

IMPACT EVALUATION

PACT's WOMEN'S EMPOWERMENT PROGRAM IN NEPAL

A Savings and Literacy Led Alternative to Financial Institution Building

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PREFACE:

I was first introduced to Pact's Women's Empowerment Program (WEP) during a meeting at Brandeis University where I now teach. When Dr. Marcia Odell, Pact's Chief of Party, took the podium, she explained that WEP was reaching 6,500 savings and credit groups comprising 130,000 women in rural Nepal and its field operations had started only one year earlier. I was amazed, 6,500 groups in one year. Most programs are fortunate if they reach 3,000 clients in the first year; clearly there was something important to be learned. After some lobbying, Pact agreed to send me to Nepal. I was to return twice more the following year.

With USAID funding coming to an end, my final assignment was an evaluation to measure group performance and the program's impact on the members. (After September 2001 WEP's presence will be limited to a small headquarters office in Katmandu and minimal presence in two of the 21 districts where the program had been active.) I was joined in the evaluation by Lisa Parrott, Technical Advisor in Microfinance, from Freedom from Hunger. USAID's Office of Microenterprise Development, Freedom from Hunger, the Overbrook Foundation and SEEP jointly funded the evaluation. USAID underwrote the costs of collecting 200 group interviews, using an instrument designed by the team leader and 500 individual questionnaires using the AIMS Impact tool.

What I learned about WEP challenged virtually every assumption I had developed over more than 20 years of working in microfinance. I began to appreciate that WEP's goal was not to create a permanent sustainable financial institution like other microfinance institutions (MFIs) – it didn't even have a loan fund. Its objective was to serve as what can be best described as a *time limited catalyst of group development* with the objective of helping thousands of groups evolve into well managed, member-controlled savings and lending institutions, with literacy training as a fully integrated and central component. Instead of groups or individuals borrowing from a central facility, each group loaned its own savings to its members (and sometimes to other villagers) with the interest paid to the group and the savers rather than to an MFI. This was village banking, but *without* the external loan fund.

INTRODUCTION:

WEP had created a microfinance model based on building equity rather than incurring debt and was similar in spirit to the small early credit unions. There were some important differences, however: the WEP groups were smaller (21 members on average); they operated completely below the regulatory radarscope; the model was much simpler and was based on village banking and local savings and credit group traditions; literacy training was built in; leadership was from within the group and all the members were women.

The four book literacy curriculum Pact used to train the groups dealt exclusively with the program's objectives – group strengthening, business development, empowerment, and community activism – and provided members the essential information required for success in each of these areas and thus helped insure the success of the groups. It was also believed that the women would not revert so easily to illiteracy if they had a practical use for their literacy skills. One of Pact's major innovations was to use literacy volunteers, usually one of the group members, to run the classes rather than hire an instructor. This was a major cost savings.

WEP was *time limited*: it had less than four years of funding for start-up and curriculum development and less than three years to train the groups. It was a *catalyst of group development* in that WEP worked through thousands of community groups – set up for literacy programs, irrigation and many other purposes – that were recruited into WEP by 240 NGOs, cooperatives and MFIs. These 240 local organizations and WEP jointly trained and supported the groups with the local partners receiving a stipend for their assistance.

The Costs:

Pact received a grant of nearly \$5.2 million from USAID Nepal to implement WEP, roughly \$40 per participant. This included all costs even the costs of external technical assistance and headquarters support that are often left out of microfinance sustainability calculations. If additional funding were available, however, it only would cost \$6 to \$10 per participant over three years to provide a measure of support to existing groups and create thousands of new ones. Costs would be much lower than in the initial phase because the curriculum, the group leaders and the trained NGO staff are already in place and could be easily mobilized in the expansion phase.

If no new funding is available, expansion will occur spontaneously with groups and NGOs developing new groups on their own account, as it has already to some degree, but to a much more limited degree. Thousands of villages have already requested this assistance so there is no lack of demand. Pact estimates that at least one million women would join groups if this assistance were available.

Program Impact:

- **240 Nepali organizations were recruited, trained and enlisted as WEP partners**, including NGOs, cooperatives and various MFIs.
- **Training and support was provided to 6,500 groups with 130,000 members in the lowland Terai region of Nepal.** Of these groups 6,265 were still active as of June 2001.
- **Existing groups have already created over 800 new groups with no financial support from WEP** (spontaneous replication) with the number of new groups created exceeding the number of groups disbanded. In addition, the local partner organizations have taken responsibility for expanding the number of groups beyond their agreement with Pact, in response to demand from their women constituents. In the Eastern Terai alone about half of the local partners formed more than 500 additional groups (although they may have been counting some of the groups that the women created on their own).
- **45% of the members (55,000) are considered poor; 35% (43,000) as the “emerging poor”; and 20% (25,000) as better off.** This was a major accomplishment given that WEP was targeted to rural women, not *poor* rural women. Rural Nepal presents serious challenges for any organization: per capita income is \$210 annually and less than half that in the rural region where WEP operates. A recent study ranking the state of the world’s women placed Nepal last out of 106 nations based on maternal mortality, use of contraception, births attended by trained personnel, anemia, literacy, and role in national government. Only 14% of rural women are literate. Violence against women is endemic.
- **Despite the region’s extreme poverty, the women participating in WEP mobilized \$1,180,000 from savings, retained interest earnings and fundraising events between June 1999 and June 2001.** A total of \$1,900,000 is held by WEP participants when group

savings prior to joining WEP are considered. This amount is projected to reach \$3,000,000 by July 2002 and \$5,000,000 by the middle of 2004 by which time most groups will meet all their credit needs. This will be a remarkable accomplishment considering that MFIs justify their presence based on the perceived need for an external source of credit.

- **97% of the group funds are currently on loan to 45,366 members, making WEP the second largest village bank (VB) program listed in the MicroBanking Bulletin after Compartamos in Mexico.** *Compartamos*, which began operations in 1992, currently has 49,000 borrowers and is working through roughly 2,500 groups. WEP, in contrast, has 130,000 savers and 45,000 borrowers and works through more than 6,000 groups. At the same time, it taught nearly 64,000 women to read with an essential part of the literacy curriculum focused on basic business literacy to improve the success of their enterprises.
- **Only 4% of the groups made loans that defaulted and 82% keep their own records without outside assistance**, which is all the more important given that in many microfinance programs the staff are the groups' *de facto* book-keepers.
- **An average of 89,000 women reported increased decision-making authority** in the areas of family planning, children's marriages, buying and selling property and girl's schooling, reflecting the success of WEP's empowerment objectives.
- **63,700 women gained a level of literacy** with half of those who had never gone to school reading "easily" or with "some difficulty."
- **86,000 women started a business** since joining WEP thus for the first time having an independent source of income. In addition, since WEP builds equity instead of debt, the women earn an annual return on their savings of between 18% and 24% depending on the percentage of the group's savings lent out..

When the 200 sampled groups were asked how WEP had changed their lives, self-confidence and an enlarged sphere of influence in the household were most frequently mentioned followed by learning to read, and women's rights. (Through a separate USAID contract The Asia Foundation provided intensive training on women's rights and responsibilities to most of the groups.) The economics that microfinance is supposedly all about finally appeared fourth on the list with savings and access to loans in fifth place. As important as the economic aspects of the program are for these women, at this stage in the development of their groups the empowerment variables ranked much higher.

WEP has thus shown that even in impoverished rural Nepal, the poor can save enough to make important investments in their businesses in less than two years and may be able to meet most of their needs for credit in four to six years. As they do so they will have created millions of dollars of equity that *they* control rather than incurring debt to an MFI. If they cannot meet their credit needs internally (and 70% of the groups say the demand for credit exceeds their savings), there are a growing number of programs in Nepal that could offer them loans. Participation in WEP has created strong groups that are attractive candidates for other programs.

Although WEP's costs were underwritten by USAID, it is an open question if it would have cost USAID any less than \$5 million (including the loan capital) to subsidize an MFI that reached 45,000 borrowers before it achieved operational and financial self-sufficiency. In addition, reaching self-sufficiency implies that the borrowers are underwriting the operational costs of the MFI. Under the WEP model the groups retain the interest income to build their group's fund and when a woman leaves the group she takes her savings, plus the accrued dividends from lending her savings internally within the group, with her. Retaining interest earnings in the group is a

major advantage of the time limited catalyst model, but this assumes, of course, that the groups can function largely on their own once they have been trained.

RECOMMENDATIONS:

As with any undertaking breaking new ground, WEP could have spent its resources more wisely. If it had been clear from the start that its objective was to provide ongoing support to the groups. The group leaders and key NGO staff would have been trained accordingly to take on this role. While the data collected in this evaluation indicates that most groups will likely keep operating now that WEP has withdrawn its field staff, a recommendation for future programs would be to invest in a more modest, but longer, technical support plan.

A second issue was that in the project's final year most of the staff's effort went into training what were to become 1,500 village banks (VBs) that were drawn from the strongest savings and credit groups. As a consequence, while the VBs' performance greatly exceeds that of the other groups, some of the remaining economic groups that did not receive this intensive support may falter. More balanced assistance between VBs and economic groups may have resulted in greater impact overall and fewer of the weaker groups disbanding. On the other hand, concentrating staff resources on the VBs has created a cadre of very well trained group treasurers who can expand the program.

The Two Microfinance Models Compared:

Despite these difficulties, WEP has much to offer to the microfinance field. Over the past decade microfinance has evolved rapidly in the direction of ever larger, more centrally controlled and better managed institutions in order to reach scale, cover costs and even evolve into commercial financial institutions. WEP also reached substantial scale, but by taking *exactly the opposite approach*: complete decentralization and complete local control.

WEP was successful in large part because each partner was asked to do only what they were capable of doing. NGOs were not being asked to become MFIs; they were asked to recruit groups, distribute materials, and provide support and some basic training. The possibility of fraud was virtually eliminated because there were no loans to distribute, track and collect. The groups for their part were only asked initially to upgrade their traditional record-keeping systems and increase their savings and improve their lending practices, not to adopt a whole new group model which would have required much more training. (Village banking was introduced later in the program for those that were interested in meeting weekly and saving and a much higher rate).

WEP was the essential catalyst in this process. It provided the model and the curriculum and the more advanced training to the groups, secured the funding, and recruited, trained and supervised the local partners. It was WEP that stitched together the essential elements of the program and then withdrew with good reason to expect that its work would continue and doubtlessly evolve. WEP's success, of course, must ultimately be judged in terms of the number of groups still saving, lending and growing their group funds in the years to come.

The *time limited catalyst* and *financial institution building* models reflect two radically different approaches to microfinance. These differences can be seen most clearly in:

- *Their basic assumption about the need for external credit;*
- *Their institutional objectives;*
- *The ancillary development objectives they had;*
- *The challenges they face in institutional development;*
- *Their definition of sustainability;*
- *Their strategy for group development;*
- *Their strategy for working through NGOs.*

**CONTRAST BETWEEN
EQUITY AND DEBT APPROACHES TO MICROFINANCE**

PACT'S WOMEN'S EMPOWERMENT PROGRAM (WEP)	TYPICAL VILLAGE BANK OR SOLIDARITY GROUP PROGRAM
Basic Assumption: The poor can meet most of their credit needs through internally generated savings. Access to credit from an external source of credit supplements internally generated savings.	Basic Assumption: Micro-entrepreneurs need access to credit to build their enterprises or meet their other needs. Credit is primary; saving is additional. (There is often no savings component.)
Institutional Objective: Serve as a time limited catalyst to create large numbers of independently functioning, locally controlled savings and credit groups	Institutional Objective: Create a permanent financial institution that delivers credit on an ongoing basis.
Ancillary objectives: Create literate and empowered members who will take a more active role in their families and community.	Ancillary Objectives: Ranges from credit delivery only to using groups as a platform to introduce health, business training and other services.
Institutional Challenge: Develop an appropriate literacy curriculum and links to large numbers of local organizations. Local organizations provide ongoing support to groups. Program staff provides more sophisticated training to groups. Groups are linked into associations.	Institutional Challenge: Create a cost-effective and large-scale credit delivery structure that covers its costs, serves the poor, accurately tracks loans and savings and prevents fraud, and that may eventually evolve into a regulated and even commercial financial institution
Definition of Sustainability: Large numbers of savings and credit groups able to operate independently after two or three years with little to no ongoing support. Groups and NGOs spontaneously create new groups thereby expanding outreach. Retained interest income builds each group's loan fund.	Definition of Sustainability: While startup costs and generally the initial loan capital are generally provided through grants, all operational and financial costs are to eventually be covered through the interest charged on loans. Evolution into a regulated financial institution ensures access to loan capital and accountability.
Group Development Strategy: Base work largely on groups created for other purposes. Upgrade traditional savings and credit record-keeping systems rather than impose a standard model. Introduce village banking for interested groups.	Group Development Strategy: Create new groups. Impose a single standard group template on the new groups created – generally some version of village banking or solidarity group to insure standardization and control.
NGO Strategy: Use large numbers of NGOs and other partners to provide access to existing groups and to provide simple support services to the groups.	NGO Strategy: Either provide all services through program staff, or use one or two highly trained and supervised NGOs as mini MFIs to deliver credit services.

Similar Models in India and Niger:

WEP is not alone in carrying out a program based on group strengthening rather than credit delivery, what has come to be known in India as self-help group banking (SHG). In India, NABARD (National Bank for Agriculture and Rural Development), with the support of IFAD, has evolved into perhaps the largest microfinance initiative in the world with 5.53 million borrowers. It operates through 364,000 self-help groups organized and trained by 750 NGOs who are paid a small stipend by NABARD to train the groups. When the groups need an external source of capital they are introduced to one of the 318 partner banks that visit the group and provide them a loan if the group meets certain standards. As with WEP, institutions are only asked to do what they know how to do and NABARD like WEP is the catalyst guiding the process. The NGO trains the group and does not deliver credit; the bank delivers credit and does not do the grass roots organizing. NABARD, unlike WEP, provides a fund for the banks to lend; WEP unlike NABARD provides literacy training.¹ A traditional credit led financial institution would require a staff of between 20,000 and 30,000 to serve 5.5 million borrowers. (The Grameen Bank, for example, has a staff of 14,000 to serve 2,500,000 clients.) NABARD, in contrast, has a headquarters staff of 16 and a small staff in each district to catalyze the existing resources of local NGOs and banks.

This is not only a model for Southeast Asia; the Mata Masu Dubara project started by CARE in 1991 provides training for the creation of rural women's savings associations in Niger where per capita income (\$285 in Niger versus \$210 in Nepal) and the women's literacy rate are similar (10% in Niger versus 14% in Nepal). As of March 1999 the project had created 2,300 savings and loan associations with 66,000 rural women members. Like WEP, CARE does not provide financial support it merely builds community capacity.²

The Advantages and Disadvantages of the two Models:

Each model has its advantages and limitations. Under the WEP model it takes a group considerable time and effort to build a substantial loan fund. The WEP model is also best suited to "horizontal" expansion: the creation of very large numbers of groups that provide simple services. The capacity for these groups to provide more services or to link these groups into associations that are more than opportunities to exchange experiences is limited, because the skill level is only sufficient to manage the group. Indeed adding new services through the groups could jeopardize their smooth functioning. Years ago credit unions in many countries were overwhelmed when they were provided too much external credit because they lacked the systems to manage it.

In contrast, the MFI model requires an extraordinarily high level of organizational competence to reach substantial scale since the basic objective is to transform an NGO into a bank with an NGO mission. While many NGOs can effectively train groups, the number that will evolve into a *Banco Sol* is very few. This explains why most credit led initiatives have at best a few hundred or a few thousand borrowers and very few ever reach break even. On the other hand, one distinct

¹ Rural Finance Working Paper No. A 9. SHG banking: *A Financial Technology for Reaching Marginal Areas and the Very Poor*. March 2001. Hans Dieter Seibel, Rural Finance Adviser, IFAD.

² *MDD Conceptual Framework*. July 1999. Vincent Akue, Sector Coordinator.

advantage of the financial institution model is that an MFI can broaden the services it offers to include products such as individual loans, insurance and business training that the independent groups cannot.

In Conclusion:

Considering the vast number of self-help groups in villages across the developing world, a strategy that can transform these groups into well-managed, local savings and credit institutions with literate members who are building equity instead of debt has great appeal. By sidestepping the entire problem-fraught issue of creating a permanent and sustainable financial institution, many practitioners may choose this model, that is based on teaching and facilitating, over financial institution building. Building autonomous groups may also prove to be a preferable strategy for reaching large numbers of the rural poor in the poorest countries where financial institutions are weak and illiteracy high. The potential demand for these services could easily range in the scores of millions of the poor.

The Report Outline

Chapter I of the report introduces WEP, the environment in which it operates and outlines some of the program's major accomplishments. Chapter II builds on this discussion to explore the strategy behind the *time limited catalyst* approach. Chapter III examines the costs of implementing WEP in relation to similar credit-led models. Chapter IV analyzes and documents group performance based on data obtained from 200 interviews with the three categories of groups involved in WEP, simple economic groups that meet monthly and use a ledger for bookkeeping, VBs that meet weekly and are much more active in saving and lending and groups related to cooperatives and MFIs such as the Grameen Bank replications. Chapter V looks at WEP's impact on its members as measured through 500 interviews conducted with an adapted version of the AIMS impact questionnaire. Chapter VI speculates on the future of this approach to microfinance. The Annexes include more detailed information on sampling and present a proposal for rapidly expanding WEP's coverage from its current level using the existing force of trained group leaders as promoters. The Annexes also include the two questionnaires used in the study.

