they have committed in prayer some thing which they can not do. Idea of some think like community toilet, community plantation etc. may be helpful for this.

NIRDHAN has officially no default but in some interview (Rapid rural appraisal) such incidence was witnessed and borrowing in other activities was indicated by the participants to resolve the repayment problem. Even if the problems are negligible at present, it has a tendency to go worsening in any credit program leading to a sudden rise in default rate and refinancing of them. A reporting system of consecutive borrowing within a specified period (within a year) to the area office and cross monitoring of the borrowers would help to monitor such problem.

Rapid Rural Appraisal (RRA) meting indicated that there were some relatives in the same credit group and the cases were not rare. The presence of relatives in the same group might lead towards collusion to deceive the management and may lead to serious repayment crisis. Search of homogeneity and nearby settlers, lack of clear definition of a relative and too much involvement of NIRDHAN staff in forming the groups than the members themselves might have caused the involvement of relatives. This problem can be checked by field staff if he is more cautious in the beginning and a penalty policy of rejection to all group members is adopted if they are found to be relatives. However, a clear definition of relative is to be set by the policy in advance.

Group chairman, center chief and group leaders are supposed to be changed every year. But in NIRDHAN, there appear some cases where the same person has been serving more than a year. Since the change of leadership is for creation of awareness among each members, this should be followed strictly.

Government has been adopting a policy of 80% subsidy to interest rate charged on the credit up to Rs 5000 and 33% on the credit up to Rs 15000. NIRDHAN, so far, has adopted its own policy of interest rate and borrowers in the field have started raising the question about own policy of interest rate and borrowers in the field have started raising the question about possible government announced subsidy on interest rate. It is in fact a difficult problem because if NIRDHAN adopts the policy, credit lent would automatically be the function of subsidy fund that it can receive from the government and ultimately whole credit program will suffer. In fact, the problems related to credit in the villages is not the interest rate but the availability and collateral need. Our recommendation is that NIRDHAN should not enter into direct subsidy. The subsidy that it can claim to the government could be transferred to group fund and emergency fund which could be used for emergency need and community development purpose by the borrowers.

Many borrowers have raised issue regarding 5% non refundable amount deducted in advance from their credit borrowed. They feel that it is quite a large amount. They, in particular, do not seem to be to unhappy with the deduction but the concern is who gets it when the fund gets larger in future. If NIRDHAN adopts a policy of refunding it after some one leaves the group, a poor farmer might leave the group just for getting the refund. In our discussion, they view that a part of the fund could be spent to finance mutual benefit such as tubewell construction, financing of their children's education, etc. which could be personally related to the group members themselves.

Though NIRDHAN has expanded fast horizontally and intends to expand further, it does not have a master plan for its future expansion. It is recommended that it is a time for preparing master plan. Since NIRDHAN;s own funding may not allow the financing of such expenditure, some short of Technical Assistance (Ta) would be a welcome step.

Overall evaluation of the program reveals that it is moving in a reasonably good track towards a sustainable future if the present pace of seriousness continues. There are a few signals of problems but they are still within the reach of correction by the management. It seems that present horizontal expansion (i.e.opening new branches) is at maximum given the present level of infrastructure and other support facilities. However, there is still some scope for vertical expansion (i.e,adding more borrowers in the same area) by increasing internal efficiencies.

1. Introduction, Objectives and Methodology

1.1 Introduction

Nepal is one of the poorest country with GNP per capita \$190. The poverty concentration is spread more in the rural area which constitute 90 percent of the total population of the country. An estimate by NPC (National Planning Commission) indicated that 49% of the total population is below poverty line. A new approach of per capita wealth measure used by World Bank in the recent year has placed Nepal in the second poorest country of the world.

A tentative sketch of the poverty in the country can be felt from the following facts. Nepal's 81% a percent of the population is engaged in agriculture while 70% of the farm families hold less than 1 ha. The average family size is 5.6 and average land productivity (cereals) is less than 2 ton per hectare, Disguised unemployment in agriculture is 46%.

High agricultural growth is essential for alleviating rural poverty, yet the growth in this sector is far from satisfactory. It is close to the population growth leading to sluggish progress in the economy Poverty in rural area is further worsening because of the perverse income distribution. Some important indicators of Nepal are presented below.

Some Important Economic Indicators of Rural Nepal

Average Family Size	5.7
Average Size of land holding	0.95 ha
Population engaged in agriculture	81.2%
Land Productivity (Cereals) paddy	2.3 ton/ha
Maize	1.6 ton/ha
Wheat	1.4 ton/ha
Disguised unemployment	42%
Population growth (1981-91)	2.1%
GDP Growth of Agriculture Sector (1984/94)	3%
GDP Growth of Food grain (1984/94)	2.3%
Literacy	39%
Population below poverty line	49%
Family land holding <1 ha.	70%
Electricity served population	10%
GNP per capita	190\$
Contribution of Agriculture to GDP	42%
Family Covered by Institutional Credit	25%

Source: Based on various publications.

Progress against rural sector productivity is stagnant mainly due to the lack of the opportunities to participate in the gainful activities and insufficient investment in rural agriculture. Scant flow of fund in the rural sector has deprived the rural poor to engage and invest in new agricultural ventures. Institutional credit meet only 25% of the total credit need (NRB, Rural Credit Survey, 1994). Small farmer development program (SFDP) was started through Agricultural Development Bank in mid 70's with the approach of group credit for the small farmers. However, this program also could not reach satisfactorily to the bottom poor due to the structure of the

program. Access of the institutional credit from the banks to the poor is limited due to the collateral requirement and borrowers' financial credit worthiness. In this situation, poverty alleviation through rural income generation could be only a decorative slogan unless the programs are targeted to hard-core poor to give them access to the financial resources for the investment in the income generating activities. Hence, subsidized small credits, Grameen Bank, NIRDHAN, Self-help, and some other micro-credit programs were designed targeting to the very poor from both the government and NGO level since the beginning of 90's. NIRDHAN, a prototype Grameen Bank of Bangladesh, is a credit intervention poverty alleviation action program started at non government level in March 1993 in Western Terai District (Rupandehi) of Nepal. It has now been a well known credit program at the NGO level in the country. At present, it has reached to a level of 3600 borrowers, 8 branches, 97 personnel (including trainees) and Rs 11.2 million loan (by October 1996). It has been operating in four Terai districts: Rupandehi, Kaplilbastu, Nawalparasi and Chitwan.

As the program has already past of its three years operation, the evaluation study of the program would provide valuable information on its progress and problem which could be used as a feed back for the future expansion of the program. Consequently, this study was initiated.

1.2 Objectives

Objectives of the study are to:

- i Access the progress track of the program as per its objectives
- ii Examine economic impact of the program in the participant level
- iii Examine the credit access and credit utilization
- iv Examine the promotion of social awareness/upliftment of the rural poor
- v Analyse the long-term sustainability of the program
- vi Derive lessons from the program activities and suggest measures for future expansion of the program and replication elsewhere.

1.3 Scope of the Study

The study is limited to the program area of first four branches started in Rupandehi district and has covered the following population group and the characteristics.

Participant Level: Economic benefit derived, change in social status/attitude, improvement in self reliance among the poor, credit access/ fairness and over all perception of the participants towards the program.

Group Leader and Field worker Level: Training and the work procedures, motivation and attitude towards the program, quality of the manpower used and the record keeping procedures.

Management Level: Profit loss status and sustainability of the program, break even analysis, investment by the loan portfolio, motivation of the management, manpower utilization, future perception on the program and the arrangement of the overall complementary support services from the line agencies.

Cooperative Level: General assessment of the profit/loss, management style and sustainability of the co-operative operated.

1.4 Methodology

The study has used both the primary and secondary level information. Accordingly, the study has been based on (i) related documents such as plan, policy, previous references etc. and (ii) field survey of the participants and (iii) discussion and interview with management staff, group leaders and field workers.

Separate questionnaire were designed for the participants, group leader/centre chiefs and the office managers. The questionnaire designed were discussed with the chairman, a few board directors and the office manager. A pre-testing of the questionnaire were done before their finalization to confirm whether or not the terminology used and coverage of the questionnaire are practical and in tune with the program delivering the services. Evaluation made are more objective oriented towards the fact findings relating to the major activities of the program.

Field Survey of 1999 households were carried out during March, 1996 from the areas covered by the four branch offices: Sikton, Dhakdhai, Sital Nagar and Majgaun. The branches and borrowers completing at least one year of borrowing operation with NIRDHAN were selected. The borrowers were categorized into loan portfolio in each Branch and selected randomly. Twenty percent of the probable candidates were selected from various portfolio category in general but sample proportion was increased in case of a few branches and the portfolio where population size was small. Overall, the sample size is 24.4% of the participants completing one year borrowing with the NIRDHAN. Given the high homogeneity among the borrowers, this sample size drawn is enough statistically for the good representation of the status of the program. The sample size selected for different branches in presented in table 1.1 and its structure by loan portfolio is given in table1.2.

Table 1.1: Sample Selection in Different Branches

	Total borrowers Selection	Total Borrowers completing one year	Sample proportion (%)
Sikton	107	446	24.0
Dhakdhai	40	133	30.0
Sital Nagar	47	230	20.4
Maj Gaun	5	5	100.0
Total	199	814	24.4

Table 1.2: Sample Structure by Portfolio

Type of portfolio	Total borrowers Selected
Milching Cow/Buffalo	28
Goat/Pig	20
Shopkeeping	29
Trade	37
Vegetable farming/sale	11
He buffalo/Ox for ploughing	31
Vocational	12
Mixed	23
Others	8
Total	199

In the portfolio classification, vocational category includes activities such as tailoring, hair cutting, weaving, blacksmith etc. and the mixed category includes the borrowing by a participant for more than one activities.

The survey was done within two weeks on the direct supervision of the study experts. The surveyors were given orientation of two days in the office, one day of pre-testing of the questionnaire in the field and half day of general discussion about the pre-testing observation and unclarity in the questionnaires. Questionnaire were finalized after necessary modification.

Interview of the group leader, center chiefs, field workers and office management staff were done by the study experts themselves. A rapid appraisal technique was applied using pre-designed check-list to interview the group leaders and center chiefs. They were gathered in groups and discussions were focused on the program issues. In case of the branch/central office managers and field workers, person to person individual discussions were carried out.

1.5 An Overview of Previous Evaluation Studies

Dr. G. Octavio, founder of ASHI- the first Grameen Bank replicated in the Philippines, had made a short assessment visit in December 1993 to review the NIRDHAN's activities after its nine month of replication in Nepal. Prof. D.S. Gibbons, the executive trustee of CASHPOR Inc. had also visited the NIRDHAN office in Feb. 1995 to review the progress of the NIRDHAN activities after its nearly two years of replication in Nepal. Both the assessment visits had drawn a conclusion that as the pilot project, NIRDHAN, had performed very well to attain its envisaged objectives. However, some weakness are observed such as modest achievement in attracting fund for expanding its program. Lack of detailed plans for expansion and attainments of financial viability, and inadequate salary and means of transportation to motivate staff to see NIRDHAN as long-term career place.

The study, particularly by Gibbons, had suggested for (a) preparing master plan, including its expansion in hill and mountain (b) emphasizing livestock loans to the poorest women (c) Tighten financial administration and control and (d) initiate the formation of a National Network of Grameen Bank replicators to lobby for funds.

1.6 Introducing NIRDHAN:

NIRDHAN is a poverty alleviation action credit non-Government Organization (NGO) registered with His Majesty's Government of Nepal (Kathmandu District Office) on March 30, 1991. It has obtained license for '*Limited Banking Operations*' from Nepal Rastra bank and has been affiliated with the 'Social Welfare Council. Presently, the management is in the process of registering it as a NIRDHAN Bank.

NIRDHAN was established in 1993 in Bhairawa, Southern West plain of Nepal. It distributed its first loan in 14 March 1993 in Pragatinagar of Siktan Village Development Committee (VDC) in Rupandehi District with the financial assistance of APDC and Grameen Trust. From the beginning it had received limited banking authorization for deposit acceptance and lending. The operational mechanism of this organization is the replication of Grameen Bank Financial System of Bangladesh.

The founder of this organization and chairman is Dr. H.D. Pant. He had played vital role to start a concept of Grameen Bank in the country during 1980's. As Deputy Governor of Central Bank of Nepal, he had taken leadership of operating two Grameen banks as Chairman in 1993. Dr. Pant also initiated NIRDHAN program at the NGO level during the same year. From 1995, after his resignation as Deputy Governor from the Central Bank, he has been fully involved in the

operation and promotion of NIRDHAN Program in various districts of Nepal. After his full involvement in the program, it has expanded considerably. Though to a limited extent it looks ambitious, NIRDHAN has been doing a lot of painstaking worthy efforts for the upliftment of the rural society which ends up praising if some one visits the program area.

NIRDHAN was initiated by Grameen Trust of Bangladesh and Asia and Pacific Development Centre (APDC) of Malaysia with initial financial support of US Dollar 60,000 as Indosuez Bank Ltd. Nepal Arab Bank Ltd. (Nabil) and Nepal Bangladesh Bank Ltd. have extended some loan to it under the 'Deprived sector program' of Nepal Rastra Bank.

Objectives, policy, operating procedure and directive principals of NIRDHAN as per its Introduction Booklet are as follows.

1.6.1 Objectives

Major objectives of NIRDHAN are to

1. Raise the living standard of people below poverty level through credit as a medium of intervention.
2. Develop an effective credit delivery mechanism for the people below poverty line, and create financial discipline among the targeted beneficiaries through regular saving as well as proper use and repayment of loans.
3. Identify and develop effective mechanism of providing training and technology support, supply of inputs and marketing to enhance the income generating activities of people below poverty line.
4. Undertake social and community development activities which could help ameliorate conditions of the rural poor.
5. Mobilise resource to support the economic activities of the poorer section of the population.

1.6.2 Policy

Following are the policies:

1. It provides membership and income generating credit to those poverty level households who own less than 1 Bigha 0.6 hectare of unirrigated land of less than 0.5 Bigha 0.3 hectre of irrigated land.
2. The Program is targeted to women.
3. Credit disbursement is made under group guarantee without collateral and the threat of legal action.
4. Loan processing is made through group decision.
5. Door to door credit service is provided through groups and centers.
6. Credit is provided to the projects which generates income in short period of time by utilizing the skill and physical resources of the local people.
7. It is focused to organise women as NIRDHAN members raise consciousness and bring changes in their life style by implementing social and economic development programs.

1.6.1 Operating Procedures

Operating procedures are prototype to Grameen Bank of Bangladesh A brief nomenclature is as follows:

1. Each group consists of 5 members and federation of 2 to 8 groups makes a center. The center is developed as a place to organise women members into a cohesive body, create consciousness among them and raise their interest in social and economic development, effective credit delivery, payment and supervisory mechanism.

2. Every member of the group has to undergo at least one week compulsory group training in which participants are expected to understand and learn:
 - (a) objectives and operational procedures of NIRDHAN.
 - (b) responsibilities of officials members, groups, centers and their chairpersons.
 - (c) signing at least their name (thumb print is not permitted in any NIRDHAN transaction).
 - (d) process and procedures of getting loans and repayment.
 - (e) group members' obligations to deposit in the group fund Rs 1.00 daily savings during 7 days training period, 5% of the loan amount, and Rs 1.00 weekly compulsory savings after receiving the loan.
 - (f) weekly repayment system within 52 weeks including the interest payment after initial grace of 2 weeks.
 - (g) automatic increment of loan limit on the basis of credit discipline and the requirements.

