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World Council of Credit Unions, Inc.

WOCCU

SANASA Movement Strengthening: Forming an Institutional Development Unit

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List of Acronyms

CDD	Cooperative Development Department
CDO	Cooperative Development Officer
DU	District Union
FTCCS or SANASA	Federation of Thrift and Credit Cooperatives in Sri Lanka
GA	General Assembly
GOSL	Government of Sri Lanka
IDU	Institutional Development Unit
p.a.	per annum
PACD	Project Activity Closure Date
PEARLS	WOCCU's Financial performance monitoring system
PS	Primary Society
PSs	Primary Societies
SDB	SANASA Development Bank
SLR	Sri Lanka Rupees
USAID	United States Agency for International Development
USD	United States Dollar
WOCCU	World Council of Credit Unions, Inc.

Executive Summary

The Project has met its targets as outlined in the Cooperative Agreement between USAID and WOCCU. During the life of the project the Institutional Development Unit worked with 86 primary societies in the institutional development program and brought accounting up to date in 171 primary societies. The institutional strengthening program's main achievements are returning project primary societies to solvent positions, significant improvement of asset quality and protection, an increase in capital adequacy and liquidity, substantial loans, savings and asset growth, development and introduction of a standardized chart of accounts and an improved accounting system.

The Project trained 5,231 managers, members of primary societies governing bodies and officers of the Cooperative Development Department at 13 different technical courses. It represents an achievement of 769% of the projected number of 680 people trained.

During the life of the project primary societies mobilized an additional USD551,044 in savings, increased net assets by USD1,377,809 and collected total bad debts in the amount of USD278,138.

The effective return on loan portfolio increased from 11.45% in 1999 to 19.04% in 2001. Improvement in the rate of return was achieved not by the increase of nominal interest rate on loans, but instead, by the introduction of adequate and aggressive collections techniques.

Membership in project credit unions increased from 16,761 members in 1998 to 31,252 members in June of 2001. However, if all the users of services provided by project credit unions are included the total number of users will exceed 56,250 clients (including minors and users of services residing outside of community boundaries and therefore disqualified to obtain full membership).

Out of all project credit union members, 15,806 or 51% are women. In addition, over 50% of all borrowers are women as well.

The average loan balance disbursed by project primary societies in the latter part of 2000 was USD172. Moreover, the average balance per savings account as of the end of December 2000 was USD52. Numbers presented herein undoubtedly sustain the fact that SANASA is among the leading providers of microfinance not just in Sri Lanka, but in the South Asia Region as well.

The Project's efforts to improve external regulatory requirements have resulted in the passage of Circulars by Provincial Commissioners requiring adequate protection (provisioning) for substandard, doubtful and lost assets, depreciation guidelines for fixed assets, improvement in audit procedures by CDD, and a change of charter from unlimited to limited liability societies providing more flexibility in management of societies.

I. PROJECT BACKGROUND

The co-operative movement began in Sri Lanka with the formation of Thrift & Credit Co-operative Societies (SANASA) in 1906, followed by the passage of the Co-operative Act in 1911. Significant growth of societies took place over the ensuing years until 1964, when about 4,500 societies were in existence. The Co-operative Department subsequently began liquidating inactive societies beginning in 1974 and continuing through 1979, at which time about 1,230 mostly active societies remained. The SANASA movement experienced what most credit union movements around the world had undergone - the natural evolution of consolidating the smaller and weaker institutions.

In 1979, a long-lasting revitalization effort began through the vision of a SANASA leader, Mr. Kiriwandeniya. Beginning at that time, new credit unions were formed, second tier organizations called "district unions" were established, and the apex organization, the Federation of Thrift & Credit Cooperative Societies of Sri Lanka (FTCCS), began operating. At the time of project inception the credit union movement was comprised of about 8,400 primary societies, over 800,000 individual members, more than 2.4 billion SLRs (US$40 million) in savings, and over SLRs 2.1 billion (US$35 million) in loans outstanding.[1] The primary societies are widely dispersed over the island, covering rural as well as urban areas. This highly democratic movement has empowered hundreds of thousands of Sri Lankans through highly participatory movement meetings, allowing equal voting rights to member owners.

The SANASA movement has varying degrees of sustainability. For the most part, primary societies (the tier that provides services to individual members) are willing to operate responsibly, yet in many instances are lacking adequate financial management skills to keep the proper balance between the management functions of a financial institution and meeting the social objectives of the primary society in assisting the community. This has led primary societies to high delinquency due to inadequate lending and collection practices and decapitalization or insolvency because of the heavy focus towards social responsibility in returning profits to the community at the expense of building adequate capital reserves. The second tier organizations, district unions, are generally not sustainable. They used to be propped up with donor-funded programs, are laden with high operating costs and experience net earnings deficits. Recent efforts to diversify their income sources have helped but their member-supported income sources are small in relation to their total budget. The apex organization, FTCCS, is also taking steps at this time to reduce its reliance on external funding.

II. PROJECT GOALS AND OBJECTIVES

The overall Project goal was to assist the SANASA Movement to achieve enhanced financial viability and institutional and financial self-sustainability through better diagnostic and monitoring systems, as well as standardized accounting and financial management practices. The Project goal had to be achieved through strengthening Primary Societies (PTCCSs) in Anuradhapura, Puttalam, Kuliyapitiya and Kurunegala districts (North West and North Central Provinces in Sri Lanka).

[1] SANASA Statistical Report 1996

Strengthening Primary Societies in designated districts had to be implemented by meeting the following Objectives:

1) forming an Institutional Development Unit;
2) developing preliminary and comprehensive institutional diagnostic and monitoring systems;
3) establishing an improved grading system incorporating financial performance standards for Primary Societies;
4) adapting training materials to IDU needs and training at least 680 Primary Societies' and District Unions' managers and leaders in the following subject areas: standardized accounting practices, financial management, marketing, credit administration, business planning, strategic planning and others as needed;
5) achieving of accounting in-balance condition of at least 171 new grade 1 Primary Societies; and
6) institutionally upgrading and certifying at least 85 Primary Societies into new grade 1.

III. PROJECT IMPLEMENTATION METHODOLOGY

Project implementation consisted of three main phases:

1) Start-up phase;
2) Institutional Diagnostic Phase;
3) Primary Societies Turnaround Phase.

During the Start-up phase project implementation plans were prepared, staff hired and the tools required for project implementation were developed.

The Institutional Diagnostic Phase included selection of participating societies, in-depth assessment of the financial performance of potential partners, feedback to the primary societies on findings, outline of the process and expected results of the future cooperation between the project and the primary society, and signing of the Cooperation Agreement when mutual understanding of the expected result was achieved.

The Primary Societies Turnaround Phase consisted of classroom training of project primary societies' leaders, managers and accountants, development of strategic and operating plans and supporting budgets, consistent and continuous on-site consulting by project technical staff to follow-up on classroom training, introduction of adequate operating policies and procedures, setting prudential financial performance norms and standards, introducing adequate accounting and financial management techniques, continuous and consistent monitoring of financial performance and quality of assets, and consulting on required corrective actions as necessary. In addition to working directly with primary societies, this phase included achieving improvements in the regulatory environment through working with the Cooperative Development Department and supporting FTCCS in designing and introducing financial performance standards for primary societies island-wide.

Due to the fairly large number of primary societies that the project worked with (85 primary societies in the institutional turnaround program and 171 primary societies in the accounting upgrade component), the project selected groups of about 20 primary societies to join the project at different stages of project implementation. For example, group 1 joined the project for institutional turnaround in late 1998 while the last group, group 5, was only accepted in the project in early 2001.

IV. PROJECT RESULTS VS. OBJECTIVES

The following progress has been made towards achieving the contractual targets:

Objective 1 - *Establishing the Institutional Development Unit* (100% **complete**). Establishment of the IDU was completed in the project start-up phase. The IDU consisted of a Project Manager, seven Technical Services Officers and an Office Manager. All IDU staff were recruited and employed by SANASA. However, WOCCU took an advisory role to SANASA and IDU, including staff training, staff development, project implementation planning, project performance monitoring, technical development, technical training, field consulting, etc. The first attempts to hire qualified Technical Officers were not successful and IDU experienced 75% turnover of technical staff in the first 6 months of project implementation. Nevertheless, IDU was fully staffed by early 1999 and there was virtually no staff turnover since then.

In addition, it was planned that after project close-out IDU would continue operating within the SANASA Campus as a self-financing consulting unit. Prior to the project close out there were around 100 primary societies that had subscribed for using IDU services for a fee in the fourth quarter of 2001 and also in the year 2002. Moreover, after project close-out IDU started to provide technical assistance to the institutional development program implemented by SANASA and Rabobank and financed by HIVOS.

Objective 2 - *Development of comprehensive institutional diagnostics and monitoring systems* (100% **complete**). An institutional diagnostic system was adopted and introduced during the project start-up phase in the second and third quarters of 1998. It consists of a questionnaire for Boards of Directors, Management and General Membership. The purpose of the diagnostic is to assess the quality of governance, management and services, identify the depth of outreach of the primary society and learn about the local community's perception of the primary society. The second part of the diagnostic analyzes in-depth financial performance of the primary society for at least the 3 most recently completed financial years and assesses the quality of assets owned by the primary society. Based on the diagnostic, IDU made a decision whether the primary society applying for participation met the criteria and provided advisors with the information necessary to develop action plans with the ultimate objective of reaching Model Credit Union Performance Standards.

During project implementation 135 Diagnostics were performed: 132 primary societies and 3 District unions were diagnosed. Out of 132 primary societies, 27 decided not to join or were not accepted in the program. Another 19 primary societies withdrew during project implementation or were expelled from the project due to non-compliance with Model Credit Union operating principles and Financial Performance Standards.

Objective 3 - *Establishment of an improved grading system, including the integration of financial standards into the primary societies rating system* (100% **complete**). Development of an improved grading system was completed in the third quarter of 1998. A key improvement was adding financial performance standards to the existing grading system. The following prudential norms were added:

1) Creating loan loss allowances in the amount of 100% of the outstanding balances of loans delinquent over 12 months;
2) Forming and maintaining permanent reserves in the amount of 10% of total assets;
3) Reducing and maintaining delinquency at the level of 5% or less of total loan portfolio;
4) Maintaining non-earning assets at the level of 5% or less of total assets;

5) Maintaining operating expenses between 3-10% of average assets;
6) Maintaining a gross margin sufficient to cover operating expenses and provisions for loan losses;
7) Maintaining adequate profitability allowing to form and maintain permanent reserves at the level of 10% of total assets;
8) Maintaining liquidity at the level of no less than 15% of total savings deposits;
9) Maintaining annual asset growth higher than actual inflation;
10) Maintaining loans between 65-80% of total assets.

Despite the improvement of the grading system by adding financial performance indicators, it is important for SANASA to continue development of financial management and performance monitoring capacity at all levels of the system. It is suggested that SANASA adopt WOCCU's PEARLS standards in their entirety and require mandatory compliance for the whole SANASA system. The concept and potential implementation strategies for implementing performance standardization were presented to SANASA leadership in September of 2001 during the project close-out process.

Objective 4 - *Training of at least 680 primary societies' leaders and staff in the requirements of the new grading system and empowering them to achieve proper financial performance standards within their societies* (**769% complete**). The total number of Primary Societies managers and volunteers trained throughout the life of the project is 5,231. Primary Societies Directors and Managers have been trained at the following courses:

1) Model Credit Union Operating Principles – Introduction;
2) Credit Union Policies and Procedures;
3) Management of Credit Union Asset Quality – Delinquency, Lending and Collections;
4) Credit Union Financial Management - PEARLS Monitoring System;
5) Savings Mobilization and Marketing;
6) Credit Union Business Planning;
7) Credit Union Liquidity Management and Cash Flows Reporting;
8) Credit Union Accounting – Introducing a Standardized Chart of Accounts and Sri Lanka Accounting Standards;
9) Credit Union Internal Controls;
10) Credit Union Boards of Directors and Management – Roles and Responsibilities;
11) Roles and Responsibilities of the Supervisory Committee;
12) Credit Union Taxation in Sri Lanka;
13) Primary Societies Employee Cadre.