CHAPTER I THE SETTING AND MAJOR ACCOMPLISHMENTS

Women in Rural Nepal:

Pact's Women's Empowerment Program (WEP) has broken ground in the struggle to ease the plight of poor women in 21 of Nepal's 75 districts. With activities concentrated in the Terai, the fertile lowland belt bordering on India, it has increased these women's incomes and family well being, and given them the self-confidence to change their social and economic environment.³

As of July 2001 this is what WEP had accomplished:

- **Massive scale and outreach with 122,406 women organized into 6,265 active groups.**⁴ 1,536 of the best performing economic groups have received seven days of training to become village banks (VBs) that meet weekly and save at a higher rate than either the economic groups or the groups associated with cooperatives and microfinance institutions (MFIs). 82% of all groups and virtually all of the VBs can keep their own records.
- **Significant outreach to poor, rural women. Although WEP was a women's initiative, it did not specifically target *poor* women, yet 45% of the group members are poor.** The poor often rent their homes or live with relatives, and their per capita income is less than \$75 per year. They are also much more likely to speak a language other than Nepali as their first language and belong to an indigenous or mixed-caste group. 63% of the poor have no schooling and only 13% had attended up to 8 years. Several thousand are Kamaiyas (bonded laborers) only recently released from generations of permanent debt servitude.
- **Low dropout. Dropout, an endemic problem of group lending programs worldwide, is low, approximately 8% over the previous six months.** When a woman leaves a group, often to get married and move to another village, another local woman generally replaces her.⁵
- **Significant savings mobilization with members accumulating \$1,900,000 in their group funds, which are projected to reach \$3,000,000 by July 2002.** The loan funds of groups sampled increased by 64% in the past year and the savings rate increased from

³ Adapted from, *Breaking the Mold: Women's Empowerment from the Himalayas to the African Veld, A Pact Model for Expansion and Replication*, by Dr. Marcia Odell, Pact Team Leader, Nepal.

⁴ It is not expected that the groups linked to Grameen replications and cooperatives will evolve into village banks since they are an integral part of these programs.

⁵ Most of the groups interviewed for this consultancy said several village women had approached them to join and would permit them to join once the loan cycle was completed and the prospective members had made a deposit in the group's saving account. As with many microfinance programs, dropout may become a problem later when the women find the loans are too small to support their now thriving enterprises and do not have the time to meet so frequently.

\$.20 monthly in June 1999 to \$.45 in July 2001, according to WEP's management information system (MIS).

- **Substantial access to capital for rural women. Virtually all the groups' funds are lent out, producing a stream of interest income that returns to the groups and the members.** There are 45,000 members with outstanding loans, showing that the loans are widely disbursed. Group repayment is generally good: while 14% of the groups have one or more late payments on current loans, only 4% have made a loan that was not repaid.
- **High levels of literacy. Eighty-five percent of the group members are now literate at some level compared with only 36% prior to joining WEP.** Of those with no schooling, half can now read a paragraph "easily" or "with some difficulty", an important outcome given that the classes are run in the evenings after work and by volunteers.⁶ 63,700 women have learned to read and write through WEP.
- **Creation of new income sources for women. Currently 71% of the group members (86,883 women) now have an income-generating activity compared with only 14% prior to joining WEP.**⁷ **Microenterprise sales over the past six months for member businesses were close to \$5,500,000, up from \$600,000 for a similar six-month period two years prior.** Sales have increased exponentially since the women joined their groups and are often their only independent source of income. The poor among the group members invest their business income in food, clothing and school fees; the better off in school fees, savings, business investment and household items. The poor survive while the better off now have the opportunity to invest. The women are also earning an 18% to 24% return on their savings depending on the amount of the group fund that is lent out.

Reflecting WEP's objective of community activism, these groups have initiated over 100,000 collective community and advocacy activities since WEP began. Among the most common activities are labor contributions, visits to local government officials and mass rallies that protest the trafficking of girls to brothels and alcohol abuse. By January 2001 the groups had carried out twice as many social campaigns as physical infrastructure projects reflecting the women's increasing activism and empowerment. When the same information was collected earlier the ratio of social campaigns to physical infrastructure projects was one-to-one.

Factors Contributing to WEP's Success:

WEP's success does not occur in a vacuum, nor is it suggested that the WEP approach will work everywhere. WEP has been successful in the Terai of Nepal, in part because it operates in an environment where there is a strong ROSCA tradition known in the region as the *Dhukuti*. As a member of a *Dhukuti*, members contribute monthly to a collective fund. This

⁶ The number of illiterates varies considerably from group to group. Even the poorest groups visited had at least one or two literate members, one whom typically became the literacy volunteer. In more urban settings, half to most of the members were literate when they joined, but they found the workbooks useful for organizing their groups and developing their microenterprises.

⁷ In the groups visited, while virtually all said they had raised animals or were engaged in agriculture before they joined, few had carried out these activities as a business. Very few were engaged in trade before they joined.

requires regular meetings, choosing a leader, accountability among members, managing money and keeping records even if only on a scrap of paper or in the leader's head. These are the same basic skills required for an economic group.

Additional contextual factors that encouraged the rapid growth of WEP include:

- **The keen interest among the women in increasing their income and having a place where they can keep their savings out of family members' reach;**
- **The high level of interest in learning to read and write;**
- **The high level of interest women's empowerment and a strong desire to expand their role as decision makers in the household.**
- **The modest rate of inflation;**
- **The almost total lack of access to business financing for poor, illiterate women.**

It is suggested that fundamental change in an individual or a community is most likely to occur when three conditions are met⁸:

1. **There is a realistic opportunity to improve one's economic situation (or at least a hope change is possible) by taking risks, behavioral change and hard work.** Through WEP, greater effort is repaid in increased income from one's business and improved community and family status. Becoming literate also increases the member's status and provides access to information, initially through the WEP workbooks, but later from outside sources such as newspapers and written materials from development agencies.
2. **Membership in a group of peers that reflects an ethos of self-improvement and that supports the individual's efforts to change.** WEP encourages and supports individual initiative along with mutual assistance and accountability. It provides encouragement when the individual feels discouraged or is under pressure to return to customary ways by friends and family.
3. **Dynamic leadership that drives the process of change forward.** During the field visits it was striking to see that many of those who became leaders of the groups and VBs, especially in the more rural areas, were some of the very few young women whose parents had sent them to school. These young women had become a beacon of change and the link to the outside world for the other members of the group.

The lively exchanges observed during the field visits, where most members were eager to answer questions, demonstrate how far these women have evolved. When asked how

⁸ This three-step model of change was developed by the author based on his participation in agrarian reform efforts in Ecuador in the 1960s. He observed that instances of significant and sustained change resulted where the amount of land distributed was substantial. The government required land buying cooperatives also represented a new form of organization. Officers, primarily young literate males, seized this new opportunity to take a leadership role. In contrast, when the amount of land distributed was too small to make a noticeable difference, the government, instead of requiring the peasants to organize themselves into a cooperative, permitted them to use the traditional *comuna* system whose leadership was old, self-serving and largely discredited. This resulted in little sustained change.

participating in WEP had changed their lives, the most common response was that when they started they were shy and afraid to speak in a group but now felt they could speak freely. They also described how their husbands, who now see them as making a significant contribution to the family's income, hold them in higher regard.

WEP's use of *appreciative inquiry* also helps explain the women's' high level of commitment and activism. In essence, appreciative inquiry invites the women to focus not on the problems they have, but on the opportunities they have to improve their lives and their community as well as on their previous successes in overcoming obstacles. These opportunities are translated into an action plan with a commitment to take an immediate first step. One example could be going out and collecting stones for a school building project as soon as the decision to improve the school is made. Now that WEP has withdrawn from the field, the issue has been framed by the WEP staff not in terms of the "problem" of WEP's leaving, but the "opportunity" for the women to take the program into their own hands.

CHAPTER II WEP's MICROFINANCE STRATEGY

As introduced in the summary, WEP's role as a *time limited catalyst of group development*, rather than as the manager of a permanent MFI, suggests an alternative approach to microfinance. By not managing a loan fund WEP could focus all of its efforts on enlisting and training local partners, introducing a literacy curriculum and developing the capacity of local groups.

With this model, control and standardization are not as important as with the credit-led model. Groups can set their own loan terms and interest rates – after all it is their money that they are managing – and many local partners can be enlisted in the effort. Also, if some partners turn out not to be effective or even honest, the danger of fraud is minimal since there are no loans to issue, collect or track. If a local partner does go out of business, most of the groups can keep functioning if they have received a year or so of training.

Why WEP was able to successfully develop this model:

Pact developed its literacy and savings strategy based on its experience in literacy, not its knowledge of microfinance best practices. No mainstream MFI would have proposed delivering savings and credit services to 130,000 rural women all at once and then recruited 240 local partners to help them. For Pact this was not as large a leap as it seems. Pact had previously worked with up to 1,000 local partners and hundreds of thousands of women through its literacy programs in Nepal. Microfinance was simply a matter of linking literacy to savings and credit more explicitly, and of adding micro-business development and empowerment training as formal components. By avoiding the complex issue of developing and managing a loan fund and taping into existing community groups and local organizations WEP was able to achieve massive outreach in very little time.

The Potential Market:

None of this would have been possible, of course, if there had not been a vast untapped market for WEP's services. In the initial months before it was clear how large the demand would be, WEP's 240 NGO and MFI partners identified 347,000 women ready to join WEP groups. This number had to be scaled back to fit the budget. The partners' enticement was the \$39 monthly fee for each 10 groups recruited, trained and supported.⁹ Pact estimates that there may be an additional one million potential group members in the Terai and many more throughout Nepal.

Worldwide, the market for this low-tech, self-help group model of microfinance could reach scores of millions. Priority areas would include the poorest regions in the world's poorest

⁹ The fee was reduced to \$12 monthly after the first 18 months once the literacy materials had been distributed, the women had begun to learn to read, and to manage their groups.

countries where financial institutions are weak and Revolving Savings and Credit Associations (ROSCAS)¹⁰ strong.

The Benefits are Obvious to the Clients:

One reason WEP found such an enthusiastic response is that what WEP offered spoke to these women's priorities. They wanted to learn how to read and write; to have a place to save and meet with a supportive group of women; and to develop businesses that would provide them with a source of income that they had some control over. WEP also operated through existing groups, which made the decision to join the new project that much simpler. WEP started by helping them upgrade the economic groups where they were already saving monthly, rather than insisting that they immediately adopt village banking with its requirement for weekly meetings and more savings. Village banking was introduced later, but only to those who were interested in the model and could meet the minimum savings requirements.

Involving the Local Partners:

WEP could work successfully through so many local partners because the partners' role was restricted to recruiting, support and basic training – tasks that almost any local organization could easily carry out with only minimal training. Using local organizations greatly reduced costs when compared to the higher staff costs of the WEP staff. This enabled the more costly, better-trained WEP staff to train the local partners to provide higher-level group training, especially in bookkeeping.

Encouraging linkages between groups:

Connections between groups were encouraged through ***mobile workshops***: monthly meetings of two leaders each of 10 groups for training and sharing of experiences. Exchange visits between groups also served to enhance linkages. In the final months of the project, WEP made a major effort to create associations of groups. This focus on encouraging linkages between groups is virtually absent in most programs where the only relation with the program is through the staff member.

What WEP learned:

In brief, the WEP experience suggests that the model's success depends on:

- **Starting with the objective of upgrading existing savings groups by improving record-keeping, savings and lending.** This requires far less training than adopting an

¹⁰ ROSCAS go by many names: Tontien, SuSu, Partner, San, Merry go Round, etc., however, in essence all operate the same way. Money is saved by all the members and loaned out, often, in turn to members who need more capital.

entirely new group template with which the women are not familiar, as is the case with village banking.¹¹

- **Providing a significant role for local NGOs, but with no pretense of making them into MFIs.** Local NGOs can provide access to the groups they are working with or can easily create new ones with small financial incentives as WEP has shown. Even the most unsophisticated local NGO is capable of providing at least some level of encouragement and support to local groups.
- **Strengthening the links between groups** through exchange visits and associations; encouraging new group formation through existing groups and NGOs; and utilizing group treasurers as local promoters who can provide quality services at a small fraction of the cost of trained staff.

¹¹ The long-term objective is to create VBs, and over 1,500 groups use the full village banking accounting system. The great majority of the groups, however, still use improved version of the ROSCA system. One of the principal recommendations is that the current curriculum that teaches traditional village banking be simplified so it better meets the needs of the poorest, including more flexible loan terms and reduced record-keeping.

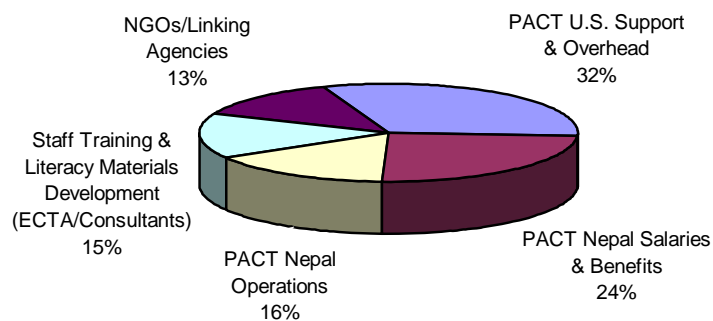
CHAPTER III PROGRAM COSTS

Costs of the Program

Pact received nearly \$5.2 million dollars in funding from USAID to implement WEP over a four-year period. With the grant, WEP provided literacy, empowerment, and savings and credit training to 130,000 women at an average cost of \$40 per member over almost four years. Roughly one third of the grant (32%) covered overhead and management support from Pact's U.S.

headquarters; 24% the salaries and benefits of Pact's Nepal staff, including the project's expatriate Chief of Party; 16% the in-country operations; 15% staff training and literacy material development and production; and 13% to reimbursing the NGOs, linking agencies for their assistance in recruiting groups and providing 840 Empowerment Workers (EWs) during the early phases of the project.¹²

Figure 1: Allocation of PACT Costs for WEP



When only WEP's operating costs in the field are considered, the cost per participant decreases substantially to \$18.42. In this calculation the fixed costs for staff training and literacy materials development, as well as U.S.-based Pact support and overhead, have been removed.¹³ The analysis focuses on operating costs: Pact Nepal's salary and direct costs beginning with field implementation in December 1998 when sub-grant agreements were signed with 160 NGOs and another 80 cooperatives and MFIs (including Nirdhan, Parks and People and government sponsored Grameen Replication sites).

Considering only field related costs:

- **Phase 1: 18 months (Dec. 1998-June 2000), \$1,491,410 or \$.64 per group member per month.** This included staffing and support costs for 111 WEP employees in eight district and three regional offices that served groups in 21 districts. In addition, 840 EWs were employed through Pact's local partners. Each EW, outfitted with a bicycle for transport purposes, provided training in group study materials that reinforce literacy skills to 10 WEP groups. The EWs made regular bi-weekly follow-up visits to the participating

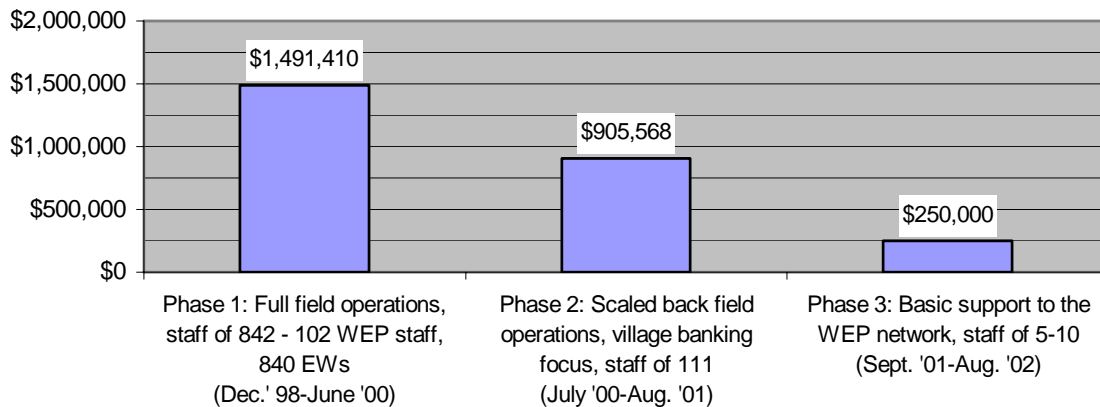
¹² Costing data was taken from WEP monthly reports as of April 2001, prior to complete spending of the grant in September 2001.

¹³ Note that the project design costs prior to December 1998 are also disregarded in this analysis.

groups. Local partners were paid \$39 monthly for every 10 groups they supported, covering the costs of EWs and associated expenses.