1.6.4 **Directive principles**

Specified directive principles are as follows:

- (a) the program recognizes' **Access to credit is a Right of the poor'**
- (b) loan limit is determined by the need, condition and repayment capacity of borrowers.
- (c) the program exclusively focuses on the poorest of the poor.
- (d) loan process is to be kept very simple and suitable to the poorest of the poor.
- (e) compulsory group members training and compulsory group recognition test needed for membership.
- (f) potential members form the group on the basis of their income level, cohesiveness, homogeneity and location of their living places.
- (g) collective liability on a member's borrowing.
- (h) small loan in the initial period and automatic increment in the following years.
- (i) compulsory weekly installments of loan repayment.
- (j) self-chosen activities by borrowers themselves.
- (k) loans only for income generating activities.
- (l) close supervision through groups and centers and NIRDHAN field staff.
- (m) system of compulsory saving in Group fund and personal voluntary saving.
- (n) development of '**Peer pressure**' and '**Peer support**' for loan disbursement and loan repayment.
- (o) open conduct of all business through centers.
- (p) system of staggered loan disbursement to the members i.e.(2+2+1) credit eligibility in each group.

- (q) staff recruitment after 6 months of rigorous practical training.
- (r) supportive framework to National Poverty Alleviation Policy and Program.

1.6.5 Sixteen Decisions of NIRDHAN

NIRDHAN has recommended 16 decisions as the commitments to be followed by the borrowers. These decisions are repeated every week during the prayer in the weekly meetings. The decisions are similar to that of the Grameen Bank of Bangladesh and are following.

In the Name of God we swear to increase our income for the benefit of our family. we will not think of negatively against our group members and NIRDHAN programme. To uplift our family from acute poverty through the proper utilization of NIRDHAN's credit, we will increase income, pay weekly installments, save some income and send our children to school. Keeping the center members and Lord Pasupati Nath as Witnesses, we commit that we will do whatever we say.

1. We abide by discipline, unity, courage and hard work in every step of our life.
2. We will surely bring improvement in our family life.
3. We will not stay in dirty broken house. We will repair our house or try to make new one as soon as possible.
4. We cultivate vegetable through out the twelve months and will sell whatever is surplus after consumption.
5. We plant many saplings based on seasons.
6. We keep our family small, spend less and care for the health of our family.
7. We send our children to school and bear the necessary expenditure.
8. We will keep our children and the surrounding of our home clean.
9. We do not go to open space for toileting and will make separate toilets and use them.
10. We will drink water from tubewell and drink boiled water if the tubewell water is not available.
11. We will not do injustice to any one intentionally and will not let so happen to any one.
12. We will execute community project to increase our income.
13. We will co-operate with each other and help any member who is in trouble.
14. If we know a breaking of discipline in any center, we go there and restore the discipline.
15. We will all participate in the social activities in a community style.
16. We will keep patience in every activity and will not leave the membership of NIRDHAN.

1.7 NIRDHAN's Major Working Feature As witnessed

NIRDHAN's working feature is a prototype Grameen Bank operation style of Bangladesh, as stated earlier. The major specific features observed are as follows:

1.7.1 Approach

1. Exclusive access to poor women.
2. Group involvement in borrowing for a group member and securing repayment of loan.
3. No collateral needed
4. Open lending and repayment procedures at the center
5. Collective borrower responsibility and mutual support
6. Small loan to start with
7. Weekly repayment with full repayment within a year and eligibility for subsequent loan with increment.
8. Emphasis on income generating loan activities
9. Strict credit discipline and supervision
10. Strict regulation against acceptance of charity by NIRDHAN staff from borrowers, forbidding even a cup of water.
11. Orientation of all NIRDHAN policy to the borrowers during the training program
12. Fixed working days and no acceptance of ad-hock holidays in between (the holidays are the Saturday and other 25 pre-announced days).
13. Promotion of individual saving.
14. Help in overall social upliftment
15. No direct subsidy on loan and interest repayment. Available Government subsidy is deposited in group fund which is used for mutual benefit, in future.
16. Commitment on the 16decisions in every weekly meeting by all members.

1.7.2 Interest and Installment

Rate of interest of flat 10% from beginning to end which comes to be about 19% per year on average loan standing over the year. The loan is actually repaid in 57 weeks (50 week,

installment, two weeks grace in the beginning, and no payment during four different festival weeks).

1.7.3 Group Formation Procedure

Group formation is one of the most important aspect of NIRDHAN. An elaborate procedure is followed for this.

1. One to two weeks training is provided to candidates before recognizing a group.
2. Group members are required to pass oral test after the training to make their group recognized. Failure in the test would cause to continue the orientation.
3. Five members make one group.
4. Group select own chairman and secretary for a year and are not supposed to get re-elected before all other members have had a chance.
5. Group meeting is held every week. Group chairman maintains discipline in the group and is a spokes man for the group.
6. Lending starts from poorest two, then to others two and the group chair person is the last to receive the loan.
7. 2-8 groups make a center and the center elects own center chief and deputy center chief.
8. Regular center meeting coincides with the weekly repayment of the installment and both borrowing/repayment is made open in the center meeting.
9. Centre chief enforces weekly attendance, member discipline and weekly payment of loan installments.

1.7.4 Saving

Though small in amount, creation of saving habit is one of the objective of NIRDHAN. Features adopted by NIRDHAN for this are:

a. Group Fund Saving

- It consists of 5% of any credit borrowed from NIRDHAN including the credit from group fund
- Rs 1 saving per meeting (weekly saving)
- Rs 7 saving during training (total)
- Penalty, and

- Interest on group fund

Group saving can be borrowed to meet the expenditure of social activities, consumption needs and some income generating activity. All the group members have equal right to the fund. But, the member who leaves the group can not claims the refund except the weekly saving done by him. If all the members leave the group, the accumulated amount will go to emergency fund.

b. Emergency Fund

Emergency fund is intended as a partial insurance coverage in case of calamities, death, theft, disability and other accidents. Members deposit an amount equivalent to 2.5% of the total interest in the emergency fund. This fund is also managed by the members and using of it needs the signature of center chief, deputy center chief and branch manager. A member does not have to return the emergency fund received by him.

c. Livestock Insurance Fund

This scheme is newly introduced. Under this scheme, a premium of 2.5% of the purchase price of a livestock is deposited in livestock insurance fund. The premium will cover the insurance for a year. Fifty percent of the total purchase price is refunded if the insured livestock dies. NIRDHAN itself will accept the loss, if the premium collected is insufficient to settle the insurance claim.

d. Personal Voluntary Saving

Borrowers can deposit and withdraw voluntarily in this account. Even an amount as small as one Rupee is excepted. Eight percent interest per annum is provided on the balance.

11. Analysis of the Sample Branches

2.1 Income / Expenditure Status

NIRDHAN has its own accounting procedure. It differs from the conventional banking approach in which interest is claimed as income to the account from the beginning quarter of the loan issued. In NIRDHAN, total loan and interest collection is divided into 55 installments in which 50 installments account to the principal repayment while the rest 5 installments accounts to interest payment. Thus, the interest payment is majorly made in the second fiscal year and some even in the third fiscal year only. Hence, the profit loss account does not represent the true picture of the current year. From last year, however, the accounting system is changed in which interest and principal is collected every week from the start of the installment payment. The new approach is only the internal book keeping adjustment and does not affect the installment payment by borrowers. For the purpose of analysis in this study, a backward adjustment for the interest accounted at the end has been introduced to represent the reality. The adjustments is made to match to 20% interest earning on the average balance of credit (half the total credit provided) with the assumption of smooth flow of credit disbursement over the year. Contribution to the recovery of the cost of fund from the income earned has been estimated by using the net income before the cost of fund against the average balance of the credit.

2.1.1 NIRDHAN as a Whole

NIRDHAN has established eight branches so far and should be considered to have expanded fast. It has 37 permanent staff and 18 trainees at present. It is planning to increase permanent staff strength to 55 (the trainees would join as permanent staff after they complete 6 months training) from the next fiscal year (July 1996). The branches and the date of establishment are as follows.

Branches	Date of establishment
Siktan	14 March, 1993
Dhakdhai	7 Januray, 1994
Sital Nagar	1 July, 1994
Maj Gaun	18 Dec, 1994
Ramapur	27 January, 1995
Parasi	23 August, 1995
Madi	8 Jan, 1997

The income expenditure and activity status presented for NIRDHAN represent the total activities for all the branches and NIRDHAN central office together. The central office handles the administration and monitoring of the branches and does not operate the lending separately.

Started in 1993 with exclusive feature of lending to women, NIRDHAN has reached to 2811 borrowers with 645 recognized groups by July 1996. Yearly disbursement of credit in 1996 stood at Rs 15.1 million. Both the lending and borrowers of NIRDHAN are increasing steadily. Generating of the individual and group saving are also expanding in a reasonable speed. Average saving per group (of 5 borrowers) has stood at Rs 1500 and the average personal saving has stood at Rs 171. But, the group formation and lending expansion has not yet reached to the profit making level. The operating cost per rupee of borrowing is, however, decreasing consistently over the

years (Tables 2.1 and 2.2) The operating cost per rupee of lending decreased from the level of Re 0.49 in 1993 (first year) to Rs 0.13 in 1996. Including the income on fund deposit in other banks/shares, implicit return on the fund used (before the cost of fund) was negative 51.6% in the first year(1993). The return has rapidly improved to positive 7.2% within three years (1994). If the same speed of adjustment continuous, the NIRDHAN is expected to meet its cost of fund within two years. After three years from now, one could expect the program to start making an absolute profit. NIRDHAN seems to be well aware of the opportunity cost of cash held by utilizing money in other bank saving accounts and government bonds. This aspect should be given due attention in future, as well.

Table 2.1: NIRDHAN As a Whole: Income Expenditure Status

	(Amount Rs)			
	(4 months) 14 March 1993- Mid. July 1993	(12 months) Mid. July 1993/94	(12 months) Mid. July 1994/95	(12 months) Mid. July 1995/96
1. Non interest Expenditure a/	116385	569487	1510586	2744905
1.1 Salary/allowance	70801	417653	993372	1954717
1.2 Office supply	12199	30216	85474	114424
1.3 Utility rent	3463	57767	154225	278650
1.4 Miscellaneous expenses	27587	55491	258857	331766
1.5 Capital depreciation b/	2335	6600	18658	65348
2. Income	31699	78980	332068	2552870
2.1 Interest received on loan		20523	192671	1163686
2.2 Other earning c/	31699	58457	139397	1176334
2.3 Donation		12000	24000	212850
3. Book income before cost of fund (2-1)	-84686	-490507	-1178518	-192035
4. Estimated receivable equivalent interest income d/	23650	205881	1023713	2111045
5. Estimated net income before cost of fund (3) + (4-(2.1))	-61036	-305149	-347458	755324
6. Implicit return to fund used (%) e/	-51.6	-29.6	-6.8	7.2
7. Operating expenditure to credit ratio f/	0.492	0.277	0.148	0.130

a/ Excludes interest expenses on saving and fund borrowed.; **b/** Depreciation at 15% / year on equipment; **c/** Includes income from saving in other banks and interest received from lending to co-operatives **d/** 20% interest on half the credit disbursement (i.e, average credit amount) of current year plus credit outstanding at the end of last year; **e/** item 5 as % of half the credit disbursement of current year plus credit outstanding at the end of last year; **f** non interest expenses as ratio of credit disbursement of current year plus credit outstanding at the end of last year.

Table 2.2: NIRDHAN As a Whole: Basic Activity Progress

	(4 months) 14 March 1993- Mid. July 1993	(12 months) Mid July 1993/94	(12 months) Mid. July 1994/95	(12 months) Mid. July 1995/96
1. Loan(RS)				
1.1 Loan disbursed	236500	1853700	9027712	15118747
1.2 Loan overdue				
1.3 Loan outstanding	205110	1209418	5991707	9733892
1.4 Loan repaid	31390	849392	4245423	11376562
2. Savings (Rs)				
2.1 Group	13740	125275	621196	962055
2.2 Personal	3364	71613	227552	480878
2.3 Animal security fund			3397	174
2.4 Emergency fund			6800	79007
3. Borrowers				
3.1 No. of borrowers	69	458	1486	2811
3.2 No. of loans				
3.3 No. of recognized Groups	25	105	340	645
3.4 No. of centers	5	30	99	190
3.5 No. of personal saving holders				2477
4. Staff (including Trainees)				
4.1 Own	6	15	33	55
4.2 Trainees	5	8	23	37
	1	7	10	18

2.1.2 Siktan

The branch was started on 14 March 1993 as a first venture of NIRDHAN. It has staff strength of six. It has reached to a status of loan disbursement of more than Rs 5 million a year and has registered 831 borrowers by July 1996 (Table 2.3 and 2.4). Group recognition, borrower expansion and loan disbursement has increased steadily. The operating cost per rupee of lending decreased from the level of Re 0.49 in 1993 (first year) to Rs 0.04 in 1996. It has already started generating 9 to 12% rate of return (before cost of fund) on the fund used for the last two years. Though the financial progress is already approaching to the profit status very soon, the evaluators have felt that modernization of information and accounting system has not kept-up the pace with that of expansion of the credit. Consequently, prompt updating of the vital information has already started lagging. For the improvement in the system, there appears an urgent need for computerization and large ledger account keeping training to the related staff.

Table 2.3: Siktan: Income Expenditure Status

(Amount Rs)

	(4 months) 14 March 1993- Mid.July 1993	(12 months) Mid.July 1993/94	(12 months) Mid. July 1994/95	(12 months) Mid. July 1995/96
1. Non interest Expenditure a/	116385	300337	295293	350381
1.1 Salary / allowance	70801	259984	245491	299343
1.2 Office supply	12199	3444	3374	18900
1.3 Utility rent	3463	9190	9319	12899
1.4 Miscellaneous expenses	27587	26822	37038	14880
1.5 Capital depreciation b/	2335	897	71	4359
2. Income	31699	56122	104458	544948
2.1 Interest on loan		252222	104458	510068
2.2 Other earning c/	31699	30900		34880
2.3 Donation				
3. Book income before cost of fund (2-1)	-84686	-244215	-190835	194567
4. Estimated receivable equivalent interest income d/	23650	148480	559910	807182
5. Estimated net income before cost of fund (3)+(4-(2.1))	-61036	-120957	264617	491681
6. Implicit return to fund used(%) e/	-51.6	-16.2	9.4	12.2
7. Operating expenditure to credit ratio f/	0.49	0.2	0.05	0.04

Note: Footnotes- are the same as in table 2.1

Table 2.4: Siktan: Basic Activity Progress

	(4 months) 14 March 1993- Mid. July 1993	(12 months) Mid.July 1993/94	(12 months) Mid-July 1994/95	(12 months) Mid. July 1995/96
1.Loan (RS)				
1.1 Loan disbursed	236500	1279700	4815400	5197819
1.2 Loan overdue				
1.3 Loan outstanding	205110	783700	2874000	3344113
1.4 Loan repaid	31390	701100	2520100	4727705
2. Saving(Rs)				
2.1 Group	13740	92500	332100	382432
2.2 Personal	3364	51500	96300	139916
2.3 Animal security fund			-200	-4420
2.4 Emergency fund			4800	23841
3. Borrowers				
3.1 No. of borrowers	69	321	627	831
3.2 No. of loans				
3.3 No.of recognized Groups	25	68	134	179
3.4 No. of centers	5	17	31	48
3.5 No. of personal saving holders				757
4. Staff (including Trainees)	6	7	7	10

4.1 Own	5	4	5	6
4.2 Trainees	1	3	2	4

2.1.3 Dhakdhai

This branch was started on 7th January 1994 and has completed 26 months in March 1996. It has staff strength of four. It has reached to yearly credit disbursement of Rs 2.0 million and has covered 406 borrowers (Table 2.5 and 2.6). Dhakdhai has shown fast improvement in its profitability status. The operating cost per rupee of lending decreased from the level of Re 0.26 in about 1994 (first year) to Rs 0.06. Implicit rate of return on fund used has already reached to about 9% within two years of the start. However, expansion of credit has considerably slowed down despite the increase in the number of borrowers. Revitalizing the previously formed group was the main strategy adopted by 1% in 1996 compared to 1995. The management should immediately take step to expand the credit expansion to avoid further losses in future.