Training provided to Cooperative Development Department Officers included:

1) Model Credit Union Operating Principles – Introduction;
2) Credit Union Financial Management – PEARLS Monitoring System;
3) Credit Union Accounting – Introducing a Standardized Chart of Accounts;
4) Management of Credit Union Asset Quality – Delinquency, Lending and Collections;
5) Credit Union Business Planning.

As a result of the training provided, some important regulatory improvements were achieved. The North Western and North Central Provincial Commissioners issued Circulars requiring mandatory provisioning for loan losses in the amount of 100% of loans delinquent over 12 months, 35% of loans delinquent between 91 days and 12 months and 15% for loans delinquent between 30 and 90 days. Also, the process of transformation from unlimited liability to limited liability primary societies has been standardized and is fairly easy to complete. The benefits of transforming from an unlimited to a limited liability primary society are listed in the table below:

Table 1

Item	Limited	Unlimited
Liability	Members' liability is restricted to their share capital.	Members' liability is not restricted and can include collection of personal assets.
Membership	Unrestricted geographical area.	Restricted to a limited geographical community.
Access to Financial Services	Unrestricted access to the PSs financial services.	Individuals outside of the geographical area can only save with the PS and cannot vote or be on the BOD.
Decision Making	More power is transferred from the CDD and Board to management. No Treasurer. By-law changes are easier. Maximum loan size is decided based on by-laws (BOD or GA).	CDD and the BOD retain power. Treasurer is responsible for vault cash. Changes to the maximum loan size require the approval of the CDD.
Shares	Each member can have up to 10 shares but no individual can have more than 20% of shares outstanding	One member, one share.
Board Honorariums	Allowable	Unallowable

In addition, the Project has lobbied the Cooperative Development Department for mandatory introduction of a Standardized Chart of Accounts. At this time all the documents, including accounting manuals, have been translated into the Sinhala language and are being reviewed by the CDD.

Objective 5 - *Achieving accounting in-balance condition of at least 171 grade I societies in the four-district area* **(100% complete)**. Accounting systems of 171 primary societies were updated during the life of the project. The updates included the following components:

1) bringing accounting records up to date;
2) introducing monthly or quarterly and annual production of Balance Sheets and Income Statements;
3) introducing accounting practices that allow the credit union to keep accounting records current.

In addition to the contractual objective #5, WOCCU and IDU developed and introduced a Standardized Chart of Accounts and Accounting Manuals. Accounting has been converted to the standardized system in 19 Primary Societies which now serve as models for other PSs. The process of accounting conversion has been standardized as well and the time required to fully complete conversion has been minimized. It is the opinion of the author of this report that introducing the

Standardized Accounting System in selected project primary societies can contribute significantly to improving efficiency and effectiveness of the SANASA system in the long term, if FTCCS decides to introduce it island-wide.

Objective 6 - *Ensuring that at least 85 primary societies achieve the new grade I requirements* (100% **complete non-financial indicators and 50% complete financial performance indicators**). Project primary societies are in compliance with Grade 1 non-financial performance indicators (excluding introduction of the Standardized Accounting System in all project societies, since approval of the proposed accounting system by CDD is still pending). Those targets are:

Table 2

1. The Primary Society is legally registered according to cooperative law;
2. The Primary Society maintains an account with a registered bank;
3. The Primary Society has permanent office space with a sign, counter and member services area, basic office equipment required for operations, relevant information and statistics displayed and made available for members, and appropriate communications systems;
4. The Primary Society is open no less than 5 days a week or 40 hours per week;
5. The Primary society has regular meetings (as set in the bylaws) of the general membership, Board of Directors and has established a credit committee and other committees with regularly maintained minutes of the meetings;
6. The Primary Society has at least a full time paid manager;
7. The Primary Society has a safe for keeping cash under dual control as well as other security measures as appropriate;
8. The Primary Society has an efficient and functional internal audit/control system;
9. The Primary Society's books are kept up to date and financial statements are submitted to the appropriate monitoring agency no later than the 10th of the next month or quarter as the case may be;
10. The Primary Society has an approved budget (business plan) and evaluates actual results with projections at least quarterly;
11. The Primary Society has a monitoring system for loan performance;
12. The Primary Society has and it uses written policies and procedures as required by the appropriate monitoring agency;
13. The Primary Society keeps accounting records according to a standardized chart of accounts;
14. The Primary Society has and it implements plans for increasing family penetration, youth attraction and female participation;
15. The Primary Society participates at the Annual General Meeting for Primary Societies;
16. The Primary Society has developed a Marketing plan and works according to it;
17. The Primary Society has a Human Resource development Program and works according to it.

Compliance with Financial Performance Standards is 50%. The main reasons for project primary societies not being able to fully comply with the new grading criteria by the end of the project is because for years management and CDD had ignored the prudential standard of setting minimum capital adequacy and accounting requirements to record losses associated with erosion of asset quality. As a result, project societies had to correct mistakes of the past by recording provisioning expenses of the previous years at the time when they joined the project and record the accumulated loss as a reduction of capital. The net effect of the adjustment on financial statements was recording negative capital positions for over 90% of the project societies at the time when the diagnostic was completed. The Average Capital Adequacy Ratio at the time of signing participation agreements was -9.78%. As may have been expected, bringing capital adequacy to over 10% requires a longer period of time since net income is the primary, if not only, source of income to achieve the objective. Combined with negative net incomes in the first year of joining the project due to the massive provisioning for bad debts incurred in previous years and decades this provided a real challenge to the SANASA system and the project in particular.

Grade 1 Financial Performance Standards of project primary societies are as follows:

Table 3

Financial Prudential Norm	Standard	Actual
1. Allowance for Loan Losses (loans delinquent over 12 months)	100%	100%
2. Capital Adequacy	Min. 10%	4.5%
3. Total Delinquency	Max. 5%	17%*
4. Non-earning Assets to Total Assets	Max. 5%	10%
5. Gross Margin	Sufficient	7%
6. Operating Expenses to Average Assets	3-10%	4.7%
7. Return on Assets	Sufficient	1.5%**
8. Liquidity	Min. 15%	13%
9. Asset Growth	6%**	12%**
10. Loans to Total Assets	65-80%	72%

* The delinquency ratio includes loans delinquent over 12 months that are fully provisioned for but are not charged off due to the lack of approval of such a procedure from CDD. The adjusted delinquency ratio is 13%.
** Provides data for year end of 2000.

V. ANALYSIS OF FINANCIAL PERFORMANCE OF PROJECT CREDIT UNIONS

The previous semiannual report for the first six months of 2001 provided an analysis of the consolidated financial performance of all project societies. The following sections of the report will look in depth into the performance of the larger group of primary societies, which joined the project in late 1998 and early 1999 and are the only ones that have gone through two full financial years of technical assistance by IDU and WOCCU. The analyses below are presented to support the methodology WOCCU has developed for Model Credit Union Building and delivery of safe and sound financial services to credit union members. Source information for analysis in the following sections are consolidated financial statements and PEARLS reports included in the Attachment A.

1. <u>Protection.</u> Adequacy of protection is first and foremost dependent on the quality of guidelines for risk assessment. Standards set for project credit unions require reporting a loan as delinquent 30 days after either a principal or an interest payment is missed and the standards prescribe classifying the whole outstanding balance of the loan as being at risk.

At the project close-out provisions were made at the level of 100% for all the loans delinquent over 12 months, 35% for loans delinquent between 3 and 12 months and 15% for those past due between 30 and 90 days. Therefore, loan portfolios of project primary societies were adequately protected against credit risk and were in compliance with WOCCU standards and the new protection requirements approved by the Cooperative Development Department as per WOCCU and IDU suggestions. It has to be noted that at project start up provisions were at a level of 0%. At the end of the project the overall amount of Loan Loss Allowances created for this group of primary societies totaled US$94,500, while the aggregate amount of provisions created for all 85 societies was US$330,000.

Analysis of solvency of this group at the end of 1998 identified that the solvency ratio was 91.77% suggesting that every dollar recorded as a liability is only covered by 91.8 cents of realizable assets. Over the period of two years this group of project PSs managed to restore solvency and showed a solvency ratio of 109.46% confirming the improvement in protection levels and asset quality management, reaching the level of US$1.09 of net realizable assets for every dollar recorded as a liability.

It has to be mentioned in this section of financial analysis that WOCCU, IDU and SANASA were not fully successful in convincing CDD to issue a Circular prescribing the process of writing-off worthless assets as mandated by Sri Lanka Accounting Standards SLAS-97. At this time write-off is being practiced only in a handful of project PSs. The net result of the failure to appropriately perform this accounting transaction is an artificially increased level of delinquency. However, it has to be mentioned that the described accounting shortcoming does not have a negative impact on the quality of assets, since provisioning for the bad debts has been done in full. More on the matter can be found in the section describing asset quality.

2. <u>Effective Financial Structure</u>. Balance sheet management is one of the key components of overall financial management in the financial institution. Due to the nature of the business, balance sheet composition has a major impact on the profitability of the institution. Moreover, professional and appropriate management of assets and liabilities helps the institution to reduce its exposure to credit, liquidity and interest rate risks.

In an environment lacking even basic automation, it is important to develop and introduce management techniques that are not time consuming yet provide adequate and accurate information for decision making. In this context the introduction of improved and standardized accounting and reporting systems is a cornerstone for subsequent successful management of a primary society. At the beginning of the project primary societies were producing financial statements once a year. Under such circumstances proactive management of PSs was not possible, since the financial information available was already outdated at the time when reports were presented to management or the BOD. The first step completed by the project was updating accounting records, reorganizing the accounting process and introducing a standardized accounting system in the majority of the PSs within the group concerned. This effort to upgrade PS accounting resulted in the ability of PSs to produce financial statements on a monthly basis no later than 10 days after the end of the month.

As the next step, in the absence of automation, the project introduced simplified asset-liability management technique thru analysis of balance sheet structure. PSs were advised to match volumes and terms of the savings (liabilities with the highest cost) with those of loans (assets with the highest return) thus addressing liquidity risks. Interest rate risks were addressed through the introduction of the concept of variable interest rates on loans and savings allowing for a change in interest rates prior to maturity of these assets or liabilities. Variable interest rates are an important concept in the Sri Lankan environment, where loan terms are generally longer than savings terms.

Understanding that without a certain level of automation and adequate accounting and MIS software, advanced asset – liability management is time consuming and difficult to carry out on a daily basis; project PSs were advised to pay increased attention to liability management in addressing future liquidity risks arising from a mismatch in maturities of assets and liabilities. More specifically, PSs had to revert from using external credit to finance asset growth to *maintaining available credit* facilities to manage the liquidity position of the PSs. Asset growth, in turn, was achieved through savings mobilization at levels that satisfied loan demand from qualified borrowers.

Results of the balance sheet management techniques that were introduced can be seen from the balance sheet trend analysis. In 1999 the Loans to Assets ratio of the project credit unions was 70% while the Savings to Assets ratio was 81%, thus suggesting that 11% of high cost savings were placed in assets other than loans, producing lower returns and negatively impacting profitability of the PSs. After adjusting the loan portfolio to its true net value, that difference increases to over 20% highlighting major deficiencies in the efficiency of the institution. After corrective measures were taken, the consolidated report in June 2001 shows that the Net Loans to Assets ratio increased to 72.25% while the Savings to Assets Ratio decreased to the level of 75.42%. Such a change in balance sheet structure for the whole group of PSs is an indication of increased quality and efficiency of operations and a reduction in the exposure to liquidity risk. At the same time management of the PSs was able to maintain a ratio of Liquid Investments to Assets at the level of 10%, ensuring that adequate liquidity is maintained and they increased the Financial Investments to Assets ratio from 5% to 7%, *demonstrating that positive changes in the liabilities structure* were achieved through increased efficiency and profitability while showing overall savings and asset growth.

Experience of financial cooperatives worldwide shows that providing non-financial services along with financial services very often involves a cross-subsidy by borrowers to users of non-financial services. The Project primary societies analyzed in this report hold a small amount of non-financial investments totaling in 0.69% of assets and representing primarily investment in post-offices opened by primary societies under the larger national program started by SANASA. At this time operations of the non-financial components are not sustainable and are subsidized by loan services. Although the overall amount of non-financial investments made by project PSs is insignificant and the loss created by it could be regarded as immaterial, in a broader context SANASA should reevaluate its strategy in combining financial and non-financial services under one roof and develop a strategy of separating much-needed community work from managing the savings of community members. Failure to do so very often results in misuse of savers funds, using savings to pay for community services.

