

**Lachi Poverty Reduction Project
(PAK/99/004)**

A Study

on

**Credit Utilization by Women Loan
Partners**

By:

Humera Ali Marwat

March, 2002

**UNITIED NATIONS DEVELOPMENT
PROGRAM**

Contents

Chapter One

Introduction	3
Methodology	4

Chapter Two

Poverty Ranks	5
Loanee's Sources of Income	5
Utilization of Credit	6
Purpose and Utilized by	6
Analysis of Production + Consumption Loans	7
Livestock Vs Enterprise	7

Chapter Three

Analysis & Conclusion	9
Recommendations	10

Annex - Questionnaire format

Chapter One

Introduction:

Lachi Poverty Reduction Project is working in eight Union Councils of Tehsil Lachi, covering an area of 1161 Sq.Km. Program focuses on “*Alleviation of Rural Poverty by Harnessing Peoples’ Potential*”. Project has different components that strive to achieve the goal or address the problem area.

66% of the households in the project area fall in poor & poorest category. The capital flow in the area is very small. Resources and opportunities to the locals are almost negligible. As majority of people are living below the poverty line, therefore, they could hardly survive. In most of the cases the household expenditure consumes the income of the poor families.

Poverty Profile of Eight Union Councils of Tehsil Lachi.

Union Council	Total Households	% of Poor, poorest & destitute
Shakaradara Urban	1990	63%
Shakaradara Rural	3722	49%
Mandoori	2901	47%
Soodal	3482	73%
Lachi Urban	4540	77%
Lachi Rural	5383	88%
Soorgul	2678	54%
Jerma	2603	52%
Total	27299	66%

From the problem analysis of the area, it was concluded that un-employment, lack of capital and lack of skills were the main factors / hurdles identified by the locals of the area. To address the above-mentioned problems, Micro-credit program was started with the aim of providing sustainable financial services to poor and poorest households. Following were the aims of the micro-credit program;

- Increasing the income of rural poor and providing access to micro credit for this purpose.
- Encouraging and supporting micro-enterprise development initiatives for increasing productivity and income.
- Helping strengthen the institution building at the village level.
- Providing opportunities to women for income generation.

- Making the LPRP credit program financially sustainable.

However, to make micro-credit program innovative and easy to access by poor and poorest household members, project is testing a different approach under the name of ***“Union Council Based Self-Sustaining Micro-Credit Program”***. Under this model, following strategy would be followed;

- Formation of Sub – Groups to facilitate the poor & poorest.
- Separation of credit package from the rest of the developmental packages.
- To address/see the financial viability of the micro-credit model, impact monitoring on regular basis would be carried out.

To monitor the utilization and impact of micro-credit, the present study was conducted under the title ***“Credit Utilization by Women Loan Partners”***. Broader objectives of the study were:

- To verify whether loans availed by women were used for the intended purpose.
- To see the effect on household income.

Methodology:

A random sample of thirty-five (35) loanees was selected and were interviewed on designed formats for the study. Loanees’ sample only includes loanees from two categories, from livestock and enterprise development. All the respondents of the study were women.