Table 2.5: Dhak Dhai Expenditure Status

	(Amount Rs)		
	(6 months) 1994 Jan 7- Mid. July 1994	(12 months) Mid.July 1994/95	(12 months) Mid July 1995/1996
1. Non interest Expenditure a/	129070	123831	216708
1.1 Salary/allowance	114207	85817	161302
1.2 Office supply	824	4874	16763
1.3 Utility rent	7277	14789	15421
1.4 Miscellaneous expenses	6762	18361	19124
1.5 Capital depreciation b/			4098
2. Income		15631	244879
2.1 Interest on loan		51631	224136
2.2 Other earning c/			20743
2.3 Donation			
3. Book income before cost of fund (2.1)	-129070	-72210	28171
4. Estimated receivable equivalent interest income d/	50800	239438	342432
5. Estimated net income before cost of fund (3)+(4-(2.1))	-79573	115597	146467
6. Implicit return to fund used(%) e/	-31.3	9.6	8.6
7. Operating expenditure to credit ratio f/	0.26	0.05	0.06

Note: Footnotes are the same as in table 2.1

Table: 2.6: Dhakdhai Basic Activity Progress

	(6 months) 1994 Jan7-Mid. July 1994	(12 months) Mid.July 1994/95	(12 months) Mid. July 1995/1996
Loan(Rs)			
1.1 Loan disbursed	508000	2033660	2033900
1.2 Loan overdue	-	-	-
1.3 Loan outstanding	360720	1390415	1461512
1.4 Loan repaid	147280	1003965	196803
2. Savings(Rs)			
2.1 Group	29121	146819	280285
2.2 Personal	20122	33942	45707
2.3 Animal security fund	-	405	1581
2.4 Emergency fund	-	2025	12938
3. Borrowers			
3.1 No of borrowers	121	328	448
3.2 No of loans	-	-	1093
3.3 No. of recognized Groups	29	71	103
3.4 No of centers	10	21	28
3.5 No. of personal saving holders	-	-	399
4. Staff (including Trainees)			
4.1 Own	2	3	4
4.2 Trainees	3	3	3

2.1.4 Sital Nagar

This branch was third branch of NIRDHAN and was started on 1st July 1994. It has staff strength of four. Yearly loan disbursement of Mid-Jul 1995/96 was Rs 3.6 million and was more than double the last one year period (Tables 2.7 and 2.8). Table indicated a good progress in the activity. The operating cost per rupee of lending decreased from the level of Re 0.14 in 1994 (first year) to Rs 0.05 in 1996. If the speed of program over the twelve months (mid Jul 195-96) is compared with the previous 12.5 months period in terms of income and expenditure items, it is expected that the branch would be in a status of reasonable profit margin from the coming year. Loan disbursement and increment in borrower number of the branch seems to be well correlated to the increment in the staff strength.

Table 2.7: Sital Nagar Income Expenditure Status

	(12.5 months) 1st July 1994- Mid July 1995	(12 months) Mid .July 1995/96

(Amount Rs)

1. Non interest Expenditure a/	207034	226875
1.1 Salary/ allowance	164782	181818
1.2 Office supply	8929	11637
1.3 Utility rent	21471	21382
1.4 Miscellaneous expenses	11118	9206
1.5 Capital depreciation b/	734	2832
2. Income	5389	254011
2.1 Interest on loan	3789	228912
2.2 Other earning c/	1600	25099
2.3 Donation		
3. Book income before cost of fund (2-1)	-201645	27136
4. Estimated receivable equivalent interest income d/	152100	459876
		258100
5. Estimated net income before cost of fund (3) +(4-(2.1))	-3334	258100
6. Implicit return to fund used (%) e/	-0.4	11.2
7. Operating expenditure to credit ratio f/	0.14	0.05

Note: Footnotes are the same as in table 2.1

Table 2.8: Sital Nagar Basic Activity Progress

	(12.5 Months) 1st July 1994- Mid. July 95	(12 months) Mid. July 1995/1996
1. Loan (RS)		
1.1 Loan disbursed	1521000	3627800
1.2 Loan overdue	-	-
1.3 Loan outstanding	971962	2205497
1.4 Loan repaid	549038	2393307
2. Savings (Rs)		
2.1 Group	90101	318980
2.2 Personal	62410	131654
2.3 Animal security fund	2581	1191
2.4 Emergency fund		23487
3. Borrowers		
3.1 No. of borrowers	288	595
3.2 No. of loans	329	979
3.3 No. of recognized Groups	68	132
3.4 No. of centers	20	31
3.5 No. of personal saving holders	283	497
4. Staff (Including Trainees)		
4.1 Own	2	4
4.2 Trainees	3	5

2.1.5 Maj Gaun:

It was 4th branch and was started on Dec. 18, 1994. It has three personnel working in the office at present and has disbursed the credit of 1.2 million during the fiscal year 1995/96. By Jul 1996, it has reached to 258 borrowers. Though the rate of return is improving faster, it is still negative and is expected to be positive from the coming year. The operating cost per rupee of

lending has decreased from the level of Rs 0.23 in 1995 (first year) to Re 0.12 in 1996. The expansion of borrowers, reduction to operating cost and the credit delivery has not progressed fast enough. The branch management setup was witnessed relatively poor which has created suboptimal i.e. less activity spinning enthusiasm than that the NIRDHAN would demand. Additionally, the area is relatively closed society type ethnically, (Muslim) which takes time to create additional enthusiasm among rural women for the exposure to outside work. Those who were relatively active had already participated and others were waiting to see the progress of their friends. Details of income expenditure status and activity progress have been given in Tables 2.9 and 2.10.

Table 2.9: Income Expenditure Status of Majgaun

(Amount Rs)

	(7 months) Mid. December 1994- Mid. July 1995	(12 months) Mid. July 1995/96
1. Non interest Expenditure a/	86456	170676
1.1 Salary/ allowance	71854	141658
1.2 Office supply	3676	8586
1.3 Utility rent	4653	12212
1.4 Miscellaneous expenses	4033	5896
1.5 Capital depreciation b/	2240	2324
2. Income	1417	63945
2.1 Interest on loan		54847
2.2 Other earning c/	1417	9098
2.3 Donation	-	-
3. Book income before cost of fund(2-1)	-85039	-106731
4. Estimated receivable equivalent interest income d/	38200	145081
5. Estimated net income before cost of fund (3) +(4-(2.1))	-48256	-16497
6. Implicit return to fund used (%) e/	-25.3	-2.3
7. Operating expenditure to credit ratio f/	0.23	0.12

Note: Footnotes are the same as in table 2.1

Table 2.10: Basic Activity Progress Report

	(7months) Mid. December 1994 Mid. July 1995	(12 months) Mid. July 1995/96
1. Loan (RS)		
1.1 Load disbursed	382000	1169100
1.2 Loan overdue	-	-
1.3 Loan outstanding	281710	748877
1.4 Loan repaid	100290	701933
2. Saving (Rs)		
2.1 Group	22503	94191
2.2 Personal	11293	66194
2.3 Animal security fund	28	779
2.4 Emergency fund	-	5369

3. Borrowers		
3.1 No. of borrowers	95	258
3.2 No. of loans	100	332
3.3 No. of recognized Groups	24	58
3.4 No. of centers	10	18
3.5 No. of personal saving holders	67	193
4. Staff (including Trainees)		
1.1 Own	2	4
1.2 Trainees	-	2

2.1.6 Co-operative

NIRDHAN has also been involved in operating consumer goods retail shop cooperatives since November 1994. Five successive cooperatives have been established and federation at the cooperatives is also formed. The cooperative is facilitated with a loan of up to Rs 150 thousand from NIRDHAN at 10% interest rate. A share capital of Rs 100 per head is raised from the group members and the cooperative is directed by a board formed with them. The staff recruited by the cooperatives do not belong to NIRDHAN and liability of NIRDHAN to cooperative is just like a banker. Co-operatives are required to deposit sales revenue at NIRDHAN's Account. Table 2.11 provides the profit loss status of the cooperatives.

Table 2.11: Status of Cooperatives During July to March 1996

(Amount Rs.00)

	Majgau n +	Siktan *	Sita Nagar+	Rampur +	Dhak Dhai+	Federation +(own)
A. Official Expenditure	39.3	56.0	38.3	57.9	29.8	47.1
B. Purchase of Selling Goods	391.2	712.9	452.2	708.6	317.7	65.7
C. Gross Sales Revenue	330.4	532.6	404.3	639.2	243.1	561.0
D. Other Income	11.3	3.9	-	0.4	1.60	1.70
E. Other Income	71.7	216.9	60.0	116.0	72.4	82.0
F. Net operating income (C+D+A-B)	-17.1	-15.5	-26.2	-10.9	-30.4	-8.1
G. Contribution to cost of Fund	-ve	-ve	-ve	-ve	-ve	-ve

* Running on Second Year.

+ Running on first year.

Table 2.11 shows that all the cooperatives are in loss. The cooperatives are selling retail consumer goods like an ordinary shop next door to its. It is not clear why NIRDHAN is getting involved in the business which is not necessarily related only to the poor. It would have been more relevant if the cooperatives did not seem to have clear perception of operating the present cooperatives. It is highly recommend that NIRDHAN should phase out the present nature of cooperatives prior to getting into non-solvable trap that are faced by the cooperatives of the country. Starting of pilot scheme farmers cooperatives organized for marketing local agricultural commodities (e.g.milk, vegetables etc.) i.e. collecting from villages and distributing to cities could be relevant in the context of the study area. If the endeavor is successful, it could be expanded further in the area.

2.2 Analysis of Loan Size and Portfolio

The nature of the borrowers of the branches entering in to the second year in March 1996 were analysed by loan portfolio. Accordingly, the loan portfolio contained 1045 cases incorporating Siktan (356) followed by Sital Nagar (126) Dhakdhai (55) and Majgaun (9).

Loan Size

Average Size of the loan (Table 2.12) is Rs 6211 per borrower with standard deviation of Rs 2862 This implies that the two third (66%) of the borrowers have the loan within the range of Rs 3400 to Rs 9000 and 95 percent of the borrower, fall within the range of Rs 500 to Rs 1200. This amount, falls within the category of very small/ small loan as per the National definition (amount below Rs 5000 as very small loan and below Rs 150000 as small loan). This shows that the loan has concentrated basically towards the small borrowers, consistent with the stated objective of NIRDHAN. Average size of loan is smaller in Dhakdhai while the standard deviation is higher in Siktan compared to other branches. Relatively higher standard deviation indicated a relatively diverse pattern of lending in Siktan compared to other branches. This also implies a tendency of attracting larger loans by this branch.

Table 2.12 : Loan size (Rs 000) and Standard Deviation Across the Branches

Branches	Borrowers cases entered second year	Average size of loan (Rs 1000)	Standard * deviation (Rs.1000)
MajGaun	8.0	7.1	2.2
Siktan	356	7.4	3.2
Sital Nagar	126	7.8	2.2
Dhakdhai	556	5.1	2.2
Total	1045	6.2	2.9

* Statistically, in random sample of more than 30, average +-one, two and three standard deviations are supposed to cover 66%,95% and 99% of the cases respectively.

Loan portfolio

The classification of the 1045 borrowers entering to the second years by loan portfolio is shown in Table 2.13. Table 2.13 indicated a high concentration of the loan in the non-cereal income generating activities. This indicates a good orientation of the loan flow of the NIRDHAN program. However, the two components namely buffalo/cow and bullock/ox purchases which contain quarter of the distributed loan need due attention for the strong monitoring as these portfolios have high chance of refinancing from the previously owned asset.

Table2.13: Portfoliowise Loan distribution of all 1045 borrowers entering to second year

Activities	No of case	Percentage of borrowers	Total loan Rs 000	% of loan	AverageSize of loan Rs 000	Standard Deviation of loan Rs 000
Animal Trade	77	7.4	467.7	7.2	6.1	2.4
Buffalo /Cow Purchase (Milching)	184	17.6	1316.5	20.3	7.2	2.9
He buffalo/Ox purchase	89	8.5	547	8.4	6.1	2.7
Fish	6	0.6	25	0.4	4.2	3.1
Goat farming	35	3.3	134.1	2	3.8	2.7
Poultry	4	0.4	14.5	0.2	3.6	3.1
Pig farming	28	2.7	114.5	1.8	4.1	2.4
Retail Shop	220	21.1	1581	24.4	7.2	2.7
Trade	105	10	632	9.8	6.0	2.4
Tea Shop	12	1.1	63	1	5.3	3.8
Vocational Occupation	108	10.3	665.5	10.3	6.2	2.6

Vegetable farming /Trade	101	9.7	430.5	6.7	4.3	2.3
Mixed	76	7.3	499.5	7.7	6.6	2.7
Total	1045	100	6490.8	100	6.2	2.9

2.3 Break even analysis of the branch provides a tentative profit status at different level of operation. Following are the cost parameters used for the analysis drawn from the existing database.

