



Assessing the Economic Impacts of NRSP's Microcredit Program in Bahawalpur



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Acronyms

MFI	Microfinance institutions
FMBF	First Microfinance Bank
KB	Khushali Bank
NRSP	National Rural Support Program
PRSP	Punjab Rural Support Program
PMN	Pakistan Microfinance Network
PPAF	Pakistan Poverty Alleviation Programme
RSP	Rural Support Programme
FY	Fiscal year
CIF	Community investment fund
IKP	Indira Kranthi Patham
CO	Community organization
VO	Village organization
LSO	Local support organization
NWFP	Northwest Frontier Province
MIP	Micro Investment Plan
SO	Social organizer
FGD	Focus group discussion
HBL	Habib Bank Ltd.
ZTBL	Zarat-e-Tariqati Bank

Glossary

Arhti	trader, intermediary,
Beopari	trader, intermediary
Tehsil	administrative unit (district)

1. Introduction

Microfinance is now an increasingly important tool for poverty alleviation in the world. The global outreach of microfinance schemes has increased significantly in the recent past. The World Bank estimated that the total number of microfinance institutions worldwide approximated 7000, with a total outreach of about 16 million borrowers, and lending of about \$2.5 billion.¹

The microfinance sector has also gained prominence in Pakistan. The Government of Pakistan passed the Microfinance Bank Ordinance in 2001, which regulates the establishment of commercial microfinance institutions (MFI). Within three years, microfinance became an important element of the national poverty alleviation strategy. The government took significant steps to develop the sector on a priority basis. A major initiative called the Microfinance Sector Development Program was launched with assistance from the Asian Development Bank. The government developed a legislative and regulatory framework to encourage private sector participation.

Currently, Pakistan's total microfinance outreach is around 1.3 million active borrowers. The single largest provider is the NRSP, with close to 0.46 million borrowers. Khushhali Bank, which was established through a public-private partnership as a result of the Microfinance Bank Ordinance, 2001, caters to approximately 0.35 million active borrowers with an average loan size of Rs.10,500. Approximately 75 percent of the total outreach of Pakistan's MFIs is covered by the Pakistan Microfinance Network (PMN), a collection of 13 of the country's better-established microfinance providers.² Members of the network include, NGOs, and rural support programs. Within the network, the largest suppliers of microfinance are the Rural Support Programs (RSPs) with the Pakistan Poverty Alleviation Fund (PPAF) as a major provider of funds for on lending.

Almost 40 percent of these active borrowers are urban based and the remaining 60 percent rural³. Further, the outreach data in the rural areas of the country indicates that 60 percent of the clients served by various microfinance providers are based in the canal irrigated areas of the Punjab, 30 percent in the tube well irrigated areas of Punjab and NWFP, and the remaining 10 percent originate from the Barani (rain fed) areas of the Punjab, from Sindh, Balochistan and the irrigated areas of Sindh. A combination of distance and low population density reduces their commercial viability as credit markets, hence they are underserved by the microfinance providers. In effect, the poorest and women are being denied the opportunities to access financial and other resources for their own development.

During the period 1983 to 2007 (March), the network of ten RSPs has collectively disbursed Rs. 20.40 billion to 2.13 million beneficiaries, over a quarter of this amount to

¹ <http://www.gdrc.org/icm/data/d-snapshot.html>

² Khushhali Bank is not part of PMN.

³ MicroWATCH Issue 3 Quarter 1 (January – March 2007), Pakistan Microfinance Network, Islamabad, 2007

women.⁴ The National Rural Support Programme (NRSP) witnessed a growth rate of 105 percent in FY 2007 over FY 2006 in its microfinance portfolio.

C. Largest Providers of Microcredit (Active Borrowers)

	MFP	Active Borrowers (31 Mar)	Market Share (% of Active Borrowers)
1	NRSP	459,801	26.3
2	KB	351,966	20.1
3	KASHF	300,698	17.2
4	FMFBL	197,665	11.3
5	FRSP	78,869	4.5

C. Largest Providers of Micro-Savings (Active Savers)

	MFP	Active Savers (31 Mar)	Market Share (% of Active Savers)
1	NRSP	1,084,652	53.1
2	FRSP	328,205	16.1
3	TRDP	250,490	12.3
4	FMFBL	160,738	7.9
5	TMFB	85,094	4.2

Source: Microwatch, 2009

For the future, microfinance aims to target 4.2 million clients by FY 2012 with the funds being on lent at commercial rates. The total active loans will, concurrently, increase from 0.684 million to 4.04 million. An amount of Rs 47.8 billion is expected to be generated through commercial sources, while the World Bank will channel Rs.36 billion through the PPAF.

Community investment fund (CIF): The CIF mechanism, with its primary objective of reducing poverty, has been successfully tested in the World Bank funded Indira Kranthi Patham (IKP) Project in Andhra Pradesh India. Through this mechanism the project provides grant funds to Local Support Organizations (LSOs), which channelise a part of these funds as loans to the village organizations (VOs) and community organizations (COs) at a mark up. The CO on lends these funds eventually to their members at an aggregate mark up. The mark up is used to meet the operating cost of the LSO, VOs and COs which are managed by the local Community Activists. This mechanism makes the peoples organizations (LSOs/VOs/COs) independent and sustainable and provides opportunities for asset creation, income generation, and local employment. The nurturing of community activists as social capital is another important outcome of the CIF mechanism.

People's organizations are particularly important for the desert and hilly areas of Baluchistan, Sindh and some parts of Punjab and NWFP, where conventional microcredit programmes are not likely to succeed. An estimated 12 districts and 313 union councils fall in this category where CIF could be a viable source of micro-credit to the poor and poorest. The projected financial need for each union council is Rs.10 million, including CIF funds and the allocation for mobilizing communities. The required amount aggregates to Rs 3.11 billion.

⁴ Information made available by the RSPN.

1.1 NRSP's microfinance initiatives in Bahawalpur

The NRSP programme in Bahawalpur is implemented with the help of one regional office, 3 zonal offices, 44 field offices (tehsil level), and 23 village branches/settlement offices. The Bahawalpur region constitutes the major chunk of NRSP's overall credit portfolio; as of February 2009, out of total NRSP disbursement of Rs.32.63 billion, Bahawalpur region's share was Rs. 14.0 billion (43 percent). Similarly it accounted for 43.3 percent of the 698,369 loans. Since its inception ten years ago, NRSP has disbursed 937,843 agriculture loans in which the Bahawalpur region's share is 67.4 percent.

Micro-investment Plan: The Community Organizations (COs) fostered by NRSP prepare Micro Investment Plans (MIP) which are prepared at two levels; household and group. While the COs as grassroots institutions are generally interested in carrying out social sector projects such as schools, roads, and drinking water and sanitation schemes, individual members are most interested in income-enhancing activities. This usually requires training or financial capital – sometimes both – to begin or expand an income generating activity. NRSP has established a programme of skills enhancement and a credit line to meet these household level needs. The MEDP's primary role is to ensure that credit funds are available to the poor households through the COs. It's other major responsibilities include developing information systems that help assess the efficiency, out-reach capability, repayment behavior and financial viability of the programme.

Credit Package and Ceiling: NRSP does not have a preconceived package, although credit is provided only for productive activities. This encourages the COs to utilize natural resources and human capital. The productive activities typically include:

- Agricultural inputs; seeds, fertilizer, pesticide
- Livestock
- Small business/enterprise development
- Lift irrigation, land-leveling and other productive infrastructure

Based on its extensive experience NRSP regulates the credit ceiling for different activities and different regions. The ceiling for the first time borrower is Rs.10,000/-. However, the regions are allowed to set different ceilings for different areas and COs to a maximum of Rs.30,000/-. NRSP attempts to keep the credit size at the lowest possible limit so that the credit programme covers the maximum number of poor households and the risk to those households is minimized.