Chapter Two

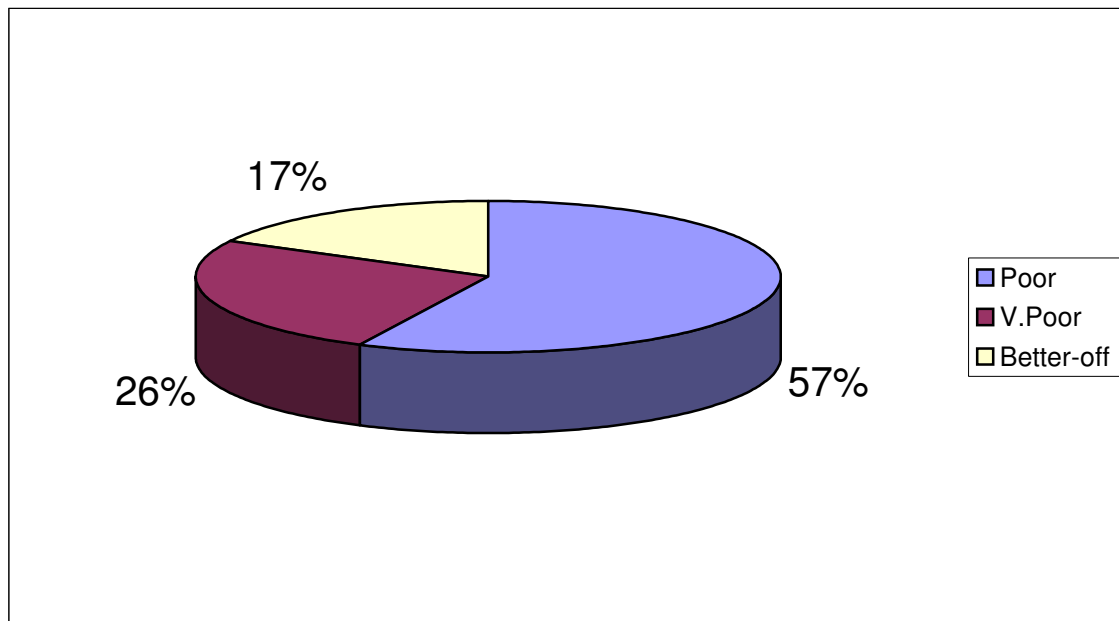
Findings.

Poverty Ranks:

Those who availed credit from project, broadly fall under categories of:

- Non-Poor.
- Poor.
- Very Poor.

Out of the total 35 respondents, 19 (57.14%) belong to poor, 9 (25.71%) belong to very poor and 6 (17.14%) belong to non-poor category.



Loanees' Sources of Income:

Of the sample, 26% (nine) were regular government employees (either of family member was employee like husband, daughter or father). Their average monthly income/wage was Rs. 3625. And all of the remaining loanees were daily wagers either within Shakardara town or in other industrial cities, earning monthly Rs. 2535. Average family size consists of seven (7) members.

Utilization of Credit:

Utilization for “**Production**” was further divided into two categories vis-à-vis commercial and domestic. Commercial includes those loanees who have monthly income by selling milk and milk products while the domestic includes loanees who have bought livestock but are only using it for household consumption either because of large family size or there is no trend of selling milk in their village. However, according to them they are saving the money spent on buying milk from market. Money saved monthly ranges from Rs. 1,000 – 1,500. Their asset in shape of a calf is also increased.

Similarly, category of “**Production + Consumption (Prd. + Comp.)**” includes those borrowers who have utilized credit amount for both production and consumption purposes.

Out of the total, 74.24% have utilized credit for productive - commercial purpose, 11.43% for productive – domestic, 5.72% for productive + consumption, while 8.74% have utilized it for consumption purposes.

WCO Name	# of Loanees Interviewed	Consumption	Production		Prd.+ Comp.
			Commercial	Domestic	
Ziaratabad	4	1	3	0	0
Pirano Kaley	3	0	3	0	0
Churlaki III	4	0	3	0	1
Shaggi II	3	0	2	0	1
D.Bahktawara I	1	0	1	0	0
D.Bahktawara II	3	0	3	0	0
Moh. Eid Gah	3	0	3	0	0
Saddar Khel	2	0	1	1	0
Shomir Khel	2	0	0	2	0
Sarki	2	0	2	0	0
Dandooka III	7	2	4	1	0
Khan Khel	1	0	1	0	0
%	35	8.57	74.24	11.43	5.72

Purpose and Utilized By:

Out of the total sample size, in four cases (11.42%) credit has been utilized either by their husbands or another family member has shared it with the loanee. All the loans are given in the names of individual women. However, one loan can be considered as “Family Loan” as the loans taken by wife (Rs. 3700) and husband (Rs.10, 000) have been jointly utilized by them. Details are as follows:

S.No	WCO Name	Loanee Name	Purpose	Utilized By
1.	Pirano Kaley	Badshahzadi	Enterprise	Husband
2.	D.BahktawaraI	Noriana Bibi	Livestock	Husband
3.	Moh. Eid Gah	Sobia Yasmeen	Enterprise	Wife & Husband
4.	Dandooka III	Husan Bibi	Enterprise	Herself & Mother

The aforementioned table shows the use of credit by household members. The main objective of the study was to see the empowerment that the credit has given to women. Out of the total, in 5.71% cases control was with the males (husbands) as it was invested and spent by them. While in the rest of the 5.71% cases, it was jointly controlled.

Analysis of Production + Consumption Loans:

The sample collected/interviewed, 8.57% credit was jointly utilized for both consumption and productive activities. The following table shows the ratio of amounts used for production and consumption in such cases.

S.No	WCO Name	Loanee Name	Prod+Conption (Amount Ratio)
1.	Churlaki III	Taj Bibi	1: 1
2.	Shaggi II	Bibi Maryam	3: 2
3.	Shomir Khel	Bibi Mar Jana	9: 1

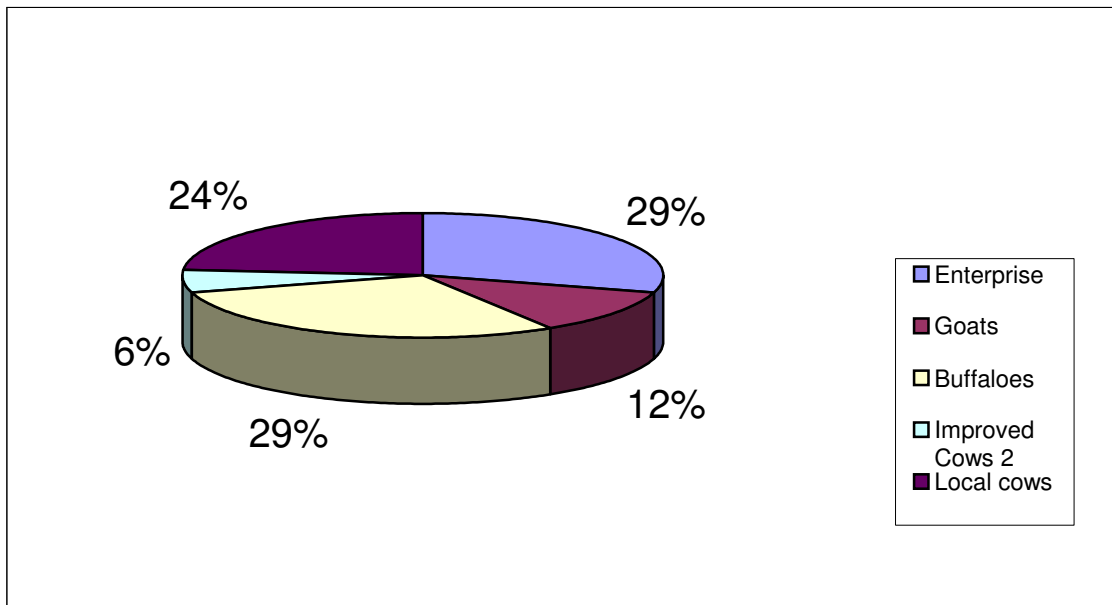
Livestock Vs Enterprise (other than Livestock):

Of the total, 28.57% have used loans for enterprise development while 71.42% have utilized it for livestock purpose.

A total of ten (28.57%) loanees have taken credit for enterprise. Three of the loanees have used credit for consumption purpose. Average monthly income from enterprise ranges from Rs. 450 – 700 on an average credit of Rs. 6,000.