2.3.1 Fixed Cost:

Fixed cost has been accounted for rent, administrative expense, and depreciation (15%) on computer and furniture fixture which are as follows:

	Per month (Rs)	Per year (Rs '000)	Remarks
Office Rent	2000	24	Assumed initial cost Rs 100 thousand Assumed initial cost Rs 10 thousand
Computer Depreciation	1240	15	
Furniture/Fixture	125	1.5	
Administrative others	1000	12	
Total	4375	52,500	

2.3.2 Manpower Cost :

There are three types of manpower in the NIRDHAN branch at present-branch manager (officer), accountant and the field staff. There is no provision for peon or messenger. Their tentative salary and the allowance structure is as follows:

(Amount Rs)

		Branch Manager	Accountant	Field Assistant
A.	Monthly Cost Items			
	Salary	2950	2550	2350
	Field Allowance 30%	885	765	705
	Dearness allowance	300	700	300
	Tiffin allowance (Rs15/day)	375	375	375
	Bicycle Maintenance allowance	100	100	100
	Providend fund (10% of Salary)	300	180	230
	Total Monthly Benefit	4910	4270	4060
B.	Yearly Cost			
	Based on monthly cost	58920	51240	48720
	Additional Benefit (3 month Salary)	8850	7650	7050
	Total Year Cost	67770	58890	55770

2.3.3 Cost of Fund

NIRDHAN has accumulated so far its lending fund from four sources: APDC at no interest rate, Grameen trust at 20%, Banks within Nepal at 6% and the members at 8%. If it has to get fund from open market, the cost would be about 12%. Central Bank of Nepal has mandated the commercial bank to invest 10% of their loan fund in the priority sector (rural and urban small schemes) or else they would get the penalty. To avoid penalty, commercial banks have adopted a policy of lending to institution like NIRDHAN, and others at cheaper interest rate (e.g. at 6%). On the assumption that Central Bank Policy would continue for some time and NIRDHAN would get

partial fund from them and rest from markets sources, a cost of fund 8% has been assumed to be reasonable for next few years. However, from the longer term sustainability point of view, a 10% cost of fund would be reasonable in view of the possibility of mixing subsidized fund, saving fund and fixed deposits. Thus, the cost of fund of 10% (flat interest rate) per year has been considered for the break-even analysis.

2.3.4 Break even Response

Different staffing alternatives and related lending and group formation requirements are shown in table 2.14. For staff of 10, total lending of RS 9.59 million and formation of 326 groups would be needs (at the norm of present average credit per borrower) to maintain break even status that can cover the full cost of fund at 10%.

Table 2.14: Break Even Analysis and Estimated Lending Group\Formation Need
(Amount Rs 000)

	No.of Staff							
	3	4	5	6	7	8	9	10
Cost Items:								
1. Fixed cost	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
2.Branch Manager	67.8	67.8	67.8	67.8	67.8	67.8	67.8	67.8
3. Accountant	58.9	58.9	58.9	58.9	58.9	58.9	58.9	58.9
4. Field Staff	55.8	111.6	167.4	223.2	279.0	334.8	390.6	446.4
5. Other office Supply		2	4	6	8	10	12	14
6. Total Operating Cost (1 to 5)	235	297.82	50.6	408.4	466.2	524	581.8	639.6
7. Yearly lending needed to cover total operating cost at flat 10% interest rate on credit lent a/	2350	2978	3506	4084	4662	5240	5818	6396
8. Average lending per borrower at present b/	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
9. Borrower/ Member ratio c/	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
10. Number of groups to be formed to cover operating cost (6)	80	101	119	139	158	178	198	217
11. Average cost of fund at 10%	117.5	148.9	175.3	204.2	233.1	262	290.9	319.8
12. Total cost for NIRDHAN (6+11)	352.5	446.7	525.8	612.6	699.3	786	872.7	959.4
13. Total lending needed to cover total cost (12)	3525	4467	5258	6126	6993	7860	8727	9594
14. Number of groups to be formed to cover total cost	120	152	179	209	237	267	297	326
15. Number of borrowers needed to cover total cost	570	722	850	993	1126	1268	1410	1549

a/ On standing credit i.e. the yearly disbursement plus the outstanding credit of the beginning of the year, the interest income is 10% a year at the present lending and weekly repayment structure. It would be about 19% on the average balance.

b/ Based on estimated average borrowing by 1045 farmer

c/ Based on borrowing\ membership ratio of entire NIRDHAN

2.3.5 Status of NIRDHAN and Branches in view of Break Even analysis :

The approach of break even analysis developed above has been applied to NIRDHAN and its specific Branches in the table 2.15. The analysis reveals that NIRDHAN is still 40% below its thresh hold credit delivery requirement for break even while as Sikton and Sital Nagar have already exceeded the thresh hold. Dhakdhai is trailing and Maj Gaun is still below the half way. The status of implicit rate of return estimated previously has close resemblance with the findings of the break even analysis applied in the table below.

Table 2.15 Status of NIRDHAN and Branches and as per Breakeven Analysis

Existing staff	NIRDHAN+	Sikton	Dhak Dhai	Sital Nagar	Maj Gaun
	37	6	4	4	3
Groups:					
Existing	645	179	103	132	58
Needed	1206	209	152	152	120
Status	Lagging	Near Lagging	Lagging	Near Lagging	Lagging
Borrowers					
Existing	2811	831	448	595	258
Needed	5731	993	722	722	570
Status	Lagging	Lagging	Lagging	Lagging	Lagging
Credit*					
Existing	21,110,450	8,071,820	3,424,320	4,598,760	1,450,810
Needed	35,498,000	6,126,000	4,467,000	4,467,000	3,525,000
Status	Lagging	Advanced	Near Lagging	Near Advanced	Lagging

+Assuming the multiplicative factor for the norms of 10 staff

*Yearly disbursement plus the beginning of the year outstanding credit

III. Centre and Management Level Analysis

RRA meeting with center chiefs and group leader were carried out at all four branch access their understanding on their roles and feeling about the ongoing process/ procedure of the program. Five rapid appraisal meeting were held during which eight centre chiefs, twenty five group leaders and one centre secretary were interviewed in groups. Similarly, central management aspects were also assessed by interviewing the manager/staff in the branches and head office.

3.1 Awareness, Adoption and Perception in Groups and Centre

Awareness, adoption feeling and perception related to the process and procedures in group and centre conducts are analysed in this section.

3.1.1 Awareness

All of the Center Chiefs and Group Leader were found aware on their right and duty. They were asked to list down their roles and was cross checked with their roles specified in NIRDHAN policy. All of them knew the roles and told that they had repeated them several times in the training, group formation, borrowing and repayment collection process.

3.1.2 Sixteen Decisions

NIRDHAN has a practices of praying 16 decisions in every centre meeting. The decisions that are prayed basically relate with the commitment of honesty, hard work for improving for status, sincere working for repayment of the loan, loving each other, and keeping the neighbouring environment clean (see 1.6.5 for detail). All the group leaders and centre chief knew the sixteen decisions well. When asked whether all the decision were practical, most of them expressed that the decisions Oath regarding the construction of toilet, and tube well, and planting trees by each household were difficult to follow because of very small or no land under their disposal. Due to this, majority of them had not constructed toilet. Participants who had constructed toilet in the beginning in the small area of their land had abandoned them later because of smell and flies caused by ordinary open construction, high temperature and closeness to residence. However, they suggested that the idea of tubewell, toilets, and plantation at the community level might be practical.

3.1.3 Group Formation

They found the work of group formation relatively easier at present than in the beginning. The reason was that the people in the beginning thought that the involvement in NIRDHAN and failure to pay loan on time would lead to confiscation of their assets. Overtime, people have been well exposed with the working style of NIRDHAN which has made them enthusiastic to participate in group. When asked about who they consulted, in addition to their family members, to make a decision for participating in the program when approached by NIRDHAN, most of them reported that they had consulted their friends involved in the NIRDHAN program and the school teachers.

3.1.4 Relation with Money Lenders

Only one out of 34 respondents (leaders) expressed the deterioration in the relation with village money lenders after participating in the program. The village money lenders and leaders

were asked for help by NIRDHAN staff to identify the poor in the area during survey. This had helped in keeping better understanding between village money lenders and NIRDHAN participants.

3.1.5 Discussion and Meeting Attendance

The centre and group meetings were held regularly once a week to discuss problems/prospects and repay the weekly installment. Attendance is usually high. On the average, one out of ten group member did not attend the meeting because of important home affair, sickness or failure to arrange adequate money for the payment of installment. Most of the respondents had missed 1-2 meeting during the last three months because of their personal reasons. Some respondents pointed out that repayment of loan gets more emphasis in the meeting and other aspects do not get enough time for discussion. All most all the respondents reported that frequency of meeting was reasonably sufficient.

Attendance records are kept with center chiefs and are found to have maintained up to date.

3.1.6 General Feeling about the Programs

About 75% of the center chiefs and group leader expressed that they liked the program very much while next 25% expressed it as reasonably good. The group leaders and chiefs pointed out the positive and negative aspect of the program as follows.

Positive Aspects	Negative Aspects
1. Income generation for women and self respect	1. Taught only to sign and did not teach how to read/write
2. Increase in hard working habit	2. Insurance is limited to livestock only
3. Meeting with friends regularly	3. Weekly payment in case of the activities which does not create weekly income is not practical
4. Creation of saving habit	4. 5% deduction of loan money in the beginning which can not be recovered if one leaves the program
5. Learning of discipline	5. Meeting/discussion in open place not very convenient
6. Loan without collateral	
7. Learned to sign and encouragement to read	
8. Insurance scheme started	
9. Help in medical emergencies	
10. Made rural women clever by making them able to express their creativity	
11. Husband/ wife relation improved	
12. NIRDHAN people coming to own village to provide credit and collect them	
13. Immediate help in emergency	
14. Development of cooperative attitude among members	
15. Increase in consciousness	

3.1.7 Misunderstanding and Problem Resolution

Some members attempted to use group fund for unrecommended purpose which created misunderstanding among the group members, sometimes. Additionally, many members also complained about the five per cent nonrefundable deduction of credit borrowed in advance. The respondents suggested that resolution of such problem would need the additional awareness creation about the group fund by NIRDHAN staff and assurance by the management about the use

of fund on the immediate need fulfilling activities like tube well construction, children education, etc.

3.1.8 Training

All the leaders had received 9-15 days training. They felt that the training was practical. However, The center chiefs expressed their dissatisfaction regarding the present system of training both the group leaders and centre chiefs together in the same room. They suggested that the training to the center chief should be given separately and a bit longer.

3.1.9 Group Saving

NIRDHAN maintains a group fund through the following source of collection:

- ** five percent deduction from any loan in advance
- ** five percent of the group fund from borrowing members
- ** payment of Rs. one in every weekly meeting
- ** Rs. nine during the training period
- ** penalty for not being able to attend in the group specified activities
- ** interest on the group fund.

A member can borrow from the group fund in case of emergency. However, he is not entitled to get the money back if he leaves the group. The respondents had good understanding about the importance of group fund to meet emergency needs. However, they showed their concerned about the future use and the benefit sharing process of the fund. They feel that the money in excess of some amount should be refunded for investment in activities likes children's education, tube well construction etc. which directly help for personnel benefit.

3.2 Management Aspect

The managers of Siktan, Dhakdhai, Sitalnagar, Majgaun branches and of the central NIRDHAN office were interviewed to document specific issues relating to the management problems, attitude and motivation towards the program.

3.2.1 Attitude\ Motivation Towards the Job

NIRDHAN has recently increased its staff's salary\allowance to a level a few hundred more than the Grameen Bank run by the Central Bank, Nepal. The salary\allowance is almost 60-80% higher than the comparable regular government staff. Hence, the staff of NIRDHAN do not have any serious complain about their salary and other benefit. However, it is felt that the salary of the central manager should be at least 100% more than that his comparable counter part in the banks run in the public sector. This would help upgrade the managers' feeling of job security and attraction in the job which in turn provide the continuity of the experienced manager in the program. It is felt that experience and hard working executive is a key for the success of a program like NIRDHAN.

3.2.2 Vision Towards the Future

Given the recent commitment of the government towards poverty alleviation, staff are more positive on the considerable expansion of the NIRDHAN program in the future. However, the manager suggested for a clear policy of vertical/horizontal expansion of the program and staff job security. Question is also raised on the future leadership gap that would come in absence of Dr. Pant, the present chairman. To fill this leadership gap for the continuity of the program, other policy level person who are equally competent as Dr. pant should be involved intensively to prepare for the successor. At present, this aspect is some what overlooked at NIRDHAN.

3.2.3 Training and Job Assignment

The staff are satisfied with the training opportunities, exposure and their job assignments. However, they have suggested to modify the existing filling system with the computerized accounting. They also suggested for the improved M&E system by strengthening exiting support facility for mobility and communication.

3.2.4 Demand for Credit Fund

Though the fund for credit distribution at this point in time is not a problem, the expansion of the program in the future calls for the arrangement for additional fund.

3.2.5 Staff Utilization

Staff are fully utilized in the branch level while as there is a shortage at the head office. There were only two personnel working at the head office which had made monitoring of the activities difficult. At least five persons- one each for overall management, internal audit/information, training management, planning/monitoring and area management should be provisioned at the head office. Recently, some staff have been appointed at the head office and provision of area manager has also been made.

3.2.6 Additional Branch Expansion

The manager viewed that, for the coming year, adding of three branches in the southern part of the district is practical. Going to northern part would be less efficient since the Grameen Bank has already occupied the region. Further expansion should be based on the experience to be learned over time. It would be better to switch to other district then to expanding more branches in the same area. Opinion on expanding the present model of program in the hills was reported to be risky. The reasons given were as follow:

- a. village are disbursed and houses are scattered
- b. marketing network is week
- c. income generation takes relatively longer gestation period given the attractive potential venture such as livestock and horticultural activities in the hills.

They viewed the necessity of different model of program in the hills including the changes in the repayment schedule. The evaluation team also agrees with those views.

3.2.7 Salary/ Allowance

Salary/allowance of NIRDHAN is considered reasonably good. It is a bit higher than in the Grameen Bank and 60 to 80% higher compared to the similar level personnel in the government. In view of the job security and retirement benefit provision in the government and public sector organizations, higher salary for NIRDHAN staff is justified for their motivation. NIRDHAN provides various allowances such as field, bicycle maintenance, dearness, etc. which adds to about 50% of the salary and has adopted a good system of tying them to the salary scale. However, it has not established a system of incentive structure based on individual performance. An approach of individuals Vs peer group performance ranking across the branches and over the previous year could be adopted for this.

3.2.8 Staff Requirement/Orientation

NIRDHAN has adopted a reasonably good staff selection procedure. They were recruited after competitive written exam and interview by the board. The quality of the selected staff appeared reasonably good.

3.2.9 Auditing

Auditing has been carried out every year and report is already available up to July 15, 1996

3.2.10 Office Setting/ Furnished

In all the branches including the head office, office setting equipment were at minimal level and poorly furnished. Only one computer was purchased recently for the head office. Adequate furnishing, as soon as possibly is recommended to upgrade the efficiency of the staff.

3.2.11 Mobility

Staffs are facilitated with bicycle loans and maintenance allowance of Rs 100. month. Branch Manager also have only the bicycle facilities and the head office has one motor bike for the manager. As the mobility for effective monitoring is essential, one motor bike should be stationed in each branch. Given the volume of work and mobility required to the staff of head office, two motor bikes are suggested to station.

3.2.12 Accountant/Ledger Book Maintenance

Given the different structure of lending and repayment procedure, NIRDHAN has developed its own credit account keeping format. The format, however, did not match with the requirement as some columns in the format were unnecessary, some did not have enough space and in some places the staff had to create the new columns themselves. Similarly, it was reported that the format of the pass book needed modification. Since, NIRDHAN had created a simple ledger to start with, it is time to review and modify them. A few days workshop of the manager, accountants and some expert would be helpful for designing necessary amendments.