Credit Appraisal: Because the COs are primarily responsible for assessing the character of intended borrowers, it is the CO which assesses the credit worthiness of CO members applying for a loan. The CO submits the loan application to NRSP in the form of a resolution, which must be signed by at least 75 percent of the CO members. The CO undertakes the responsibility of verifying the proper utilization of the loan and its repayment. The social organizer (SO) appraises the credit requests and may seek help from other professional staff, for example engineers, if the resolution requires a technical feasibility study.

NRSP extends micro credit to economically marginal men and women who have no material collateral. The COs, however, exert social pressure in case of loan default. Because each loan request is signed by at least 75 percent of the CO members, each member acts as a guarantor for all other members. To facilitate the COs and their members in the repayment of their loans in difficult times, NRSP encourages the COs to practice regular savings before requesting a loan. However, to ensure that this does not discourage the poorest CO members, the ceilings for mandatory savings are flexible.

Saving and Internal Lending: The habit of saving is a prerequisite for CO membership, as is regular attendance in the fortnightly meetings. Once the members' savings (which are deposited in bank account in the name of the CO) reach a substantial amount, the process of internal lending begins with the unanimous will of the CO. The CO then forms a credit committee, which appraises the loan requests. The CO extends credit to its members from its saving pool on its own terms and conditions. NRSP trains the COs in accounting and financial management.

2. Literature review

While programs tend to be self-laudatory about their achievements, scholarly research assessing success has more nuances. Morduch (1999) argues that programs like Grameen overstate their success and make bold claims that are unlikely to withstand close scrutiny. Zaman (2004, p. 14) extensively reviews the evidence and concludes that the literature "supports the conclusion that microcredit contributes to poverty reduction, but the evidence is not entirely clear cut."⁵ On reviewing the literature, we arrive at a supportive position, but are sensitive to different points of view.

For instance, Dichter (2007) argues that the average poor person in the past (and today) is not an entrepreneur, and when he or she has access to credit it is largely for consumption or cash flow smoothing. He concludes that the best financial services for poor or low-income people are savings-based services, which in their pure form do not need outside financial help, or for that matter the large microfinance industry that has evolved. He cites the case of Bank Rakyat Indonesia's Unit Desa system as an example of a major microfinance success that used hardly any outside resources as a basis for the financial corpus. Other, less well-known, MFIs, such as India's Community Development Foundation, based on member "thrift societies" receive no help from the microfinance industry either.

On the other hand, Schreiner (2004) endorses microcredit in terms of asset building, using the term 'assets' broadly. That is, microenterprise programs attempt to help people of modest means to build human, financial, physical and social capital for the development of very small businesses that will improve their well-being. He concedes that such programs have their work cut out for them, because the people they aim to help are often precisely those who tend to lack the assets that support small-business development in the first place. Still, he argues, there are established "good practices" that programs can build on.

⁵ Also refer to Amin, Rai and Topa (1999), Khandker, Khilily and Khan (1994), and Pitt, Khandkher and Cartwright (2006).

Swain and Wallentin (2007) used rigorous econometric techniques to demonstrate that women were empowered among self-help groups (SHG) in India. While there were variations in empowerment within the target group, the group as a whole experienced an increase in empowerment. However, a similar empowerment process could not be observed for the control group.

Rutherford et al (2006) indicate the Grameen Bank customers use its loan products to meet a wide variety of needs and challenges that face them. The evidence suggests that Grameen is increasingly substituting for the services of the informal sector and other MFIs. In fact, there is a marked observance of drop-outs returning and defaulters repaying and rejoining Grameen. The authors surmise that with the increased utility and ability of the poor to manage their meagre financial resources, the developmental impact will be higher too.

Gine and Karlan (2006) conclude, asymmetrically, for a field experiment in the Philippines, that individual liability compared to group liability leads to no change in repayment but is better at attracting new clients and keeping existing ones. Second, while they do find statistically significant evidence of some of the mechanisms discussed in the group liability literature, such as screening and monitoring, they do not find that it adds up in an economically meaningful way to higher (or lower) default.

2.2 *Is there a development-microfinance synergy?*

An aspect which earlier studies have not examined is the possible outcomes associated with combining microfinance and development in the same institutional context. The Rural Support Programs (RSPs) in Pakistan focused originally on empowering communities to undertake collective development and social service delivery. About ten years ago, they added microfinance in an effort to energize the entrepreneurial potential of low-income communities and, hence, alleviate their economic and livelihood vulnerabilities. Several possible hypotheses have emerged as a result, namely:

- Does prior social mobilization synergize the empowerment effects of microfinance; alternatively, is it a pre-requisite to such empowerment?
- Related to the first, are commercial and development activities compatible in the same institutional context?
- Is microfinance accessed by the economically marginalized communities?

Our study attempts to address these questions.

3. Research hypothesis and objectives

The hypothesis/research question that we address has a two-fold but related dimension, namely:

- ✓ Microcredit generates household income and asset growth.
- ✓ Social mobilization enhances these income and asset benefits

The literature on the subject, refers to this linkage as microcredit plus. In other words, we review the empirical evidence in favor of and against the proposition that sustainable microfinance needs to be viewed as a development, as opposed to a commercial activity. The presumption – implicit in our hypothesis, is that microcredit in and of itself generates income and asset benefits as does social mobilization. However, the combination of social mobilization and microcredit leverages the best income and asset outcomes. The intent is to demonstrate that, in fact, the combination generates a synergy rather than a mere additionality.

The research objectives are as follows:

Poverty alleviation

- ✓ Assess the social and economic status of clients (socio-economic profile)
- ✓ Assess access to credit by the poorest
- ✓ Evaluate the impact of microcredit on poverty (income generation, asset growth)
- ✓ Assess whether microcredit contributes to social improvement (health, education, nutrition)

Loan product

- ✓ Assess the efficiency and efficacy of the loan product (default, interest, access and conformance)

Institutional delivery

- ✓ Assess systems/procedures in place to ensure efficient credit delivery and recovery
- ✓ Assess that credit delivery is socially just and gender sensitive

These objectives formed the basis for a comparative assessment across three groups: a) the target group; b) control group 1, which comprises CO members but has taken 1 loan or less and; c) control group 2, which comprises non-RSP households but takes credit from outside sources

4. Research method, sampling instruments and data bases

We employed three research instruments, which formed the basis for the evaluation. The comparative evaluation was carried out via household surveys. As mentioned these consisted of the target group and two control groups. We also stratified the sample by gender to give more representation to women. In addition, we also conducted five focus group discussions (FGD) and informant interviews. Finally, the field researchers wrote up a number of case studies, focussing on areas of special interest or concern. The details are as follows:

- | | |
|---|----------------|
| ✓ Target group (NRSP credit clients and CO members) | 299 households |
| ✓ Control group 1 (CO members, not taking credit) | 75 households |
| ✓ Control group 2 (clients of other microfinance banks) | 75 households |

Fifteen percent of each sample consisted of women-headed households.

We carried out five FGDs, two representing the target group, one each for the two control groups, and one female FGD, representing the target group. We interviewed six of the eight disaffected farmers – who had raised negative publicity against the NRSP -- both separately and in a group. In addition we interviewed, two prominent community representatives, two NRSP staff members and one loan officer from the Khushali Bank. The interview transcripts are presented in Annex - 3. The four enumerators each carried out a case studies.

NRSP provided the data bases, consisting of household level information for CO members in Mehrab Goth, Bahawalpur (see Annex – 6). Households in the two control groups were identified via paired sampling by the survey team.

We have presented the research findings in four sections:

Socioeconomic profile: This presents a comparative and intra-group profile of the credit beneficiaries, focussing on professions, education and income levels. The socio-economic status of each group will give us insights on the income-education and income-profession linkages within groups. It will also highlight income differentials across groups and also illustrate, cross thematic linkages, such as between income levels, credit access and benefits.