- **Phase 2: 15 months (July 2000-Aug. 2001), \$905,000 or \$.46 per group member per month.** In June 2000 the intensive field-based training was transitioned into a VB strategy with basic support continuing to be offered to the remaining groups. In this second, more streamlined phase, 55 VB Promoters were employed to assist the Pact trainers and the district offices were rolled into the regional offices. Payment to the local partners was also decreased to \$12 monthly and most of the EWs were let go. Despite the reduction in funding, the partners visited 70% of their groups at least once during the previous month, according to the survey.¹⁴
- **Phase 3: \$250,000 annually or \$.16 per group member per month.** This phase assumes that WEP secures additional funding and operates as a Nepali NGO. Since no additional funding has been received this budget is only illustrative. \$250,000 annually would cover a headquarters team of seven, 15 district level WEP trainers, a minimal stipend for the local partners and 150 WEP promoters recruited from the strongest of the group leaders.¹⁵

Figure 2: PACT Nepal and NGO Sub-grant Costs by Phase



¹⁴ The fact that so many of the partners are still visiting the groups bodes well for the partners then assuming an ongoing role now that WEP's funding has ended. This should not be surprising: not only is it the local NGOs' and MFIs' mission to serve the community, but these local organizations have multiple sources of funding. Moreover, these now much stronger groups of more literate members justify further funding. One of the problems of the way MFIs see their work is that they consider the fate of *their* institution and *their* groups as if they were not part of a larger community of personal and institutional relationships.

¹⁵ Since no donor has come forward with funding at the \$250,000 level Pact is providing between \$60,000 and \$65,000 of its own resources to cover the costs of hiring a program manager, field coordinator, field assistant, and 30 group leaders as well as the necessary office and transportation costs. These resources will be concentrated in two of the 21 districts where WEP previously had an active presence.

WEP’s scaling down from \$.64 to \$.46 and eventually down to a projected \$.16 monthly cost per member¹⁶ implies participants are quickly being transitioned from dependency on external technical assistance to independence. WEP’s initial task of providing the women the necessary tools and skills to manage their groups required substantial up-front investment. In the WEP model all these training costs are subsidized.

Like the WEP model, MFIs also require years of subsidies to cover operating costs before reaching breakeven in addition to outside capital to launch the loan portfolio. It could easily cost \$5.2 million in subsidies to develop an MFI that served 45,000 borrowers.¹⁷ As the new MFI became self-sufficient operationally and financially it would be the interest on the loans paid by the borrowers that would cover these costs. If the MFI discontinued its operations, these benefits would be lost.

In contrast, WEP retains the stream of benefits to group members – including on-going access to savings and credit services and a return on investment in the form of dividends. Although making projections of future performance is a highly speculative exercise, a conservative estimate indicates retained interest earnings would total at least \$3,980,000 over the next five years. As indicated in the table below, there is no evidence to expect that the rate of increase of the group fund would decline; the savings rate has in fact doubled since the groups joined WEP.

YEAR	Group fund 6,260 groups	Percent group fund Loaned	Retained interest earnings
June 2001	\$1,900,000	20%	\$380,000
June 2002	3,000,000	20%	\$600,000
June 2003	4,000,000	20%	\$800,000
June 2004	5,000,000	20%	\$1,000,000
June 2005	6,000,000	20%	\$1,200,000
TOTAL			\$3,980,000

Cost comparisons can also be made using the Subsidy Dependence Index (SDI). In a paper titled *Outreach and Sustainability of Savings-First vs. Credit-First Institutions: A Comparative Analysis of Eight Microfinance Institutions in Africa* Cécile Fruman and Julia Paxton described SDI as “one of the most revealing indicators of institutional sustainability.”¹⁸ The SDI measures the hypothetical percentage at which interest rates would have to rise to cover program costs and eliminate subsidies. To correctly calculate the SDI, all expenses must be accounted for, including those benefits that do not appear on the financial statements

¹⁶ If all costs are considered including overhead and materials development, all external technical assistance, publishing and distribution, it would have cost \$.87 per group member monthly over the 46 month life of the program. (\$5200,000/130,000 members/46 months)

¹⁷ Within the scope of this study it was not possible to compare the costs of WEP to MFIs operating under similar rural settings. A detailed comparison of the two models (or various permutations of the two models) would be a useful contribution to the literature.

¹⁸ As posted to the World Bank’s Sustainable Banking for the Poor website under “Discussion Papers”: <http://www-esd.worldbank.org/html/esd/agr/sbp/>, July 20, 2001.

such as free rent or a donor-paid technical advisor. As the article points out, these hidden benefits can be difficult to assess and estimate.

Using complete costs for WEP – a full allocation of the \$5.2 million by yearly expenditures – all costs of technical assistance, and approximating the women’s earned interest income – an average of 24% per annum on the outstanding portfolio, the SDI for 2000 is 467%. That would be the amount of adjustment necessary on the interest rate to cover all the program costs. Once outside technical assistance has reached its minimum level of approximately \$250,000 annually – which despite intensive fundraising efforts has not yet been secured – the SDI could become negative within four to five years of sustained activity. It took *Banco Sol* 12 years to reach an SDI of zero, a remarkable accomplishment regardless of whether all outside technical assistance was effectively considered.

SDI Calculation Comparison

Microfinance Institution	Country	Founding Year of Institution	Year of SDI calculation	Age of Institution when SDI calculated	SDI	Source
Bancosol	Bolivia	1991	1998	7	-0.01%	Schreiner ³
Kafo Jiginew	Mali	1993	1999	6	3%	Thys ²
CRECER	Bolivia	1990	1999	9	51%	Thys ²
FECECAM	Benin	1977	1995	18	70%	Fruman & Paxton ¹
Mali CVECA	Mali	1986	1996	10	78%	Fruman & Paxton ¹
PPPCR	Burkina Faso	1988	1995	7	126%	Fruman & Paxton ¹
K-REP	Kenya	1984	1995	11	140%	Fruman & Paxton ¹
Zambuko Trust	Zimbabwe	1992	1995	3	238%	Fruman & Paxton ¹
FOCCAS	Uganda	1996	1998	2	263%	Thys ²
WEP	Nepal	1998	2000	2	467%	Parrott⁴
CARE Kenya	Kenya	1983	1996	13	1900%	Fruman & Paxton ¹
CPEC	Niger	1990	1994	4	3675%	Fruman & Paxton ¹

¹“Outreach and Sustainability of Savings-First vs. Credit-First Institutions: A Comparative Analysis of Eight Microfinance Institutions in Africa” by Cécile Fruman and Julia Paxton

²Calculation by Didier Thys, Freedom from Hunger

³Analisis Financiero de BancoSol, Mark Schreiner, Washington University in St. Louis

⁴Calculation by Lisa Parrott, Freedom from Hunger

YEAR	SDI
1987	621%
1988	234%
1989	195%
1990	92%
1991	50%
1992	42%
1993	28%
1994	16%
1995	16%
1996	10%
1997	10%
1998	-1%

As the table below suggests, WEP ranks high in terms of outreach among well-known village banking programs, particularly for its age.¹⁹ Of the nine other village banking programs listed, WEP ranks second after *Compartamos* in Mexico in terms of number of borrowers. WEP’s scale, however, is all the more impressive when the number of group members – currently 122,406 – is taken into consideration. The ratio of staff to borrowers is also far higher: for all nine village banking programs the ratio of borrowers to staff is 1 to 185 compared to WEP’s 1 to 408. This figure reaches 1 to 1,000 if all the group members are considered. The outstanding balance of WEP loans (\$33) is the smallest of any village

¹⁹ WEP statistics based on data collected by Pact Nepal in Dec. 2000/Jan. 2001, after two years of operations.

banking program, but the depth of coverage – the size of the loan as a percentage of per capita income – at 15.7% exceeds the nine program average of 12%. This difference is largely attributed to the considerable difference in the average per capita income of the nine countries which is \$783 compared to Nepal’s \$210.

Figure 3: Summary Statistics: Nine Village Banking Institutions Compared to Bulletin Participants by Credit Methodology²⁰

	Country	Age (years)	Employees (no.)	Borrowers (no.)	Loan Portfolio (US\$)	Average Loan Balance (US\$)	Depth (%)
Lending Methodology							
Individual	--	8	354	57,255	23,852,221	1,341	109
Solidarity Groups	--	8	274	45,171	8,137,669	222	38
Village Banking	--	8	75	13,879	1,672,098	109	16
Nine VBIs	--	8	105	17,938	1,842,203	94	12.0
AGAPE ^a	Colombia	22	28	4,887	359,546	80	3.2
Compartamos	México	9	236	48,835	6,338,738	129	3.4
FINCA	Kyrgyzstan	3	128	9,944	845,898	85	17.7
FINCA	Nicaragua	7	81	13,701	1,008,709	74	18.1
FINCA	Uganda	7	94	20,769	1,245,815	60	19.4
CRECER ^b	Bolivia	8	87	14,580	2,419,393	166	16.4
Kafo Jiginew (VB product) ^c	Mali	4	46	11,119	574,274	52	6.5
Pro Mujer	Bolivia	5	105	18,919	2,197,372	116	11.5
WEP (as of June, 2001)	Nepal	2	111	45,366	1,480,409	33	15.7
World Relief	Honduras	9	139	18,691	1,590,086	85	11.5

^a Asociación General para Asesorar Pequeñas Empresas. ^b Crédito con Educación Rural. CRECER is an affiliate of Freedom from Hunger. ^c Kafo Jiginew, also affiliated with Freedom from Hunger, is a full-service credit union that offers village banking as one of its product lines. All figures reported for Kafo Jiginew in this article refer solely to its village banking product.

Savings Performance

As a savings-led credit model, WEP has been an effective catalyst for savings mobilization in Nepal’s Terai region. In fact, the first literacy book introduced to the women, *Our Group*, introduces basic literacy and numeracy through a discussion on how to form and manage a savings group. Using the book’s principles, nearly every WEP group created or strengthened has a regular savings program for their members. Interestingly, while savings is mandatory for many community groups in Nepal, WEP is the only program that has given women the skills to *manage* and *grow* their savings. This includes paying dividends on savings, funds which can later be lent to other group members. For those groups that have chosen to become VBs the required weekly savings was initially fixed at 14 rupees (\$.20), then lowered to 7 rupees (\$0.10 cents).

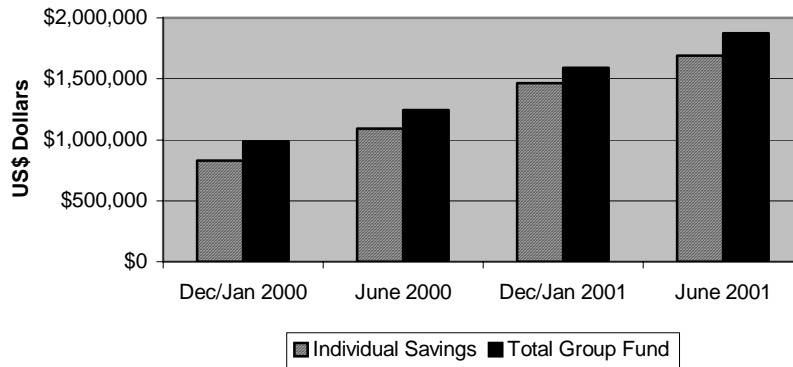
As of June 2001, the WEP participants had collectively saved \$1.88 million.²¹ In addition, more than \$185,000 had been generated through group fundraising activities, book fees, program entrance fees and other group activities. These additional savings have become part

²⁰ The data for lending methodology come from Tables A and B in the September 2000 issue of *The MicroBanking Bulletin*. Each of these nine institutions waived their confidentiality agreements with the *Bulletin* to allow their data to be published. The values for the nine VBIs are based on 1999 numbers, with the exception of FINCA Kyrgyzstan, which are based on 1998 data. The data for WEP has been added for comparison and is based on 2000 numbers.

²¹ Pact’s MIS 6 (June 2001): Total amount of savings is 125,983,545 rupees (exchange rate: 74.60 Rps to the US\$).

of the group fund that each WEP group manages. In many cases, this income is combined with the individual savings to augment the available loan capital.

Figure 4: WEP Growth in Savings and Group Fund



Another important finding was that group savings increased by 200% during the initial 18 months of operations, as shown in Figure 5 (note: because of the devaluation of the Nepalese Rupee during the past two years, the doubling effect is not as prominent when converted to USD values). While it is unclear what percentage of this growth is due to loans made from dividend distribution, the overall impact is impressive.

Based on their experience with the WEP groups, the Pact Nepal field staff is confident most of the groups will continue to meet and save on a regular basis.

Credit Performance

Monitoring and evaluating the performance of credit services among the WEP groups was challenging. Each group establishes its own policies regarding loan terms, interest rates and loan values. When reporting the information on outstanding loans to Pact Nepal some groups included interest due while others reported principal only without a clear indication of the number of groups in each category. This analysis assumes that all internal group loan balances reported as outstanding or “yet to be repaid,” are strictly principal. Thus, the active portfolio as of June 2001 is \$1,393,529.²² Compared to the amount of loans in circulation the year prior (\$1,030,027), the total loan portfolio of WEP has grown by 35% in the past year. In January 2000, there were 30,288 women holding loans, but by the same time in 2001 a total of 45,366 clients had loans from their group fund. The average interest rate was constant over 2 ½ years of WEP implementation, hovering at 24%.

²² MIS 6 data reports 103,957,244 rupees “to be repaid” (approximately \$1,393,529, using an exchange rate of 74.60).

CHAPTER IV THE GROUP STUDY

Two questionnaires were developed for the evaluation.²³ The group interview was developed by the Team Leader after extensive interviews with more than 30 groups over three visits to Nepal. The group questionnaire measures the performance of the VBs and savings groups involved in WEP. The individual questionnaire reflects WEP's objectives for literacy, empowerment and business development. The individual questionnaire is based on the AIMS Individual Impact Questionnaire²⁴, which was extensively revised and simplified to reflect conditions in rural Nepal.

Draft versions of the two questionnaires were subsequently reviewed by the WEP and the Centre for Microfinance (CMF) staff and translated into Nepali. Enumerators from CMF then tested the questionnaires in four villages. After the field tests, virtually every question was modified, underscoring the importance of field testing and carefully checking the accuracy and intelligibility of the translation. The content of the two instruments was further refined during the six-day field trip to the Terai by the evaluation team, where interviews with WEP groups, local NGOs and local staff suggested further modifications of the instruments. On returning to Katmandu, WEP and CMF reviewed the questionnaires again, and the accuracy of the translation was rechecked. With the two instruments now finalized, the 20 Nepali enumerators and four supervisors hired by CMF were trained during an all-day session. The sampling process for the group and individual interviews is described in Annex I.

The Group Study: the Quality of the Groups WEP Trained and Supported

The enthusiasm and commitment of the members to the groups interviewed by the research team was consistent and impressive. But were the groups visited truly representative of the program? Would these observations stand-up if groups were selected randomly and consistently questioned on their performance? Would comparing categories of groups – VBs, economic groups and MFI groups – shed additional light on the less systematic observations made in the field? The group study would provide the answers to these questions.

The key findings for each cluster of questions from the 200 groups selected for the study²⁵ follow. Each of these themes is explored in greater depth later in the chapter.

1. Is there a demand for the literacy and group development services that WEP offers?

WEP's 240 NGO and MFI partners recruited 347,000 women for the project in under four months reflecting the high level of demand for the services WEP was to offer. Financial

²³ The two questionnaires and the sampling process are included in the Annex.

²⁴ USAID's AIMS project began in 1995 and was charged with understanding the process by which microenterprise services strengthen businesses and improve the welfare of micro-entrepreneurs and their households as well as to strengthen the ability of USAID and its partners, the NGOs, to assess the impact of microenterprise programs.

²⁵ See Annex I for an explanation of how the sample was drawn for both the group and the individual questionnaires.

constraints later caused that number to be scaled back to 130,000 women organized into some 6,500 groups.

2. *Since WEP was winding down its field presence at the time the interviews were being completed, were groups disbanding?*

Approximately 2% of the groups disbanded for programmatic reasons in the six months previous to the survey. There is little reason to expect that the rate of groups disbanding will increase dramatically in the months to come not that WEP no longer has a field presence.

3. *Were the existing groups helping to create new groups?*

Between 13% and 14% of the existing groups created at least one new group on their own initiative and without WEP payment or support. Most new groups were trained in villages that were less than 15 minutes from the group that provided the training showing how localized this process of spontaneous replication is. The number of new groups exceeded the number of groups that disbanded, although nothing is known about the quality of these spontaneously created groups and their level of performance, and very little about how they were trained. In addition, the local NGO and cooperative and MFI partners have created hundreds of new groups beyond their contract with Pact, (although they may be counting some of the groups that the women have created on their own).

4. *What was the rate of group turnover? Was group membership stable or were members continually joining and leaving?*

The survey showed that 8% of the members of an average group had left over the previous six months. Despite the turnover the average group increased by one member since joining WEP. There is no shortage of women wanting to join, with the average groups considering seven new members.

5. *Were poorer members being replaced by high caste and generally better off Brahmins and Chetris?*

The changes in the percentage breakdown of the caste affiliations of existing versus new members are minimal. There is little evidence, then, of “upward drift” in the groups. Instead, the trend seems to be moving in the opposite direction with fewer higher caste Brahmins and Chetris among the new members.