Moving on to analysis of the liability structure one will notice that there has been increase of external borrowings from 2.5% of total assets in 1998 to 4.9% in 2001. This increase has occurred due to three main reasons: 1) primary societies introduced liquidity management, using the liabilities management method thus creating the need for short-term borrowings; 2) the deteriorating political situation in Sri Lanka and worsening global economic conditions has adversely impacted market prices of the main agricultural commodities produced by members-farmers, creating the need for farmers and agricultural laborers in those communities to partially live on their savings; and 3) the hesitation of PSs management to increase interest rates on savings to match the rate increase fostered by GOSL through its discount rate policy. All of these elements combined together contributed towards a slow-down in savings mobilization and in some cases the outflow of savings.

Increased external borrowing became necessary to satisfy the loan demand of qualifying members.

The ratio of Share Capital to Assets has experienced virtually no change and has remained at the level of around 6%, indicating member confidence in the primary societies' performance and satisfaction with deposit and loan services offered by project PSs.

Dramatic improvements have taken place in the area of capital adequacy of project primary societies. In 1998 the adjusted capital adequacy ratio was negative (9.78%). Over the period of two years project PSs managed to return to solvency and build capital at the level of 4.53%. It is a significant achievement for such a short period of time and confirmation of the efficiency of the methodology applied by WOCCU for building safe and sound financial institutions.

3. Asset Quality. The most important indicator in the asset quality section is delinquency. At the time when project PSs joined the project, the consolidated delinquency ratio was 48.5%. In March of 2001 delinquency was down to 12.3% (ratio adjusted to exclude delinquent loans over 12 moths that are fully provisioned for). Although the ratio is still above the target of 5% or less, the trend is encouraging and it is fair to expect that delinquency will be brought below 5% during the coming financial year. It also has to be mentioned that aggressive collection techniques introduced by the project have resulted in collection of US$278,138 of bad debts or 20.7% of the current loan portfolio.

The Non-Earning Assets to Total Assets ratio was at the level of 9.5% at the time of project start up. It has slightly increased to 10.6% at the project end and is above the suggested maximum level of 5%. The reason for the increased non-earning assets ratio lies behind the philosophy practiced by SANASA societies – namely, strive to own land and buildings. An increase has been observed in the investment in buildings and their improvement, since almost all of the societies own the land at the time of project start-up. Increased efficiency and profitability has allowed PSs to build or improve their buildings, significantly improving their image in the community. It should be viewed as a cost of doing business for the benefit of faster growth in the future.

A major achievement has been a change in the source of funds used for investment in non-earning assets. In 1998 the Net Zero Cost Funds to Non-earning assets ratio was negative (54.97%). In other words, all of the non-earning assets were financed with funds that had a cost associated with them or more precisely with member savings or external credit. Due to such an approach, in 1998 the direct cost of capital utilized by primary societies to purchase non-earning assets was between 9 and 18% p.a. Alternatively, in 2001 the Net Zero Cost Funds to Non-earning assets ratio was 104.3% indicating that all of the non-earning assets purchased and owned by project PSs were financed with institutional capital or other funds without cost to the primary society (opportunity cost not taken into account).

Overall, the above analysis confirm the presence of significant improvements in the management of asset quality and the positive trends observed add to the optimism that the non-earning assets standard will be achieved in the future.

4. Rates of return. Project primary societies have improved their earnings during their participation in the project. The effective yield on loans in March of 2001 was 19.4%. Compared to a return of 11.45% in 1999 it is another reminder to the managers of the importance of an appropriate lending methodology and adequate collection techniques. An increase in the real return has been achieved

not by doubling loan interest rates, but instead by vigorously collecting interest and principal from the borrowers while maintaining nominal rates at around the same levels.

Risk diversification training provided knowledge to managers about the principles of defining acceptable investments. Project primary societies moved away from the concept of investing exclusively in District Unions, which in many cases proved to be poorly managed and unable to pay contractually-agreed interest or even repay the principal. Diversification of types of investments and institutions to invest in resulted in improved liquidity of the funds and increased returns. Return on liquid investments increased from 4.8% in 1999 to 7.23% in 2001, while yield on longer-term investments grew from 4.8% in 1999 to 8.2% in 2001.

Return on savings has been consistent and remained around 9%. However, while it was within the market back in 1998, an increase in the discount rate of government bonds in late 2000 triggered a savings rate hike in Sri Lankan savings mobilization market in 2001. Savings interest rates offered by project PSs at the end of June were on average 100 to 300 basis points below the market rates. SANASA societies, including project PSs failed to react immediately, which, in turn, resulted in slowdown of savings mobilization rates, and in some instances, outflow of savings from PSs. Once again the introduction of adequate pricing policies of financial products and, as importantly, implementation of those policies in practice, are important components for the SANASA system to remain competitive and must be implemented system-wide, not just in selected project societies.

Improved earnings in 2000 and 2001 have contributed to an increase of the Gross Margin to 7.5% and 7.2% respectively compared to 4.9% in 1998 and 4.3% in 1999.

Major improvements have taken place in profitability of the project PSs. Return on Assets adjusted for loan loss provisions was negative (17.53%) in 1998. At the end of year 2000 real return on assets was positive and reached 1.52%.

5. Liquidity. Liquidity management as a concept and absolute necessity for any deposit taking institution was non-existent at the project start-up. PSs managers widely practiced cash monitoring and reporting, which by its very nature does not address broader issues of ensuring institutions' ability to meet the unknown amounts of near future savings withdrawals and loan requests. Any indications that liquidity levels were satisfactory in the pre-project period are purely coincidental and do not represent conscious and constant liquidity management. The liquidity level of project primary societies was 16.2% in 1998. It was decreased slightly to around 15%, which is WOCCU's international standard, in 1999 and 2000. In 2001 a slight drop to 13% was experienced, primarily due to the volatile economic environment, yet is deemed to be within safe levels. Nevertheless, it is important to restore liquidity to 15% as soon as possible and consider the need to set higher liquidity standards until the political and economic turmoil in Sri Lanka is over.

Out of total liquid assets held by project PSs, 1.61% of total assets are held in cash or non-interest earning cash equivalents. It is slightly above the suggested standard of 1%, yet is justified since many of the project societies are located in rural communities lacking bank facilities. Increased travel time to the bank branch requires primary societies to maintain higher cash levels for the benefit of their members.

6. Growth. Project primary societies have showed real growth throughout of the life of the project. Total assets adjusted for loan loss provisions and inflation for the group of societies analyzed in this

report have increased from US$1,222,247 in 1998 to US$1,859,467 in June 2001. This increase in assets over the two and a half year period represents growth of 52%.

Overall asset growth in all 86 project PSs has been 38%. Assets (adjusted for loan loss provisions and inflation) have increased from US$3,601,429 in 1998 to US$4,979,238 in June 2001.

Member savings and shares for this group alone have grown from US$1,125,773 in 1998 to US$1,515,735. Savings and share growth has been US$389,962 or 35%.

The following savings growth has been achieved by project primary societies by group:

Table 4

Group	Attracted savings (US$)	Growth rate	Duration of participation
Group 1	389,962	35%	12/98 – 6/01
Group 2	200,201	29%	7/99 – 6/01
Group 3	(46,219)	-4%	1/01 – 6/01*
Group 4	14,329	8%	6/00 – 6/01
Group 5	(7,229)	-1%	1/01 – 6/01*
Total	551,044		

Membership in the first group of project primary societies has grown from 6,301 in 1998 to 10,118 in June of 2001, or by 60%.

Membership in all 86 project societies has grown from 16,761 members in 1998 to 31,252 members in June of 2001. The membership figures presented include primary societies members exclusively. Primary societies provide financial services to non-members who reside outside of the community boundaries and do not qualify to become full members according to the existing legislation. It is estimated that the total number of people served by project credit unions is higher by about 80% and reaches 56,250 clients.

7. Ranking. In addition to the standards approved by SANASA and used to measure the success of project PSs, WOCCU is applying its own ranking criteria to all projects, allowing comparison of project performance across the globe. The current ranking system incorporates 13 key ratios utilized in the PEARLS system. Ideally, a credit union or group of credit unions should strive to achieve all of the standards and maintain them over the years to be regarded as Model Credit Unions. Performance of the Group 1 project credit unions measured against WOCCU's ranking criteria is presented in the table below:

* Negative growth figures are resulting from high delinquency at the point when PSs joined the project and collection method of charging delinquent outstanding loan balances against savings of delinquent borrowers. Net result was reduction of the volume of loan portfolio and savings, while increasing quality of assets.

WOCCU Standards of Excellence: SANASA Primary Societies Consolidated Group 1 Report

TABLE 5

Ratio	P1	P2	E1	E5	E9	A1	A2	R7	R9	R12	L1	S11	S10	
Goal	100%	35%	65 to 80%	65 to 80%	10 % or more	5% or less	5% or less	equal or more than R5	3 to 10%	reach goal in E8	over 15%	Inflation or more	over 5%	score
12/31/98	0.02	0.15	72.5	77.7	(9.7)	48.5	9.6	0.2	3.33	(20)	16.2	N/A	N/A	4
12/31/99	32.9	14.4	70.6	81.0	(2.3)	23.9	9.4	0.03	2.6	(6.6)	15.2	13.7	30.9	5
12/31/00	100	70.2	71.8	77.1	4.96	16.6	9.8	0.12	3.71	1.52	15	10.72	19.27	8
6/30/01	100	68.3	72.2	75.4	4.53	14.5	10.7	0.7	4.68	0.26	12.59	-2.2	2.83	6

It also has to be noted that there is a number of societies within the project who have achieved not just new grading requirements, but also the much stricter WOCCU standards of excellence, and have met and maintained the Standards of Excellence until the project close-out. Such societies will continue to serve as examples for others in the future. In the table below you will find financial performance ratios for SANASA Kirimatiyana Primary Society, which was picked just as an example out of the group of over 10 primary societies showing excellent performance over the period of time.

Ranking of SANASA Kirimatiyana Primary Society:

Table 6

Ratio	P1	P2	E1	E5	E9	A1	A2	R7	R9	R12	L1	S11	S10	
Goal	100%	35%	65 to 80%	65 to 80%	10 % or more	5% or less	5% or less	equal or more than R5	3 to 10%	reach goal in E8	over 15%	Inflation or more	over 5%	score
12/31/98	100	0.0	59.0	73.6	11.0	11.2	4.2	0.0	2.47	1.93	42.1	N/A	N/A	6
12/31/99	100	100	72.4	76.0	13.6	2.12	3.57	0.0	3.0	2.81	16.8	68.9	27.46	12
12/31/00	100	57.5	74.3	75.7	11.21	4.3	3.7	1.48	4.35	1.31	16.6	59.13	21.82	12
6/30/01	100	92.1	76.7	75.7	13.9	4.5	2.6	6.12	3.5	3.31	15.9	(0.41)	12.9	11

VI. CONCLUSIONS AND RECOMMENDATIONS

Overall, the project has achieved its goals and objectives as laid out in Cooperative Agreement No. 383-A-00-98-00077-00 between USAID and WOCCU. However, the financial condition of SANASA primary societies being worse than expected at project start-up has impacted their ability to meet WOCCU's capitalization standard of 10% and decrease delinquency below 5% within a period of two full financial years. Nevertheless, capital adequacy and delinquency trends and regaining of a solvent position within a year of joining the project provide assurance that WOCCU's International Standards of Excellence can be met in full by project primary societies in the near future in those remaining prudential areas.

The Project performed a detailed financial analysis of 132 primary societies and 3 District Unions. At the time of project start-up, after adjusting financial statements to meet International Accounting Standards, 95% of examined societies turned out to be insolvent with delinquency running as high as 98%. Needless to say, management and Boards of Directors were unaware of the situation. The above facts should draw FTCCS's immediate attention to the overwhelming challenges SANASA primary societies are facing. The methodology introduced by WOCCU for primary societies' restructuring should be adapted without major modifications or simplifications and applied to primary societies island-wide. Moreover, failure to recognize primary societies' performance problems and act upon them poses major systemic risk to SANASA.