The field investigation indicated that NIRDHAN has been more engaged on field works and updating of the accounting system is lagging behind. It is evident from the fact that the essential information like group formation, total member, total lending by groups, consolidated accounting of profit loss etc. were not available at head office during the field visit. To get these information one should go to the individual branches. Even in branches which is relatively large (e.g. Sikton), it took hours to track the record. Furthermore, branch manager who is supposed

to keep account do not have accounting background. It is suggested that the branches be provided with separate accounting personnel and computerized information system be developed. If a separate accountant can not be availed, it is desirable of having a branch manager with account or economics background. Similarly, head office staffs (two) are also over burdened and too busy in field management at present. A separate internal accountant/auditor be kept there, as well.

3.2.13 Relation with Other Agencies

NIRDHAN is doing every thing by itself. Relation with other district level line agencies is poor. The branches should establish a good relation with government sector (i.e. JTAs, District Agriculture Development Office, District Livestock Development Office, District Education Office, District Health and Family Planning Office, Grameen Bank Branch etc). This would help in facilitating the social work related activities substantially. At the same time, it will reduce the cost of operation. There is no record of formal meeting of NIRDHAN with the line agencies. However, some branches have contacted for a few activities either informally or on an ad-hock basis. It is recommended that a formal meeting be arranged at head or district office once a month to assure cooperation from district line agencies, and at branch office to assure coordination between the line agency branches and sub-branch offices (i.e. service centre level branches of the line agencies).

3.2.14 Social Activities

Whatever possible, NIRDHAN seem to be trying to do social activities on its own. This has led towards systematic erosion of these activities possibly because it conflicts with the objective of banking operation which is hard pressed with the concern of sustainability and profitability. NIRDHAN should try to get co-operation of other related agencies in the social activities by helping them in the management aspects e.g. arranging location, gathering people, providing support etc.

3.2.15 Connecting to market

NIRDHAN is essentially a banking program for the poor and it should not be viewed as a subsidized charity scheme. Otherwise, this program also will not be sustainable. NIRDHAN appears conscious enough in this regard. Management has informed the evaluators that conversion of NIRDHAN NGO to NIRDHAN Banking is under way, which is a welcome step.

3.2.16 Board and Board Members

NIRDHAN program has a board of six chaired by Dr. H.D. Pant, a former Deputy Governor of Central Bank. Except one, all have considerable experience and previous background of work in poverty alleviation program. One of the board member is a present Deputy Government of Central Bank (but, he is not a government nominee).

3.2.17 Program Expansion

Started in 1993, the NIRDHAN has opened 8 branches five cooperatives, so far. It has reached to a yearly credit disbursement of Rs 15.1 million and has covered 2800 borrowers. It is planning to open soon additional new branches in other districts, as well. Tendency appears towards rapid expansion and a cautious approach is recommended. Before opening a new branch, the management should have clear plan about staffing need, minimum lending needed, possible loss in the start and ways to cross subsidize or recover it

3.2.18 Participatory Management

Learning from past actions are very important for successful management NIRDHAN appears improving its style of operation from its learning of past. Positive attitude towards computerizing the branches, change in lending criteria more confined toward identifying poor, arranging outside evaluation of the program, adjustment in management structure (e. g. it has already started area office for monitoring), arrangement of frequent visits by experts to the program area, and successive increase of lending ceiling (e.g. it has already increased its lending ceiling from its previous level of Rs. 15000/family) are some examples of it.

3.2.19 Leadership Change/Rotation

Office term of group leaders and centre chiefs is supposed to be of one year as per NIRDHAN policy. However, it was witnessed that some center chief and group leaders had already been serving in the same post for more than a year and some even for last 3 year. Though such cases is believed to be negligible, it is there and immediate attention is needed because the rotation of leadership is a vehicle for creating understanding and additional awareness in the group.

3.2.20 Non- participants' Attitude

Some nonparticipants (including husbands of the participants) close to the NIRDHAN field offices were also visited. Nonparticipants praised the program in general but some felt that the approach was over feminist. Some husbands from the participant family complained that they were not given due care as they were not invited in any meeting. They felt left out as if they had played no role to help their wives participate in the program. Some women participants also had such feeling. Suggestion was that a meeting once in 6 months by involving also the husbands to brief future program and thank them for their cooperation would make the husband feel better and increase their co-operation to their wives.

3.2.21 Family Qualifying for Credit

In most of the credit program, credit qualifying individual is identified on the basis of good collateral standing. However, in NIRDHAN, a person who qualifies for a credit is poorest among poor and no collateral is needed. Credit is provided on the basis of group guarantee and first lending is started from the poorest in the group. In the beginning of the program, a family having less than 1 Bigha (0.6 ha) unirrigated or 1/2 Bigha irrigated land was qualified for the credit. Presently, the criteria has been changed to lower land holding of less than 0.75 Bigha or the income less than Rs 1700/person/year (with no service holder in the family).Household survey has been made mandatory for the participants. But, it was not done prior to identifying them and thus, could not be useful to pinpoint the poorest. Some deflection in the credit was witnessed by the research team while conducting the rapid appraisal in the villages. For example, in the visit to a centre meeting of 25 in Kerwani village, it was found that loan was given to a women whose husband had gone(as labourer) to Arab in a group 1,who had pre-operated retail shop in a group 2, two women whose husband were driver and mechanic in a group 3, two woman whose husband were driver and police man in group 4 and a women whose husband was plumber in another district in group 5 .Though the husbands of above participants were engaged in low paying jobs, the families would not be among the poorest in the area. However, no such evidence was encountered in a meeting with 14 members in Dhakdhai.

Discussion with NIRDHAN Management revealed that some deflection in the earlier stage was due to the difficulty in appropriately identifying the poor because of the adoption of a flat criteria of less than 1 Bigha of land holding per family to qualify for the credit. After learning from

the experience, the management had changed the criteria to (a) land holding less than 0.7 ha/family, (b) income less than Rs 1700/person/ year and (c) no service holder in the family. The change in criteria had helped in identifying the members more appropriately.

3.2.22 Household Survey

NIRDHAN fills-up household survey questionnaire for the applicant before a credit is provided. All the branches under study were found to have had conducted household survey and were able to produce the filled-up household survey questionnaire for all the borrowing families under the sample Households survey examined for 190 cases among the sampled households revealed that the average status of the selected family was well below the land ceiling but the income was skewed upward from the specified yearly income ceiling of Rs 1700/person/year in Sitalnagar Branch (table 2.16).

Table 3.1: Income and Land Holding of borrower Family as per Household Survey

	No. of Family	Income per Family (Rs)					Landholding/Family Katha*			Avg Family member	Avg income per person
		Agri.	Non. Agri. c	Service	Other	Total	Own	Rented	Total		
Dhakdhai	38	2664	5134	-	1736	9536	9.4	1.2	10.6	6.5	1479
Sital Nagar	49	4743	406	7501	0.0	12062	7.6	0	7.6	6.8	1764
Siktan	103	6242	831	634	1508	9216	10	1.4	11.5	6.8	1348
Overall	190	5140	1574	2159	1112	9457	8.7	0.85	9.5	6.4	1486

* 30 Katha makes one ha.

3.2.23 Motivation Process

NIRDHAN adopts a specific motivation process in the village before a program is launched. Following procedure is found adopted.

Step1: Identify a village on the basis of broad poverty status.

Step2: Go to the village and advertise for a day and request all household adult males females for one day meeting next week.

Step3: Advertise in the meeting and personally meet those family members who have not attended. It is announced that it is a women program.

Step 4: Women groups are formed within NIRDHAN policy as per the suggestion by the villagers themselves (each group consists of five members).

Step5: Personal details of the members are taken as a mint test to qualify for the program.

Step6: Training is provided to the members, at least for a week.

Step7: Those who pass the training qualify for credit as per NIRDHAN process.

Step 8: Those who fail are given re-orientation until they are successful and become eligible for the credit.

Step 9 In each group, credit is provided starting from the poorest two in the group and the chairman gets the credit at the end so that partiality is automatically minimized.

IV FARM LEVEL ANALYSIS

Farm level data collected from the household survey has been used in this chapter to analyse the various factors affecting the NIRDHAN credit program. The analysis mainly concentrates on the characteristics of the respondents and program impact on economic and social aspects of the target population. Also, the chapter documents the participants' attitudes and awareness towards the NIRDHAN credit program.

4.1 Socio-economic Characteristics of the Respondents:

The analysis is carried out by separating the respondent in two ethnic categories: Madesiya, the native Terai inhabitants and the Pahadiya, the migrants from hill to Terai.

4.1.1 Literacy and Marital Status

Table 4.1 shows the Literacy, marital and average age of the respondents. Of the total sampled respondents, more than one third are literate with slightly higher literacy in Pahadiya than in the Madesiya community. All of respondents are married and their average age is 33 years. This is almost identical for both the communities. Marital status and average age of the respondents indicates that the borrowers selected by NIRDHAN are of active and matured age group.

Table 4.1: Education and Marital Status and the Average Age of the Sampled Respondents by Origin

Origin	Literate	Married	Average Age
Pahadiya (N=104)	49.0	100.0	32
Madesiya (N=95)	21.1	100.0	35
All (N=199)	35.7	100.0	33

4.1.2 Demographic Characteristics:

The average family size of the sampled households is 6.6 person with slightly higher in the Madesiya than in the Pahadiya community (Table 4.2). This is considerably higher than the national figure of 5.5 person per household.

Table 4.2: Demographic Features of the Sampled Households by Origin

Demographic Features	Pahadiya	Madesiya	total
AV. Family Size	6.4	6.8	6.6(100)
Male	3.3	3.8	3.5(53.0)
Female	3.3	3.0	3.2 (48.5)
<=5yrs	1.0	1.2	1.0 (15.2)
>=5-10yrs	1.2	1.3	1.3 (19.7)
>=10-15 yrs	1.0	0.8	0.8 (12.1)
>=15-60 yrs	3.2	3.3	3.3 (50.0)
>60 yrs	0.1	0.1	0.1 (1.5)

*Figures in parenthesis indicate %

4.1.3 Educational Status

On the average 3.1 persons are illiterate in the sampled household which is almost half of the family size. By sex, more number of female are illiterate as compared to its counterpart male, may be because of signature requirement endorsed by NIRDHAN. This is true in case of the both the communities. By ethnicity origin, more numbers of Madesiya are illiterate then Pahadiya. The average number of school going children (aged between 5-15 years) in the household is 68.7%. More female children are attending school in Pahadiya households than in Madesiya. Table 4.3 shows the details on the educational status of the sampled households.

Table 4.2: Average Educational Status of the Sampled Households by Age, Sex and Origin

Educational Status	Pahadiya	Madesiya	Total
Household Size	6.4	6.8	6.6
illiterate	2.0(31.3)	4.34(59.9)	3.1(47)
Male	0.72	1.69	1.2
Female	1.23	2.38	1.8
School Going			
Male	1.09	0.98	1.0
Primary School Completed			
Male	1.45	1	1.2
Female	0.93	0.33	0.6
Lower Secondary School Completed			
Male	0.46	0.27	0.4
Female	0.26	0.06	0.2
Higher Secondary School Completed			
Male	0.42	0.21	0.3
Female	0.10	0.02	0.1
Above High School			
Male	0.09	0.01	0.1
Female	0.04	0	0.02
Total literate	4.38(68.7)	2.65(40.1)	3.5(53)
Male	2.51	2.04	2.3
Female	1.77	0.61	1.2

Figures in parentheses indicate the percentages.

4.1.4 Land Holding :

The average size of land holding of the sampled households is less than one Bigha (0.7ha.), the standard norm followed by NIRDHAN for a qualifying household. The holding is marginally higher for Madesiya then in the Pahadiya households. By tenurial status, own land is more then 75%of the total land cultivated by them in both the household categories. The details is shown in table 4.4.

Table 4.4: Average Size of Land Holding per family by Tenorial Status

Tenorial Status	Area in Bigha*		
	Pahadiya	Madesiya	Total
Own-Irrigated	0.176	0.358	0.263
Rented- Irrigated	0.001	0.007	0.004
Contacted-Irrigated	0.034	0.109	0.069
Own-Unirrigated	0.280	0.364	0.320
Rented-Unirrigated	0.009	0.002	0.006
Contacted-Unirrigated	0.082	0.106	0.093
Total-Own	0.430	0.667	0.543
Total-Rented	0.012	0.010	0.011
Total-Contacted	0.112	0.193	0.151
Total-All	0.595	0.858	0.720

4.1.5 Livestock and Ruminants:

There is an improvement by 27% in the size of cattle/buffalo population after participation in NIRDHAN activities. The change is highest in the buffalo population which is double of the before situation. The cattle population is slightly less than double of the before situation. The increase is for both the lactating and non-lactating bovine animals. The size of ruminants such as goat and sheep in the households is reduced after participation NIRDHAN activities. Similar is the situation in case of the size of duckling and chicken. Reduction in the small sized animals reared by the households is believed to be the cause of shift towards more productive large animals. Table 4.5 shows the details on the size of livestock, ruminants, and birds in the sampled households before and after NIRDHAN activities.

Table 4.5: Average Size of Livestock and Ruminants in the Sampled Households by Origin

Description	Before NIRDHAN						After NIRDHAN					
	Hill		Terai		Total		Hill		Terai		Total	
	1	2	1	2	1	2	1	2	1	2	1	2
He cattle/ buffalo	0.72	0	1.59	0	1.14	0	1.10	0	1.82	0	1.44	0
Cattle												
Lactating	0.14	0	0.18	0	0.16	0	0.27	0	0.19	0	0.23	0
Non-lactating	0.13	0	0.35	0.01	0.24	0.01	0.26	0	0.57	0.03	0.41	0.02
Buffalo												
Lactating	0.16	0	0.09	0	0.13	0	0.35	0	0.2	0	0.27	0
Non-lactating	10	0	0.11	0.01	0.10	0.01	0.27	0.03	0.25	0.01	0.26	0.02
Goat/Ship	0.65	0.08	0.55	0.19	0.60	0.13	1.61	0.05	0.8	0.27	1.22	0.16
Duckling/Chicken	2.24	0.09	1.17	0.05	1.73	0.07	2.96	0	1.82	0.05	2.42	0.03

4.1.6 Poor Family in the Area:

A cursory estimates of the poor family in the sampled area indicated about 42% of the households were poor as per NIRDHAN STANDARD. The program has provided credit only to 47% of the poor families, so far. This indicates that there is still untapped poor families by the NIRDHAN program.

4.1.7 Household Income :

Most of the respondents (97 percent) are satisfied with the level of income generated form the participation in NIRDHAN program. Their total household income from and non-farm activities are as follows.

Farm Income: The average annual farm income of the sampled household over the last twelve months is RNs 7130. This is 27 % higher in Pahadiya household then in the Madesiya. Dairy products and wages are the main sources of income for both the household followed by cattle, grain and vegetables (table 4.6).

Table 4.6: Average Household Farm Income by Origin and Income Sources

Sources of Income	Pahadiya	Madesiya	Total
A. Production Sale	4194	3105	3674
Grain	562	942	743
Vegetables	215	542	371
Fruits	3	15	9
Eggs/Birds	251	94	176
Ruminants	288	258	274
Cattle	716	501	613
Dairy Products	1782	478	1159
Cash Crops	24	34	29
Others	353	241	300
B. Wages	1669	2445	2039
C. Contact Labouring	57	330	187
D. Other	2257	105	1230
E. Total	8177	5985	7130

Off-farm Income: The average household income form off-farm activities during the last twelve months is NRs. 8662. This figure is slightly higher for Pahadiya then for the Madesiya family (Table 4.7).