Women were rearing following types of livestock:

- Buffaloes.
- Improved breeds of cows.
- Local breed of cow.
- Goats for trading.
- Camel – Family loan (both husband and wife had taken loan from WCO and MCO), which was used for transportation/carrying purpose.



Generally, expenses incurred and income derived are both more in case of improved breeds of cow. However, women in the project area did not fulfill proper feed needs of cows, that's why income from the improved breed was almost the same as the local cows. Monthly net income from the improved breeds was between Rs. 1300 – 1600 while expenses were Rs. 800 – 1200 per month. On other hand, net income from local cows was Rs. 1400 – 1500 per month and fodder expense was Rs. 375 – 430 per month. In case of buffaloes, monthly net income was more than that of cows. The monthly net income was Rs. 2809 on average while expenditure incurred was Rs. 1995.

Goats were mainly bought for trading purpose. Women reported that if they had more goats, the amount of income would have been much more, mainly because of “Economies of Scale”. One woman had eight goats and was successfully running her business with monthly income of Rs. 800 – 1100.

Chapter Three

Conclusion:

Following conclusions could be drawn;

- Most of the women preferred buying local cattle breeds because they are cheaper/low in price and do free grazing in hills and mountains. On other hand, improved breeds of livestock needs too much care which women could not afford in terms of time, cost of fodder, management, stall-feeding and capital investment. Local breeds were acclimatized to local adverse climatic conditions as compared to the improved ones.

Similar was the case with goats. Only local one, known as “*Teddy*” was preferred by women. These goats have ability of climbing mountains, and have higher fertility, higher milk production and do free grazing.

Income earned from one of the case where camel was bought was Rs. 250 – 500 per day while expenses made in the form of fodder was Rs. 100 per day. The camel was used for loading purposes (bring fuel wood from far-off places and selling them in the village).

- In livestock, 41.66% women bought buffaloes. Production of buffaloes was more and also their milk was sold at Rs. 20 per liter as compared to cows’ milk, which was sold at Rs. 16 per liter. Income from buffaloes was nearly 1.5 times more than cows (excluding the expenses incurred). However, the investment on buffaloes was also high.
- Profit margin in enterprise was very low. They could not earn enough money, even to repay installments. Most of the women reported saturation/product over crowding (opening of more shops within village) has decreased the profit margin. This indicates that market survey was not carried out at time of disbursement.
- In few cases (Two in rural Shakardara and one in Urban Shakardara), milk production of cow was only used for household consumption. Thus, they were fulfilling nutritional value of household on one side while on other they were saving monthly Rs. 1,000 – 1,500.
- In majority of the cases, money earned through credit was used for daily life necessities while monthly installments were paid from other sources. Although, some women could save money, even after spending in household for the monthly installment, particularly in case of those owning buffaloes.

Thus, it had helped them in bridging the gap between income and expenses. In addition, there has been increase in assets (in shape of calf). Women were of the view that after repayment of the credit there would be increase in three ways; **a)** By owning that livestock **b)** Its off-spring **c)** income earned by selling milk and milk products.

Saving was also an important element that was made by them, because, in majority of the cases their expense was exceeding their income. Thus, daily income earned was spent on household consumption/needs while installments were paid from other sources. This enabled them to save some amount from their other income sources.

- Only 22.85% (eight) respondents had one family member as regular government employee. All others were daily wagers. Even income of regular government employee was very low and they could hardly meet their expenses.
- Regarding impact from gender perspective, attitude of men-folk has changed. Women reported that their respect in the home has increased and also they are more trusted.

Recommendations:

- The loanees/members should be trained in a variety of new enterprises. However, it will be helpful if the new enterprises are relevant to their experiences in one way or another.
- Exposure to areas with similar socio-economic culture, so that they could be exposed to what others are doing. It would also be helpful to identify other entrepreneurial avenues.
- Family loans/enterprises should be closely monitored. Because loans obtained in name of women give less control of income by women.