In light of the above assessment it is recommended that SANASA develop capacity within the head office and regional centers by training technical personnel according to the same programs WOCCU used to train IDU staff and make them responsible for achieving institutional restructuring in SANASA primary societies within the geographic areas of their responsibility. Current IDU staff must be used as trainers during the phase of personnel training.

Consideration must be given to reorganizing services delivered to primary societies by District Unions and SANASA Development Bank. Due to the fact that SDB is the only regulated institution within the movement, it is appropriate to transfer the responsibility of delivering financial services to first tier organizations -- PSs – to SDB. District Unions, in turn should concentrate on delivery of training, technical support and representation services to their member primary societies. Such an approach inevitably will drive the weakest District Unions out of business and is politically an extremely difficult decision. However, performance evaluation at three DUs clearly demonstrates that the second tier – DUs - is financially distressed, unable to generate sufficient incomes and often finance their operating costs thru increase of liabilities, or more precisely, expenses are paid for with savings mobilized from primary societies. Reluctance to act upon the findings will only increase the size of the existing problem.

The regulatory framework for financial cooperatives currently in place in Sri Lanka is inadequate to ensure proper monitoring of the safety of member savings. Cooperative Development Departments responsible for regulation and supervision are understaffed and not technically and technologically equipped to perform their duties as regulators of deposit-taking financial institutions. In addition, the few financial regulations and prudential norms that exist are outdated and often conflict with newer and prevailing pieces of legislation, e.g., *Sri Lanka Accounting Standards from 1997.*

The project implemented by USAID, WOCCU, SANASA and IDU should be considered a testing phase for a larger scale activity geared towards improvement of the safety and soundness of the overall SANASA system and used as a model for institutional development movement-wide given the positive results the project has shown.

The following approach for institutional development of the system should be taken:

1) Comprehensive financial performance standards for SANASA primary societies must be approved (PEARLS standards should be used) by FTCCS and enforced in primary societies;
2) A standardized chart of accounts must be introduced by FTCCS to all affiliated primary societies (the chart of accounts developed by the project and introduced in project primary societies is comprehensive, adequate and compatible with computerized accounting systems);
3) FTCCS must develop primary societies' performance monitoring capacity within national headquarters and district offices;
4) Financial reporting by all primary societies to FTCCS must take place no less than quarterly. Reports must include at least a Balance Sheet, Income Statement and Delinquency Report;
5) Financial Services to primary societies should be provided exclusively by SANASA Development Bank, while technical support, training and performance monitoring of primary societies should become the responsibility of District Unions;
6) SANASA must continue dialogue with the Cooperative Development Department and lobby for improvements in CDD performance to ensure a shift from accounting support and formal auditing currently being provided by CDD to efficient supervision and examination/audit of primary societies;
7) Further suggestions on improvement of circulars governing the financial performance of primary societies and approval of the standardized chart of accounts by CDD must be sought.

The methodology to improve performance and safety and soundness of primary societies presumes the following steps:

1) assessment/diagnostic of the performance of primary societies, including trend analysis for previous periods;
2) detection of operational and financial performance problems and management and governance deficiencies and communication of the findings to BODs and managers;
3) development of a problem work-out plan and preparation of meaningful strategic and business plans, and monitoring of actual results versus plans on at least a quarterly basis;
4) conversion to a standardized accounting system and introduction of an asset quality management system and monthly/quarterly financial reporting;
5) update of bylaws to incorporate financial performance standards and other key requirements specific for financial cooperatives;
6) update of operating policies and procedures describing in detail such extremely important areas as lending, collections, savings mobilization and marketing; capital adequacy, investment, liquidity and asset-liability management and strict implementation of those policies in everyday operations;
7) monthly/quarterly monitoring of primary societies' performance and ongoing on-site consulting and training to support management and Boards in achieving their financial goals and development objectives.

In conclusion, suggestions for institutional reorganization provided in this section of the report presume a major development effort for the future. One should not forget that SANASA unites over 8,000 primary societies, more than 40 District Unions and over 800,000 individual members nationwide. And it is because of its size that SANASA deserves special attention and support in achievement of organizational and performance reform. At the current time, with increasing competition and ever improving access to financial services and products by the general population, safety, soundness and efficiency are the cornerstones of success for any financial network. SANASA is not an exception in this regard. Based on the findings, experience and results of the SANASA Institutional Development Project it is fair to conclude that further reform on a larger scale is necessary in SANASA and that the methodology developed and introduced by WOCCU can and will deliver the desired result. At the same time it has to be mentioned that without continued external support, both technical and financial, such a reform might be extremely lengthy and less effective in long run.

VII. ACKNOWLEDGEMENTS

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ATTACHMENT A

Consolidated PEARLS Report and Financial Statements
For Group 1 Project Primary Societies

P-E-A-R-L-S RATIOS

Based on US$

P-E-A-R-L-S RATIOS	Goals	31-Dec-98	31-Dec-99	31-Dec-00	31-Mar-01	30-Jun-01	Annual Goal	% Complete
Number of Credit Unions in this Report		24	24	24	24	24	0	
P *PROTECTION*								
1. Loan Loss Allowances / Delinq. >12 Mo.	100%	0.02%	32.87%	100.00%	73.73%	100.00%	0.00%	NA
2. Net Loan Loss Allow. / Allow. Required for Delinq. 1-12 Mo.	100% of Goal	0.15%	14.41%	70.22%	92.73%	68.33%	0.00%	NA
3. Complete Loan Charge-Off of Delinquency > 12 Mo.	Yes	No	No	No	No	No	0	NA
4. Annual Loan Charge-offs / Average Loan Portfolio	Minimized	0.00%	0.02%	-0.02%	0.00%	0.00%	0.00%	NA
5. Accum. Charge-Offs Recovered / Accum Charge-Offs	100%	NA	0.00%	0.00%	NA	NA	0.00%	NA
6. Solvency	Min 100%	91.77%	100.57%	110.07%	109.92%	109.46%	0.00%	NA
7. Allowance for Investment Losses/ Non-Regulated Investments	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
E *EFFECTIVE FINANCIAL STRUCTURE*								
1. Net Loans / Total Assets	Between 70 - 80%	72.53%	70.58%	71.84%	71.65%	72.25%	0.00%	NA
2. Liquid Investments / Total Assets	Max 20 %	11.86%	11.49%	11.76%	10.44%	9.10%	0.00%	NA
3. *Financial Investments* / Total Assets	Max 10 %	5.10%	7.36%	5.89%	7.03%	7.29%	0.00%	NA
4. Non-Financial Investments / Total Assets	0%	0.94%	1.15%	0.72%	0.70%	0.69%	0.00%	NA
5. Savings Deposits / Total Assets	Between 70 - 80%	77.73%	81.01%	77.12%	77.10%	75.42%	0.00%	NA
6. External Credit / Total Assets	Max 5%	2.51%	2.79%	4.42%	4.72%	4.93%	0.00%	NA
7. Member Share Capital / Total Assets	Max 20 %	5.57%	5.61%	5.60%	5.86%	6.10%	0.00%	NA
8. Institutional Capital / Total Assets	Minimum 10%	9.28%	4.78%	6.12%	6.31%	5.77%	0.00%	NA
9. Net Institutional Capital / Total Assets	Minimum 10%	-9.78%	-2.33%	4.96%	5.58%	4.53%	0.00%	NA
A *ASSET QUALITY*								
1. Total Delinquency / Gross Loan Portfolio	Less Than or Equal To 5%	48.48%	23.93%	16.60%	14.72%	17.62%	0.00%	NA
2. Non-Earning Assets / Total Assets	Less Than or Equal To 5%	9.56%	9.42%	9.80%	10.19%	10.67%	0.00%	NA
3. Net Zero Cost Funds / Non-earning. Assets	Greater Than or Equal To 100%	-54.79%	17.47%	108.56%	102.43%	104.32%	0.00%	NA
R *RATES OF RETURN AND COSTS (ANNUALIZED)*								
1. Net Loan Income / Average Net Loan Portfolio	Enterprenurial Rate	15.15%	11.45%	15.17%	19.42%	17.78%	0.00%	NA
2. Liquid Inv. Income / Avg. Liquid Investments	Market Rates	5.54%	4.76%	6.81%	7.04%	7.23%	0.00%	NA
3. Fin. Investment Income / *Avg. Fin. Investments*	*Market Rates*	6.43%	4.78%	8.81%	9.25%	8.21%	0.00%	NA
4. Non-Fin. Inv. Income / Avg. Non-Fin. Investmnts	Greater Than or Equal to R1	21.19%	27.87%	29.31%	110.28%	120.35%	0.00%	NA
5. Fin Costs: Savings Deposits / Avg. Savings	Market Rates	9.10%	6.53%	7.88%	10.39%	8.98%	0.00%	NA
6. Fin Costs: External Credit / Avg. External Credit	Less Than or Equal to R5	18.60%	8.93%	6.47%	15.26%	14.40%	0.00%	NA
7. Fin Costs: Member Shares / Avg. Member Shares	Greater Than or Equal to R5	0.21%	0.03%	0.12%	0.55%	0.68%	0.00%	NA
8. Gross Margin / Average Assets	Amount Needed to Cover R9, R10	4.92%	4.34%	7.45%	7.11%	7.19%	0.00%	NA
9. Operating Expenses / Average Assets	3 -10%	3.33%	2.60%	3.71%	5.05%	4.68%	0.00%	NA
10. Provisions for *Risk Assets / Average Assets*	*Sufficient* for Estimated Losses	0.03%	1.08%	2.23%	6.07%	2.25%	0.00%	NA
11. Other Income or Expense / Average Assets	Amount Needed	0.00%	0.26%	0.00%	0.00%	0.00%	0.00%	NA
12. Net Income / Average Assets	Enough to reach the goal for E8	1.56%	0.92%	1.52%	-4.00%	0.26%	0.00%	NA
L *LIQUIDITY*								
1. Liquid Assets - ST Payables / Total Deposits	Minimum 15%	16.19%	15.18%	14.97%	13.34%	12.59%	0.00%	NA
2. Liquidity Reserves / Total Savings Deposits	10%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
3. Non-Earning Liquid Assets / Total Assets	Less Than 1 %	1.07%	1.27%	0.92%	1.41%	1.61%	0.00%	NA
S *SIGNS OF GROWTH (YEAR-TO-DATE GROWTH*								
1. Net Loans	Sufficient to Achieve Goal in E1	NA	10.68%	12.70%	-0.68%	-1.65%	0.00%	NA
2. Liquid Investments	Sufficient to Achieve Goal in E2	NA	10.14%	13.30%	-11.52%	-24.33%	0.00%	NA
3. *Financial Investments*	Sufficient to Achieve Goal in E3	NA	64.30%	-11.39%	18.82%	21.11%	0.00%	NA
4. Non-Financial Investments	Sufficient to Achieve Goal in E4	NA	38.46%	-31.10%	-3.03%	-5.14%	0.00%	NA
5. Savings Deposits	Sufficient to Achieve Goal in E5	NA	18.55%	5.40%	-0.44%	-4.37%	0.00%	NA
6. External Credit	0%	NA	26.25%	75.45%	6.25%	9.07%	0.00%	NA
7. Member Shares	*Sufficient to Achieve Goal in E7*	NA	14.44%	10.47%	4.24%	6.53%	0.00%	NA
8. Institutional Capital	Sufficient to Achieve Goal in E8	NA	-41.40%	41.67%	2.74%	-7.77%	0.00%	NA
9. Net Institutional Capital	Sufficient to Achieve Goal in E9	NA	72.85%	335.37%	12.06%	-10.75%	0.00%	NA
10. Membership	Minimum 5%	NA	30.93%	19.27%	-0.87%	2.83%	0.00%	NA
11. Total Assets	More Than Inflation	NA	13.74%	10.72%	-0.41%	-2.21%	0.00%	NA
Inflation Rate (Annualized)		11.60%	9.80%	6.20%	9.50%	12.20%		

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Sri Lanka - Group 1
Based on US$