Table 4.7: Average Household Income from Off-farm Activities by Origin

Origin	Off-farm Income (NRs.)
Pahadiya	9302
Madesiya	7960
Total	8662

4.2 Size of Loan and the Sources of Financing

The average size of loan varied by activities . Most of the respondents (92%) reported the size of the loan as appropriate while a few reported either low or very low (8%). The size of loan is typically determined by the nature of the investment size required for the particular activity, the loan payment discipline of the members recorded in the past and the rules and regulation (i.e. loan ceiling) of the NIRDHAN.

On the average, NRs 10,021 is invested (cumulative from first year) by the sampled households in the activities initiated by NIRDHAN (table 4.8). This is slightly lower for Madesiya as compared to the Pahadiya. Of the total investment made for the activity, about one fourth of the members have shared from other sources of finance (i.e. other than received from NIRDHAN loan). Such contribution on the total investment is about 19% (about 10% in Pahadiya and 30% in Madesiya).

Table 4.8: Average Cumulative Investment by households on the Activities Initiated by NIRDHAN

Origin	Total Investment (NRs)	Source of Finance(NRs)		% of participants Using other supports also
		Finance from NIRDHAN source (Rs)	Finance from other sources (Rs)	
Pahadiya	10362	9265 (93.3)	997 (6.7)	30.8
Madesiya	9356	6608 (70.6)	2748 (29.4)	18.9
Total	10021	8135 (81.2)	1886 (18.8)	25.1

Note: Figure in the brackets represent the percentages.

The average amount invested (cumulative from first year) on the current activities by loan portfolio ranged from NRs 5375 to NRs 12,789 depending upon the nature of the activity undertaken. Bigger size of investment in made on milch buffaloes followed by shop and trade and the least in vegetable (table 4.9). In all the activities with exception in the vegetable, the share of the other sources of financing have been observed. The average amount contributed from other sources of financing ranged up to 34% with an average of 18.8%. The details on the per activity investment and the share of the different sources of financing by loan portfolio is presented in table 4.9.

Table 4.9: Average cumulative investment on the current activities by loan portfolio

Loan Portfolio	Per activity average investment (NRs)	Finance From NIRDHAN (NRs.)
Buffalo (milch)	12789	11472(89.7)
Goat	7467	5875(78.7)
Retail shop	12379	8875(71.6)
Trade	10187	10597(75.5)
Vegetables	5375	5375(100.0)
Vocational	7429	10500(66.3)
Working Buffalo	8380	6269(74.8)
Mixed	6688	9000(79.0)
Others	7800	6200(79.5)
Average per Household	10021	8135(81.2)

Note: Figure in the brackets represent the percentages.

4.3 Repayment Rate and Source of Repayment

The loan taken for a particular activities is hardly been misused. With a few exceptional cases where the household had used loan for consumption for suddenly faced cultural rituals, all the households have used loan properly. The repayment rate of simple household participants is 100 percent. However, during the discussion in the centre meetings, a few cases of the default of loan was reported which has not been caught up by the survey.

80% households have repaid from the income source of the NIRDHAN activities only. The rest paid part and partial by using other sources of income. The contribution of wage earning as supplement for the repayment of loan is insignificant. The details on the source of repayment is presented in table 4.10

Table 4.10: Percentage of Respondents Using Various Sources for the payments of Installment

Sources	Pahadiya	Madesiya	Total
1. From NIRDHAN Activities	81.7	77.8	79.9
2. Other Sources as well*	29.8	34.6	32.1
2.1. Other Income	1.0	1.0	1.0
2.2 Borrowing	0.0	1.0	0.5
2.3 Ornament Sale	0.0	0.0	0.00
2.4 Wage	24.0	26.3	25.1
2.5 Other Borrowing	1.0	1.0	1.0
2.6 Other	3.8	5.3	4.5

*Percentages may not add up to 100 because of the use of more than one source.

4.4 Weekly Margin over Installment payment:

Non of the households incurred loss in their business operated through NIRDHAN's support. On the average, the household repaid NRs 184 per week as an installment. The average income generated per week is NRs 363 with a margin of NRs 179 (Table 4.11) over the installment to be paid. The weekly margin accrued by the Madesiya participants is 46 percent higher then that of the Pahadiya.

Table 4.11: Per Week Average Margin Over Installment Payment From the Activities Undertaken through the NIRDHAN Credit program

(Amount NRs.)

Description	Pahadiya	Madesiya	Total
Weekly Installment to be Paid	201	166	184
Weekly Income	348	380	363
Margin over Installment	147	214	179

By loan portfolio, the weekly installment payment ranged from NRs 113 to NRS 221 depending upon the nature of the activities undertaken i.e. the size of the loan and average weekly margin ranged from NRs 131 to NRs 358 (Table 4.12).

Table 4.12: Per week average margin over installment payment by loan portfolio categories under NIRDHAN activities

(Amount (NRs.))

Loan Portfolio	Installment to be paid	Income	Profit
Buffalo	206	337	131
Goat	144	317	173
Sheep	221	530	309
Trade	205	425	220
Vegetable	121	349	228
Vocational	185	413	228
Working Buffalo	174	299	174
Mixed	209	567	358
Other	113	300	187
Per Household	185	364	179

4.5 Profit/ Loss and Income Expenditure Ratio

Table 4.13 shows the details on the average income expenditure status of the households for each successive six months period. Average income including home consumption ranged around five thousands to nine thousands for different periods and the average of all the period is NRs. 7,530. The average expenditure (excluding family labour) incurred for program function and for the repayment of the loan is NRs. 4,679 with the resulting net cash flow of NRs 2,851.

Table 4.13: Average Profit/ Loss and Income /Expenditure Status of the Activities Under the NIRDHAN Credit Program

Period	Income		Expenditure excluding family labour		Net cash flow/ profit	Income expen-diture Ratio excluding family labour
	Cash Income Excluding Home Consumption	Consumption at home	Program Function	Installment Payment		
Present Sex Month	6102	1336	2154	2972	2312	1.45
2nd Six Month	6480	1415	2378	2798	2719	1.53
3rd Six Month	7225	1420	2317	2474	3864	1.80
4th Six Month	4811	1805	1169	2605	2842	1.75
5th Six Month	4715	919	1138	2669	1827	1.48
5th Six Month	6750	2200	2150	3250	3550	1.66
Average of Six months	6014	1516	1884	2795	2851	1.61
Average of a year	12028	3032	3768	5590	5702	1.61

Net cash flow resembles closely to profit because all the loan taken for investment is repaid within a year. Same has been assumed for outside finance, as well.

The return from the invested capital in different portfolio is estimated using income and expenditure ratio (Table 4.15). Based on this ratio, the most rewarding activity is trading. It yielded extra 95 paise in each rupee invested in every six months period. The next rewarding activities followed vocational, vegetable farming, goat/pig, mixed activities, shop and buffalo raising. The least was in the draught buffalo and other categories.

Table 4.14: Activities Average profit/loss from the NIRDHAN Credit Program by the Loan Portfolio

Loan Portfolio	Income		Expenditure		Profit
	Cash Income	Home Consumption	Program Function	Loan Payment	
Buffalo/Cow	4770	1127	1497	2816	1584
1st	5119	1177	1492	3249	1555
2nd	4899	1372	1668	2596	2007
3rd	4339	1045	1318	2660	1406
4th	4943	700	1380	2774	1489
5th	3535	450	1500	2320	165
6th	-	-	-	-	
Goat/Pig	4387	1096	1563	2059	1461
1st	4073	729	1471	1902	1429
2nd	4267	1067	1312	2259	1736
3rd	5075	1283	1837	1890	2631
4th	3800	2333	2100	2650	1383
5th	-	-	-	-	
6th	-	-	-	-	
Shop	6957	1284	2657	3355	2229
1st	6095	1098	1478	3856	1859
2nd	8602	1058	3821	3457	2382
3rd	8602	1058	3821	3457	2382
4th	4957	2771	979	2607	4142
5th	6667	833	1400	3823	2277
6th	7000	1400	1800	4000	2600
Trade	9655	1517	3044	2684	5444
1st	8479	1272	3279	2945	3527
2nd	7977	1774	3016	2639	4094
3rd	15200	1466	3377	2336	10953
4th	6906	2010	1092	2900	4924
5th	7000	1200	2000	2500	3700
6th	6500	-	2500	2500	1500
Vegetable	4079	1787	1378	2471	2017
1st	4007	490	1739	2704	54
2nd	4533	817	1428	2418	1504
3rd	4252	820	1317	2300	1455
4th	3167	867	683	2280	1071

5th	2500	200	100	2400	200
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Net cash flow resembles closely to profit because all the loan taken for investment is repaid within a year. Same has been assumed for outside finance, as well.

Continued Table 4.14

Vocational	10188	685	3928	3160	3785
1st	8990	596	3121	3212	3253
2nd	13246	623	5091	3487	5291
3rd	9395	395	4165	3001	2624
4th	4333	2100	325	2083	4025
5th					
6th					
Working Buffalo	2644	1169	1192	2264	357
1st	3587	1452	1385	1970	1684
2nd	3576	1039	1133	2548	934
3rd	3330	1103	1103	2211	1119
4th	3450	1344	1060	2520	1214
5th	3500	150	650	2250	3650
6th					
Mixed	6308	877	1807	3137	2241
1st	6357	974	2560	3823	948
2nd	5891	914	1375	2892	2538
3rd	6940	697	1470	2689	3478
4th	6190	825	1629	2809	2577
5th					
Others	4964	826	2893	2347	550
1st	7300	1072	3583	2078	2711
2nd	4300	420	2700	2867	-847
3rd	2500	1200	3250	2117	-1667
4th	3250	850	850	2075	1175
5th					

Net cash flow resembles closely to profit all the loan take for investment is repaid within a year. Same has been assumed for outside finance, as well.

Table 4.15 Ratio of Income to Expenditure in Successive Six Months for Different Loan Portfolio

Loan Portfolio	Successive Six Months Period and income expenditure ratio						
	Current	2nd	3rd	4th	5th	6th	All
Buffalo/Cow	1.33	1.47	1.35	1.36	1.04	0	1.24
Goat/Sheep	1.42	1.49	1.71	1.29	0	0	1.51
Shop	1.35	1.33	1.33	2.16	1.44	1.45	1.37
Trade	1.57	1.72	2.92	2.23	1.82	1.30	1.95
Vegetable	1.01	1.39	1.40	1.36	1.08	0	1.52
Vocational	1.51	1.62	1.37	2.67	0	0	1.53
Work buffalo	1.50	1.25	1.38	1.34	1.26	0	1.10
Mixed	1.15	1.59	1.84	1.58	0	0	1.43
Other	1.48	0.85	0.69	1.40	0	0	1.10

Encouraged by the increased income and co-operation from NIRDHAN, all of the sampled households had shown strong willingness to re-participate in the NIRDHAN credit program. They had not faced any malpractice of undue payment to NIRDHAN official as well as to others while receiving the loan.

4.6 Time Spent to Receive Loan:

NIRDHAN provided loan to the participants within the stipulated time frame stated in the NIRDHAN loan procedures. On the average, the borrowers spent 6 to 8 days to receive the loan. Once they were recognized as group members and qualified for loan, a single visit to the office was sufficient to receive the loan. The frequency of visit and days waited to receive loan from NIRDHAN office is similar for both the Pahadiya and Madesiya community. Table 4.16 indicates the frequency of visit by participants to the NIRDHAN office and the days waited by the participants for getting the successive loans.

Table 4.16 Frequency of visit and Average Days Spent to Receive Loan From the NIRDHAN Office

Origin	Loan 1		Loan 2		Loan 3		Loan 4	
	No of Times Visited	Days Waited	No of Times Visited	Days Waited	No of Times Visited	Days Waited	No of Times Visited	Days waited
Pahadiya	1.0	7.1	1.1	7.3	1.1	6.6	1.2	8.4
Madesiya	1.0	6.6	1.1	7.2	1.0	6.5	1.0	7.4
Total	1.0	6.9	1.1	7.3	1.1	6.6	1.1	7.9

4.7 Employment Generated:

On the average, 1.3 adults and 0.1 child are employed on a full time basis. Additionally, 0.9 adult and 0.7 child are employed on part time basis. The pattern of adult and children employed on full and part time basis is similar for both the Pahadiya and Madesiya (Table 4.17).

Table 4.17: Employment Generated From Current Activities by Origin.

Origin	Full Time		Part Time	
	Adult	Children	Adult	Children
Pahadiya	1.2	0.1	1.0	0.8
Madesiya	1.3	0.1	0.7	0.6
Total	1.3	0.1	0.9	0.71

Portfolio-wise, larger numbers of employment is generated on a full time basis in Buffalo followed by trade, vocational activity, vegetables, goat/pig and others. The employment generated on full time basis ranged from 1.41 to 1 for adult and 0 to 0.8 for children depending upon the nature of the activity. The part-time involvement, ranged from 0.4 to 1.4 for adult and 0 to 1.64 for children and was highest in milch buffalo. The details on the employment generated on part-time and full time basis for adult and children by loan portfolio is presented in table 4.18.

Table 4.18: Employment Generated by Loan Portfolio

Loan Portfolio	Full time per activity		Part- time per activity	
	Adult	Children	Adult	Children
Buffalo (Milching)	1.13	0.8	1.3	0.95
Goat	1.0	0.0	1.4	1.64
Pig	1.27	0.1	1.0	0.4
Trade	1.41	0.1	0.4	0.5
Vegetable	1.36	0.0	0.6	0.8
Vocational	1.4	0.0	0.7	0.0
Work Buffalo	1.12	0.1	1.2	1.0
Mixed	1.35	0.2	1.0	0.65
Other	1.5	0.2	0.7	0.5

4.8 Assets Generated:

In most of the assets, there is an increase except in a few where changes did not take place. In total 11% households have purchased land. More numbers of Madesiya have purchased land than Pahadiya after participating in the NIRDHAN activities. Likewise, 15% households have invested in house maintenance. Unlike land purchase, more numbers of Pahadiya have invested in house maintenance than the Madesiya. Similar, 10.5% households have purchased black and white TV, 14.5% added cattle, 27.8% bought ornaments etc. In some cases, assets quality including the use of personal effects has also increased. For example, 10.5% improved their house roof from thatched to pakki, households owning radio increased from 38.7% to 62.3% and the use of bicycles, watches, clothing, carts and utensils have also increased. The details about the important assets generated and improved after participating in the NIRDHAN is presented in table 4.19 and 4.20.