6. *How good are these groups as savings institutions?*

The average group increased the value of its loan fund by 66% between April 2000 and May 2001 considering savings, retained interest earnings, fundraising events, fines and book fees. It is conservatively estimated that the group funds should increase by another 56% over the next year – sufficient to build the total loan fund across all groups from \$1,900,000 to just over \$3,000,000.

7. *Were these groups able to grant loans and get them repaid?*

In the sample groups the value of the current loans averages 97% of the group fund, indicating that money is lent out almost as quickly as it is returned as savings or loan payments.²⁶ Loan payment is generally good: while 14% of the groups reported one or more late payments for their current loans, only 4% of the groups made a loan that eventually defaulted.

8. *Are the loan funds sufficient to meet the demand for credit?*

Seventy-two percent of the groups say they need more money to lend, \$52 per member on average. The remaining 28% of the groups thought their loan fund was adequate for the demand for credit.

9. *Do groups follow recommended practices of management?*

While most groups only accept payments at meetings (essential to maintain the transparency of the transactions) and close their books at the end of each session (essential for accurate records), only a minority of groups have elected new officers and deposit their excess funds in a bank. Attendance at meetings averages 82%.

10. *Can groups keep their own records and is the quality of the records adequate?*

Eighty-two percent of the groups keep their own records and if they can't depend most often on educated relatives, usually a member's husband, to keep the books if no one in the group has sufficient literacy skills. Only 1% depend on WEP staff to keep the records and 4% on NGO staff; a strong sign that groups are no longer dependent on institutions for record keeping support. When WEP staff examined the records for the sampled groups they determined that 85% had "average" or "above average" or "superior" records while the remainder were found to be deficient. Further bookkeeping training especially for those whose records are deficient is a priority if additional funding becomes available.

11. *How many groups are continuing with their literacy training?*

While in the first year and a half most groups reportedly met several times a week to learn how to read and write or to help others in the group learn these skills, only 13% continued to meet as a group to study the last book in the series, *Village Bank Entrepreneur*.

12. *Have groups participated in WEP's efforts to create a network of groups so they are linked with each other instead of the staff?*

In most microfinance programs the principal link to the program is through the staff, not the other groups. WEP made a major effort to build-in activities that would bring group

²⁶ The value of current loans overstates the amount of the group fund loaned out since at least some loans payments come in monthly (the rest are repaid in a lump sum at the end of the loan period).

leaders and the general membership together. Over 80% of the groups participated in “mobile workshops” where leaders of 10 groups come together for training and to share experiences. In addition, 60% of the groups participated in exchange visits between groups and 71% joined with another group for a campaign or project. Roughly a quarter of the groups belong to WEP associations that could assume an important role going forward now that WEP has withdrawn its field staff.

13. *Do groups see that they are getting stronger or are they staying the same?*

Ninety percent of the groups say they are getting stronger. According to the women themselves it is principally because they have increased their savings and lending activities and because of the increased support and understanding between members and their families. Plans for increasing the strength of their groups include increasing the rate of savings and securing an external source of loan capital, among others.

14. *Considering everything, how do the group members describe how participating in WEP has changed their lives?*

In listing the ways that WEP had changed their lives, the three most frequently mentioned categories have to do with empowerment and education, not savings and lending. Increased self-confidence and a greater role in decision-making was a strong first for 55% of the groups interviewed, followed by literacy and knowledge of women’s rights. Savings ranked fourth with a quarter of the groups mentioning it, followed by easy access to credit, mentioned by only 7%. Business development was mentioned by only 3%. These findings underscore that for these women, whose access to the community outside their family compounds is so limited, the major benefits to them personally and the reason they so enthusiastically support their groups is *empowerment* and *education*.

The results of the survey are detailed on the pages that follow. The sample of 200 groups was divided into three categories that included:

- ***The 1,200 (now more than 1,500) VBs recruited from the best of the economic groups, which had received intensive training and support from WEP (84 of the groups surveyed);***
- ***The 2,800 remaining economic groups that received comparatively little support from WEP, especially over the previous year (52 groups surveyed);***
- ***The 2,500 groups associated with cooperatives and MFIs (64 groups surveyed).***

The “weighted average” noted in most of the tables adjusts the results to reflect the actual number of groups in each category.²⁷

²⁷ To make this calculation the responses to the village bank interviews were multiplied by 14.29 (1,200/84), the economic groups by 53.85, and the MFI groups by 39.06.

While the text in each section presents the principal findings, the tables present much more information for those who want to understand the differences in performance between the three categories of groups.

THE DEMAND FOR WEP SERVICES AND THE RATE OF GROUPS DISSOLVING AND BEING CREATED BY EXISTING GROUPS:

There is a great demand for literacy and for savings and credit services among rural women in Nepal:

The ease of recruiting groups into WEP demonstrates the enormous demand for literacy, savings and credit training services in rural Nepal. WEP's local partners recruited 347,000 women to participate, but the number had to be scaled back to fit the budget. WEP's strategy also shows the advantage of building a program on established groups. According to the survey, 82% of the current groups were functioning before joining WEP (although many of them were pulled together quickly in anticipation of funding from WEP.). Most of these groups had a rudimentary savings component but little knowledge of how to record transactions or to make loans. It was from this base that WEP, aided by the staff of the partner organizations, began its work.

Most all the groups WEP started working with are still providing credit and savings services, and existing groups are creating new groups of their own initiative:

Even though WEP's support at the field level was winding down at the time of the survey and most staff resources were focused on building VBs, the great majority of the groups were still providing savings and credit services at the time of the study. Still, some groups had disbanded and it was important to understand why. WEP prepared a report for this study showing that the number of groups had decreased by 352 or 5.4% in the six months between January and July 2001; not an exorbitant rate, but enough to cause concern. Careful examination of the report's findings revealed that the groups that disbanded for programmatic reasons – conflict among members, savings not being collected, etc. – together with the groups that could not be found, totaled only 130 of the 352 groups that had disbanded or 2% of the active groups. This was considerably less than the 5.4% indicated. Most of the remaining disbanded groups were part of MFIs that WEP was no longer working with because they had not been providing services to their groups and were thus eliminated from the program. Many of these groups could still be saving and lending, but the WEP staff had no ongoing access to these groups.

After reviewing CMF's list of reasons why a number of the groups in the sample could not be interviewed, it became clear that all the groups that failed for programmatic reasons were economic groups and none were VBs. This is not surprising since VBs are recruited from the strongest of the economic groups. What is troubling is that with the focus on creating VBs mandated by the USAID grant, support to the economic groups declined in the last year of the

project. Nearly 40% had not been visited even once the previous month, while the average VB had been visited at least twice.

If 2% of the groups disbanded for programmatic reasons each six months a reasonable estimate would be that 10% of the groups had failed over the 2-½ year life of the project. This is close to WEP’s estimate of 7% to 10% of groups disbanding since WEP began its operations.

REASONS FOR GROUPS DISBANDING BETWEEN JANUARY AND JULY 2001	Number	Percent
Affiliated with other INGO/Groups	6	5.4%
Conflict among group members	14	12.6%
Groups could not be found	2	1.8%
Dissolved due to political reasons	2	1.8%
Members took back savings	12	10.8%
No savings	8	7.2%
Saving not collected by group	37	33.3%
Other reasons	30	27.0%
Total	111	100.0%
% of Total (6617) disbanded for programmatic reasons	111	1.7%
% of Total (6617) no access because the sponsoring NGOs were eliminated from the program because they were not providing services to the groups	222	3.4%
% of Total (6617) not interviewed due to incorrect addresses	19	0.3%
Total Dissolved of 6617 groups	352	5.3%

The test of WEP as a *time limited catalyst of group development* will be how many groups are still functioning and growing two, or even five years from now. Further study will be required to determine which groups disbanded, why and whether the groups and the NGOs have taken responsibility for maintaining the current groups and creating new ones. If the rate of groups disbanding remains low this will go a long way to justifying the validity of this approach to microfinance.

The rate of groups being formed by existing groups:

Although some groups disbanded, existing groups created new ones at a rate that exceeds the rate of other groups’ failure.²⁸ WEP’s latest MIS survey based on data from July 2001 indicated that 14% or 876 of the WEP groups helped create new groups. WEP’s data are confirmed by the findings of the group survey: 13.5% reported that they had organized one or

²⁸ The process of the spontaneous creation of new groups by existing groups and the quality of these groups would be an interesting topic for additional study since this represents a no cost strategy for local replication.

more new groups. If this percentage holds for all WEP groups, existing groups could have created as many as 878 new groups with no special orientation or support by WEP. About half of the new groups are located within 15 minutes of the groups that trained them, showing how localized spontaneous replication is.

It is very likely that new groups will continue to be formed by existing ones. The large number of leaders who say they have the skills to create new groups, and the close to 4,000 villages that have requested assistance, show that an expansion strategy based on using trained group leaders as local promoters has considerable potential. If the best of these were hired instead of working voluntarily as they are now, the cost would be minimal. Approximately 10 to 13 local leaders could be hired as promoters for the cost of one WEP field staff person, although these local promoters would not have the same mobility or the skills of the current staff. A plan for utilizing group leaders to expand the program at very low cost is presented in the Annex.

NEW GROUPS CREATED BY EXISTING GROUPS	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Number per group who say they have the skills to train a new group	3.84	2.0	3.49	2.91
Groups where none feel they have adequate skills	3.6%	22%	3.4%	8.3%
Group was asked for help in starting a new group	27.4%	19.2%	18.8%	20.6%
Average number of villages asking for assistance	4.73	3.6	1.58	3.15
Assistance provided by group:				
Told about WEP	23.8%	19.2%	14.1%	18.1%
Shared or sold books	16.7%	7.7%	3.1%	7.6%
Provided training	13.1%	9.6%	3.1%	7.8%
Number of new groups assisted that are saving now	16	7	7	878
New group is less than 15 minutes away	47.6%	37.5%	55.6%	46.2%

In addition to the groups being created by leaders from other groups, some NGOs are expanding WEP of their own initiative. Some are buying books and group record keeping forms from WEP or are asking to borrow books from the trained groups. The number of new groups being created by NGOs for the entire program was not determined, but in the Eastern Region alone 40 of the 82 local WEP partners had created a total of 528 new groups, according to WEP's records. There is no reason to expect that the number of new groups created by the remaining 152 local partner organizations on their own account was any less. (It was impossible to sort out how many of the new groups created by the local partners were the same groups as the women claimed to have created on their own.)

THE QUALITY OF THE GROUPS WEP HAS SUPPORTED:

Group membership is stable:

Group membership is stable at 22 members per group (up from 21 members when the groups joined WEP) with an average of less than two members (8%) having left the previous six months and zero losses for 48% of the groups over the same period. Those who leave are easily replaced, as there is an average of seven women in the community being considered for membership at any given time.

STABILITY OF GROUP MEMBERSHIP	Village Bank	Economic Group	Coop/ MFI	Weighted average
Number of members on joining WEP	23.8	19.4	21.8	21.1
Number of members now	27.7	19.3	22.5	22.1
Number who left in past 6 months	1.5	1.8	1.9	1.8
Number of groups where no one left in past 6 months	53.6%	44.2%	48.4%	47.6%
Number the group is considering as new members	5.8	7.3	5.9	6.5

There is little evidence of groups replacing poorer members with those who are better off and higher castes:

Although there are doubtless many individual exceptions, there is little evidence that lower status and poorer members are being replaced by generally better off higher caste Brahmins and Chetris. The percentage of new members who are Brahmins and Chetris, belong to indigenous castes or are mixed caste groups closely mirrors the current membership. Furthermore, half the groups reported that the new members brought into the group are poorer than the existing members. The VBs have been particularly successful in including mixed caste members.

CASTE OF MEMBERS	Brahmins/Chetris	Indigenous Castes	Lower Castes	Mixed Castes
Current members	41%	21%	3%	34%
New Members	39%	24%	3%	35%
New members for Village Banks	26%	25%	4%	45%

Savings is growing quickly:

The average monthly savings rate more than doubled from \$.20 monthly in June 1999 to \$.45 in July 2001, according to WEP's MIS data. The surveyed groups were saving at \$.48 monthly and their group funds – savings, plus retained interest earnings, fines and book fees –

had increased 66% over the previous year from an average of \$263 to \$398. (This is somewhat higher than the program's overall average of \$309, indicating that the sample groups represent members that are somewhat better off.) As noted in the table, the savings rate for the VBs is much higher than for the economic groups.

There are virtually no voluntary savings except in the VBs, which are also much more likely to enter savings into members' passbooks. This is an important incentive for increasing the savings rate, since when a member leaves they not only take their savings but the accrued interest as well. Depending on the percentage of the group fund lent out, the return on investment on a member's savings could reach 24% annually if the entire group fund was lent out for the entire year; a considerably higher rate than a bank savings account. Just over a third of the groups also carry out collective activities to raise money for the group fund, usually selling snacks at a market, but sometimes also cultivating a plot of land, or putting on a music and dance show.

SAVINGS PERFORMANCE	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Size of group fund now	\$613	\$253	\$457	\$398
Size of group fund 1 year ago	\$387	\$181	\$301	\$263
Increase in group fund in last year	63%	72%	66%	66%
Savings/member/month now	\$.84	\$.32	\$.47	\$.48
Savings/member/month on joining	\$.31	\$.18	\$.28	\$.24
Number who saved voluntarily at last meeting	6.3	.6	.6	1.7
Percentage of groups carrying out collective activities for group fund	39%	33%	42%	38%
Group pays dividends on savings	75%	42%	31%	44%
Dividend earnings entered into individual member passbooks	72%	32%	22%	36%

Assuming a constant savings rate and that interest income is retained and re-lent, the group fund is projected to increase by at least another 56% by July 2002, but with substantial and increasing differences between VBs and economic groups, underscoring the need for more training for the economic groups. If these projections for the sample hold for all WEP groups, the combined group fund should expand from its current level of \$1,900,000 to about \$3,000,000 by mid 2002.

PROJECTED INCREASE IN THE GROUP FUND	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Current group fund	\$613	\$253	\$457	\$398
New Saving this year	\$297	\$74	\$135	\$127
Retained interest earnings	\$146	\$61	\$110	\$96
Increase in group fund	\$443	\$135	\$245	\$223
Total group fund at end of year	\$1,056	\$388	\$702	\$621
Percent increase in 1 year	72%	47%	54%	56%

The groups are active lending institutions with 97% of the savings out in current loans:

Money is lent out as quickly as it comes in. The average loan size of groups surveyed is \$39 and about the same for WEP overall. Forty-five percent of the members have an outstanding loan, indicating loans are well distributed among the membership.

Loan payment is generally good, with only 14% of the groups reporting late payments on current loans. Most late loans are eventually repaid; only 4% of the groups made a loan that eventually defaulted. The average loan term is five months, with loans most commonly repaid at the end of the loan term, as opposed to installments. This decreases both the availability of funds for new loans and interest income to the group, but is seen as a major advantage to the borrowers. About a fifth of the groups overall (and a third of the VBs) made loans to someone outside the groups and charged 6% a month on these loans instead of 2% to the members. Loans to members outside of the group, then, could come to represent a major source of income to build the group fund

Most of the borrowing in WEP groups is from the group fund. Only a fifth of the groups currently have loans from an external source (about 40% of the MFI groups).

LOAN PERFORMANCE	Village Bank	Economic Group	Coop/ MFI	Weighted Average
<i>Group Loans</i>				
Percent of members with loans	46%	42%	48%	45%
Average monthly interest rate	2.0%	2.2%	1.9%	2.1%
Amount of outstanding loans	\$598	\$280	\$404	\$387
Average loan size	\$46	\$35	\$37	\$39
Percent of savings in outstanding loans	98%	111%*	88%	97%
Average loan term in months	3.9	4.5	5.9	4.9
% loans w/terms > 6 months	6.1%	30.0%	61.3%	37.6%
Frequency of loan payment:				
Weekly/Biweekly	20.2%	0%	3.2%	5.2%
Monthly	38.1%	28.6%	17.7%	26.2%
End of loan period	41.7%	71.4%	79.0%	68.7%
Percent of groups with no late payments on current loans	88.1%	86.5%	84.4%	86%
Percent of groups with no defaulted loans since joining WEP	95.5%	97%	94.3%	95.6%
Percent of groups making a loan to someone outside the group	34.1%	27.5%	12.7%	23%
Monthly interest rate for these loans	6.4%	6.8%	7.3%	6.9%
<i>External Loans:</i>				
Groups with 1 or more members with external loans	14.3%	3.8%	37.5%	18.7%
Average number of external loans in these groups	4.9	3.5	6.5	6.0

* Reflects declining loan balance

Despite WEP's hope that most of these women would become petty traders and open small stores, 60% of the loans are for agriculture, divided equally between loans for animals, market gardens and other crops. A quarter of the loans are for shops and trading and 13% are for consumption and other purposes.

USE OF LOAN	Percentage of loans
Livestock (generally animal fattening)	34%
Agriculture (generally market gardens)	25%
Business (trading and selling)	15%
Shops (generally tea stalls and small shops)	11%
Consumption	10%
Others	3%
Forest products	2%
TOTAL	100%

There is a very large unmet demand for loan capital in these groups:

Seventy percent of the groups say they could use an additional \$52 per member to meet the demand for loan capital, which adds up to about \$1,000 per group. Asked how they would raise this money, only a quarter said they would try to get a loan from an MFI or another source and the rest mentioned increasing the savings rate or the membership or more fundraising events. The women have realized that if they receive money from another source they will have to pay interest on it.