Credit mechanics: In this section we ascertain why the NRSP groups have opted to take or not to take credit from NRSP. Also, what are the terms and conditions on which the target and non-NRSP control group obtain credit. In particular, we compared the transaction cost of micro-credit for clients from NRSP versus other providers. In other words, how efficient is NRSP's micro-credit delivery as compared to other service providers in the area?

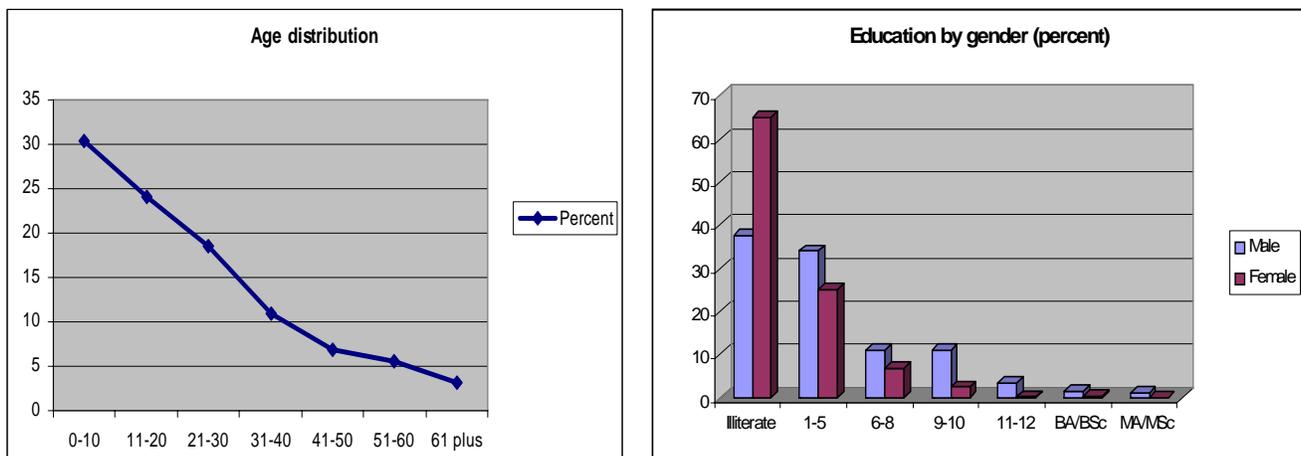
Institutional delivery: This section will probe issues of institutional delivery. These issues relate to access, facilitation, capacity building, input and technical support, fostering savings schemes, the process and flexibility related to credit delivery and recovery and gender sensitivity. Has micro-credit increased the financial literacy skills of clients and to what extent.

Credit outcomes: The findings of this section will form the crux of the study. They will relate to income and asset growth and income utilization. Has credit provided by the NRSP resulted in an increase in the asset base (including savings) of the clients? If yes, to what extent? For those whose asset base has been reduced, what is the extent and main reasons for it? As already pointed out, a key insight we expect to derive is whether credit embedded within a development-social mobilization context magnifies economic, social and wealth outcomes compared to when such credit is extended commercially.

5. Study Findings

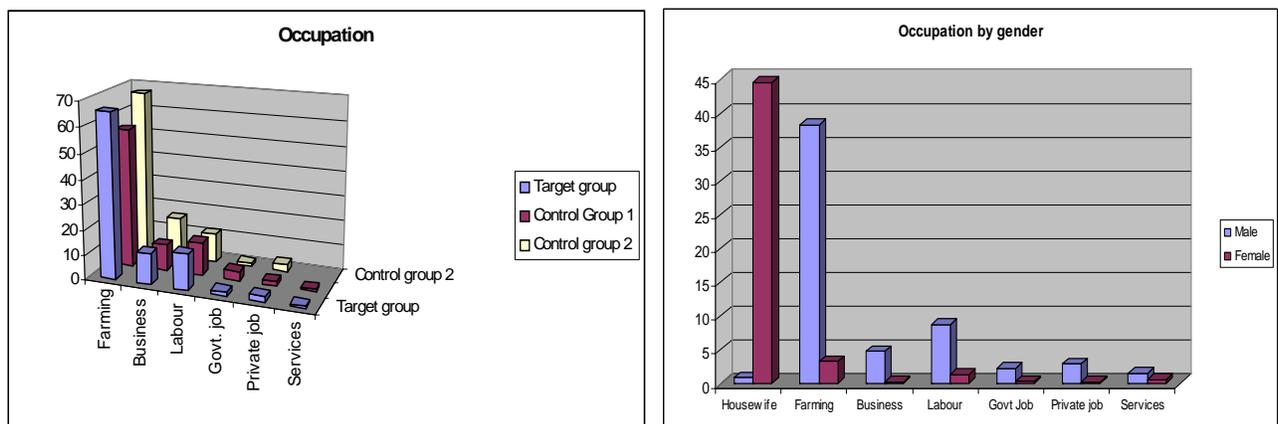
5.1 Socioeconomic profile of the target group

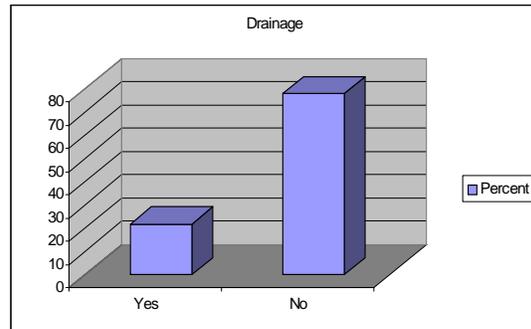
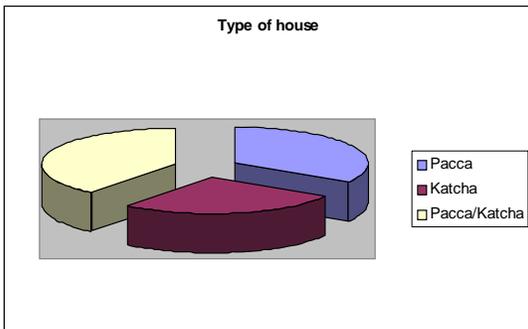
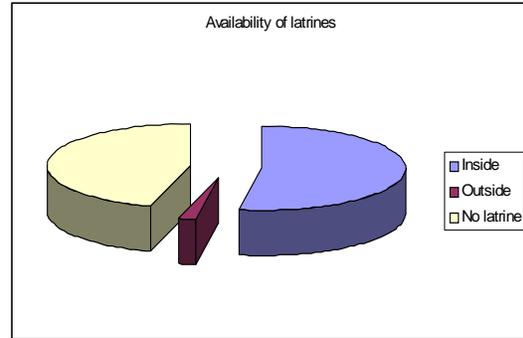
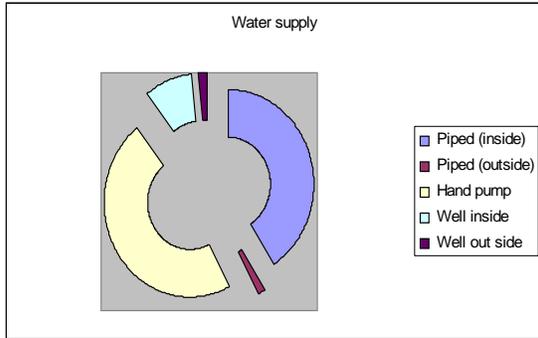
The age distribution of the respondents is biased towards younger people, reflecting the large number of children per family. Household members are either part of a joint or nuclear family system. The low proportion of extended families is a bit of an anomaly among such predominantly poor people. Illiteracy among women is comparatively higher. Very few family members have acquired higher than a matriculate level education. Community health is robust with, as expected, poor health coinciding with age. The predominant occupation is farming followed by labour and business. This trend is very similar across control groups. Women in the target group tend to be primarily housewives and a small percentage engage in farming and labour activities.