BALANCE SHEET

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
Number of Credit Unions in this Report	24	24	24	24	24	0	
Assets							
Earning Assets							
Loans to Members							
Short Term (< =1 Year)	1,050,179	1,047,523	930,801	990,974	971,127	0	NA
Medium-Term (1-3 Years)	38,299	145,651	251,712	215,162	240,400	0	NA
Long-Term (> 3 Years)	5,506	40,235	199,013	207,309	207,005	0	NA
Other Special Loans	2,372	18,398	69,498	26,618	19,366	0	NA
Loan Loss Allowances	(1,186)	(39,714)	(85,006)	(83,278)	(94,427)	0	NA
Total Net Loans	*1,095,172*	*1,212,094*	*1,366,019*	*1,356,784*	*1,343,471*	*0*	*NA*
Liquid Investments							
Non-Regulated Liquid Investments							
Liquidity Reserves - CFF	6,503	0	0	0	0	0	NA
Other Liquidity Reserves	0	0	0	0	0	0	NA
Short-Term CFF Deposits	96,853	172,383	132,391	119,365	97,347	0	NA
Short-Term Bank Deposits	75,759	24,897	91,130	58,059	71,789	0	NA
Short-Term Securities and Investments	0	0	0	0	0	0	NA
Other Liquid Investments 1	0	0	0	20,039	11	0	NA
Other Liquid Investments 2	0	0	0	280	0	0	NA
Other Liquid Investments 3	0	0	0	28	0	0	NA
Total Non-Regulated Liquid Investments	*179,115*	*197,280*	*223,521*	*197,771*	*169,147*	*0*	*NA*
Regulated Liquid Investments							
Liquidity Reserves	0	0	0	0	0	0	NA
Short-Term Deposits in Regulated Fin.Institutions	0	0	0	0	0	0	NA
ST Government or Regulated Securities and	0	0	0	0	0	0	NA
Total Regulated Liquid Investments	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Liquid Investments Allowances	0	0	0	0	0	0	NA
Total Liquid Investments	*179,115*	*197,280*	*223,521*	*197,771*	*169,147*	*0*	*NA*
Financial Investments							
Non-Regulated Financial Investments							
Shares - League/Affiliation	0	0	0	0	0	0	NA
Long-Term CFF Deposit	21,888	100,974	37,995	42,654	44,345	0	NA
Long-Term Bank Deposits	17,638	8,139	35,329	53,246	55,518	0	NA
Long-Term Securities & Investments	145	0	0	0	0	0	NA
Other Financial Investments 1	37,244	16,838	35,305	33,745	32,515	0	NA
Other Financial Investments 2	14	447	13	24	2,806	0	NA
Other Financial Investments 3	0	0	3,353	3,408	452	0	NA
Total Non-Regulated Financial Investments	*76,929*	*126,397*	*111,995*	*133,078*	*135,635*	*0*	*NA*
Regulated Financial Investments							
Shares in Financial Institutions	0	0	0	0	0	0	NA
Long-Term Deposits in Regulated Fin.Institutions	0	0	0	0	0	0	NA
LT Government or Regulated Securities and	0	0	0	0	0	0	NA
InterBranch Investments	0	0	0	0	0	0	NA
Total Regulated Financial Investments	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Financial Investments Allowances	0	0	0	0	0	0	NA
Total Financial Investments	*76,929*	*126,397*	*111,995*	*133,078*	*135,635*	*0*	*NA*
Non-Financial Investments							
Various	14,251	19,732	13,714	13,457	13,248	0	NA
Non-Financial Investments Allowances	0	0	(118)	(273)	(351)	0	NA
Total Non-Financial Investments	*14,251*	*19,732*	*13,596*	*13,184*	*12,896*	*0*	*NA*
Total Earning Assets	**1,365,467**	**1,555,504**	**1,715,130**	**1,700,817**	**1,661,149**	**0**	**NA**
Additonal Loan Portfolio Information							
Delinquency Based on Outstanding Balance of Loan?	Balance	Balance	Balance	Balance	Balance	Payment	
Delinquency							
1 TO 12 Months	373,317	213,507	206,744	176,771	208,852	0	NA
More Than 12 Months	158,152	86,071	34,115	35,135	44,479	0	NA
Total Balance Of Delinquent Loans	*531,469*	*299,578*	*240,859*	*211,906*	*253,331*	*0*	*NA*
Loans to Members (Gross)	1,096,358	1,251,808	1,451,024	1,440,063	1,437,898	0	NA
Accumulated Charge-Offs (Historical)	0	229	3	0	0	0	NA
Recovery of Loans Charged-Off (Historical)	0	0	0	0	0	0	NA

BALANCE SHEET

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
Non-Earning Assets							
Liquid Assets							
Cash & Equivalents	12,711	17,677	8,872	18,120	25,995	0	NA
Current Accounts (Checking)	3,041	4,023	8,711	8,656	3,817	0	NA
Foreign Currency	0	0	0	0	0	0	NA
Liquidity Reserves - CFF	0	0	0	0	0	0	NA
Other Liquidity Reserves	0	0	0	0	0	0	NA
Other Liquid Assets	449	144	0	6	157	0	NA
Total Liquid Assets	*16,201*	*21,844*	*17,583*	*26,781*	*29,969*	*0*	*NA*
Accounts Receivable							
Debtors	248	1,495	7,211	5,356	5,931	0	NA
Interest Receivable	174	382	430	485	511	0	NA
Notes Receivable	0	481	0	0	0	0	NA
Payroll Deductions Receivable	9	175	108	134	309	0	NA
Other Accounts Receivable	3,316	2,447	7,101	4,685	7,478	0	NA
Receivable Loss Allowances	0	0	0	0	0	0	NA
Total Accounts Receivable	*3,747*	*4,980*	*14,850*	*10,660*	*14,230*	*0*	*NA*
Fixed Assets							
Land	25,681	68,967	40,241	23,944	23,844	0	NA
Buildings (Cost)	56,417	37,491	68,444	84,442	86,506	0	NA
Leasehold Improvements	963	75	875	1,214	1,364	0	NA
Furniture & Equipment	26,777	15,152	29,529	32,577	29,162	0	NA
Accumulated Depreciation - Buildings	0	0	0	0	0	0	NA
Accum. Depreciation - Leasehold Improv.	0	0	0	0	0	0	NA
Accum. Depreciation - Furniture & Equip.	0	0	0	0	0	0	NA
Total Net Fixed Assets	*109,838*	*121,684*	*139,090*	*142,177*	*140,876*	*0*	*NA*
Other Assets							
Assets in Liquidation	0	7,511	90	0	0	0	NA
Organization Expenses	0	0	0	0	0	0	NA
Prepaid Expenses	500	405	642	646	1,061	0	NA
Other Deferred Assets	13,902	4,235	13,438	12,320	11,886	0	NA
Accumulated Amortization	0	0	0	0	0	0	NA
Total Other Assets	*14,403*	*12,152*	*14,170*	*12,966*	*12,947*	*0*	*NA*
Problem Assets							
Doubtful Assets	7	965	312	35	0	0	NA
Accounting Discrepancy - Assets	212	34	203	74	71	0	NA
Other Problem Assets	1	148	122	234	226	0	NA
Total Problem Assets	*219*	*1,147*	*636*	*343*	*297*	*0*	*NA*
Total Non-Earning Assets	**144,407**	**161,807**	**186,329**	**192,927**	**198,318**	**0**	NA
Total Assets	**1,509,874**	**1,717,310**	**1,901,459**	**1,893,744**	**1,859,467**	**0**	NA
Number Of CU Members							
Men	0	0	5,065	5,146	5,175	0	NA
Women	0	0	4,775	4,608	4,943	0	NA
Gender not Reported	6,301	8,250	0	0	0	0	NA
Total Number Of Members	*6,301*	*8,250*	*9,840*	*9,754*	*10,118*	*0*	*NA*
Number of Other Service Users							
Youth	0	0	0	0	0	0	NA
Third Parties	0	0	0	0	0	0	NA
Total Number of Other CU Service Users	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Total Number Of Members & Other CU Service	**6,301**	**8,250**	**9,840**	**9,754**	**10,118**	**0**	NA

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BALANCE SHEET

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
LIABILITIES							
INTEREST BEARING LIABILITIES							
Savings Deposits							
Regular Savings	978,916	877,185	489,023	532,580	531,750	0	NA
Term/Fixed Savings	109,956	197,750	415,286	465,824	386,914	0	NA
Youth Savings	27,386	83,255	114,492	121,451	139,485	0	NA
Special Savings	55,373	134,066	229,109	167,771	178,245	0	NA
Pledged Savings	1,934	98,997	218,532	172,395	165,990	0	NA
Total Savings Deposits	*1,173,564*	*1,391,253*	*1,466,442*	*1,460,021*	*1,402,384*	*0*	*NA*
External Credit							
External Credit - CFF (<= 1 Year)	9,058	0	1,210	14,688	7,341	0	NA
External Credit - CFF (> 1 Year)	28,889	47,910	68,769	61,160	44,966	0	NA
External Credit - Banks	0	0	13,742	13,465	39,067	0	NA
Other External Credit - External Institutions	0	0	336	0	307	0	NA
InterBranch Loans	0	0	0	0	0	0	NA
Total External Credit	*37,947*	*47,910*	*84,056*	*89,313*	*91,681*	*0*	*NA*
Total Interest Bearing Liabilities	*1,211,512*	*1,439,163*	*1,550,499*	*1,549,334*	*1,494,066*	*0*	*NA*
Non-Interest Bearing Liabilities							
Short-Term Accounts Payable (<=30 Days)	5,286	7,947	21,522	29,829	22,541	0	NA
External Credit Payments (<=30 Days)	0	0	0	0	0	0	NA
Provisions (e.g. Employee Benefits)	3,560	3,373	4,215	3,328	16,051	0	NA
Accounting Discrepancy - Liabilities	0	0	0	0	0	0	NA
Other Liabilities	21,044	39,846	38,506	30,759	46,951	0	NA
Total Non-Interest Bearing Liabilities	*29,890*	*51,166*	*64,243*	*63,915*	*85,542*	*0*	*NA*
Total Liabilities	**1,241,402**	**1,490,329**	**1,614,741**	**1,613,249**	**1,579,608**	**0**	**NA**
CAPITAL							
Share Capital							
Mandatory Shares	84,165	84,378	104,551	107,598	109,853	0	NA
Voluntary Shares	2	11,945	1,853	3,320	3,498	0	NA
Total Member Share Capital	*84,167*	*96,323*	*106,404*	*110,918*	*113,351*	*0*	*NA*
Transitory Capital							
Asset Appreciation Over Cost	0	379	0	0	0	0	NA
Education & Social Reserves	29,459	13,365	19,830	17,897	18,524	0	NA
Monetary Reserves	2,269	730	1,939	4,200	1,199	0	NA
Other Reserves	5,492	1,947	7,596	4,123	8,736	0	NA
Accounting Discrepancy - Capital	41	0	0	0	0	0	NA
Undistributed Net Income	1,415	770	14,303	1,714	8,663	0	NA
YTD Net Income (loss)	0	0	0	0	0	0	NA
Total Transitory Capital	*38,675*	*17,193*	*43,668*	*27,934*	*37,122*	*0*	*NA*
Institutional Capital							
Statutory & Legal Reserves	73,625	79,000	83,776	67,305	60,508	0	NA
Retained Earnings	31,683	40,653	48,349	42,510	46,201	0	NA
Other Reserves	7,967	13,094	42,391	53,337	57,897	0	NA
Donations	28,191	9,983	17,705	13,357	10,562	0	NA
Undistributed Losses	(4,552)	(60,595)	(75,858)	(56,958)	(67,844)	0	NA
YTD Net Income (Loss)	3,241	0	0	0	0	0	NA
Total Institutional Capital	*140,154*	*82,136*	*116,364*	*119,553*	*107,324*	*0*	*NA*
Total Capital	**262,996**	**195,652**	**266,436**	**258,405**	**257,797**	**0**	**NA**
Total Liabilities and Capital	**1,504,398**	**1,685,980**	**1,881,177**	**1,871,654**	**1,837,405**	**0**	**NA**