At the current rate of expansion of the group fund, VBs could meet the demand for loans in two years, whereas it would take the economic groups seven years because of their lower savings rate. Since the groups have no legal status under Nepali law, making a loan to the group would be difficult and loans would need to be granted on an individual basis. Nepal's Central Bank is considering legislative changes that would permit a bank or other institution to make a group loan.

DEMAND FOR ADDITIONAL LOAN CAPITAL	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Percent of groups where demand for loans exceeds the amount of group fund	72.3%	71.2%	72.6%	71.9%
Amount required to meet demand for loans according to group	\$1,471	\$959	\$1,271	\$1,160
Average increase in loan fund per member to meet this demand	\$53	\$50	\$53	\$52

Groups generally follow recommended practices:

Asked how many attended the last meeting, the group secretaries recorded an average 86% attendance. This is generally consistent with the evaluation team’s observations, where virtually every member of every group visited was present at the interview, another indicator of the high level of commitment to the groups. Most groups followed the two most important of a list of recommended practices: making savings and loan payments only at the meetings and always closing the books at the end of the meeting. Making payments at the meetings insures transparency, while closing the books insures records are kept up to date. Except for the VBs, few groups had elected new officers, and few deposited their excess cash in banks. This was not considered as a major problem since most funds were lent out immediately.

INDICATORS OF GROUP QUALITY	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Percent of members who attended the last meeting	89%	84%	81%	86%
New officers have been elected since group joined WEP	63%	37%	41%	44%
Savings or loan payments made only by members at the meeting	32%	48%	42%	43%
Savings or loan payments always made at meetings (never outside meetings)	87%	92%	89%	90%
Officers always close books at the meeting	94%	79%	81%	83%
Excess cash deposited at commercial bank	29%	20%	27%	24%

Most groups can keep their own records:

In most group lending programs the staff are the *de facto* book-keepers. In WEP 82% of the officers keep records without outside assistance – a major achievement. When assistance is needed it is generally a relative, usually the husband of one of the members, who provides the help. Since only 1% of the groups depends on WEP to keep their records, and only 4% depend on an NGO, this bodes well for the groups continued functioning now that WEP no longer has a field presence. No one is paid for his or her assistance in helping to keep the group’s records although at times the group officers may have access to larger loans, or be first in line for new loans or receive some payment in kind.

According to the WEP staff that examined the records of each of the 200 groups surveyed, their quality is generally adequate for small groups. While 85% have “average” or “better” records – with VBs’ far superior record-keeping reflecting the seven days of intensive training

they receive – the records for the remaining 15% are “below average”, “poor” or “very poor” with a strong likelihood of errors.

Only about a quarter of the economic groups adopted the VB record-keeping system, and most economic groups still use ledgers and do not use calculators. If more funding were available, developing a bookkeeping system that fits the needs of economic groups and additional bookkeeping training should be a major priority.

QUALITY OF RECORD-KEEPING	Village Bank	Economic Group	Coop/MFI	Weighted Average
Officers complete records without outside assistance	88%	77%	84%	82%
If cannot complete records without assistance, helped by:				
WEP staff	4.8%	0%	0%	1%
NGO staff	6.0%	8%	0%	5%
Relative of members	2.4%	11.8%	10%	9%
Someone group hires	0%	0%	0%	0%
Treasurer from other group	0%	2%	5%	3%
Quality and Timeliness of Records				
Outstanding	42%	11.8%	15.9%	18.9%
Above Average	34.6%	37.3%	30.2%	34%
About Average	19.8%	39.2%	31.7%	32.8%
Below Average	3.7%	9.8%	14.3%	10.4%
Poor	0%	2%	4.8%	2.7%
Very Poor	0%	0%	3.2%	1.2%
Uses 3-key box to store cash and records	88.9%	13.7%	17.5%	28.8%
Uses a calculator	91.4%	13.7%	44.4%	39.7%
Uses full WEP bookkeeping system	98.8%	5.9%	20.6%	28.5%
Adopted part of WEP bookkeeping system	0%	25%	17.6%	22%
Uses a ledger to track its accounts	1.2%	80.9%	76%	78.3%

A small number of groups are still continuing their literacy training:

In the first 18 months while members were learning to read, the groups met several days a week and the empowerment workers motivated the groups to meet regularly. Roughly half of the groups say they are studying the latest book, *Village Bank Entrepreneurs*, however, only 13% are continuing to meet as a group to do so. Some say there is little need to study together since they already can read and write, while others find meeting several times a week too time consuming. What seems certain, however, is that without continued meetings the potentially excellent benefits of this book will not fully be realized.

About 60% of the members said they would be willing to purchase a new WEP book if it were available for \$.50. The other books were given out for free except for a symbolic contribution to the group fund to “pay” for the book. WEP could reduce the cost of its program in the future by selling new books to the groups, but it is doubtful that all would purchase them and this would jeopardize the literacy training.

USE OF LITERACY SKILLS AND FREQUENCY OF LITERACY CLASSES	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Percentage who read a book, newspaper last month	63%	63%	61%	62%
Group studying a book now.	69.9%	44.2%	40.6%	47.5%
Number of groups program-wide reading book together	279	356	191	826
If reading together, times group meet last week to study	3.74	4.77	3.08	4.01
Number of group members willing to purchase new books	15	11	13	13

Most groups have participated in WEP’s initiatives on training and collaboration:

One of WEP’s strengths is its success in networking. Most programs only link the individual or group to the program through its staff, but WEP has built relationships between groups through *mobile workshops*: monthly training and networking meetings where two leaders each from 10 groups are trained together and have an opportunity to exchange experiences. In addition, 60% of the groups exchanged visits and 70% collaborated on a campaign for stopping gambling, drinking or the trafficking of girls. A unique feature of WEP is the *Family Day* where women meet with their families to present both group and personal accomplishments. Many women said that the event was a turning point in their family’s understanding and acceptance of their participation in the group.

Over the past few months WEP has encouraged groups to form associations. 40% of the VBs are now members of associations, along with a quarter of the economic and MFI groups. Most of these associations, however, have only recently been created. The associations may help maintain the strength of the WEP movement.

LINKS TO OTHER GROUPS	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Group held family day	76.2%	88.5%	81.3%	83.4%
% in mobile workshops	96.4%	82.7%	87.5%	87%
Exchange from other group	66.7%	53.8%	62.5%	59.5%
Exchange visit to other group	59.5%	61.5%	61.9%	61.3%
Joined other group for campaign or project	64.3%	69.2%	75%	70.5%
Number of groups belonging to associations	482	592	626	1,700
Association formed in 2001	82%	55%	33%	55%
Formed before 2001	18%	46%	67%	45%

Groups perceive they are getting stronger:

Most of the participants believed that their group had gotten stronger over the previous year. Close to two-thirds cited increased saving and lending activities, and 50% increased support and understanding between members and families as evidence of increasing group strength.

PERCEPTION OF GROUP STRENGTH	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Group getting stronger	98.8%	88.5%	85.5%	89.3%
Group staying the same	1.2%	11.5%	14.5%	10.7%
<i>Reasons strength increased</i>				
Increased savings and lending activities	65.9%	67.4%	58.2%	63.7%
Increased support and understanding between members and families	53.7%	52.2%	45.5%	50%
Members more literate and educated	23.2%	23.9%	16.4%	21%
Improved record-keeping	4.9%	0%	10.9%	5.0%
Access to external capital	6.1%	2.2%	3.6%	3.5%
Improved women's rights and legal knowledge	0%	2.2%	5.5%	3%

When asked how they would keep their group strong in the future, the most common response was that they should increase savings and secure an external source of loan capital.

STEPS FOR INCREASING THE GROUP'S STRENGTH	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Increase savings	53.7%	54.9%	65%	58.5%
Secure external source of loan capital	34.1%	15.1%	21.7%	26.5%
Increase participation and commitment of members	17.1%	15.7%	23.3%	18.8%
Increase membership	9.8%	21.6%	15%	16.9%
Establish links with other organizations	12.2%	11.8%	8.3%	10.6%
Group fundraising events	8.5%	11.8%	6.7%	9.3%
Skills training for members	17.1%	3.9%	10%	8.7%
More business training	6.1%	7.8%	5%	6.5%

Increased self-confidence and a greater role in decision-making, literacy and knowledge of women's rights ranked higher than saving and access to loans when asked how participating in WEP had changed their lives.

Although microfinance practitioners attempt to create solid savings and lending institutions and to develop businesses, WEP's greatest effect on the lives of its members is judged to be in the area of knowledge and empowerment. The women are obviously committed to their groups. Savings, easy access to credit and business development rank far lower, although it is doubtful whether these groups would have come together without such an economic component. The economic groups where the level of illiteracy was higher mention the importance of literacy training more, and the VBs mention the increased importance of the business. The members of these groups are more likely to have developed successful businesses and gone into trade.

HOW PARTICIPATING IN WEP CHANGED THE LIVES OF MEMBERS	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Increased self-confidence, greater role in decision-making and cooperation among group members	51.8%	48%	63.3%	54.5%
Increased literacy and education	32.5%	58%	28.3%	42%
Increased knowledge about women's rights and legal status	27.7%	26%	31.7%	28.5%
Increased savings	36.1%	34%	10%	25.4%
Easy access to credit	6%	8%	6.7%	7.4%
The increased importance of businesses	15.7%	4%	3.3%	3.2%
Improved understanding between family members	2.4%	6%	5%	2.7%
Improved sanitation	2.4%	6%	1.7%	3.7%
Decrease in gambling, child marriages and polygamy	3.6%	6%	1.7%	2.8%

WHERE SHOULD WEP TARGET ASSISTANCE?

The important question now is whether WEP could have achieved more by providing a measure of training and support to all members, rather than focusing its resources on training economic groups on their way to becoming VBs. The 1,200 or so VBs at the time of the study (now more than 1,500) were once economic groups, having become such because they met certain standards and were willing to undergo extensive training, meet weekly and agree to a

certain minimum level of savings. The VBs, then, represent the most sophisticated of the economic groups.

How do VBs and the other economic groups differ? The table provides some useful insights. Compared to the economic groups VBs tend to be in more prosperous locations, to serve more prosperous women within these communities, to have adequate land, to speak Nepali and to be closer to market.

ECONOMIC LEVEL OF GROUP MEMBERS	Village Bank	Economic Group	Coop/ MFI	Weighted average
<i>Staff perceive village is:</i>				
Prosperous	3.7%	2%	0%	1.5%
Average	67.9%	49%	50%	52.8%
Poor	23.5%	37.3%	39.1%	35.5%
Very Poor	4.9%	11.8%	10.9%	10.2%
<i>Status of group members is:</i>				
Among better off in the Village	2.5%	0%	0%	.4%
About average	75.3%	64.7%	64.1%	66.4%
Poorer than most other Villagers	17.3%	27.5%	26.6%	25.3%
Among the very poorest	4.9%	7.8%	9.4%	7.9%
<i>Group members mostly or entirely landless</i>	17.9%	27.5%	12.3%	20.2%
<i>Most members do not speak Nepali or speak Nepali poorly</i>	24.1%	29.4%	13.3%	22.4%
<i>Distance to market 5 or more kilometers</i>	15.5%	21.2%	37.5%	26.4%

The better off and the better educated tend to be concentrated in the VBs, with about half of the better off becoming members of such institutions compared to a third of the poor.

Compared to the economic groups, the VBs:

- *Have increased more in size;*
- *Have less membership turnover;*
- *Are creating somewhat more new groups on their own account;*
- *Have a group fund 2.5 times larger than the economic groups;*
- *Have far superior record-keeping;*
- *Are more likely to still be holding literacy training sessions;*

- *More likely to participate in associations;*
- *Are more likely to feel their groups are getting stronger.*

Furthermore, only economic groups disbanded for programmatic reasons, most of them from poor communities, according to the WEP staff. None of the VBs disbanded.

The degree to which WEP staff resources (and to a limited degree NGO/MFI staff resources) have been concentrated in the VBs is clearly reflected in the following table. The WEP staff (and to a lesser degree the NGO staff) concentrated their attention on those groups.

Every program faces a dilemma of where to allocate its scarce resources: it is an open question whether the membership overall would have been better served by maintaining a higher level of support to all the groups. On the one hand, by concentrating its resources on the VBs there is a cadre of well trained leaders that can not only manage their own groups but can take an active role in developing new groups, as they have. On the other hand with more training for all the groups the performance of the groups in terms of the savings rate and the quality of record keeping may have been higher.

FREQUENCY OF STAFF VISITS TO GROUP	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Times group visited by NGO/MFI staff in last month?				
0 visits	21.4%	28.8%	29.7%	27.8%
1 visit	28.6%	38.5%	34.4%	35.1%
2 visits	21.4%	19.2%	23.4%	21.3%
3 visits	11.9%	9.6%	4.7%	8.1%
4 or more visits	16.7%	3.8%	7.8%	7.7%
Times group visited by WEP staff in last month				
0 visits	6%	38.3%	42.6%	33.6%
1 visit	20.2%	31.9%	29.5%	28.7%
2 visits	32.1%	14.9%	16.4%	18.9%
3 visits	21.4%	8.5%	6.6%	10.3%
4 or more visits	20.2%	6.4%	4.9%	8.5%

CHAPTER V THE INDIVIDUAL STUDY

THE INDIVIDUAL STUDY: PARTICIPATION IN WEP AND ITS IMPACT ON GROUP MEMBERS

The results of the individual study reflect the wide-ranging impact that WEP has had on the lives of its members. Unlike a traditional microfinance program where all resources are focused on making loans and getting them repaid, WEP has a much broader mandate. As well as strengthening its groups as savings and credit institutions, WEP achieved high levels of literacy and empowerment as the women learned to actively manage their groups themselves instead of depending on an outside agency.

In brief this is what was learned through the individual study:

- ***Even though WEP was not targeted at the poor, poor women make up 45% or 55,000 of the members of the WEP trained groups.***
- ***Women classified as “emerging poor” or “better off” who participated in the project were thus enlisted in the service of the poor.*** They often assumed the role of group leaders and helped the less educated learn to read, setting in motion the process of spontaneous replication, described in the group survey, where old groups create new ones.
- ***Reflecting the empowerment objectives of WEP, well over half of the women involved reported that their authority in the household had increased in a number of key areas.*** The importance of empowerment was also reflected in the group survey where, when asked how WEP had changed their lives, increased self-confidence and an improved role in decision-making were ranked even higher than literacy, and much higher than savings and access to credit. Empowerment cuts across the barriers of wealth and schooling, suggesting that changes in attitude and belief facilitate the other changes.
- ***Many learned to read through their participation in WEP.*** Over half of those who had never gone to school can now read a paragraph easily or with “some difficulty” (and a quarter more can read with “great difficulty”). Overall, 85% can now read at some level. A curriculum oriented toward building the literacy skills of those who are completely illiterate would need to be much simpler than the current one. But with a simpler curriculum, those who were already literate would not have learned as much about running a group and managing a business, a major tradeoff.
- ***The members help each other in their businesses.*** A high proportion of participants reported having received advice and assistance in marketing from other group members. In addition, 12% said that a member had made a loan payment for them.
- ***Group members have become savers and borrowers.*** Virtually all save now, although the accumulated savings of the poor total only half those of the better off. 70% have taken out

at least one loan, but the poor have borrowed half as much as the better off. Most of these loans were invested in business activities.

- ***The number of women in business, at least within this sample, increased from about a third before WEP to about 90%.*** This means that for the first time a large number of women have income that they can control and invest themselves. The businesses of the better off and the better schooled, however, are much more likely to have increased their sales than the businesses owned by the poor, and less likely to have lost money. (For WEP overall, the percentage in business was before WEP was substantially lower, about 15% and only 71% are currently in business.)
- ***While members' individual income improved more than it declined over the past year it was much more likely to have increased for the better off and the better schooled, and much less likely to have declined.*** Changes in individual earnings show the greatest gap between the poor and the better off, with the better off twice as likely to have increased their income and one third as likely to have decreased it.

WHO ARE THE MEMBERS OF THE WEP GROUPS?

WEP was asked to target rural women in the Terai, not poor women. Nevertheless members of the groups assisted by WEP range from the poor who struggle to grow and earn enough to eat all year to those who, within the context of rural Nepal, live comfortably. By working with such a broad range of participants whose only common bond is their gender, WEP effectively enlisted the better off and better educated in the service of the poor. WEP gave educated women, often high caste Brahmins and Chetris (or lower caste women who were educated), the opportunity to use their education to teach others. For example, the better off were twice as likely as the poor to serve as group officers. By taking on their leadership and teaching/coaching role these women gain respect in their communities.

Through participating in WEP these better off and often higher caste women also gained some measure of independence in their own households. The better off and higher caste women were as subjugated by their husbands and the norms of Nepali society as their poorer and lower caste sisters.