Source: SDPI household survey, June 2009

The houses, mostly self-owned, fall into three categories, namely, brick (*pacca*), mud (*katcha*) and a combination of the two (*katcha-pacca*). The majority of the houses have from 1–3 rooms. The bulk of the water supplied is either piped water or drawn from hand pumps inside the house. About 50 percent of the sample population have latrines inside the house but only under 20 percent have drainage facilities.

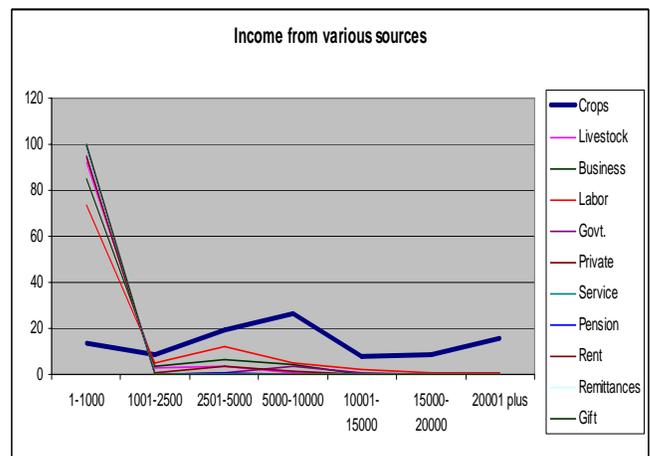
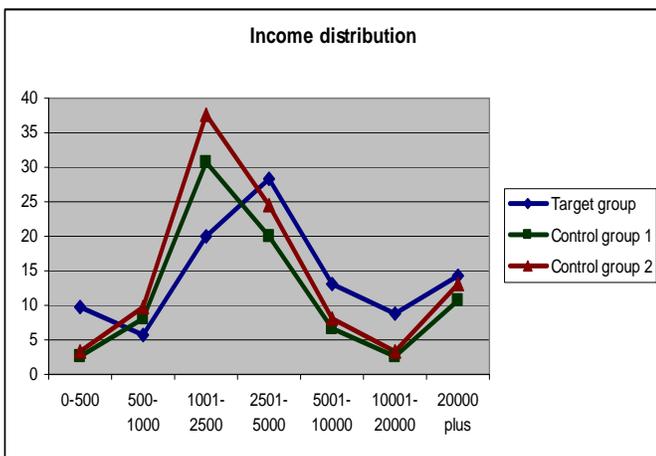




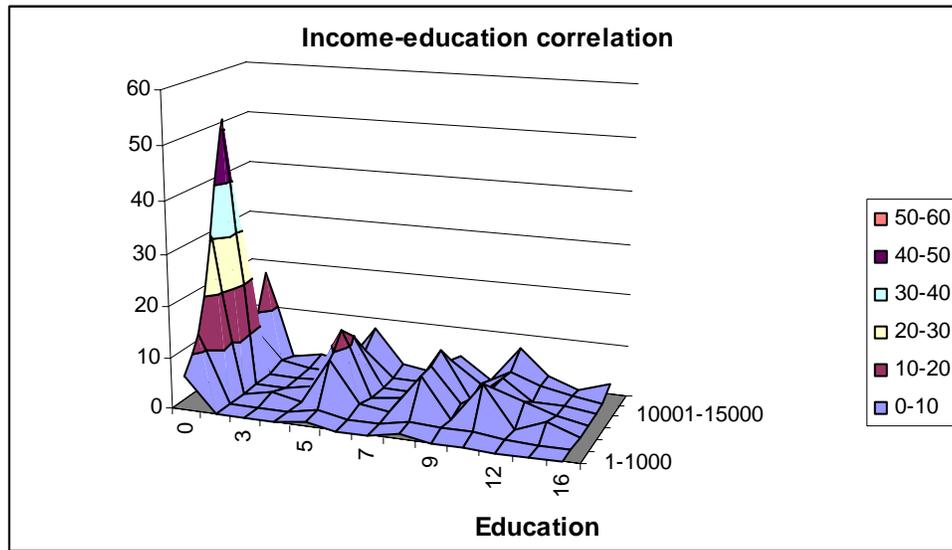
Source: SDPI household survey, June 2009

The poverty of the respondents is evident in the monthly income data; the bulk of such income (60 percent) is concentrated in the Rs.1,000/- to Rs.5,000/- income range. This is similar across the target group and the two control groups. Income derived from crops is the most stable source of income. All other sources of income are important in the Rs.500/- to Rs.1,500/- income range. In other words, income from these sources does not individually exceed Rs.1,500 per month. There is also no evidence of an income-education correlation; in other words, the most educated do not earn the highest incomes.

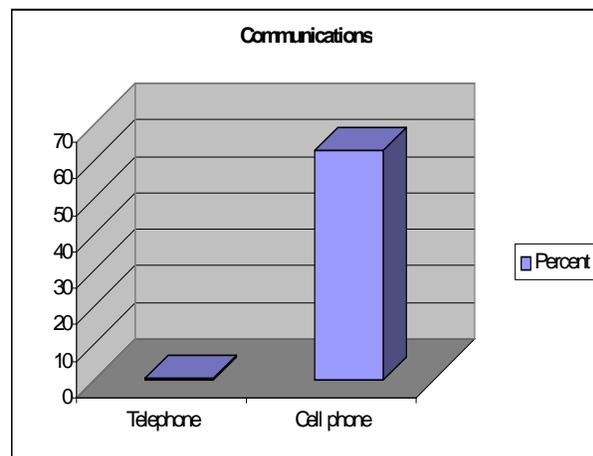
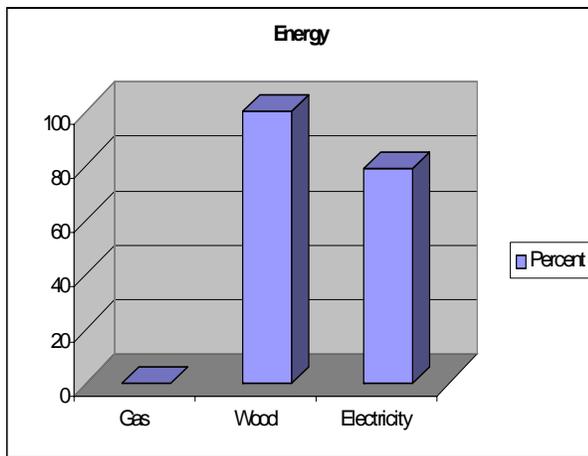
Wood followed by electricity are the key energy sources. Very few households have telephone connections but the use of cell phones is widespread.