Sri Lanka - Group 1

Income Statement

Based on US$

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	%
Number of Credit Unions in this Report	24	24	24	24	24	0	
INCOME							
INCOME FROM LOANS							
Interest Income from Loans	164,569	131,600	187,530	62,219	114,001	0	NA
Delinquent Penalty Interest Income from Loans	966	503	1,887	316	3,023	0	NA
Commissions/Fees from Loans	395	0	6,188	2,662	2,414	0	NA
Insurance Premiums for Loans	0	0	0	0	0	0	NA
NET LOAN INCOME	*165,931*	*132,103*	*195,605*	*65,197*	*119,437*	*0*	*NA*
Income from Liquid Investments	9,928	8,961	14,337	3,658	7,039	0	NA
Income from Financial Investments	4,947	4,862	10,507	2,795	5,039	0	NA
Income from Non-Financial Investments	3,019	4,736	4,884	3,641	7,905	0	NA
Income from Grants	6	2,600	22,135	610	700	0	NA
Income from Other Sources	4,582	4,340	4,391	1,729	3,264	0	NA
Gross Income	**188,412**	**157,603**	**251,860**	**77,631**	**143,383**	**0**	**NA**
COSTS/EXPENSES							
FINANCIAL COSTS							
Interest Expense on Savings Deposits	104,314	83,635	112,552	37,490	63,889	0	NA
Insurance Premiums for Savings	2,470	73	0	0	0	0	NA
Taxes on Interest Paid For Savings	0	0	0	0	0	0	NA
Financial Cost - Savings Deposits	*106,784*	*83,708*	*112,552*	*37,490*	*63,889*	*0*	*NA*
Financial Cost on External Credit	7,058	3,833	4,271	3,262	6,275	0	NA
Financial Costs on Interbranch Leans	0	0	0	0	0	0	NA
Dividend Expense on Shares	174	27	117	147	373	0	NA
Insurance Premiums for Shares	0	0	0	0	0	0	NA
Taxes on Interest Paid for Shares	0	0	0	0	0	0	NA
Financial Cost - Shares	*174*	*27*	*117*	*147*	*373*	*0*	*NA*
Other Financial Costs	185	34	48	3,445	5,790	0	NA
TOTAL FINANCIAL COSTS	*114,202*	*87,601*	*116,989*	*44,344*	*76,328*	*0*	*NA*
GROSS MARGIN	**74,211**	**70,001**	**134,871**	**33,287**	**67,055**	**0**	**NA**
OPERATING EXPENSES							
Personnel	25,969	20,512	32,845	10,971	21,461	0	NA
Governance	2,609	1,945	3,548	1,094	1,789	0	NA
Marketing	2,754	1,776	2,182	872	1,396	0	NA
Administration	14,456	12,927	22,640	8,829	14,741	0	NA
Depreciation	4,465	4,820	5,875	1,841	4,236	0	NA
TOTAL OPERATING EXPENSES	*50,253*	*41,979*	*67,091*	*23,607*	*43,624*	*0*	*NA*
Provision for Risk Assets	449	17,362	40,360	28,379	20,969	0	NA
NET INCOME FROM OPERATIONS	**23,509**	**10,660**	**27,420**	**(18,699)**	**2,463**	**0**	**NA**
OTHER INCOME / EXPENSE							
Previous periods adjustments (Net)	0	0	0	0	0	0	NA
Extraordinary income (Net)	0	4,161	0	0	0	0	NA
TOTAL OTHER INCOME/EXPENSE	*0*	*4,161*	*0*	*0*	*0*	*0*	*NA*
Income Tax	0	0	0	0	0	0	NA
Net Income/Loss	**23,509**	**14,821**	**27,420**	**(18,699)**	**2,463**	**0**	**NA**

ATTACHMENT B

Consolidated PEARLS Report and Financial Statements For Kirimatiyana SANASA Primary Society

KIRIMATIYANA SANASA

P-E-A-R-L-S RATIOS

Based on US$

P-E-A-R-L-S RATIOS	Goals	31-Dec-98	31-Dec-99	31-Dec-00	31-Mar-01	30-Jun-02	Annual Goal	% Complete
Number of Credit Unions in this Report		1	1	1	1	1	0	
P ***PROTECTION***								
1. Loan Loss Allowances / Delinq. >12 Mo.	100%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	NA
2. Net Loan Loss Allow. / Allow. Required for Delinq. 1-12 Mo.	100% of Goal	0.00%	100.01%	57.47%	58.34%	92.11%	0.00%	NA
3. Complete Loan Charge-Off of Delinquency > 12 Mo.	Yes	Yes	Yes	Yes	Yes	Yes	0	NA
4. Annual Loan Charge-offs / Average Loan Portfolio	Minimized	0.00%	0.70%	-0.39%	0.00%	0.00%	0.00%	NA
5. Accum. Charge-Offs Recovered / Accum Charge-Offs	100%	NA	0.00%	0.00%	NA	NA	0.00%	NA
6. Solvency	Min 100%	114.14%	117.15%	114.61%	114.42%	117.76%	0.00%	NA
7. Allowance for Investment Losses/ Non-Regulated Investments	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
E ***EFFECTIVE FINANCIAL STRUCTURE***								
1. Net Loans / Total Assets	Between 70 - 80%	59.02%	72.36%	74.29%	69.81%	76.71%	0.00%	NA
2. Liquid Investments / Total Assets	Max 20 %	29.35%	11.97%	10.83%	14.15%	11.22%	0.00%	NA
3. Financial Investments / Total Assets	Max 10 %	7.46%	12.11%	11.15%	12.86%	9.45%	0.00%	NA
4. Non-Financial Investments / Total Assets	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
5. Savings Deposits / Total Assets	Between 70 - 80%	73.64%	75.97%	75.73%	79.00%	75.73%	0.00%	NA
6. External Credit / Total Assets	Max 5%	0.00%	0.00%	3.61%	0.00%	0.00%	0.00%	NA
7. Member Share Capital / Total Assets	Max 20 %	9.51%	7.36%	5.39%	5.19%	5.92%	0.00%	NA
8. Institutional Capital / Total Assets	Minimum 10%	13.31%	13.59%	11.69%	12.23%	13.98%	0.00%	NA
9. Net Institutional Capital / Total Assets	Minimum 10%	11.01%	13.59%	11.21%	11.57%	13.89%	0.00%	NA
A ***ASSET QUALITY***								
1. Total Delinquency / Gross Loan Portfolio	Less Than or Equal To 5%	11.16%	2.12%	4.27%	6.45%	4.53%	0.00%	NA
2. Non-Earning Assets / Total Assets	Less Than or Equal To 5%	4.16%	3.57%	3.74%	3.18%	2.62%	0.00%	NA
3. Net Zero Cost Funds / Non-earning. Assets	Greater Than or Equal To 100%	335.95%	453.85%	384.57%	463.78%	679.51%	0.00%	NA
R ***RATES OF RETURN AND COSTS (ANNUALIZED)***								
1. Net Loan Income / Average Net Loan Portfolio	Enterprenurial Rate	19.14%	17.51%	18.69%	17.81%	18.74%	0.00%	NA
2. Liquid Inv. Income / Avg. Liquid Investments	Market Rates	0.31%	7.66%	4.22%	10.55%	8.88%	0.00%	NA
3. *Fin. Investment Income / Avg. Fin. Investments*	*Market Rates*	8.08%	13.63%	12.94%	10.03%	19.41%	0.00%	NA
4. Non-Fin. Inv. Income / Avg. Non-Fin. Investmnts	Greater Than or Equal to R1	NA	NA	NA	NA	NA	0.00%	NA
5. Fin Costs: Savings Deposits / Avg. Savings	Market Rates	10.44%	10.81%	12.45%	9.21%	10.29%	0.00%	NA
6. Fin Costs: External Credit / Avg. External Credit	Less Than or Equal to R5	NA	NA	3.33%	40.00%	0.00%	0.00%	NA
7. Fin Costs: Member Shares / Avg. Member Shares	Greater Than or Equal to R5	0.00%	0.00%	1.48%	0.00%	6.12%	0.00%	NA
8. Gross Margin / Average Assets	Amount Needed to Cover R9, R10	4.40%	6.94%	6.45%	10.51%	9.10%	0.00%	NA
9. Operating Expenses / Average Assets	3 -10%	2.47%	2.98%	4.35%	3.48%	3.50%	0.00%	NA
10. Provisions for Risk Assets / Average Assets	Sufficient for Estimated Losses	0.00%	1.16%	0.79%	3.85%	2.29%	0.00%	NA
11. Other Income or Expense / Average Assets	Amount Needed	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
12. Net Income / Average Assets	Enough to reach the goal for E8	1.93%	2.81%	1.31%	3.18%	3.31%	0.00%	NA
L ***LIQUIDITY***								
1. Liquid Assets - ST Payables / Total Deposits	Minimum 15%	42.06%	16.80%	16.59%	19.92%	15.94%	0.00%	NA
2. Liquidity Reserves / Total Savings Deposits	10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
3. Non-Earning Liquid Assets / Total Assets	Less Than 1 %	1.62%	0.79%	1.74%	1.59%	0.85%	0.00%	NA
S ***SIGNS OF GROWTH (YEAR-TO-DATE GROWTH***								
1. Net Loans	Sufficient to Achieve Goal in E1	NA	107.09%	63.37%	-2.56%	2.84%	0.00%	NA
2. Liquid Investments	Sufficient to Achieve Goal in E2	NA	-31.13%	43.99%	35.51%	3.24%	0.00%	NA
3. Financial Investments	Sufficient to Achieve Goal in E3	NA	174.30%	46.44%	19.68%	-15.58%	0.00%	NA
4. Non-Financial Investments	Sufficient to Achieve Goal in E4	NA	0.00%	0.00%	0.00%	0.00%	0.00%	NA
5. Savings Deposits	Sufficient to Achieve Goal in E5	NA	74.28%	58.64%	8.16%	-0.42%	0.00%	NA
6. External Credit	0%	NA	0.00%	100.00%	-100.00%	-100.00%	0.00%	NA
7. Member Shares	Sufficient to Achieve Goal in E7	NA	30.71%	16.59%	-0.19%	9.38%	0.00%	NA
8. Institutional Capital	Sufficient to Achieve Goal in E8	NA	72.41%	36.90%	8.50%	19.14%	0.00%	NA
9. Net Institutional Capital	Sufficient to Achieve Goal in E9	NA	108.50%	31.31%	6.96%	23.35%	0.00%	NA
10. Membership	Minimum 5%	NA	27.46%	21.82%	-20.63%	12.93%	0.00%	NA
11. Total Assets	More Than Inflation	NA	68.93%	59.13%	3.69%	-0.41%	0.00%	NA
Inflation Rate (Annualized)		11.60%	9.80%	6.20%	9.50%	12.20%		

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KIRIMATIYANA SANASA | BALANCE SHEET