Previous to this study WEP had documented the economic level of its participants and divided them into five categories ranging from poorest to better off. For this analysis the categories were collapsed into three and those interviewed were assigned to poor, emerging poor and better off groups according to how many of a list of 20 household items they, or someone else in the family, owned. This list included inexpensive items such as a watch and chairs, but also expensive items such as a refrigerator or a jeep or truck. The number of household items owned proved to be the single most useful tool for differentiating the poor from the better off and proved to be a simple and objective way of determining wealth. The sample was also divided into those who had never gone to school, those with between one and seven years of education and eight years of education or more. When there was shown to be a considerable overlap between the level of poverty determined by the goods owned and the level of

education, most of the analysis came to define the income level in terms of household possessions.

The differences between the poor, the emerging poor and the better off groups were striking:

- **The poor make up 45% of the members of the WEP groups, i.e. about 55,000 of the 123,000 women currently served by the program.** The poor often rent their homes or live with relatives, and their per capita income is less than \$75 annually. They are much more likely to speak a language other than Nepali as their first language and to belong to an indigenous or mixed caste group. 63% percent of the poor had never been to school and only 13% had as much as eight years of schooling. The schooling most received was not enough to significantly increase their ability to read, which was little higher after completing the WEP literacy curriculum when compared to those who had never gone to school.

The poor are often almost or completely landless. Only half those surveyed were able to feed their family on what they grew for more than seven months last year. A quarter restricted the number of meals they ate for part of the year and, when they could not meet their needs for food, worked as agricultural laborers, left the area to find work or sold their meager possessions. In comparison only 1% of the better off said they had to restrict the meals they ate last year, and most could turn to friends and relatives to borrow the food they needed at no cost. A third of the poor said their household diet improved last year and 14% said that it had worsened, compared to the almost 60% of the better off who said their diet had improved, none saying that it had worsened.

There are three other factors that reflect the difficult circumstances of poor women – they are more likely to be widows (4% compared to 1% among the better off); heads of household (22% compared to 9%); and to have only one economically active adult per child. In the better off households the ratio is 1.6 economically active adults per child. This puts a heavier burden on poor adults to provide for their children, as well as forcing the children into working roles earlier in life.

The poor have on average less than 5 of the list of 20 household items (the better off have 14), of which only one was a high value item. (High value items include gold jewelry, a water buffalo, cow, sofa set, clothes closet, refrigerator, television, motorcycle, car or pick up truck.) There are only two items owned by 70% or more of the poor: a bed and chairs and stools.

That the poor are struggling to meet their most basic needs is reflected in the answer to this question: “How did you use the income from your business?” The poor answered food, clothing and school expenses; while the better off mentioned school expenses, saving, investing in the business and buying items for the household. While the poor are surviving, the better off are investing in the future.

CHARACTERISTICS OF THE POOR COMPARED TO THE BETTER OFF AND EDUCATED	Eight Years schooling or more	No schooling	Better off	Poor
Household diet improved last year	51%	42%	58%	34%
Household diet worsened last year	1%	5%	0%	14%
Produced enough food from land to meet family needs for 8 to 12 months:	79%	71%	86%	51%
Restricted number of meals last year for lack of money or lack of food	3%	19%	1%	25%
Actions taken to secure food:				
Someone got local job	14%	45%	0%	58%
Someone got job outside area	14%	10%	0%	13%
Sold personal property	0%	8%	0%	13%
Bought food	0%	15%	0%	13%
Borrowed food from friends/family	71%	13%	100%	4%
Made improvements in house worth over \$68 since joining WEP	36%	25%	33%	21%

- **The emerging poor constitute 35% of WEP group members, i.e. about 43,000.** The emerging poor own on average 10 items on the list of 20 (compared to 5 for the poor), and of these, 2.4 are on the high value list. The emerging poor generally own their homes, have enough land to produce what they need to eat for the year (three-quarters of the group are self-sufficient regarding food, compared to only half of the poor).

The per capita income of the emerging poor may reach \$160 per year, considerably less than the Nepali average of \$210 per year but still double that of the poor. 41% of the emerging poor had never been to school, while a third had as much as eight years of schooling.

- **The better off make up approximately 25,000, or the top fifth, of the group members.** They own on average 13.3 items on the list of 20, and of these 4.5 are high value items. The better off own their own homes, often located in cities and larger towns. 86% say they have enough land to produce all they need; virtually all speak Nepali and more than 80% are high caste Brahmins and Chetris. Per capita income is often above the \$210 average for the country. The better off are, not surprisingly, the best educated group, with only 17% having never having gone to school and close to 60% with eight years or more of education.

HOW DID PARTICIPATING IN WEP CHANGE THE LIVES OF THE MEMBERS?

The process of change documented here can be attributed to the frequent literacy meetings; the training received from the WEP and local partner staff; and the investments the participants made in their businesses over the 2½-year period. The groups had a monthly

saving and borrowing meeting (a weekly meeting for the VBs) and met additionally from three to seven days a week during the first 18 months of their participation in WEP for literacy classes and the training they received in Rights and Responsibilities provided by the Asia Foundation and other training classes.

Pact had previously determined that the highest priorities for these women were learning to read and write, being part of a group that provided quality savings and lending services, and belonging to a supportive group of women like themselves. Pact's innovation was the combination of literacy training with the strengthening of the groups as savings and lending institutions, as well as structuring much of the curriculum around reinforcing mutual assistance. WEP also provided a fully integrated program of assistance to the groups. Regular group meetings and the curriculum that made the implicit assumption that women should assert themselves, start businesses, help each other and participate in the community, helped build solidarity and trust among members.

The most important finding of this investigation is that the impact of participating in a WEP group cuts across income categories (and all types of groups). Impact was measured in six areas, with important changes registered in each:

- 1. *Changes in the women's sphere of influence in the household;***
- 2. *Literacy;***
- 3. *Mutual Assistance;***
- 4. *Savings and borrowing;***
- 5. *Business development;***
- 6. *Income and well being.***

Women's role in decision-making expanded considerably:

The process of change starts with increasing one's sphere of influence, the areas where the individual feels she can make changes. Through WEP, women can become leaders and express their concerns at group meetings. The savings and loan funds the group administers are often the first resources these women have managed on their own. The fact that the WEP groups combine savings and lending with literacy improvement, meeting several times every week to learn to read and write or to help others learn these skills, strengthens the women's belief that they can make changes. This belief is further reinforced by the fact that on every page the WEP curriculum makes the implicit assumption that participants will start businesses, run groups and take an activist role in the community.

The women were asked if their decision-making had increased in four key areas. While it would be expected that these changes would be greatest for the best educated and the better off, a strikingly large percentage of the poor and uneducated reported they had more authority in the household.

DECISION-MAKING INCREASED IN THESE AREAS:	8 Years of schooling or more	No schooling	Better off	Poor
Family planning	75%	59%	74%	62%
Children's marriage	72%	64%	82%	62%
Buying and selling property	82%	76%	86%	72%
Sending daughter to school	89%	82%	87%	81%
Decision-making increase in other areas	75%	63%	81%	65%

Other answers buttressed this assessment of the women's increased sphere of influence. When the questionnaire was field tested the question was asked, "Who is the principal decision-maker in the household?" the options presented being "yourself, a male relative or a female relative." One woman being interviewed asked, "Why not add a category for shared decision-making responsibility between husband and wife?" When this question was added, about a fifth of the respondents across the educational and economic divide agreed that decision-making was shared between husbands and wives, although lacking baseline data, it is hard to tell whether WEP was responsible for the change.

The questions about children's attendance at school were also revealing. While most of the changes in the number of children going to school were explained by their getting older, many of those who were least educated or poorest suggested that more children were in school because "since they joined WEP they decided education was important." The fact that they now had more money was almost never mentioned. (It was significant that the better off and better educated never mentioned their attitude toward education, since it seems they already believed in it and had the necessary financial resources.) Three-quarters of respondents, across all educational and wealth categories, said that the amount they spent on education had increased over the previous year. For the better off this may have meant sending a child to private school; for the poor, sending the child to school at all.

REASONS FOR CHANGES IN THE NUMBER OF CHILDREN EDUCATED	8 years of schooling or more	No schooling	Better off	Poor
Children became older	40%	25%	35%	27%
Have more money	0%	2%	0%	1%
Since WEP decided education important	0%	8%	1%	14%
Other	23%	16%	22%	8%
No change	37%	49%	42%	51%
Amount spent on schooling increased	81%	77%	79%	78%

Many learned to read through WEP:

WEP starts with literacy. Considering the short time the program has been operating, and that volunteers run classes at night – often by kerosene lantern after the women have put in a long day of arduous work – it has accomplished a great deal. Of those who had no formal

schooling at all, half can now read a paragraph “easily” or with “some difficulty”, a quarter more can read the paragraph with “great difficulty”, and a quarter cannot read at all. It is striking that the percentage of the poorest among those who “cannot read at all” or “can read with great difficulty” (46%) is similar to those who had no schooling (48%). Having attended school only briefly and long ago apparently had little impact on their being able to read now.

WEP estimates that the literacy rate is 85% overall – almost exactly consistent with the findings of the individual survey if those who read “with great difficulty” are also included. WEP estimates that 36% of the group members were literate before they joined WEP. Almost 63,700 women therefore learned to read at some level through their participation in WEP.

PROGRESS MADE IN LEARNING TO READ	8 Years school or more	1-7 years school	No school	Better off	Emerging Poor	Poor
<i>Years of Education Completed</i>						
None	0%	0%	100%	17%	41%	63%
1-7 years	0%	100%	0%	26%	24%	41%
8 or more years	100%	0%	0%	57%	35%	13%
<i>Ability to Read at Interview</i>						
Reads paragraph easily:	98%	76%	20%	81%	62%	35%
Reads paragraph with some Difficulty	1%	16%	33%	13%	34%	19%
Reads with great difficulty	1%	3%	24%	4%	10%	20%
Cannot read at all	0%	4%	24%	2%	9%	26%

Mutual assistance between members is strong:

A large proportion of women helped each other with their businesses. Although there is no baseline data and the level of mutual assistance cannot be ascribed strictly to participation in WEP, it is nonetheless impressive. The following chart lists the most common types of business assistance women reported receiving and the percentage of women who received it:

Got advice on how to produce	40%
Got advice on selling	36%
Accompanied me to the market	35%
We share tools and equipment	32%
We produce together	23%
A member sold my goods at the market	19%
I sold another member’s goods	17%
We shared transportation	13%
A member made a loan payment for me	12%

Group members have become active savers and borrowers:

While virtually all the women in WEP are savers and many are borrowers across all economic levels, the amount saved and borrowed, difficulty in repaying loans and the use of the loans and additional sources of saving and credit services vary greatly. While the fact that even the poorest are saving and borrowing at a much higher rate than before, the poor, compared to the better off:

- Saved half as much on average as the better off – \$15 compared to \$31;
- Were half as likely to save voluntarily, reflecting the fact that the better off are more likely to belong to VBs where the rate of voluntary savings is much higher;
- Were as likely to have taken out a group loan as the better off, and to have taken out four or more loans; but the total amount they borrowed was half as much as the better off;
- Were twice as likely to have had problems repaying their loans, reflecting their precarious economic condition whether better off or poor. The primary reason for having difficulty repaying the loan, however, was sickness in the family

SAVING AND BORROWING	8 years of schooling or more	No schooling	Better off	Poor
Total savings	\$40	\$16	\$31	\$15
Saved voluntarily	35%	14%	31%	14%
Taken a loan from the group	69%	74%	63%	71%
Taken four or more loans from group	27%	36%	23%	36%
Value of all group loans	\$114	\$72	\$148	\$56
Had problems in repaying last loan	25%	26%	16%	35%
Reason for problems				
Activity not profitable	8%	15%	13%	27%
Family sick	8%	21%	25%	32%
Sold on credit and was not repaid	3%	3%	13%	9%
Used money for food or other item	15%	28%	0%	9%
Animals died	12%	9%	13%	9%
Other	50%	21%	38%	14%

The poor were also twice as likely to have used their loan for non-business purposes, although the percentage who had diverted their loan was reportedly small (12% for the poor, 6% for the better off). As for how they used the income from their business, as mentioned earlier, the differences between the segments were striking. The poor were more likely to buy food and clothing and cover school expenses with the income from their businesses, while the better off were more likely to cover school expenses, save and invest in the business and buy household items. The poor used their business income for immediate necessities, the better off for investment.

USE INCOME FROM BUSINESS	8 years of schooling or more	No schooling	Better off	Poor
Earnings from business were used to:				
Buy food	25%	35%	18%	56%
Buy clothing	15%	22%	12%	33%
School expenses	40%	38%	39%	29%
Health related expenses	24%	22%	21%	19%
Buy items for house	31%	24%	29%	25%
Save	24%	13%	30%	10%
Business related	14%	14%	25%	15%

For most women, the WEP groups were the only place they saved; for even more, the only place they borrowed. There are a few exceptions: about a fifth of the better off saved with another group, an NGO or a bank, and 16% of the poor currently have a loan from a money lender, reflecting the lack of alternatives. The better off are also considerably more likely to belong to VBs that have received intensive support from the WEP staff.

SOURCES OF SAVINGS AND CREDIT	8 years schooling or more	No schooling	Better off	Poor
Type of WEP group that belongs to:				
Village bank	47%	33%	46%	34%
Savings group	24%	41%	28%	32%
MFI/Coop group	29%	26%	26%	33%
Save with another savings group	21%	10%	24%	5%
Save with another NGO project	22%	11%	28%	11%
Save at a bank	9%	4%	17%	2%
Has loan with a bank	9%	16%	11%	14%
Has loan with another savings group	4%	6%	3%	3%
Has loan from another NGO	6%	5%	4%	4%
Has loan from a moneylender	6%	11%	6%	16%
Has loan from another source	2%	4%	2%	4%

The number of women who have a business increased from a third to 90%:

Ninety percent say they are involved in an income generating activity now, compared to a third before they joined WEP. This represents a substantial change which can be attributed, at least in part, to the literacy curriculum that describes women starting and running a business on almost every page; the support of the group and the training they have received from the WEP and NGO staff; and the access to loans. Reflecting the nature of the highly rural

economy and the fact that the household is seen as the economic unit in Nepali culture, most are making a business out of what they have always done: raising animals, growing vegetables and other agricultural activities. Three-quarters also see these as household, not individual, enterprises.

There are substantial differences in the progress the businesses made across economic and educational categories, as can be seen in the table below. Three factors could have contributed to this difference: the better off and better educated are more likely to be involved in commerce, service and manufacturing, and were twice as likely to record their costs and sales; they also borrowed twice as much.

NUMBER, TYPE AND OWNERSHIP OF BUSINESSES	Eight years schooling or more	No schooling	Better Off	Poor
Income generating activity before WEP	32%	37%	36%	25%
For all with a business, "Sales increased"	63%	41%	59%	42%
For all with a business, "Sales the same"	24%	38%	22%	36%
For all with a business, "Sales decreased"	13%	21%	19%	22%
Type of business earned most money in the previous year				
Commerce	26%	18%	25%	22%
Manufacturing	3%	3%	7%	4%
Service	4%	4%	4%	5%
Agriculture or livestock	67%	75%	64%	70%
Is business:				
Primarily your own	34%	23%	32%	21%
Primarily household enterprise	65%	75%	67%	77%
Spent time working at business last month	93%	92%	96%	92%
Keeps records in ledger now	48%	23%	43%	18%
Kept record in ledger before WEP	25%	15%	25%	9%

While all categories improved their income over the past year, the better off and those with more schooling made substantially more progress:

The most dramatic difference between the poor and the better off can be seen in individual earnings from the previous year: the better off and better educated pulled far ahead of the poor. One obvious reason for a difference in income between the two groups is the finding of new jobs by the better off and poor sales or illness among the poor.

What is more significant is that most now reported having an independent income. Before WEP, only a third said they had any type of income generating activity.

CHANGES IN HOUSEHOLD AND INDIVIDUAL INCOME	8 Years of schooling or more	No schooling	Better Off	Poor
Household income increased	52%	39%	50%	40%
Household income decreased	11%	16%	14%	15%
Member's Income increased last year	61%	33%	63%	35%
Member's Income decreased last year	5%	18%	7%	20%
Why income increased:				
Expanded existing enterprise	41%	49%	49%	50%
Undertook new enterprise	23%	22%	13%	20%
Bought inputs at cheaper price	5%	13%	9%	15%
Sold in new markets	11%	9%	9%	10%
Got a job	6%	2%	6%	0%
Why income decreased:				
Poor sales	33%	46%	43%	55%
Unable to get inputs	17%	12%	29%	9%
Crops failed or little production	33%	15%	4%	9%
She or household member sick	0%	8%	0%	9%
Other	17%	19%	14%	18%

CHAPTER VI IMPLICATIONS OF THE WEP MODEL FOR MICROFINANCE

The great challenge facing the microfinance field is that of reaching truly substantial numbers. To achieve such numbers, the costs per person assisted need to be kept in check. Over the past two decades the strongest players in the microfinance field have moved in the direction of ever larger, more centrally controlled and more sophisticated institutions. Many are becoming regulated banks that specialize in reaching microbusiness owners, while some commercial banks are also starting to access this market as it becomes clearer that there is money to be made.

There is no question that this has been a stunning achievement for a field that is little more than 20 years old, if one starts counting from the first reports of the USAID-sponsored PISCES project (which evolved into Aries and Gemini, and from there to Best Practices and AIMS). There is no country that does not have a number of MFIs, a few good ones and many that are struggling.