Source: SDPI household survey, June 2009



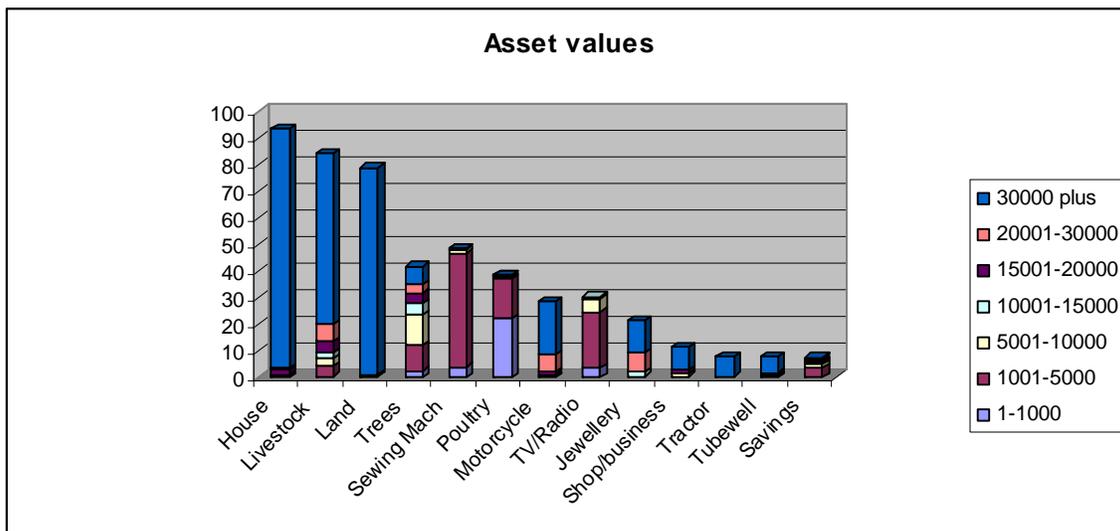
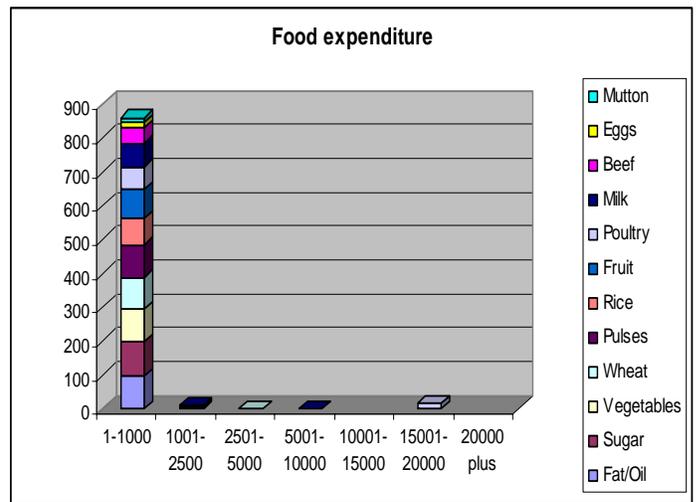
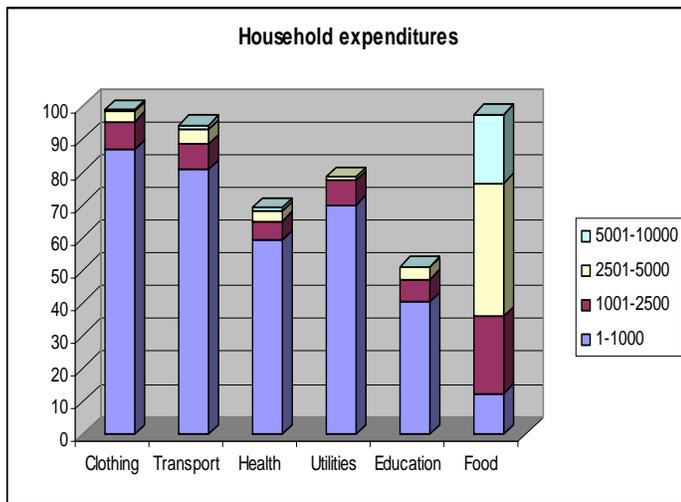
Source: SDPI household survey, June 2009



Source: SDPI household survey, June 2009

Household expenditure priorities are food, clothing, transport, health, utilities and education. The expenditure on food in the higher income ranges also reflects a change in the type and quality of food intake. While the first Rs.1,000/- expended consists of essential food items the intake is quite diversified.

The main asset holdings of each household are houses, agricultural assets (livestock, land, trees, tubewells), productive (sewing machines) and non-productive (jewellery, TV/radio) household items, motorized vehicles – both farm (tractors, and non-farm related (motocycles), shops and personal savings. The figure below also shows the relative amounts spent on these various items.



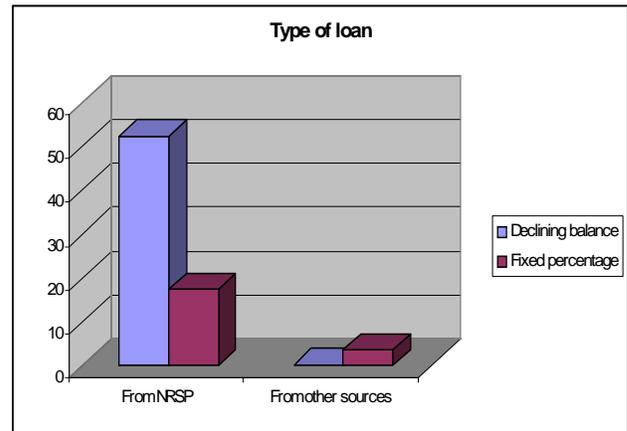
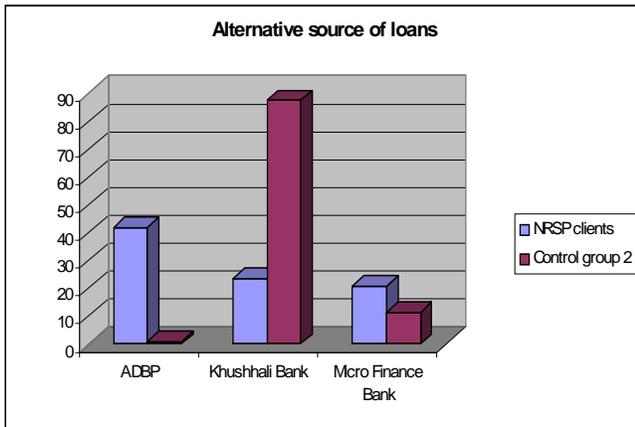
Source: SDPI household survey, June 2009

5.2 Credit details

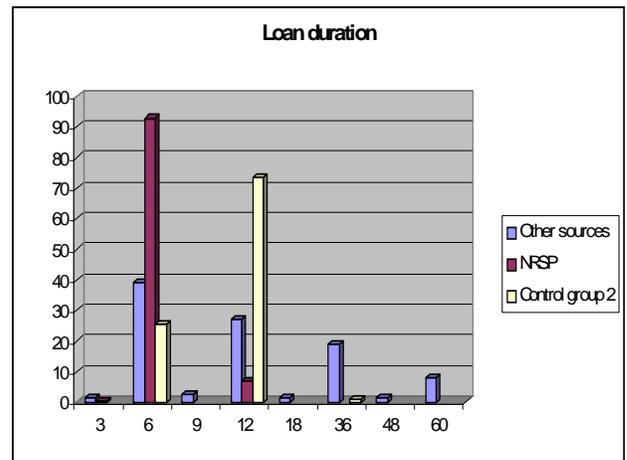
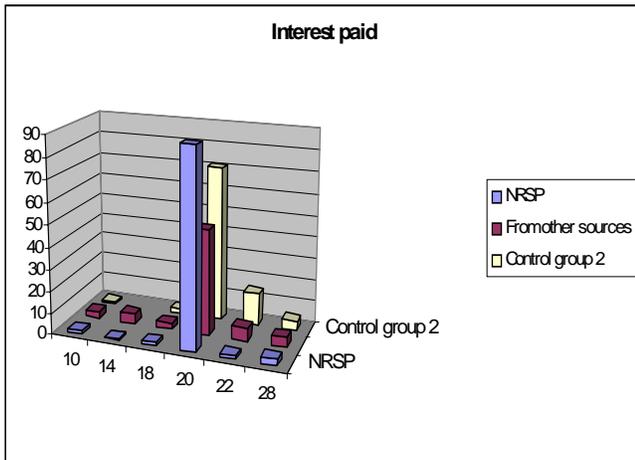
The primary alternative source of loans for NRSP credit recipients was the ZTBL.⁶ For Control Group 2 the primary loan source is the Khushali Bank. From the feedback across all groups, it is apparent that both the NRSP and other bank charges are quite similar and that the financial institutions charge principally 20 percent from their clients. NRSP loans were predominantly of a 6-month duration, while 12 months was the norm for Control group 2.

Only the NRSP loan recipients (50 percent) said they were charged interest on a declining balance, while nearly 25 percent indicated they were paying a fixed percentage; in other words, repayment of principal did not reduce their interest liability.