Table 4.19: Specific Assets Generated/Improved From the NIRDHAN Activities

Assets	Pahadiya		Madesiya		Total	
	% Participants	Average Spending Rs	% Participants	Average Spending R	% Participants	Average Spending Rs
Land purchase	6.7	615	15.8	3250	11.2	1873
House Maintenance	22.1	1150	7.3	245	15.0	666
T.V Purchase	15.3	760	5.2	213	10.5	499
Cattle Purchase	20.2	747	8.4	198	14.5	483
Ruminant Purchase	13.4	14	6.3	42	10.0	27
Agriculture tools Purchase	40.4	200	34.7	263	37.6	230
House Utensils Purchase	60.6	205	60.0	120	60.3	165
Ornaments Purchase	52.9	180	29.4	42	41.7	114

Table 4.20: Specific Assets Owned by Households Before and After the NIRDHAN Activities

Assets Owned	Before	After
House (%)		
Thatched	10.1	11.1
Pakki	89.9	88.4
House Roof (%)		
Thatched	11.1	21.6
Pakki	88.9	77.9
Radio (%)	38.9	62.3
Watch (%)	91.4	94.9
Bicycle (%)	80.3	86.9
Cart (%)	3.0	5.5
No. of Utensils/ household		
Cooking vessels	4	5
Bowls	5	6
Glass	5	4
Pairs of Wife's Cloth/household	3	3
Pairs of Husband's Cloth/household	2	3

4.9 Social Aspects

One of the main objectives of the NIRDHAN is to bring about positive changes in the social attitude of the target population. The social components of the project include: plantation, sanitation, health care, nutrition, education, training, family planning, culture gatherings and other aspects. The members themselves assume the responsibility for organizing and implementing the social components.

4.9.1 Vegetable Growing and Gardening

Vegetable Growing: Before NIRDHAN, there were 65.8% of farmers vegetables at all. After the NIRDHAN Program this number has reduced to 32.7%. The numbers of household involved in vegetable growing for a period of 3 to 6 months has increased significantly with a shift from less then 3 months. This indicated that the program has brought a significant changes in the habit of vegetable growing in the area (Table 4.21).

Gardening : The program also brought some changes in the gardening practices. 21.6% households had planted some flowers in their house before and this slightly increased to 23.6% after the NIRDHAN program.

Table 4.21: Percentage of the Respondents Reporting the Status of Their Involvement in the Vegetable Growing

Description	No. of Months Involved in the Vegetable Growing				
	0	3	6	9	12
% of respondents Before	65.8	32.7	1.5	0	0
% of respondents After	32.7	45.7	17.7	3.9	0

4.9.2 Plantation:

The households have reported their increased involvement in the plantation activities in the public land in both the winter and summer season after the NIRDHAN was initiated in the area (Table 4.22). The plantation in own house area has not increased because of the lack of space.

Table 4.22: Present of the Respondents Reporting Their Involvement in the Plantation Activities

Description	Winter		Summer	
	House Area	Public Area	House Area	Public area
Before	19.1	4.5	24.6	3.5
After	20.6	8.56	16.0	35.7

4.9.3 Literacy and Schooling:

Literacy: There is some positive change in the reading and virtually no change writing skill of the sampled respondents. However, skill to sign being a pre-condition to participate in NIRDHAN, the program has created the ability of signing own name by almost all the participants (Table 4.23).

Table 4.23: Percentage of the Respondents and Their Literacy Skill

Literacy Skill	No. of Respondents Reporting Yes	
	Before	After
Read	26.1	35.7
Write	25.1	25.1
Signature	27.6	99.0

Schooling: The program has brought a reasonable impact on the attitude of sending children to school. The number of school going children, specially female group, has dramatically increased as compared to the male after participating in the program (Table 4.24).

Table 4.24: Children (between ages 5 to 15) going to School

Description	School going %		
	Son	Daughter	Total
Before	51.4	33.4	42.4
After	52.3	51.2	51.7

School Dress: Though small, the number of households managing separate school dress for their children has also improved. Such households increased from 26.6% before the program to 29.6% after the program.

School Tiffin: There has been an increase in the numbers of households managing tiffin for their school going children. There were 27.6% households managing tiffin for their children before participating in the program. This figure also increased to 30.7% after two years of the program.

4.9.4 Health and Sanitation

Water Source and Drinking Process: Change in the drinking water source and drinking process have shown only a marginal improvement after participating in the program (Table 4.25). This is because large numbers of households (80%) are already using tube wells as the source for drinking water. General understanding is that tube well water does not need boiling.

Table 4.25: Source and process of Drinking Water Used by Households Before and After the NIRDHAN Activities

Description	% Household using different sources		Percent using
	Well	Tube well	Boiled water
Before	20.1	79.9	5.0
After	17.0	82.9	6.5

Pairs of Shoes: There has been significant increase in the pairs of shoe/sandals (i.e. from 1.2 to 1.9 pairs) in the households. However, the number of members wearing the shoes remained the same. This may be due to the previous habit of not wearing shoe/sandals by the adult members in the respondents' family, which may change slowly over the time.

Frequency of Eating Meat: No significant change in the consumption of meat was observed. Since meat is very expensive, the consumption would not increase before meeting other necessities even if there has been an increase in income.

4.9.5 Family Planning:

Little impact is observed in the family planning practices. The numbers of households adopting family planning practices were 21.6% prior to the program which increased only marginally to 22.1% after two years of the program.

4.9.6: Family Photo in the House:

The numbers of households keeping family photo in house is increased significantly from 18.6% to 32.7% after the NIRDHAN program was initiated.

4.9.7 Community Work:

Development work: Though small, Some increase in the households participating in various community development has been observed after the program was initiated. (Table 4.26). This indicated that the program has been able to bring about some impact on social awareness relating to the community works, as well.

Table 4.26: Percentage of the Respondents Reporting Participation in Community Work and Social Rituals

Community Work/Social Ritual	Before	After	Change(%)
Lane/Track Construction	72.9	75.9	3.0
Canal Construction	51.2	54.8	3.6
School Building Construction	64.8	65.3	0.5
Plantation	8.5	35.7	27.2
Chhat Celebration	17.6	18.0	0.4
Holi Celebration	81.9	84.4	2.5
Cultural Dance	55.2	56.3	1.1
Bhajan	67.3	67.3	-
Community Puja	92.0	92.4	0.4

4.9.8 Other Social Relation Aspects:

The households were asked what level of changes they had realized after participating in the NIRDHAN credit program in the social relation aspects. A large numbers of respondents have reported an increase in the discipline, co-operation and eagerness to help to each other. The family and community conflict has also reduced largely. The relation between husband and wife has improved and traditional belief is significantly reduced. Family awareness in sanitation and nutritional status has increased. The details on the changes in the social relation aspects of the target population is presented in table 4.27.

Table 4.27 Percentage of the Respondents Reporting the Changes Brought by NITDHAN Activities in the Following Social Behavior in the Community

Social Indicators	% of respondents reporting		
	Increased	Decreased	Same
Discipline	88.9	0.5	10.6
Mutual Co-operation	71.4	1.5	27.1
Help	73.4	-	26.6
Sanitation	79.3	0.5	20.2
Family Cohesion	67.3	3.5	29.2
Conflict	1.5	62.8	35.3
Honesty	78.4	0	21.6
Attention To Family	71.4	0.5	28.1
Community Discussion	59.2	1.5	39.2
Traditional Belief	13.5	34.7	51.8
Husband Wife Relation	56.3	3.0	14.7
Nutrition as standard in the Family	51.6	6.0	20.2

4.10 Expenditure Pattern :

Expenditure pattern on some important indicators were assessed before and after NIRDHAN. Except for the expenses made for grain and alcohol purchase which is reduced by 15 and 10 percent

respectively, the expense in other items have increased (Table 4.28). This indicates that living standard of the participants has improved after participating in the program.

Table 4.28: Changes in Expenditure Pattern on Some Item After Participating in the NIRDHAN Activities.

Average Annual Expenses	Expenditure on specific items (Rs/year)		
	Before	After	%Change
Cloths	2298	2714	18
Medicines	1462	2239	53
Witches Doctor	154	198	29
Grain Purchase	2431	2869	17.8
Shoe Purchase	518	618	19.3
Fertilizer	850	1147	34.9
Tobacco Consumption	105	98	-7.0
Alcohol	56	55	-2.0
Cigarette	47	47	-

4.11 Initiation and Eagerness in the Program:

Initiation: About 81 per cent of the households were encouraged to participate in the program by the NIRDHAN staff. Other households were encouraged by the group leaders and others (Table 4.29).

Table 4.29: Percentage of the Respondents Reporting the Various Initiators to Participate in the NIRDHAN Program.

Initiators	% of the Respondents
Manager	20.0
Staff	61.0
Group Leader	8.7
Others	10.3

A few respondents reported that their husband did not co-operate in the initial period of participation. However, during the course of time, understanding among some was established due to the increased income and co-operative nature of NIRDHAN (Table 4.30)

Table 4.30 Percentage of the Respondents Reporting the Level of Co-operation of their Husband While participating in the program

Level of Co-operation	% of the Respondents
Mutual Co-operation From the Beginning	98.4
Non-Co-operation in the Beginning	1.6
Still No Mutual Understanding	0.5
Now Understanding Established	1.1

Large numbers of participants (58.8%) received co-operation from their counter part male from self realization. Various ways were adopted to seek the co-operation from those who did not co-operate in the beginning. Clarification by the participant herself, advice by other participants and staff advice played key role in motivating them (Table 4.31).

Table 4.31: Respondents Reporting Various Ways Adopted to Receive Co-operation From Their Husband While Participating in the program

Responses	% of Respondents
Himself Realized	58.8
Participant's clarification	11.5
Staff Advice	25.8
Group Member's Advice	3.3
Relative' Advice	0.5
Neighbors Advice	0

Eagerness: One of the criterion to judge the program attraction to the participant is inferred by soliciting their willingness to re-participate. All the respondents have shown their interest to continue in the program.

4.12 Training:

NIRDHAN provided training to its participants before they participated in the program. All the sampled respondents had received training on the operating procedure of NIRDHAN, signing name and some aspects of activity operation. The duration of the training varied from 7 to 15 days. Ninety eight percent of the respondents reported the training organized by the NIRDHAN staff as satisfactory. Large numbers of respondents reported the training period as appropriate while a few stated them either long or short (Table 4.32)

Table 4.32: Percentage of the respondents reporting the various comments on the duration of the training program organized by the NIRDHAN:

Comments	% of the Respondents
Long	15.1
Ok	82.3
Short	2.5

4.13 Social Awareness and Perception

Aspects like social awareness, income sharing process, decision making on expenses, rural wage structure or perception regarding grip fund meeting and other aspects have been analysed in this section.

4.13.1 Social Awareness

Almost all the sampled respondents were able to recall the name of their group leader, center chief, NIRDHAN staff and ward chairman. Almost half of them were able to recall the name of the NIRDHAN manager as well as the member of the parliament representing the district (Table 4.33).

Table 4.33: Percentage of the Respondents Able to Recall the Name Of Important Persons Concerned with the NIRDHAN Activities.

Various Authorities	Respondents (%)
Group Leader	98.0
Centre Chief	94.0
Ward Chairman	68.9
Member of the parliament	46.7
NIRDHAN Manager	42.2
Concerned NIRDHAN Staff	71.3

4.13.2 Income Sharing Process

About sixty per cent respondents reported that the income earned from the NIRDHAN activities were owned by themselves while a quarter reported it to be within the command of their husband. A few respondents reported that the ownership of the earned income go to their son and the household head (Table 4.34).

Table. 4.34 Percentage of the Respondents reported the Ownership of the Income Earned from the NIRDHAN Activities

Owner of the Income	% of the Respondents
Herself	59.6
Husband	33.3
Son	2.2
Household Head	4.5

The decision making process while spending the income generated from NIRDHAN activities is mostly done by mutual understanding of the family. Very few participant reported their sole decision while spending the income earned from NIRDHAN. The husband and household heads decision still largely dominates in the decision making process in the area while spending the income (Table 4.35) even if the majority of the participants keep earned income by themselves.

Table 4.35: Decision Making Adopted While Spending the Income Generated from the NIRDHAN Activities

Decision	% of the Respondents
Participant Herself	13.7
Husband /Son	16.8
Mutual Understanding	67.0
Household Head	2.5

4.13.3 Awareness on the Sixteen Decisions:

Awareness of the participants about the sixteen principles laid by the NIRDHAN were cross checked by asking the respondents to recall them. About 25% of the respondents were able to report

the sixteen decision more or less closer knowledge of about 10% was poor (was able to report less than 25%) (Table 4.36). Overwhelming majority (85%) reported that the laid sixteen decisions are practical. Some pointed out that individual plantation and construction of toilets were difficult to adopt because of lack of enough land.

Table 4.36: Percentage of the Respondents Aware of the Sixteen Decisions

Sixteen Decisions Known	% of the Respondents aware
100%	6.6
75-100%	14.3
50-75%	40.3
25-50%	29.1
< 25%	9.7
Total (Yes)	100.0

4.13.4 Relation between Money Lender and the NIRDHAN Participant:

It is often reported that the NGOs operating in the rural areas have brought conflict between the money lender and the recipients of the services from the NGOs such as NIRDHAN. In the study area, there were still 10.5% participants borrowing money from the money lenders. Large numbers (94 percent) of the participant reported their relation with money lenders as good.

One of the objective of the NIRDHAN program was to make the participants more than self-reliant. Half of the respondents (56 percent) reported that they have reached to the stage of running their business by themselves without seeking further support from NIRDHAN. However, there is still a large number members (44%) seeking continued support from NIRDHAN. (Table 4.37)

Table 4.37: Percentage of the Respondents Reporting the Self Confidence to Proceeds their Business Even in the Absence of NIRDHAN's Support

Description	% of the Repondents
Self Standing	
Yes	56.3
No	43.7

4.13.5 Participation in other Activities:

Large numbers of participants (94 percent) reported that they have maintained a satisfactory level of association in other social activities even after being busy in the NIRDHAN program.

4.13.6 Interest rate:

Large numbers of respondents (71.4%) reported that the interest rate charged by the NIRDHAN office was reasonable while a few stated it as high. The interest rate charged by the money-lenders in the area is high as three to six times (to 124 per cent per annum) of the interest rate charged in the NIRDHAN credit program.

4.13.7 Frequency of the Group Meeting and Payment:

Large numbers of participants (71.4%) reported that the interest rate charged by the NIRDHAN office was reasonable while a few stated it as high. The interest rate charged by the money-lenders in the area is high as three to six times (to 124 per cent per annum) of the interest rate charged in the NIRDHAN credit program.

4.13.8 Frequency of the Group Meeting and Payment:

Group Meeting: The members participating in the program frequently organized their group meeting to resolve their problem and it is mandatory to discuss their problem in every week or fortnightly. Most of the respondents (67 percent) reported that the frequency of group meeting organized was in an appropriate time interval while a few (33 percent) of them stated the meeting as too frequently.

Payment: Like wise, the frequency of payment interval was stated as appropriate by most of the respondents (81 percent). However, 19 percent stated the frequency of the payment of installments as too quick.

4.13.8 Rules and Regulations:

85 percent of the respondents reported the NIRDHAN's rules and regulation as appropriate while the rest (15 Percent) reported them as difficult.

Most of the NIRDHAN's staff (98 percent) and beneficiaries (95 percent) have maintained the rules and regulation promulgated by the NIRDHAN office. Similarly, overwhelmingly large proportion have high respect for NIRDHAN. 89% of participants have expressed their faith on the NIRDHAN's activities and 97% believe that the credit approval process of NIRDHAN is impartial. The behavior of the NIRDHAN staff towards the participants were reported as satisfactory by 99% of the participants.

4.13.9 Group Saving

Large numbers of participants reported the level of group saving as satisfactory. Only 11 per cent of the total respondents are not satisfied with the present level of group saving and complain that they cannot use them if they leave the program.