WEP is also reaching a substantial scale, and with only a fraction of the funding per group member taken to get the initial effort underway, the members of WEP groups could number in the hundreds of thousands in the Terai. Just counting the number of WEP's current borrowers already puts WEP in the top tier of massive outreach amongst village banking programs worldwide.

What makes expanding WEP so easy is that it is not a complex and sophisticated institution. To use a biological analogy, if a large scale microfinance program is a highly evolved organism with systems that protect it from fraud, hire workers, track performance and mobilize loan funds from around the globe; the basic unit of WEP is an amoeba: totally self-contained, but also completely autonomous and locally controlled.

The secret, then, is total decentralization and total local control. The task of the intermediary is to act as the short-term catalyst in building basic skills, and later on to nudge along an ongoing process. A point should be reached relatively soon where such a catalyst is no longer needed, and the trained participants can manage whatever evolves. It may someday be shown that the key to reaching a truly massive scale, in even the most difficult settings, may be to develop local capacity and then to get out of the way. This underscores the need for providing good training.

In conclusion, it is worth noting that references to ROSCA-type structures go back at least 1,200 years. In comparison, cooperatives evolved 150 years ago, and the microfinance field a mere 20 years old. A system that is based on 20 or so people holding each other mutually accountable has over a thousand years of history behind it.

ANNEXES

ANNEX I

DRAWING THE SAMPLE FOR THE GROUP AND INDIVIDUAL SURVEYS

A random sample was critical if the study was to reflect the wide range of institutional partnerships, types of groups and levels of poverty within WEP. The carefully constructed sample would make it possible to draw valid conclusions about the functioning of the program overall. This would mean that the enumerators would have to visit both more and less successful groups, and many that were far from the main road.

The sampling process followed these steps:

- The total of 6,500 groups was divided into three categories. 1) Groups that were currently operating as village banks (VBs), or that had completed at least part of the VB management committee training. 2) Groups that were part of MFIs, including the Grameen Replication Sites, Parks to People, Cooperatives and others. (Some of these groups had access to an external loan fund.) 3) The remaining economic groups that had not become VBs, that used a simple ledger to keep records, met monthly and often saved less than the VBs.

All these groups had received basic literacy and Rights and Responsibility training through the Asia Foundation and had received some support from the WEP and the NGO/MFI staff over the previous 33 months.

- To increase the efficiency of data collection, interviews were collected in 10 of the 21 districts where WEP had an active presence. The 10 districts were also selected at random. A random sample of 67 groups was drawn from each of the three categories (VBs, MFI-supported groups, and economic groups) in the 10 districts.

Of the sample of 200 groups provided to the Center for Microenterprise 41 could not be interviewed. Eighteen could not be interviewed because they were in Maoist controlled territory. Of the remaining 23 groups that could not be interviewed, some were merged back into the MFI groups they came from, other groups had joined with another group not in the sample and five groups had disbanded for programmatic reasons such as conflict within the groups. The groups in the sample that could not be interviewed were replaced on the recommendation of the WEP staff. One hundred fifty nine of the groups, then, were chosen randomly and 41 by non-random criteria. This tended to skew the data upwards. For example the average group funds held by the sample groups were \$398 versus \$309 for WEP overall.

For the individual surveys only those who volunteered were interviewed resulting in a disproportionate number of better educated and better off members surveyed. To adjust for this discrepancy the 500 interviews were sorted into categories according to the number of a list of 20 household items they possessed, with the poor having seven or less of these items, the emerging poor 8 to 13, and the better off 14 or more. To compensate for the under representation of the poor and the over representation of the better off, the poor were considered to be the bottom quintile of those interviewed and the better off the top quintile, with the emerging poor representing the middle 60%. The sample was also sorted according

to education level, categorized according to those who had never been to school, those who had one to seven years of education and those with eight years or more. There was considerable overlap between these categories and those indicating number of household possessions.

ANNEX II THE CASE FOR ONGOING SUPPORT TO WEP GROUPS AND THE USE OF GROUP LEADERS AS GRASSROOTS PROMOTERS

Will the Groups Continue to Function when the WEP Staff Leave?:

The major concern voiced about WEP is that the groups it formed may disband since funding ended in September 2001. The evaluation team²⁹ spent six days in the Eastern Terai interviewing groups, staff and NGOs to assess the level of commitment of the participants. The consensus of the WEP staff is that after WEP winds down its activities, 15% of the groups will eventually falter while another 30% or so will remain functional at their current level, but the rest will continue to grow. Furthermore, almost all of the NGOs will continue to provide some level of support since it is their function, as well as the justification for the funding they receive. In fact, many of the groups are provided other services as new programs enter the area. When the support they received from WEP was drastically reduced, it was observed that many NGOs, instead of abandoning their groups, expanded WEP on their own, and most of the rest continued making visits to existing groups. Only 30% of the groups already established were not visited in the month prior to this report.

Unfortunately, the consensus is also that the groups most likely to falter are those in the most remote areas with the highest level of poverty and illiteracy. These women face the strongest opposition from landlords and moneylenders, who see WEP as a threat. The smallest and weakest NGOs, also more likely to suffer from poor leadership, are those likely to provide the least support.

The Case for Building on WEP's Accomplishments:

Much has been made of WEP as a *time limited catalyst of group development*, and of the growing independence of the groups it helped form, but a small additional investment, by building on the work already done, could ensure that the benefits would be sustained. For little additional cost WEP could be expanded to reach thousands more villages. Although WEP only directly served 13,000 women, the demand for WEP's services is reflected in the 347,000 women who expressed interest in the program in just a few months, as compiled by the local partners, and by the estimated 4,000 villages that have already requested help from nearby WEP groups. It is estimated that there are at least a million women who might be candidates in the Tarai alone – with the figure even higher if the hilly regions to the North are considered.

A modest level of financial support to WEP would help ensure that:

- The existing groups that needed additional training would receive it.

²⁹ Jeffrey Ashe, Institute for Sustainable Development, Brandeis University (Team Leader); Lisa Parrott, Freedom from Hunger; Ava Shrestha, Asian Development Bank; Sabina Panth, Pact Nepal.

- The momentum of the program's spontaneous expansion would be shaped and encouraged.
- Additional training and support would deal with the issues that inevitably emerge when groups become larger and manage more money. As groups evolve and their financial transactions grow in importance, they need better record-keeping systems, and tools to deal with leadership and organizational issues.
- The associations already formed would be supported in their expansion, their ability to involve more participants or generate new groups, and their eventual evolution into savings and loan cooperatives with access to external loans. Even without the last step, there is much to be gained by sharing information and support.
- The curriculum would be revised and simplified so as to better fit the needs of the poorest women in remote rural areas, since the current one is too complicated and time consuming to serve the poorest cost-effectively. A simpler system would decrease the time required for training while increasing flexibility, as well as ensuring that the loans better fit the needs of the borrowers. Such a simplified curriculum would be achieved by reducing the current four books to two, and would also aid in spontaneous replication among existing groups.
- An ongoing WEP presence would keep the door open for the participation of other organizations such as Freedom from Hunger, which wants to develop and disseminate health education to improve the well being of women, and especially their children, in Nepal. Freedom from Hunger could increase its ability to disseminate this knowledge by building on the literacy skills that the women have recently acquired, using the 6,500 groups already in place.

Furthermore, an ongoing WEP presence would continue the process of learning in the microfinance community, by continuous access to WEP's participants. Such study could help perfect the model and allow it to be replicated elsewhere in the developing world.

Using the Group Leaders as Agents for Monitoring the Groups and Creating New Ones:

The lynchpin of this strategy is the creation of a sustainable support structure for the groups and village banks (VBs), paid at least in part by the participants and staffed by their own leaders. This is a unique and, within the microfinance field, unprecedented challenge for a program of this size. It is usually assumed that staff will provide assistance to the groups on a permanent basis, or that field staff hired from the village bank officers become employees of the agency. This hand-over of the program to the women will fully test the model.

WEP's most abundant resource is the trained and highly committed management committees of the VBs. The notion of using program participants as village-level field staff has proved to be an effective (and cost-effective) way of keeping such programs functioning in several countries, and has been tested, to a limited degree, by Freedom from Hunger in Africa. In that case, the organization found that its village level "monitors" performed as well as the more

educated “animators” hired from the outside the region, at a quarter of the cost. In Costa Rica, too, all of FINCA’s field staff was recruited from successful VB management committees. Working Capital in the United States also found that its best workers were recruited from the ranks of group leaders.

There are several inherent advantages to having enthusiastic and skilled participants take on the role of village level promoters:

- **Those selected are passionately committed to the program and understand in detail the issues involved in creating and managing a group and village bank;**
- **They know the local languages, customs and leadership;**
- **They are committed to permanently living in the area and are not looking for posting in the city;**
- **Their income expectations are a fraction of what higher educated staff’s would be and their travel expenses are minimal.**

Their limitation is the reduced mobility of women in rural Nepal and a lack of education.

The Role of the Group Specialist:

The role of the WEP promoters would initially be to monitor the record-keeping of the groups and VBs they were responsible for and to provide on-the-spot guidance as record-keeping problems were identified. The number of groups served would depend on the time promoters had available, and upon how close the groups are to each other.

As they gained more skills and received more training the WEP promoters would:

- **Facilitate the management committee training sessions** required for groups to develop their skills where the committees of four groups learn together;
- **Facilitate mobile workshops** where two members from clusters of approximately 10 groups meet for a day to exchange experiences;
- **Facilitate exposure visits** where newly formed groups and those that were becoming VBs would visit successful VBs.

They would also:

- **Distribute forms and workbooks to the groups and members;**
- **Fill out highly simplified program monitoring forms**, preferably using a system that they women designed themselves based on the group bank health checklist.

Selecting WEP Promoters:

The WEP promoters would be selected based on these criteria:

- Their demonstrated **capacity in literacy and record-keeping** (they would probably need to pass a test);
- Their **leadership** within the group and their enthusiasm for the program;
- Their **entrepreneurial attitude** and skill as microentrepreneurs so they could serve as role models for others starting their businesses;
- Their **willingness to serve a number of groups**. Experience has shown that those who cannot commit to serving a substantial number of groups take up too much management time, and are not involved enough to be fully engaged;
- The **consent of their husbands and families** to their taking on this role. The mobility of these women is severely limited.

Candidates for the WEP promoter positions would be invited to attend a weeklong training session, with the expectation that a substantial number of those who completed the course would not be contracted. Those chosen would not only have a high level of knowledge about WEP, but also would have the skills, the commitment, and the capacity to train and lead that this position requires. Training would be hands-on, field-based, very practical, and designed to perfect the skills WEP promoters would be using every day.

THE GROUP AND INDIVIDUAL QUESTIONNAIRES

Questionnaire reviewed by:
 Name: _____ Date: _____
 Data entry completed:
 Name: _____ Date: _____

WOMEN'S EMPOWERMENT PROGRAM
 INDIVIDUAL IMPACT QUESTIONNAIRE, MAY 2001

QUESTIONNAIRE NUMBER: _____

Name of interviewer: _____ Date of interview: _____

Name of supervisor: _____

Client name: _____ ADDRESS: District: _____

Name of group: _____ Village: _____

Name of affiliated organization: _____ Ward: _____

VDC: _____

1. Village Bank 2. Savings (Economic) group 3. MFI group

INTRODUCE YOURSELF, EXPLAIN THE PURPOSE OF THE SURVEY AND THE VOLUNTARY NATURE OF THE INTERVIEW

Individual Level: Basic Information

1a. How long have you been a member of this group? Years: _____

1b. Are you a group officer? Yes ___ No ___

2. How old are you? _____
 Specify number of years 99 = Don't know

3. Currently, are you ...? (*Read answers. Enter only one.*) _____
 1 = Married 3 = Widowed
 2 = Separated/divorced 4 = Single/never married

4. How many years of schooling have you completed? Number of years: _____
 SLC? Yes _____
 University? Yes _____

Household Level: Basic Information

5. How many persons in your household—those who live together and share the same kitchen at least once in a day—are...

Adults—15 years of age or older _____

Children—14 years of age or younger _____

6a. How many persons in your household are working—engaged in work that earns income (this includes working on your farm, running a business, working as a day laborer, salaried employment, or other)?
 Number economically active _____

6b. How many persons in your household earn a salary?
 Number of salaried workers _____

7. Who is the head of your household—the person who is the principal decision-maker?
 1 = Self 2 = Male relative (husband, father, brother, uncle, grandfather, father-in-law, brother-in-law) 3 = Female relative (mother, sister, aunt, grandmother, mother-in-law) 4 = Decision making shared between husband and wife _____

Education of Children

8a. How many children were you sending to school before you joined WEP? Girls ____ Boys ____

8b. How many children are you sending to school now? Girls ____ Boys ____

8c. If the number has changed, why? (check all that apply)
 My children became older ____ I have more money to send children to school ____ Since joining WEP I have decided it is important to educate more children ____

Other: _____ No change ____

9. Compared to last year, did the amount you spent on school expenses... (Read answers and enter response.)

1 = Decrease 2 = Stay the same 3 = Increase 99 = Don't know 98 = Not applicable _____

Enterprise Activities

10a. What kinds of businesses are you involved in? (Explain that this is any activity where you earned money for yourself by selling something you made, or grew, or goods that you purchased and resold)

	Number of businesses of this type:
1 = Commerce/ trade/retail (includes petty trade)	
2 = Manufacturing (includes food processing, textile production, crafts, leather work)	
3 = Service (includes hairdressing, restaurants, food stalls, cleaning services)	
4 = Agriculture or Livestock (includes food or other crop production, animal raising)	
98 = Not applicable; not involved in an income-generating enterprise	(Skip to question #12a.)

10b. Which of these businesses earned you the most money? _____

10c. Is this business ...? (Read answers and enter only one.)

1 = Primarily your own enterprise 2 = Primarily a household enterprise 3 = Joint business with someone outside the family _____

10d. Did you spend time working at this business over the past four weeks?

1 = Yes (Go to #16b.) 0 = No (Go to #18a.) 99 = Don't know (Go to #18a.) _____

Loan Use and Individual Income

11a. Have you ever received a loan from the group to invest in one of your business activities? Yes ____ No ____ (IF NO, GO TO # 12 or 13)

11b. If yes, did you also use any portion of your last loan to? (Read each statement. Fill in appropriate box.)

1. Buy food for your household? 1 = Yes 0 = No 99 = Don't know _____

2. Buy clothes or other household items?
 1 = Yes 0 = No 99 = Don't know _____
3. Give or loan the money to your spouse or someone else?
 1 = Yes 0 = No 99 = Don't know _____
4. Keep money on hand in case of an emergency or to repay the loan?
 1 = Yes 0 = No 99 = Don't know _____
5. Spend money on medicines or health care for your family?
 1 = Yes 0 = No 99 = Don't know _____
6. Hold a festival or ceremony?
 1 = Yes 0 = No 99 = Don't know _____
7. Other: Specify:
 1 = Yes 0 = No 99 = Don't know _____

IF THE CLIENT HAS A BUSINESS, DETERMINE WHETHER IT IS AGRICULTURE AND ANIMAL RAISING OR TRADE/SERVICE/MANUFACTURING. COMPLETE THE QUESTIONS FOR THE APPROPRIATE CATEGORY. IF CLIENT HAS BOTH TYPES OF BUSINESS FILL IN BOTH COLUMNS.

What investments have you made in your business over the last year? (check all that apply)

AGRICULTURE AND ANIMAL RAISING		TRADE/SERVICE/MANUFACTURING	
12a. Purchased a cow or buffalo		13a. Added new products	
12b. Purchased goats		13b. Hired more workers	
12c. Purchased chickens/ducks		13c. Reduced your cost by buying wholesale or in greater volume	
12d. Purchased hay/fodder for animals		13d. Sold in new markets	
12e. Grew more vegetables to sell		13e. Purchased small tools/equipment	
12f. Increased the types of vegetables/fruits you sell		13f. Purchased major equipment	
12g. Purchased small tools such as hoes, shovels		13g. Invested in a structure for your kiosk or shop	
12h. Purchased a tractor or an ox and a plow		13h. Purchased a bicycle/cart for your business	
12i. Improved barn for animals/ built a storage facility		13j. Rented space for your business	
12j. Hired more workers		13k. Other: _____	
12k. Purchased a bicycle/cart to transport my goods to market			
12l. Leased/purchased more land to farm			
12m. Purchased fertilizer and pesticides			
12n. Other: _____			

14. Compared to last year have your sales (circle one) increased a lot / increased a little bit / are about the same/ have decreased a little / have decreased a lot?

15a. Do you record your expenses and your sales in a ledger book? Yes _____ No _____

15b. IF YES: Did you start recording your sales and expenses since you joined WEP? Yes _____
 No _____

16. Over the last 12 months, has **your household's** income...? (*Read answers and enter response.*)

1 =	2 =	3 =	4 =	5 =	99 =	_____
Decreased a lot	Decreased	Stayed the same	Increased	Increased a lot	Don't know	

17a. Over the last 12 months, has the income **you have been able to earn**...? (*Make sure she is referring to what she earned, not what the family earns overall. Read answers and enter response.*)

1 =	2 =	3 =	4 =	5 =	99 =	_____
Decreased a lot	Decreased (Go to #16b.)	Stayed the same	Increased (Go to #16c.)	Increased a lot (Go to #16c.)	Don't know (Go to #17a.)	
(Go to #16b.)		(Go to #17a.)				