⁶ A little over 19 percent of the households indicated they had taken loans from other sources as well.



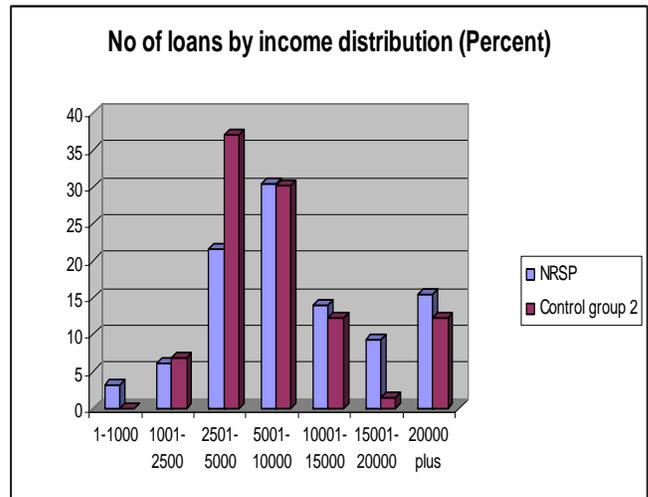
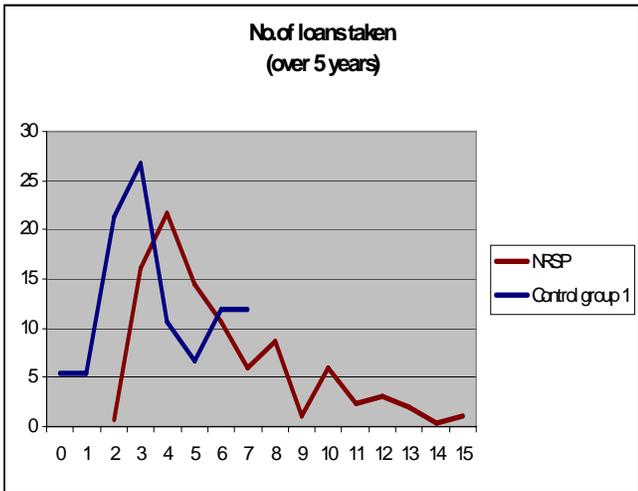
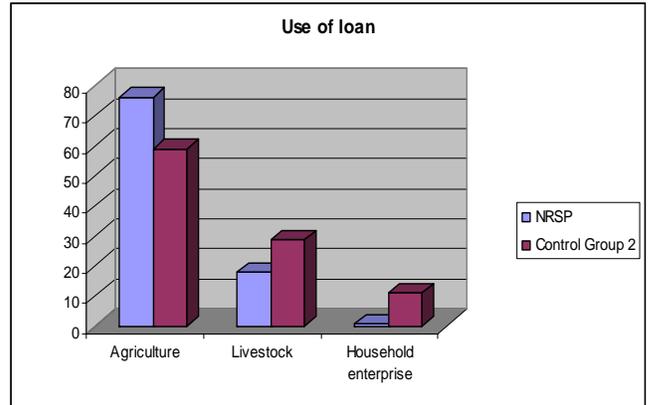
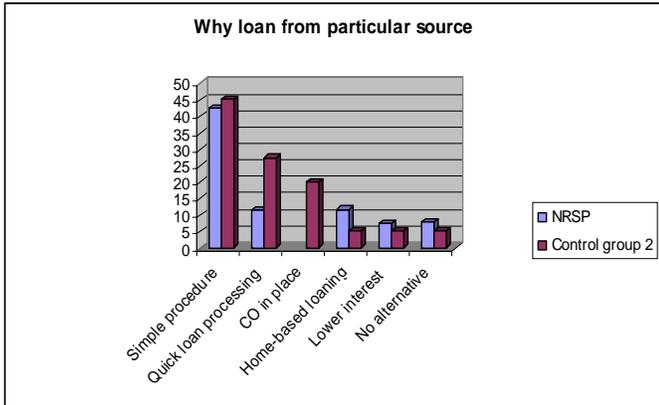
Source: SDPI household survey, June 2009



Source: SDPI household survey, June 2009

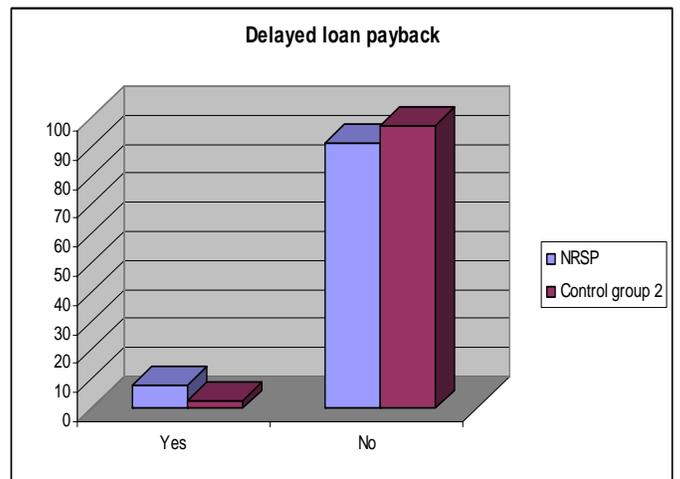
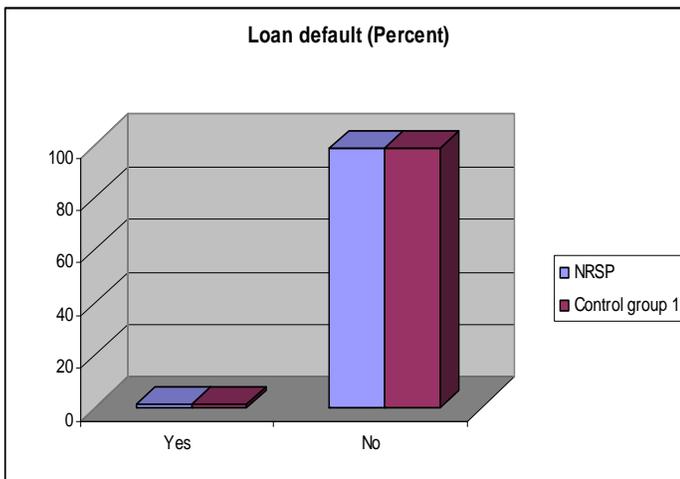
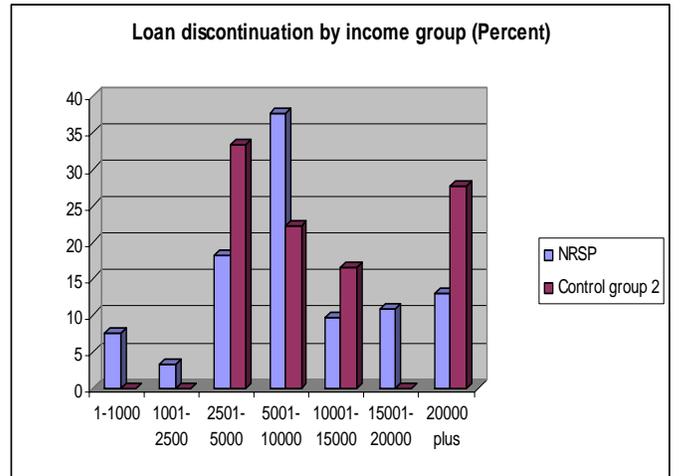
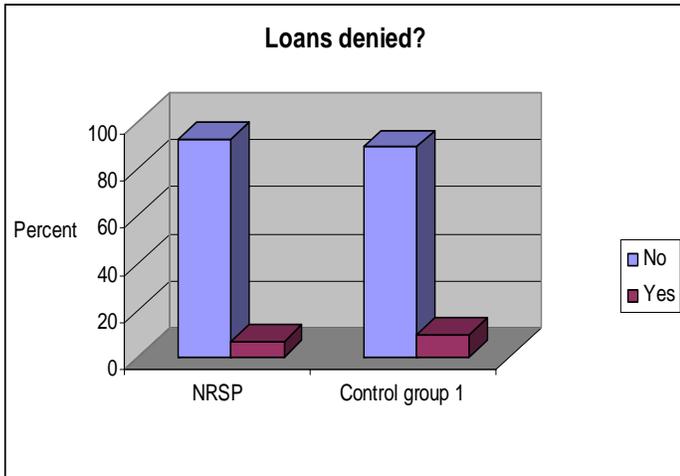
Both groups cited simple procedures as the principal reason for taking loans. These procedures also led to quick loan processing. The NRSP clients also considered home-based loaning as an important inducement for taking loans. Agriculture and livestock raising were the two key activities for which loans were taken across both groups. The majority of the clients took between 2-5 loans.