4.13.10 Wage Structure:

Large numbers of the respondents (58%) reported the increase in wage of both the male and female after the implementation of the NIRDHAN activities in the area. The increase in the wage was much higher in the area where NIRDHAN activities are implemented than in the other adjoining areas (Table 4.38)

Table 4.38: Changes in Wage Structure After NIRDHAN Activities in the Area.

Increase in Wage in %			
Male		Female	
NIRDHAN Area	Other Area	NIRDHAN Area	Other Area
35	20	28	7

4.13.11 Emergency Fund:

NIRDHAN Members organized in each group are to deposit amount equivalent to 2.5% of total interest on emergency fund as per the NIRDHAN's principle. The objective of this fund is to help

the members to manage their unforeseen financial crisis. Most of the participants had understood the benefit of it and were positive towards its purpose.

When asked about the different matters relating to the emergency fund, it was found that 88 per cent were aware about this fund, 54 per cent new about who had received the fund, and 91 per cent considered the collection system as good. Similarly, sixty-one per cent reported the size of the collected fund as reasonable while 33 per cent reported as small and the rest six per cent as high. On the use side of the fund, 94 per cent reported its use as good, and 88 per cent expected the future use of the fund to be fair. Though large numbers of respondents expressed their knowledge about the fund, only a few had knowledge (11 per cent) on the size of the amount collected in the fund. The details on the awareness of the participants on the emergency fund is presented in table 4.39.

Table 4.39: Percentage of Respondents Reporting About the Awareness and Merits of the Emergency Fund

Responses		% of the Respondents
Knowledge on emergency fund(EF)	Yes	87.9
	No	12.1
Knowledge of the recipient of the EF	Yes	54.3
	No	45.7
Collection System	Good	90.1
	Not good	9.1
Amount of collected fund	Small	33.3
	Reasonable	61.5
	High	5.1
Use of Fund	Good	94.2
	Unsatisfactory	5.8
Expectation of the future use of the fund	Fair	88.5
	Unfair	11.5
Knowledge on the amount collected in the fund	Yes	10.6
	No	89.4

4.13.12 Cattle Insurance System:

Only 65 per cent of the total respondents have some knowledge on the cattle insurance system in the area. Altogether 41 participants have done insurance of their cattle. Majority of them (98 per cent) reported the existing insurance system as good. Sixty per cent of the respondents reported the size of the collected amount as satisfactory followed by 35 per cent as small and remaining five per cent as high. Likewise, 97 per cent reported the present use of the fund as fair with 79 per cent expecting the fair use of the fund in the future as well. The details on the cattle insurance fund is presented in table 4.40.

Table 4.40: Percentage of Respondents Reporting About Cattle Insurance System

Description		% of the Respondents
Knowledge on cattle insurance	Yes	64.6
	No	35.3

Participated in insurance	Yes	41.0
	No	59.0
Feeling about existing cattle insurance system	Good	97.6
	Not good	2.4
Amount collected for cattle insurance	Small	35.4
	Satisfactory	59.8
	High	4.7
Use of cattle insurance fund	Fair	96.9
	Unfair	3.1
Expected future use of cattle insurance	Fund Fair	79.4
	Unfair	20.6

V. Summary, Conclusion and Recommendations

5.1 Summary and Conclusion

Started in March 1993 at Terai district of Western Nepal, NIRDHAN has now been a well known credit program at the NGO level in the country. By October 1996, it has reached to a level of 3600 borrowers, 8 branches, 96 personnel (including trainees) and Rs 11.2 million loan. The program has been operated in four Terai districts: Rupandehi, Kapilbastu, Chitwan and Nawalparasi. The program is trying to replicate the model of Bangladesh Grameen Bank through action research.

Overall evaluation of the program reveals that it is moving in a reasonably good track towards a sustainable future if the present pace of seriousness continues. There are a few signals of problems but they are still within the reach of correction by the management. It seems that present horizontal expansion (i.e. opening new branches) is at maximum given the present level of infrastructure and other support facilities. However, there is still some scope for vertical expansion (i.e. adding more borrowers in the same area) by increasing internal efficiencies.

The program has been able to give good impression among the borrowers. Its feature of exclusive involvement of rural women for the access to credit is an admirable approach for correcting rural poverty in an effective way.

With a few negligible exception in the beginning, the program has been able to confine the selection of its borrowers within the specified poverty limit and the loan flow has been basically in the small scale income generating programs. However, pocket concentration of the lending by type of portfolio from the view point of market need in future is not thought out, yet. Presently, there seems an excessive drive towards increasing lending volume by the branches at the cost of group formation which might result in by-passing the appropriate portfolio identification for the poor in future.

The return to farmers appears reasonably good. It ranges between Re 0.45 to 0.80 per rupee of expenditure within six months, on an average. Since the return is reasonably good, the farmers in general had no complain on the exiting interest rate charged by NIRDHAN. Perception of the farmers is that their income increase will be sustainable.

The program has generated broader socio economic impact in the borrowers. The wage of both male and female labourers in the NIRDHAN Program implemented area has increased by 15 and 21 percent respectively compared to the adjoining non-program area. Consciousness among the borrowers is rising. Most of the women participant expressed that they would like to participate in literacy program if they got chance. The program has not made any negative impact on the landlord labour relation. The borrowers feel that the relation with landlord has improved because the bargaining power of labour relation. The borrowers feel that the relation with landlord has improved because the

bargaining power of labourer has increased due to the improvement in their economic status. They point out that the landlords want to maintain good relation with them for accomplishing their work on time. Thus, the rural power structure has been less tight compare to the past.

The rules and regulations are mostly followed but in some cases such as changing group leaders and center chiefs on time, not allowing relatives to remain in the same group etc., monitoring appears weak. Similarly, some of the 16 decisions applied in NIRDHAN need review and modification. For example making thatched toilet in a house of landless, and individual planting of tree is not very practical. Even if they are in the sixteen decisions, they are hardly followed by the farmers.

Recovery rate reported officially is 100% But, some defaults were witnessed in the field during Rapid Appraisal. However, the study has not caught-up such cases in the sampling. This reveals that, even if there are some defaults, they are negligible cases, so far.

The overall analysis of NIRDHAN indicates that operating cost of lending and loss has started declining at a reasonable speed .The operating cost per Rupee of lending (before the cost of fund) has decreased form the level of Re 0.49 in 1993 to 0.13 in 1996. Including the income on implicit return per Rupee of lending before the cost of the fund has improved from negative 5%, 6% in 1993 to positive 7.2% in 1996.If the present speed of performance continues, one could expect NIRDHAN to meet the cost of fund within two years and reach to profit status there after.

Issues and Recommendation

Co-operative

Co-operatives financed are in loss and NIRDHAN should either discontinue them or after the present mode of operation by changing it to group operated farmers' product market cooperative rather than a retail shop cooperative, as at present.

Household Survey /Poor Family Identification

Household survey is filled in only for the households which had made members. This has made it difficult to identify poorest families potential borrowers and percentage of potential borrowers covered. Household survey should be done while identifying the program area itself. Nirdhan is changing its policy onwards this direction and it is a welcome step.

Portfolio Expansion

NIRDHAN has been presently financing whatever it has been getting as income generating activities for the farmers. So long as the borrowers are only a few, marketing of products may not be a problem. But when the coverage expands, the farmer could suffer from the marketing problem. To resolve this, portfolio expansion should be based on pocket concentration approach.

Staffing in the Head office

Staffing at the head office is inadequate and they seem to be over burdened. Consequently, monitoring aspect of the program has been weaker than what it should have been. Since monitoring is most important for the success of any program, adequate staffing at the head office should get due attention.

Lowering Operating Cost

Though the operating cost per unit of lending is declining, speed of the group formation should be increased. It appears that NIRDHAN's opening of the branches have been mostly on the high optimistic count on hard work by the staff. While NIRDHAN (Grameen Bank), work style is itself based on the honesty and hard work of every one, it would be less effective in future unless a set criteria of staff to group formation/membership is enforced strictly. The recommended break-even analysis table might be helpful for this.

Opening of New Branches

NIRDHAN is increasing its branches faster. Opening of new branches seems to have got more emphasis on the availability of the fund and horizontal expansion has got more emphasis than vertical expansion. Any banking operation should go through a viability analysis and plan of operation before it is opened. Additionally, opening of new branches should follow after making old branches viable in themselves. Fast horizontal expansion without making monitoring part strong could be problematic, in the future. A cautious approach is recommended to be followed for this. If NIRDHAN wants to open branches also in hill, some operation procedure would have to be changed to fit to the hill situation. Terai framework can not be prototypely replicated.

Competition with Grameen Bank

Grameen Bank is competing with NIRDHAN in the districts where NIRDHAN has already started operation. It is quite understandable that working in such area would be relatively easier for Grameen Bank, since some awareness is already created there. But, the unnecessary competition is undesirable as it would reduce the credit potential for both. This problem could be resolved if Grameen Bank manager could be made a board members of NIRDHAN. Previously, such arrangement was there but, it is lacking at present. It is recommended for its reconsideration.

Further Activising the Board

Only two board members (out of six) had visited the program area during the last one year. It is suggested that a visit of one board member at the interval of every two months would make the top level monitoring stronger. Further, the staff also would be more motivated to their activities. Separate inspection visits would be a practical approach since one would have to visit only once a year.

Accounting

NIRDHAN staff seem to be more indulged in field activities and account keeping has not caught-up sufficiently. Up-to-date consolidated central accounting is lagging behind. It is recommended that all the branches be given separate accountant with account background and related training. When the branch is small, the accountant could do also the field work. Similarly, a computerized consolidated central accounting should be duly emphasized. Additionally, the ledger use by NIRDHAN for recording credits needs review and change to adapt to the expansion. Inconvenience of the ledgers has already been witnessed in the branches. A two day workshop by involving the accountants and the managers may be helpful to prepare a modification in the ledger.

Mobility

Mobility facility to branch managers has been seen as a problem because non of the branches have got motor bike. While there is provision for bicycle loan for field workers, it is recommended that a motorbike be given to each branch to facilitate the mobility of supervision by the manager. The yearly cost of motorbike could easily be met by the time saved by the manager and efficiency

increased in monitoring. Similarly, the monitoring staff of head office should be also provided with motorbikes, Such provision exists in Grameen Bank of Nepal.

Relation with Other Offices

This part of NIRDHAN is weak and it is recommended that meeting once in two months be carried-out with district line agencies. The expenses incurred in such meeting could be recovered indirectly through the saving on the side supports that NIRDHAN could get for various social activities e.g. literacy program, health, family planning, plantation etc. Even a group awareness training could be done for NIRDHAN members by involving district line agency staff. There is a lot that NIRDHAN could explore and improve in such area.

Consultation with Borrowers' Husbands

Husbands were consulted only at the time of making members and were not briefed time to time afterward. The participant women felt that if their husbands are not bypassed, it would prepare further conducive environment for working. It is recommended that a quarterly meeting by involving both the husbands and wives be carried out to explain the progress of their wives and thank them for their cooperation.

Literacy

NIRDHAN teaches only how to sign as per its fundamental policy. But most of the members expressed that they would be happy to join a literacy training program if it is arranged by some one. NIRDHAN could arrange such program by utilizing quota of district literacy program.

It would have to arrange only the participants and local space for this. The involvement in literacy program would eventually benefit NIRDHAN's overall credit and income performance.

Monitoring Gap of Social Activities

Sixteen decisions are prayed in every meeting by the members. The decisions contain also a number of social activities that are not related to credit but are important for general social upliftment. However, there is no formal committee to monitor how much of these decisions are actually followed by the members. It is recommended that separate monitoring committee be formed by involving some centre members and a regular review be done by the committee about how much of the decisions are followed and what should be done to bring improvement.

Modification of Some NIRDHAN Decisions

Some of the sixteen decisions identified to be followed by members need modification. For example, in case of a landless borrower, making a toilet and plantation individually may not be practical. Some members are feeling guilty about it because they have committed in prayer some thing which they can't do. Idea of some think like community toilet, community plantation etc. may be helpful for this.

High Recovery Risk Vs Re Financing

NIRDHAN has officially no default but in some interview (Rapid rural appraisal) such incidence was witnessed, though negligible. Borrowing in other activities was indicated by the

participants to resolve the repayment problem. Even if the problems are reported small in the beginning, it has a tendency to go worsening in any credit program, leading to a sudden rise in default rate. A reporting system of consecutive borrowing within a specified period (within a year) to the area office and cross monitoring of the borrowers would help to monitor such problem. In fact, branch managers would know the cases mostly but they themselves would have a tendency to cover-up them to report their performance record high.

Composition of the Group (Need to proof read)

Rapid Rural Appraisal (RRA) meeting indicated that there were some relatives in the same credit group. Though the cases were not rare, exact cases is not known. Search of homogeneity, nearby settlers and lack of clear definition of a relative might have caused this. It is emphasized here that the presence of relatives in the same group might lead towards collusion to deceive the management and may lead to serious repayment crisis. This problem might have appeared also because of too much involvement of NIRDHAN staff in forming the groups than the members themselves. Again, this problem also can be checked by field staff if he is more cautious in the beginning for the cross checking and a penalty policy of rejection to all group members is adopted if they are found to be relatives. However, a clear definition of relative is to be set by policy in advance.

Change of Leadership

Group chairman, centre chief and group leaders are supposed to be changed every year. But in NIRDHAN, there appear some cases, where the same person has been serving more than a year. Since the change of leadership is for creation of awareness among each members, this should be followed strictly.

Interest Subsidy

Government has been adopting a policy of 80% subsidy to interest rate charged on the credit up to Rs 5000 and 33% on the credit up to Rs 1500. Grameen Bank which has also been a competitor in some NIRDHAN operating district has been providing this subsidy. NIRDHAN, so far, has adopted its own policy of interest rate and farmers in the field have started raising the question about possible government announced subsidy on interest rate. It is in fact a difficult problem because if NIRDHAN adopts the policy, credit lent would automatically be the function of subsidy fund that it can receive from the government and ultimately whole credit program will suffer. In fact, the problems related to credit in the villages is not the interest rate but the availability and collateral need. Our recommendation is that NIRDHAN should not enter into direct subsidy. It should continue present interest rate. The subsidy that it can claim to the government could be transferred to group fund and emergency fund which could be used for emergency need and community development purpose by the borrowers.

Group Fund

Many borrowers have raised issue regarding 5% non refundable amount deducted in advance from their credit borrowed. They feel that it is quite a large amount because it would be Rs 250 on a credit borrowing of Rs 5000. If NIRDHAN adopts a policy of refunding it after some one leaves the group, a poor farmer might leave the group just for getting the refund. Thus, this is also a difficult problem. However, point to be noted here is that the borrowers do not seem to be to unhappily with the deduction but their concern is who gets it when the fund gets larger in future and the question appears valid. In our discussion, they view that a part of the fund could be spent to finance mutual benefit such

as tubewell construction, financing of their children's education, etc. which could be personally related to the group members themselves.

Need of Master Plan

Though NIRDHAN has expanded fast horizontally and intends to expand further, it does not have a master plan for its future expansion. It is recommended that it is a time for preparing master plan. Since NIRDHAN's own funding may not allow the financing of such expenditure, some short of Technical Assistance (TA) would be a welcome step.