Based on US$

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
Number of Credit Unions in this Report	1	1	1	1	1	0	
Assets							
Earning Assets							
Loans to Members							
Short Term (<=1 Year)	19,434	41,628	64,377	67,259	62,145	0	NA
Medium-Term (1-3 Years)	1,667	2,397	2,995	3,235	3,405	0	NA
Long-Term (> 3 Years)	0	0	0	0	0	0	NA
Other Special Loans	0	0	4,641	0	8,956	0	NA
Loan Loss Allowances	0	(326)	(619)	(929)	(1,089)	0	NA
Total Net Loans	*21,101*	*43,699*	*71,393*	*69,565*	*73,417*	*0*	*NA*
Liquid Investments							
Non-Regulated Liquid Investments							
Liquidity Reserves - CFF	0	0	0	0	0	0	NA
Other Liquidity Reserves	0	0	0	0	0	0	NA
Short-Term CFF Deposits	21	22	22	81	78	0	NA
Short-Term Bank Deposits	10,473	7,205	10,384	14,020	10,666	0	NA
Short-Term Securities and Investments	0	0	0	0	0	0	NA
Other Liquid Investments 1	0	0	0	0	0	0	NA
Other Liquid Investments 2	0	0	0	0	0	0	NA
Other Liquid Investments 3	0	0	0	0	0	0	NA
Total Non-Regulated Liquid Investments	*10,494*	*7,227*	*10,406*	*14,101*	*10,744*	*0*	*NA*
Regulated Liquid Investments							
Liquidity Reserves	0	0	0	0	0	0	NA
Short-Term Deposits in Regulated Fin.Institutions	0	0	0	0	0	0	NA
ST Government or Regulated Securities and	0	0	0	0	0	0	NA
Total Regulated Liquid Investments	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Liquid Investments Allowances	0	0	0	0	0	0	NA
Total Liquid Investments	*10,494*	*7,227*	*10,406*	*14,101*	*10,744*	*0*	*NA*
Financial Investments							
Non-Regulated Financial Investments							
Shares - League/Affiliation	0	0	0	0	0	0	NA
Long-Term CFF Deposit	193	213	209	226	218	0	NA
Long-Term Bank Deposits	1,449	5,614	9,220	11,378	7,653	0	NA
Long-Term Securities & Investments	0	0	0	0	0	0	NA
Other Financial Investments 1	1,025	1,488	1,283	1,216	1,172	0	NA
Other Financial Investments 2	0	0	0	0	0	0	NA
Other Financial Investments 3	0	0	0	0	0	0	NA
Total Non-Regulated Financial Investments	*2,667*	*7,314*	*10,711*	*12,820*	*9,042*	*0*	*NA*
Regulated Financial Investments							
Shares in Financial Institutions	0	0	0	0	0	0	NA
Long-Term Deposits in Regulated Fin.Institutions	0	0	0	0	0	0	NA
LT Government or Regulated Securities and	0	0	0	0	0	0	NA
InterBranch Investments	0	0	0	0	0	0	NA
Total Regulated Financial Investments	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Financial Investments Allowances	0	0	0	0	0	0	NA
Total Financial Investments	*2,667*	*7,314*	*10,711*	*12,820*	*9,042*	*0*	*NA*
Non-Financial Investments							
Various	0	0	0	0	0	0	NA
Non-Financial Investments Allowances	0	0	0	0	0	0	NA
Total Non-Financial Investments	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Total Earning Assets	**34,262**	**58,240**	**92,510**	**96,486**	**93,203**	**0**	NA
Additonal Loan Portfolio Information							
Delinquency Based on Outstanding Balance of Loan?	Balance	Balance	Balance	Balance	Balance	Payment	
Delinquency							
1 TO 12 Months	2,354	932	3,078	4,548	3,378	0	NA
More Than 12 Months	0	0	0	0	0	0	NA
Total Balance Of Delinquent Loans	*2,354*	*932*	*3,078*	*4,548*	*3,378*	*0*	*NA*
Loans to Members (Gross)	21,101	44,025	72,012	70,494	74,507	0	NA
Accumulated Charge-Offs (Historical)	0	229	3	0	0	0	NA
Recovery of Loans Charged-Off (Historical)	0	0	0	0	0	0	NA

KIRIMATIYANA SANASA

Based on US$

BALANCE SHEET

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
Non-Earning Assets							
Liquid Assets							
Cash & Equivalents	556	423	851	855	506	0	NA
Current Accounts (Checking)	23	57	817	727	304	0	NA
Foreign Currency	0	0	0	0	0	0	NA
Liquidity Reserves - CFF	0	0	0	0	0	0	NA
Other Liquidity Reserves	0	0	0	0	0	0	NA
Other Liquid Assets	0	0	0	0	0	0	NA
Total Liquid Assets	***579***	***480***	***1,668***	***1,582***	***810***	***0***	***NA***
Accounts Receivable							
Debtors	0	0	930	710	685	0	NA
Interest Receivable	174	0	0	0	0	0	NA
Notes Receivable	0	0	0	0	0	0	NA
Payroll Deductions Receivable	0	3	0	0	0	0	NA
Other Accounts Receivable	0	689	29	0	46	0	NA
Receivable Loss Allowances	0	0	0	0	0	0	NA
Total Accounts Receivable	***174***	***692***	***959***	***710***	***731***	***0***	***NA***
Fixed Assets							
Land	0	0	0	0	0	0	NA
Buildings (Cost)	0	0	0	0	0	0	NA
Leasehold Improvements	0	0	0	0	0	0	NA
Furniture & Equipment	631	880	872	827	797	0	NA
Accumulated Depreciation - Buildings	0	0	0	0	0	0	NA
Accum. Depreciation - Leasehold Improv.	0	0	0	0	0	0	NA
Accum. Depreciation - Furniture & Equip.	0	0	0	0	0	0	NA
Total Net Fixed Assets	***631***	***880***	***872***	***827***	***797***	***0***	***NA***
Other Assets							
Assets in Liquidation	0	0	0	0	0	0	NA
Organization Expenses	0	0	0	0	0	0	NA
Prepaid Expenses	43	42	45	0	0	0	NA
Other Deferred Assets	62	60	52	49	172	0	NA
Accumulated Amortization	0	0	0	0	0	0	NA
Total Other Assets	***106***	***102***	***97***	***49***	***172***	***0***	***NA***
Problem Assets							
Doubtful Assets	0	0	0	0	0	0	NA
Accounting Discrepancy - Assets	0	0	0	0	0	0	NA
Other Problem Assets	0	0	0	0	0	0	NA
Total Problem Assets	***0***	***0***	***0***	***0***	***0***	***0***	***NA***
Total Non-Earning Assets	1,489	2,155	3,597	3,168	2,510	0	NA
Total Assets	35,750	60,395	96,106	99,654	95,713	0	NA
Number Of CU Members							
Men	0	0	217	220	245	0	NA
Women	0	0	224	130	253	0	NA
Gender not Reported	284	362	0	0	0	0	NA
Total Number Of Members	***284***	***362***	***441***	***350***	***498***	***0***	***NA***
Number of Other Service Users							
Youth	0	0	0	0	0	0	NA
Third Parties	0	0	0	0	0	0	NA
Total Number of Other CU Service Users	***0***	***0***	***0***	***0***	***0***	***0***	***NA***
Total Number Of Members & Other CU Service	**284**	**362**	**441**	**350**	**498**	**0**	**NA**

KIRIMATIYANA SANASA

Based on US$

BALANCE SHEET

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	% Complete
LIABILITIES							
INTEREST BEARING LIABILITIES							
Savings Deposits							
Regular Savings	19,031	20,345	25,381	27,920	25,517	0	NA
Term/Fixed Savings	6,551	24,526	45,733	49,126	38,946	0	NA
Youth Savings	743	953	1,548	1,553	1,309	0	NA
Special Savings	0	0	0	0	6,575	0	NA
Pledged Savings	0	56	120	126	133	0	NA
Total Savings Deposits	*26,325*	*45,880*	*72,782*	*78,724*	*72,480*	*0*	*NA*
External Credit							
External Credit - CFF (<= 1 Year)	0	0	0	0	0	0	NA
External Credit - CFF (> 1 Year)	0	0	0	0	0	0	NA
External Credit - Banks	0	0	3,465	0	0	0	NA
Other External Credit - External Institutions	0	0	0	0	0	0	NA
InterBranch Loans	0	0	0	0	0	0	NA
Total External Credit	*0*	*0*	*3,465*	*0*	*0*	*0*	*NA*
Total Interest Bearing Liabilities	*26,325*	*45,880*	*76,247*	*78,724*	*72,480*	*0*	*NA*
Non-Interest Bearing Liabilities							
Short-Term Accounts Payable (<=30 Days)	0	0	0	0	0	0	NA
External Credit Payments (<=30 Days)	0	0	0	0	0	0	NA
Provisions (e.g. Employee Benefits)	31	21	12	51	50	0	NA
Accounting Discrepancy - Liabilities	0	0	0	0	0	0	NA
Other Liabilities	967	1,418	2,821	2,943	3,546	0	NA
Total Non-Interest Bearing Liabilities	*997*	*1,439*	*2,833*	*2,995*	*3,596*	*0*	*NA*
Total Liabilities	**27,323**	**47,319**	**79,080**	**81,719**	**76,076**	**0**	**NA**
CAPITAL							
Share Capital							
Mandatory Shares	3,400	4,400	5,014	5,012	5,409	0	NA
Voluntary Shares	0	43	167	159	258	0	NA
Total Member Share Capital	*3,400*	*4,444*	*5,181*	*5,171*	*5,667*	*0*	*NA*
Transitory Capital							
Asset Appreciation Over Cost	0	0	0	0	0	0	NA
Education & Social Reserves	0	0	114	68	66	0	NA
Monetary Reserves	0	0	0	0	0	0	NA
Other Reserves	69	135	110	105	101	0	NA
Accounting Discrepancy - Capital	0	0	0	0	0	0	NA
Undistributed Net Income	0	0	0	0	0	0	NA
YTD Net Income (loss)	0	0	0	0	0	0	NA
Total Transitory Capital	*69*	*135*	*224*	*173*	*167*	*0*	*NA*
Institutional Capital							
Statutory & Legal Reserves	253	583	715	679	655	0	NA
Retained Earnings	564	1,380	1,541	2,232	2,879	0	NA
Other Reserves	0	6,132	8,722	9,015	9,573	0	NA
Donations	3,942	111	255	262	276	0	NA
Undistributed Losses	0	0	0	0	0	0	NA
YTD Net Income (Loss)	0	0	0	0	0	0	NA
Total Institutional Capital	*4,759*	*8,205*	*11,233*	*12,188*	*13,383*	*0*	*NA*
Total Capital	**8,228**	**12,784**	**16,638**	**17,532**	**19,217**	**0**	**NA**
Total Liabilities and Capital	**35,551**	**60,103**	**95,718**	**99,251**	**95,292**	**0**	**NA**

KIRIMATIYANA SANASA

Income Statement
Based on US$

	12/31/1998	12/31/1999	12/31/2000	03/31/2001	06/30/2001	Annual Goal	%
Number of Credit Unions in this Report	1	1	1	1	1	0	
INCOME							
INCOME FROM LOANS							
Interest Income from Loans	4,038	5,563	10,534	3,091	6,153	0	NA
Delinquent Penalty Interest Income from Loans	0	111	223	0	566	0	NA
Commissions/Fees from Loans	0	0	0	4	11	0	NA
Insurance Premiums for Loans	0	0	0	0	0	0	NA
NET LOAN INCOME	*4,038*	*5,674*	*10,756*	*3,096*	*6,730*	*0*	*NA*
Income from Liquid Investments	32	678	372	319	466	0	NA
Income from Financial Investments	215	680	1,166	291	951	0	NA
Income from Non-Financial Investments	0	0	0	0	0	0	NA
Income from Grants	0	0	0	587	0	0	NA
Income from Other Sources	36	208	275	136	273	0	NA
Gross Income	**4,322**	**7,240**	**12,570**	**4,428**	**8,420**	**0**	**NA**
COSTS/EXPENSES							
FINANCIAL COSTS							
Interest Expense on Savings Deposits	2,749	3,902	7,388	1,719	3,707	0	NA
Insurance Premiums for Savings	0	0	0	0	0	0	NA
Taxes on Interest Paid For Savings	0	0	0	0	0	0	NA
Financial Cost - Savings Deposits	*2,749*	*3,902*	*7,388*	*1,719*	*3,707*	*0*	*NA*
Financial Cost on External Credit	0	0	58	171	0	0	NA
Financial Costs on Interbranch Loans	0	0	0	0	0	0	NA
Dividend Expense on Shares	0	0	71	0	165	0	NA
Insurance Premiums for Shares	0	0	0	0	0	0	NA
Taxes on Interest Paid for Shares	0	0	0	0	0	0	NA
Financial Cost - Shares	*0*	*0*	*71*	*0*	*165*	*0*	*NA*
Other Financial Costs	0	0	3	0	221	0	NA
TOTAL FINANCIAL COSTS	*2,749*	*3,902*	*7,520*	*1,890*	*4,093*	*0*	*NA*
GROSS MARGIN	**1,573**	**3,338**	**5,049**	**2,537**	**4,327**	**0**	**NA**
OPERATING EXPENSES							
Personnel	496	782	1,234	371	758	0	NA
Governance	27	15	748	134	265	0	NA
Marketing	6	0	157	0	233	0	NA
Administration	292	529	1,124	302	344	0	NA
Depreciation	63	107	137	34	65	0	NA
TOTAL OPERATING EXPENSES	*884*	*1,433*	*3,401*	*840*	*1,665*	*0*	*NA*
Provision for Risk Assets	0	556	622	929	1,089	0	NA
NET INCOME FROM OPERATIONS	**689**	**1,350**	**1,027**	**768**	**1,573**	**0**	**NA**
OTHER INCOME / EXPENSE							
Previous periods adjustments (Net)	0	0	0	0	0	0	NA
Extraordinary income (Net)	0	0	0	0	0	0	NA
TOTAL OTHER INCOME/EXPENSE	*0*	*0*	*0*	*0*	*0*	*0*	*NA*
Income Tax	0	0	0	0	0	0	NA
Net Income/Loss	**689**	**1,350**	**1,027**	**768**	**1,573**	**0**	**NA**