From a distributional point of view, there is no evidence that larger income groups get more loans. The maximum number of loanees are to be found within the Rs.2,500/- to Rs.15,000/- income range.



Source: SDPI household survey, June 2009

The loan denial percentage was very low for both the target group and control group 1. About one-third of the households in both groups decided to stop taking loans. The target group cited the interest increase and increasing prosperity (thanks to the loans) as the two key reasons for discontinuing credit. Control group 2 attributed such discontinuation primarily to growing prosperity. Again, there is no indication that the more affluent families are discontinuing loans. Loan defaults and delayed loan pay-back percentages are extremely low for both groups. The main reason for failure to return loans promptly is family emergencies.



Source: SDPI household survey, June 2009

(Percent)

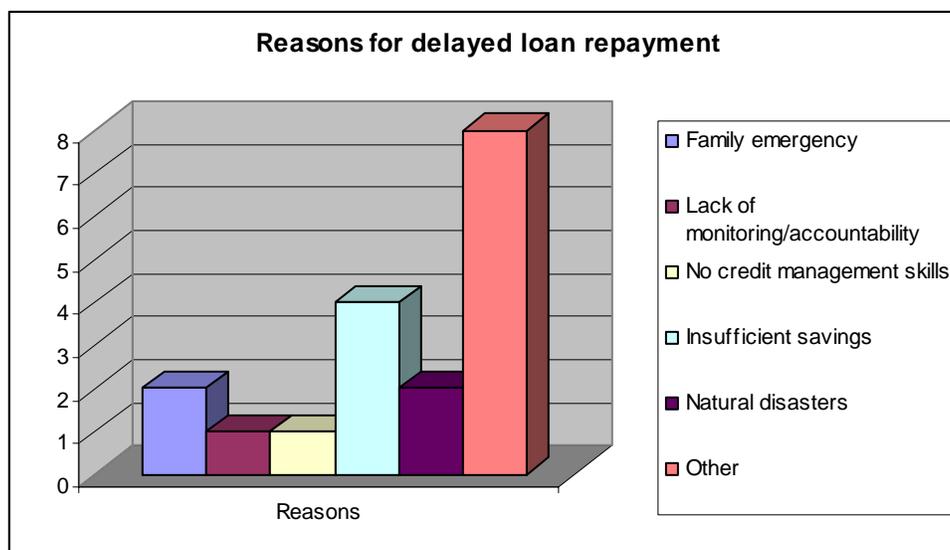
Decided to stop taking loans?

	Yes	No
NRSP	34.1	64.2
Control Group 2	25.3	69.3

Reasons

	Interest increase	Do not need the money	Hard to return
NRSP	25.4	21.3	11
Control Group 2	5.5	72.2	11

Source: SDPI household survey, June 2009



Source: SDPI household survey, June 2009

5.3 Institutional assessment

In this section we compare NRSP’s performance with the other microfinance institutions, primarily the Khushali Bank and the First Microfinance Bank.

Both had articulated the program vision and strategy to their clients. The NRSP clients received information about the program primarily from the staff itself while, in the case of the other banks, family members, friends and relatives provided this information. Both sets of clients indicated it had been easy to access the program. The key elements of the strategy divulged were also similar, comprising both thematic and program aspects. The criteria indicated for getting loans was quite diverse in NRSP’s case, while being a CO member was seen as an important factor in the case of other banks. It needs to be clarified that these criteria are not mutually exclusive, and being a CO member is a necessary precondition specified by all MFIs

	(Percent)	
	Source of information	
	<i>Target group</i>	<i>CG 2</i>
<i>NRSP staff</i>	64	33.7
<i>Family members</i>	1.9	24.4
<i>Friends/relatives</i>	34	41.9
	Target group	
<i>Strategy/vision sensitization</i>	96	92
<i>Easy to access program</i>	98	98
	Key strategy elements	
	<i>Target group</i>	<i>CG 2</i>
<i>To remove poverty</i>	12.5	16.8

Increase income	23.6	21.2
Stop taking loan from dealers as	0.8	7.3
Use fertilizer /pesticide	12.8	16.8

Source: SDPI household survey, June 2009

(Percent)		
	What qualified you for the loan	
	Target group	CG2
Good reputation	16.6	12.5
CO member	19.4	40.3
Accepted request	23.4	18.1
Returned money on time	22.5	1.4
Fulfilled criteria	1.9	16.7
	Target group	CG2
Adequacy of loan	84.2	94.7

Source: SDPI household survey, June 2009

Close to 16 percent of the NRSP clients expressed a need for larger loans, ranging from Rs.10,000/- to over Rs.50,000/-. However, for various policy reasons, NRSP was unable to meet such requests. Both groups indicated the loan process was uncomplicated both for new and repeat loans. However, for each category of loan, over 50 percent of the non-NRSP clients conveyed that it took more than 20 days to process the loan compared to 6-10 days for the NRSP clients.

(Percent)	
	Target group
Clients requesting more money	45
How much more needed	
1-10000	4.4
10001-20000	22.2
20001-30000	22.2
30001-40000	11.1
40001-50000	24.4
50000 plus	15.6
Did NRSP agree?	4.8
Refused for policy reasons	95.2

Source: SDPI household survey, June 2009

(Percent)				
	Is the loan process complicated for new loans?	CG2	Is the loan process complicated for repeat loans?	CG2
Yes	<i>Target group</i> 16.4	12	<i>Target group</i> 9.4	1.3
No	80.9	82.7	89	94.7
	Time taken for new loans (days)	CG2	Time taken for repeat loans (days)	CG2
	<i>Target group</i>		<i>Target group</i>	
0-5	14.7	6.7	1	6.7
6-10	59.9	18.7	5.4	18.7
11-15	19.1	14.7		14.7
16-20	2.3	6.7		6.7
20 plus	4	53		53.3

Source: SDPI household survey, June 2009

Loan monitoring was intensive across the target and control groups, conducted through regular visits and primarily by the loan/credit officer. Surprisingly, 64 percent of the respondents in the second control group indicated that loan officers were not strict about recovery, compared to 20 percent for the target group. However, strictness did not translate into threats or coercion, with recovery largely being effected through more frequent visits. Almost 45 percent of the responding clients said that NRSP accepted delayed payments. A high proportion of the respondents in both groups claimed they maintained loan records; the NRSP clients in the form of pay books and Control group 2 clients in the form of receipts.

(Percent)		
	Target group	CG2
Are loans monitored?	98	93.3
	How monitored	
	Target group	CG2
Never	0.33	1.33
Regular visits	95	86.7
Irregular	3	9.3
	By whom	
	Target group	CG2
Loan officer	87.3	92
CO office holder	0.7	1.3

	Loan officers strict	
	Target group	CG2
Yes	73.9	28
No	20.4	64
	How do they ensure recovery	
	Target group	CG2
More visits	88.9	91.5
Threats	6.4	8.5
Use peer pressure of CO members	1.4	
	In what way flexible	
	Target group	
Accept delayed payments	44.4	
Take partial recovery	55.5	

Source: SDPI household survey, June 2009

(Percent)

	Do you maintain your own loan records?	
	Target group	CG2
Yes	75.3	61.3
No	23.1	38.7
	What kind of records?	
	Target group	CG2
Pay book	66.4	14.3
Ledger	15	24.5
Receipt	17.5	55.1
With CO president	0.7	4.1

Source: SDPI household survey, June 2009

The overall assessment was that the credit system worked well. Suggestions to improve it included lowering interest rates and, generally, making loan repayments/criteria more flexible. However, Control group 2 focused more on reducing interest rates. Generally a deficiency was felt in the area of training and business support, although within this limited scope NRSP training is quite diversified. Surprisingly, not much technical and agronomic support was being provided in agriculture, which is the dominant occupation of the clients.