17b. (If decreased at all) Why did **your** income decrease? (*Make sure she is referring to what she earned, not what the family earns overall. Do not read. Multiple answers possible. Then go to #17.*)

1 =	2 =	3 =	4 =	5 =	6 =	99 =	_____
I or house- hold member has been sick	Poor sales	Unable to get inputs	Agricul- tural pro- duction was poor	Lost job	Other (specify) _____	Don't know	

17c. (If increased at all) Why did your income increase? (*Do not read. Make sure she is referring to what she earned, not overall family income Multiple answers possible.*)

1 =	2 =	3 =	4 =	5 =	6 =	99 =	_____
Expand- ed exist- ing enter- prise	Under- took new enter- prise	Able to buy inputs at cheaper price	Sold in new markets	Got a job	Other (specify) _____	Don't know	

Importance of the Business for Family Income:

18a. Did you have any kind of income generating activity before you joined WEP? **Yes** ___ **No** _____

18b. If yes, do you earn more from your business now than before you joined WEP?
Earn more _____ **Earn less** _____ **Earn about the same** _____

19. How did you use the earnings from your business? Then: What do you use most of the money for? What was the next biggest use of that money? (*Do not read answers.*)

Item (Read across by row)	a. Does anyone in the household own this item? (Read and check box if "yes.")?		b. Check this column if item was acquired after joining WEP
	1 = Yes	0 = No	
Modest Value:			
Watch			
Radio or tape player			
Frame bed w/mattress			
Chairs/stools/gundri			
Moderate Value:			
Tables/daraj			
Bicycle			
Stove			
Brass and copper gagro and ghyampo			
Rickshaw			
Cart (buffalo)			
Small animals			
High Value:			
Gold jewelry			
Water buffalo			
Cow			
Sofa Set			
Daraj (clothes closet)			
Refrigerator			
Television			
Motorcycle			
Car/pick-up truck			

24. How much land does your family own:

Land Type	Unit of measurement (bigha, katta, dhur, ropani, ana, paisa)	Owned and self cultivated	Owned and cultivated by others	Self cultivated belonging to others	Public Land
Lowland (<i>Khet</i>)					
Upland (<i>Pakho</i>)					
Total					

25. Food sufficiency from land:

- (a) adequate for 11 or more months
- (b) adequate for 8 to 10 months
- (c) adequate for 6-7 months of the year
- (d) adequate for 3-5 months of the year
- (e) adequate for less than 3 months of the year

Mutual Assistance:

30a. Are women in the group helping each other with their businesses more since they joined WEP?

Yes ___ No ___

30b. How do members of the group help each other? Probe, "Anything else?" DO NOT READ THIS LIST CHECK THOSE MENTIONED

Made a payment for my loan: Yes ___

Give me advice about how to produce: Yes ___

Give me advice about where to sell: Yes ___

Accompanied me to market: Yes ___

Marketed my goods for me: Yes ___

I market other member's goods: Yes ___

We produce together (share labor): Yes ___

We share tools and equipment: Yes ___

We share transportation costs: Yes ___

Other: _____

Other: _____

Decision-Making

31. Since you joined WEP, has your involvement in decision making in your family increased in these areas:

a. Family planning? Yes ___ No ___

b. Children's marriage? Yes ___ No ___

c. Buying and selling properties? Yes ___ No ___

d. Sending daughters to school? Yes ___ No ___

32a. Has your involvement in decision making increased in any other areas? Yes ___ No ___

32b. IF YES: In what areas? Probe: "Any others?"

33a. Since joining WEP how has your participation in the group changed? _____

33b. Since joining WEP how has your participation in the community changed? _____

34. Name three things you like most about the WEP program? (*Do not read answers.*)

- | | | | |
|----------------------------------|---|--|-------|
| 1 = Literacy | 5 = Business training | 10 = Workshop/Training | _____ |
| 2 = Legal literacy | 6 = Determining my own learning situation | 11 = Working towards becoming a village bank | _____ |
| 3 = Savings | 7 = Family days | 12 = Other (specify) | _____ |
| 4 = Loans | 8 = Collective actions | _____ | |
| 5 = Collective actions | 9 = Leadership opportunity | 99 = Don't know | |
| 4 = Group solidarity/socializing | | | |

35. If you could change something about the WEP program to make it even better, what would you change about WEP?

******* THANK YOU FOR YOUR TIME – DO YOU HAVE ANY QUESTIONS?*******

Questionnaire reviewed by:
Name: _____ Date: _____

Data entry completed:
Name: _____ Date: _____

WOMEN'S EMPOWERMENT PROGRAM GROUP QUESTIONNAIRE, MAY 2001

QUESTIONNAIRE NUMBER: _____

Name of interviewer: _____ Date of interview: _____

Name of supervisor: _____

Name of the group: _____ Contact person: _____

Address: District: _____ Municipality: _____

Village: _____ Ward: _____

What NGO/MFI does this group belong to? _____

WHAT CATEGORY OF GROUP IS THIS? VILLAGE BANK _____ SAVINGS GROUP _____ PART OF AN MFI _____

START INTERVIEW WITH GROUP:

WHAT IS THE NAME OF THE NEAREST MARKET/HAAT BAZAAR? _____

1. How often is there transportation to this market? Never ____ A few times a week ____ Once a day ____
Two to three times a day ____ More frequently ____
2. Distance in kilometers (measure on the odometer of the vehicle) _____

Group History

3. Was this group organized before WEP? Yes ____ No ____
4. What year was it organized? _____

Membership

5. How many members did the group have when it first joined WEP? _____
6. How many members does the group have now? _____
7. Did two or more groups merge to form this group? Yes ____ No ____
8. How many have left the group in the past six months? _____
9. How many joined the group in the past six months? _____
10. IF NEW MEMBERS HAVE JOINED THE GROUP: Of the new members, how many are poorer than the existing members? _____
11. How many villagers are you considering as new members? _____
12. *What has your group done to serve the poorest in this community and elsewhere? (Probe: "Anything else?")*

Meetings

13. ASK SECRETARY: How many members attended the last meeting? _____

14. IF NOT ALL ATTENDED, Were they fined for coming late or not attending? Yes _____ No _____
15. IF ALL ATTENDED, Are members fined for coming late or not attending? Yes _____ No _____
16. How often are savings meetings held? Weekly ____ Biweekly ____ Monthly ____ Less frequently ____
17. How long does a savings meeting usually take? Hours _____ Minutes _____
18. For how many members does walking to the meeting take: 15 minutes or less? _____ From 15 minutes to half an hour? _____ More than half an hour? _____

Savings

19. Was the group saving before it joined WEP? Yes _____ No _____
20. How much did each member save when the group **first joined WEP**? _____ Weekly/Monthly (circle)
21. How much does each member save **now**? _____ Weekly/ Monthly (circle)
22. How many members saved voluntarily last meeting? _____
23. As of now, how many rupees are in the group fund? _____ (The Group Fund is savings plus fees, fines, income from collective activities. BE SURE GROUP INCLUDES OUTSTANDING LOANS)
24. Has the group carried out collective activities to raise money for the group fund? Yes _____ No _____
25. IF YES, What collective activities did the group carry out to raise money for the group fund? (Probe: “any others?”)

Activity	Amount Raised

26. Have non-members deposited savings with the group? Yes _____ No _____
27. Does the group pay dividends on savings? Yes _____ No _____
28. IF YES, Are the dividends entered in the savings passbooks of its members? Yes ____ No ____
29. Does the group have a commercial bank account? Yes _____ No _____

Loans

30. How many women **in the group** currently have a loan from the group fund? _____
-
31. What is the monthly interest rate charged on these loans? _____
32. Of the total group fund, how much is currently lent out? (amount)

33. What is the longest loan term? (number of months): _____
34. Of the current loans, how many are being repaid: Weekly? _____ Biweekly? _____ Monthly? _____ Paid at the end of the loan period? _____

35. Of the current loans, how many women are behind schedule in repaying loans? _____
36. How many loans that the group ever made have never been repaid? _____
37. Has the group ever made a loan to someone outside the group? Yes _____ No _____
38. IF YES: What was the monthly interest rate? _____
39. *Has the group made a loan to another savings group or village bank? (NOT TO AN INDIVIDUAL OUTSIDE THE GROUP) Yes _____ No _____*
40. *IF YES: Describe:*

41. Does the demand for loans in the group **exceed** the amount of the group fund? Yes _____ No _____
42. IF YES, How much would you need to increase the group fund to meet the demand for loans from the members now? _____
43. WHAT COULD THE GROUP DO TO MEET THE DEMAND FOR LOANS? INCREASE THE AMOUNT SAVED EACH MEETING _____
-
- MORE COLLECTIVE ENTERPRISES _____ INCREASE THE NUMBER OF MEMBERS _____ COLLECT SAVINGS WEEKLY _____
- GET A LOAN FROM AN MFI OR OTHER SOURCE _____ OTHER: _____
-
44. IF THE GROUP IS PART OF AN MFI: HOW MANY GROUP MEMBERS CURRENTLY HAVE A LOAN FROM _____ (NAME OF MFI)?
45. IF SOMEONE HAS RECEIVED A LOAN: WHAT IS THE AMOUNT OF THE LARGEST LOANS? _____ (NAME OF MFI ANYONE HAS)?

Record-keeping

46. Can the officers complete the records at a saving meeting without outside assistance? Yes _____ No _____
47. IF NO: Who provides this help? WEP _____ NGO _____ A husband or another relative of one of the members _____ Someone the group hires: _____ A treasurer from another group helps: _____

Following of Recommended Practices

48. Have any new officers been elected since the group became part of WEP? Yes _____ No _____
49. Did a member send someone to make a savings deposit or loan payment at a meetings over the past month? Yes _____ No _____
50. Were any savings or loan payments paid to the treasure outside the savings meeting over the past month? Yes ___ No ___
51. Did the officers always close the books at the meeting over the past month? Yes ___ No ___
52. Is excess cash always deposited at the commercial bank? Yes ___ No ___

Literacy Training

53. How many could not read and write before joining WEP? _____
54. How many learned to read and write through your participation in WEP? _____

55. How many of you have read a book, a newspaper or a pamphlet in the last month? _____
56. Is the group studying any WEP book now? Yes ____ No ____
57. IF YES: What book is the group studying? Our Group ____ Forming Our Village Bank ____ Village Bank Lending ____ Village Bank Entrepreneurs ____ Selling Made Simple ____
58. IF YES, Is the group reading this book together? Yes ____ No ____
59. IF YES: How often did the group meet to study this book last week? _____
60. IF NO: Does the group discuss what the members read on their own at the meeting? Yes ____ No ____
61. IF QUESTION 56 IS NO: What was the last book the group studied together? _____
62. Do you have suggestions of topics for other books that WEP could provide? Health ____ Environment ____ Human Rights ____ Mathematics ____ Other ____, Specify: _____
63. If WEP provided other books, how many of you would be willing to purchase them if they cost 40 rupees each? _____

Business Development: Detailed Questions In Individual Questionnaire

64. How many of you are involved in an income generating activity? _____ (EXPLAIN THAT THIS IS ANY ACTIVITY WHERE YOU EARN MONEY BY SELLING SOMETHING YOU MAKE, OR RAISE VEGETABLES OR ANIMALS ON YOUR FARM THAT YOU SELL FOR CASH, OR GOODS THAT YOU PURCHASE AND RESELL)
65. How many of you had any type of income generating activity before you joined WEP? _____
66. OF THESE: How many have increased your sales since joining WEP? _____

Links To Other Groups:

67. Has your group held a family day? Yes: ____ No: ____
68. Has your group ever sent two members to participate in a Mobile Workshop? Yes ____ No ____
69. HAS A DELEGATION FROM ANOTHER GROUP EVER ATTENDED ONE OF YOUR MEETINGS (EXCHANGE VISIT)? YES ____ NO ____
-
70. Has your group ever sent a delegation to meet with another group (exchange visit)? Yes ____ No ____
71. Has your group ever joined with another group for a campaign or infrastructure project? Yes ____ No ____
72. Have you discussed the possibility of forming an association with another WEP group? Yes ____ No ____
73. IF YES: Are you a member of an association of WEP groups? Yes ____ No ____
How long ago was the association formed? _____ Number of groups involved? _____
74. How many feel that you have the skills to train a new group in record-keeping? _____
75. Has someone from another village asked for your help to start a group for them? Yes ____ No ____
76. IF YES: How many villages have asked your help in helping them to start a group? _____
(IF NO, GO TO 82):

FOR EACH	GROUP 1	Group 2	Group 3	Group 4
77. Did you tell them about the WEP program?				
78. Did you share or sell your books?				
79. Did you provide them training?				
80. Is this group now saving ?				
81. How long does it take to walk to that group?				

Links to Government/NGOs and Others:

82. Has your group ever visited a VDC? Yes ____ No ____
83. IF YES: Has the group received any help or funding from the VDC? Yes ____ No ____
84. IF YES: What kind of help? _____
85. Has your group ever visited any other government office? Yes ____ No ____
86. Has your group participated in any other NGO projects or training besides WEP? Yes ____ No ____
87. a. IF YES: What projects? _____ b. What trainings? _____

Perception of Strength/Future after WEP:

88. Has the group received Legal Literacy training? Yes ____ No ____
89. Has the group received any part of the management committee training? Yes ____ No ____
90. IF YES: How many parts of the training have you received? Part 1 ____ Part 2 ____ Part 3 ____
91. How many times has your group received a visit from the staff of ____ (name of affiliated NGO-refer to page 1) in the last month? _____
92. IF NONE: When was the last visit? _____
93. How many visits has your group received from the WEP staff/trainer in the last month? _____
94. IF NONE: When was the last visit? _____

Concluding comments:

95. We have had a long conversation now about the group. Considering everything, do you think this group is getting stronger or staying the same? Getting stronger ____ Staying the same ____
96. **What makes you say the group is getting stronger? (probe, "Anything else?")**

97. How has being in the WEP group changed your life?(Probe, "Anything else?")

98. What has been the most valuable part of participating in the WEP group? (Read the list and then ask them to choose the most important one and put a 1 in the box. Read the list again and put a 2 in the appropriate box. Then read the list again and put 3 in the appropriate box.)

	Indicate Order
The literacy books WEP provides and the chance to learn how to read or strengthen reading skills	
The Legal Literacy Training	
Building a stronger savings and loan group	
Socializing and the chance to help each other	
The collective actions we have taken to improve the community	
Developing business skills and strengthening our businesses	
Other: (specify)	

99. Describe your dream for your group in the coming year: _____

100. What steps are you taking to make this happen? _____

THANK YOU VERY MUCH FOR YOUR TIME.

SPECIAL SECTION FOR ENNUMERATOR TO ASK WEP/NGO STAFF

QUESTIONNAIRE NUMBER: _____

Name of group: _____

Name of WEP or NGO staff person: _____

WEP STAFF:

1. WEP/NGO STAFF PERCEIVE THAT THIS VILLAGE IS: PROSPEROUS ____ AVERAGE ____ POOR ____ VERY POOR ____
2. What percentage of the group members are: Among the better off in the village ____ About average for the villagers in this community ____ Poorer than most other villagers ____ Among the very poorest ____
3. Note staff's justification for this rating:
4. From your observation, the caste of the group is mostly: Brahmin/Chhetris ____ Lower castes ____ Indigenous castes (Tharus, Sherpas, Gurung, Tamang, etc.) ____ Mixed castes ____
5. From your observation, the new members of the group are mostly: Brahmin/Chhetris ____ Lower castes ____ Indigenous castes (Tharus, Sherpas, Gurung, Tamang, etc.) ____ Mixed castes ____
6. IF THE GROUP IS OPERATING IN A RURAL AREAS: Are the group members mostly or entirely landless? Yes ____ No ____
7. Do most or all of the members not speak Nepali or speak Nepali very poorly? _____

IF WEP STAFF OR OTHER TRAINED PERSON ACCOMPANIES INTERVIEWERS HAVE THEM REVIEW THE RECORDS AND ANSWER QUESTIONS a - g

a) QUALITY AND TIMELINESS OF RECORDS FOR BOTH VILLAGE BANKS AND ECONOMIC (SAVINGS) GROUPS:

Outstanding ____ Above average ____ About average ____ Below average ____ Poor ____ Very poor ____

- b) Do they have a three key box to store their cash and records? Yes ____ No ____
- c) Do they have a calculator? Yes ____ No ____
- d) Is the full WEP bookkeeping system used to keep records? Yes ____ No ____
- e) IF YES: Are the WEP printed forms used to track transactions? Yes ____ No ____
- f) IF NO: Has the group adopted any part of the WEP bookkeeping system? Yes ____ No ____
- g) IF NO: DOES THE GROUP USE A LEDGER TO TRACK ITS ACCOUNTS? YES ____ NO ____
- h) WHAT WAS THE SIZE OF THE GROUP FUND ONE YEAR AGO? (CHECK RECORDS) _____