ATTACHMENT C

USAID Statistical Reports for Years 1999-2001

USAID Statistical Report - SANASA Primary Societies Year 1999

	Project PSs (70) 31-Dec-98		Project PSs (70) 31-Dec-99	
PORTFOLIO OUTREACH	SL Rupees	US Dollars	SL Rupees	US Dollars
1. Total Balance of loans outstanding (net)	173,083,619	$2,387,360	194,731,279	$2,685,949
2. Total Number of loans outstanding	N/A		N/A	
3. The size of distribution of outstanding loans				
a) $1-300	N/A		4,638	
b) *over $301*	N/A		1,749	
4. Amount of loans disbursed during reporting period	N/A		139,773,378	$1,927,909
5. Number of loans disbursed during reporting period	N/A		9,397	
6. Percentage of female borrowers	N/A		N/A	
7. *Delinquent loans by delinquency category*				
a) 1-3 months	N/A	N/A	N/A	N/A
b) 3-6 months	N/A	N/A	N/A	N/A
c) 1-12months	63,846,338	$880,639	40,354,104	$556,608
d) 0ver 12 months	29,231,722	$403,196	26,173,305	$361,011
8. Total amount of savings				
a) at the beginning of the reporting period	190,593,897	$2,628,881	N/A	N/A
b) at the end of reporting period			243,659,285	$3,360,818
9) Number of savings accounts				
a) at the beginning of the reporting period	53,597			
b) at the end of reporting period			63,305	
INTEREST RATE POLICY				
11. Effective interest rate yield on loans		17.55%		16.67%
12. Effective interest rate paid on savings		11.10%		8.18%
INCOME AND EXPENSE INFORMATION*				
Income				
13. Interest income calculated on cash basis	26,743,304	$368,873	30,664,817	$422,963
14. Interest income from investments	3,989,787	$55,032	3,662,645	$50,519
15. Other operating income from financial services	0	$0	0	$0
Expenses				
16. Personnel expenses	3,856,054	$53,187	4,250,801	$58,632
17. Administrative expenses including depreciation	3,881,660	$53,540	7,495,402	$103,385
18. Loan losses (100% of loans delinquent >12 months)	29,231,722	$403,196	26,173,305	$361,011
19. Interest and fee expenses	7,738,307	$106,735	5,459,690	$75,306
20. Net operating profit (sum of items 13-15 minus 16-19)	-13,974,652	-$192,754	-9,051,736	-$124,852
21. Non-operating income	0	$0	0	$0
22. Non-operating expenses	0	$0	0	$0
DONATIONS				
23. For operating expenses	0	$0	0	$0
24. *For capital contributions*	0	$0	0	$0
BALANCE SHEET INFORMATION				
25. Cash on hand and in banks	3,860,412	$53,247	4,722,193	$65,134
26. Short term investments	28,647,214	$395,134	36,172,462	$498,931
27. Loans outstanding	173,083,619	$2,387,360	194,731,279	$2,685,949
28. Loan loss provisions	*1,165,218*	*$16,072*	3,108,385	$42,874
29. Net loan portfolio outstanding (item 28 minus 29)	171,918,401	$2,371,288	191,622,894	$2,643,074
30. Long term investments	18,876,935	$260,372	29,372,563	$405,139
31. Fixed assets	18,068,589	$249,222	24,582,853	$339,074

32. Other assets	8,678,418	$119,702	11,924,325	$164,473
33. Total assets	250,049,969	$3,448,965	298,397,290	$4,115,825
34. Savings and time deposits	190,503,897	$2,627,640	243,659,285	$3,360,818
35. Statutory reserves and other capital accounts	16,641,727	$229,541	7,420,884	$102,357

USAID Statistical Report – SANASA Primary Societies Year 2000

	Project PSs (70)		Project PSs (72)	
	31-Dec-99		31-Dec-00	
PORTFOLIO OUTREACH	SL Rupees	US Dollars	SL Rupees	US Dollars
1. Total Balance of loans outstanding (net)	194,731,279	$2,685,949	245,312,302	$3,145,030
2. Total Number of loans outstanding	16,132	16,132	21,228	21,228
3. The size of distribution of outstanding loans				
a) $1-300	5969	5969	6,156	6,156
b) over $301	10,163	10,163	15,072	15,072
c) $501-1000			N/A	N/A
d) $1001-2000			N/A	N/A
e) $2001-3000			N/A	N/A
f) $3000 and over			N/A	N/A
4. Amount of loans disbursed during reporting period	139,773,378	1,927,909	294,606,156	$3,777,002
5. Number of loans disbursed during reporting period	9,397	9,397	18,590	18,590
6. Percentage of female borrowers	over 50%		over 50%	
7. Delinquent loans by delinquency category				
a) 1-3 months	N/A	N/A	N/A	N/A
b) 3-6 months	N/A	N/A	N/A	N/A
c) 1-12months	40,354,104	$556,608	47,935,600	$614,559
d) Over 12 months	26,173,305	$361,011	10,307,335	$132,145
8. Total amount of savings				
a) at the beginning of the reporting period	190,593,897	$2,782,393	243,659,285	$3,360,818
b) at the end of reporting period	243,659,285	$3,360,818	289,070,821	$3,706,036
9) Number of savings accounts				
a) at the beginning of the reporting period	58,451	58,451	63,305	$63,305
b) at the end of reporting period	63,305	63,305	63,947	63,947
INTEREST RATE POLICY				
11. Effective interest rate yield on loans	16.67%	16.67%	17.16%	17.16%
12. Effective interest rate paid on savings	8.18%	8.18%	8.72%	8.72%
INCOME AND EXPENSE INFORMATION*				
Income				
13. Interest income calculated on cash basis	30,664,817	$422,963	40,855,837	$523,793
14. Interest income from investments	3,662,645	$50,519	5,623,519	$72,096
15. Other operating income from financial services	0	$0	3,677,896	$47,153
Expenses				
16. Personnel expenses	4,250,801	$58,632	6,213,172	$79,656
17. Administrative expenses including depreciation	7,495,402	$103,385	6,541,043	$83,860
18. Loan losses (100% of loans delinquent >12 months)	26,173,305	$361,011	10,307,335	$132,145
19. Interest and fee expenses	5,459,690	$75,306	24,592,476	$315,288
20. Net operating profit (sum of items 13-15 minus 16-19)	-9,051,736	-$124,852	2,503,226	$32,093
21. Non-operating income	0	$0	0	$0
22. Non-operating expenses	0	$0	0	$0
DONATIONS				
23. For operating expenses	0	$0	0	$0

24. For capital contributions	0	$0	2,986,909	$38,294
BALANCE SHEET INFORMATION				
25. Cash on hand and in banks	4,722,193	$65,134	4,648,108	$59,591
26. Short term investments	36,172,462	$498,931	37,812,335	$484,774
27. Loans outstanding	194,731,279	$2,685,949	268,885,366	$3,447,248
28. *Loan loss provisions*	3,108,385	$42,874	23,573,064	$302,219
29. Net loan portfolio outstanding (item 28 minus 29)	191,622,894	$2,643,074	245,312,302	$3,145,030
30. Long term investments	29,372,563	$405,139	41,641,555	$533,866
31. Fixed assets	24,582,853	$339,074	29,147,098	$373,681
32. *Other assets*	11,924,325	$164,473	3,478,958	$44,602
33. Total assets	298,397,290	$4,115,825	371,880,258	$4,767,696
34. Savings and time deposits	243,659,285	$3,360,818	289,070,821	$3,706,036
35. Statutory reserves and other capital accounts	7,420,884	$102,357	7,664,376	$98,261

USAID Statistical Report – SANASA Primary Societies Year 2001

	Project PSs (72)		**Project PSs (85)**	
	31-Dec-00		**30-Jun-01**	
PORTFOLIO OUTREACH	SL Rupees	US Dollars	SL Rupees	US Dollars
1. Total Balance of loans outstanding (net)	245,312,302	$3,145,030	308,565,376	$3,447,658
2. Total Number of loans outstanding	21,228	21,228	23,563	23,563
3. The size of distribution of outstanding loans				
a) $1-300	6,156	6,156	6,690	6,690
b) over $301	15,072	15,072	16,873	16,873
c) $501-1000	N/A	N/A	N/A	N/A
d) $1001-2000	N/A	N/A	N/A	N/A
e) $2001-3000	N/A	N/A	N/A	N/A
f) $3000 and over	N/A	N/A	N/A	N/A
4. Amount of loans disbursed during reporting period	294,606,156	$3,777,002	181,952,685	$2,032,991
5. *Number of loans disbursed during reporting period*	*18,590*	*18,590*	12,724	12,724
6. Percentage of female borrowers	over 50%	over 50%	over 50%	over 50%
7. Delinquent loans by delinquency category				
a) 1-3 months	N/A	N/A	N/A	N/A
b) 3-6 months	N/A	N/A	N/A	N/A
c) 1-12months	47,935,600	$614,559	66,862,301	$747,065
d) Over 12 months	10,307,335	$132,145	19,522,235	$218,126
8. Total amount of savings				
a) *at the beginning of the reporting period*	*243,659,285*	*$3,360,818*	*325,270,466*	*$3,634,307*
b) at the end of reporting period	289,070,821	$3,706,036	344,857,316	$3,853,154
9) Number of savings accounts				
a) at the beginning of the reporting period	63,305	63,305	80,218	80,218
b) at the end of reporting period	63,947	*63,947*	*87,042*	*87,042*
INTEREST RATE POLICY				
11. Effective interest rate yield on loans	17.16%	17.16%	19.99%	19.99%
12. Effective interest rate paid on savings	8.72%	8.72%	10.42%	10.42%
INCOME AND EXPENSE INFORMATION*				
Income				
13. Interest income calculated on cash basis	40,855,837	$523,793	29,015,451	$324,195
14. Interest income from investments	5,623,519	$72,096	4,250,598	$47,493
15. Other operating income from financial services	3,677,896	$47,153	2,254,058	$25,185
Expenses				

16. Personnel expenses	6,213,172	$79,656	5,317,572	$59,414
17. *Administrative expenses including depreciation*	*6,541,043*	*$83,860*	*5,086,554*	*$56,833*
18. Loan losses (100% of loans delinquent >12 months)	10,307,335	$132,145	9,564,654	$106,868
19. Interest and fee expenses	24,592,476	$315,288	21,089,953	$235,642
20. Net operating profit (sum of items 13-15 minus 16-19)	2,503,226	$32,093	-5,538,626	-$61,884
21. Non-operating income	0	$0	0	$0
22. Non-operating expenses	0	$0	0	$0
DONATIONS				
23. *For operating expenses*	*0*	*$0*	*0*	*$0*
24. For capital contributions	2,986,909	$38,294	0	$0
BALANCE SHEET INFORMATION				
25. Cash on hand and in banks	4,648,108	$59,591	7,093,358	$79,255
26. Short term investments	37,812,335	$484,774	38,575,984	$431,017
27. Loans outstanding	268,885,366	$3,447,248	338,251,313	$4,336,555
28. Loan loss provisions	23,573,064	$302,219	29,685,937	$331,686
29. *Net loan portfolio outstanding (item 28 minus 29)*	*245,312,302*	*$3,145,030*	*308,565,376*	*$3,447,658*
30. Long term investments	41,641,555	$533,866	50,148,146	$560,314
31. Fixed assets	29,147,098	$373,681	36,220,721	$404,701
32. Other assets	3,478,958	$44,602	16,746,719	$187,114
33. Total assets	371,880,258	$4,767,696	457,350,304	$5,110,059
34. Savings and time deposits	289,070,821	$3,706,036	344,857,316	$3,853,154
35. Statutory reserves and other capital accounts	7,664,376	$98,261	12,586,921	$140,636