Close to two-third of the clients in both groups expressed a need for future loans, primarily for agricultural purposes. Of the one third deciding to discontinue future loans, close to 40 percent of the respondents in the target group said they did not need these loans, while another 20 percent admitted they could not afford them. In contrast, over 90 percent of the clients in Control group 2 said they did not need these loans. The absence of such need suggests the credit programs have induced a measure of financial self-sufficiency.

(Percent)		
Do you think this system works well?		
	<i>Target group</i>	<i>CG2</i>
Yes	80.3	92
No	17.7	5.3
Suggestions to improve		
	<i>Target group</i>	<i>CG2</i>
<i>Easier loan criteria</i>	24.8	
<i>Flexibility on loan repayments</i>	19.4	2.0
<i>Lower the interest rate</i>	39.7	53.0
<i>Increase loan amount</i>	3.6	9.8
<i>Extend the loan to yearly basis</i>	4.5	2.0
<i>Give loan in time</i>	0	19.6

Source: SDPI household survey, June 2009

Over 80 percent of the respondents in the two control groups regularly attend CO meetings, on an average twice a month. The discussions center around operational, technical and financial issues.

(Percent)		
Does the NRSP provide training?		
	<i>Target group</i>	<i>CG2</i>
Yes	15.7	0
No	82.6	100
What kind of training		
	<i>Target group</i>	
<i>Vocational training</i>	30.2	
<i>NRM training</i>	4.7	
<i>Business training</i>	4.7	
<i>Loan and training (L&T)</i>	2.3	
<i>Community management skill training</i>	16.3	
<i>Agriculture related</i>	16.3	
<i>Sewing</i>	2.3	
<i>Health and cleanliness</i>	7	
<i>Mobile repairing</i>	4.6	
<i>Traditional birth attendant</i>	7	
<i>Computer operator</i>	4.7	

Source: SDPI household survey, June 2009

(Percent)		
Do you have a need for taking a loan in the future?		
	<i>Target group</i>	CG2
Yes	68.2	68
No	30.8	21.3
Why do you need the loan?		
	<i>Target group</i>	CG2
<i>For agriculture purpose</i>	70.4	63.8
<i>For setup of business</i>	8.5	10.3
<i>For buying cattle</i>	6.1	3.4
<i>To improve financial condition</i>	10.3	19
Why no loan?		
	<i>Target group</i>	CG2
<i>Don't need</i>	41.17647	93.75
<i>Can't afford</i>	17.64706	6.25
<i>Not able to get loan on time</i>	2.941176	
<i>Interest too high</i>	27.94118	

Source: SDPI household survey, June 2009

In contrast to Control group 2, the NRSP has helped the majority of its client COs in setting up a savings scheme albeit with a limited contribution per household of Rs. 100/-. The collective savings of the COs range between Rs.20,000/- to Rs. 1 lakh.

(Percent)		
Do you attend your CO meetings regularly?		
	<i>Target group</i>	CG 2
Never	2.0	6.7
Regular visits	95.3	82.7
Irregular	2.0	9.3
How many times a month?		
Once	2.0	10.7
Twice	67.9	77.3
Three times	29.4	9.3
Four times	0.3	2.7
Issues discussed		
	<i>Target group</i>	CG2
<i>Agriculture issues</i>	24.5	27.0
<i>Attendance</i>	26.8	34.8
<i>Saving/instalment deposit</i>	14.8	0.9
<i>Loan return</i>	20.9	22.6
<i>About loan use</i>	11.6	12.2
<i>Training about cleanliness</i>	1.4	
<i>Business related</i>	1.7	

Source: SDPI household survey, June 2009

5.3.1 Dissaffected group of farmers

CO member farmers/microcredit clients of the NRSP sent a collective complaint to the Ministry of Food and Agriculture (MINFAL). The MINFAL, in turn documented these complaints as case studies and forwarded them to the NRSP vide F.No.EW-Misc-1(6)-Credit/09, dated March 02, 2009, requesting a response. On March 12, 2009, the Planning Commission of Pakistan (PLANCOM) hosted a conference on the state of microfinance in Pakistan, where these farmers were allowed to voice their complaints. The News, an English national daily, also published an article, allegedly on the basis of interviews with these farmers. The article championed their grievances, using fairly intemperate language against the NRSP. The News story maintained that the NRSP, Bahawalpur, provided loans to rural farmers at exorbitant interest rates locking them into a debt trap and forcing them to sell off their productive assets like land, livestock and household durables in order to repay the loans. In short, the loans were a source of impoverishment rather than enrichment.

Our assessment of the complaints has two parts. The first part consists of the survey, where we were able to elicit details of farmer grievances. These grievances were voiced by an extremely small proportion of farmers, as indicated in the table below:

Table

	(Percent)
	Target group
Loan criteria	
NRSP forced us to take loan	2.5
Recovery	
They threaten if you do not repay credit	3.4
Reason for not taking future loans	
We are respectable and can't face abuse	1.5
NRSP is not cooperating	2.9
One CO member unable to return so penalized whole CO	2.9

Source: SDPI household survey, June 2009

Second, we conducted interviews with six of the eight disaffected farmers, both separately and in a group. We conducted the group interview with the following farmers:

- Fida Hussain s/o Mohammad Nawaz,
- Mohamad Asghar s/o Ghulam Mohammad,
- Abdul Majeed s/o Wahid Bux
- Mohammad Abbas,

Rana Fida Hussain s/o Mohamad Ramzan and Ghulam Haider were interviewed individually.

The consensus was that NRSP's microcredit program was doing well and benefited those farmers who utilized the loan for productive purposes. The defaults invariably arose from loan misuse, deflection of loans for household consumption or for unforeseen emergencies. The prevalent theme emerging from the discussions was that microcredit did not engender losses, provided the client used the loan for the stated purpose. Two of the respondents indicated they had stopped taking loans due to the sudden surge in the interest rate from 20 to 28 percent; they were mindful, however, that the new rate was no higher than that charged by other microfinance institutions in the area, namely Khushali and First Microfinance Bank. They also conceded that NRSP was ahead of its peers in terms of institutional delivery, social mobilization and interactions with the community.

Regarding the allegations to the MINFAL, PLANCOM and the News article, the respondents denied they had levelled such charges, attributing the smear campaign to persons with a personal axe to grind. Among these were an ex-president of the Local Support Organization (LSO), who had failed in his bid for reelection and was a defaulter. They also named the defaulting president and manager of the CO, Basti Ditta Baloch, pointing out that these persons had taken loans fraudulently in the name of their CO members. They subsequently misused the money, which led to default. The campaign was essentially an attempt to blackmail NRSP to avoid repayment. They accused the ex-president of misusing their names without bringing the matter to their knowledge.

The consensus among the respondents was that not only did the NRSP's credit program benefit the community, it also cushioned the farmers from exploitation by traders (*arhtis*). The terms on which traders extended this credit was exploitative. Such credit was contingent upon purchasing fertilizer and pesticide (often of sub-standard quality) from the traders at exorbitant prices. In addition, they were also compelled to sell their produce to the same traders at below market prices, in effect, subjecting them to a double squeeze.

5.4 Credit benefits

5.4.1 Economic benefits

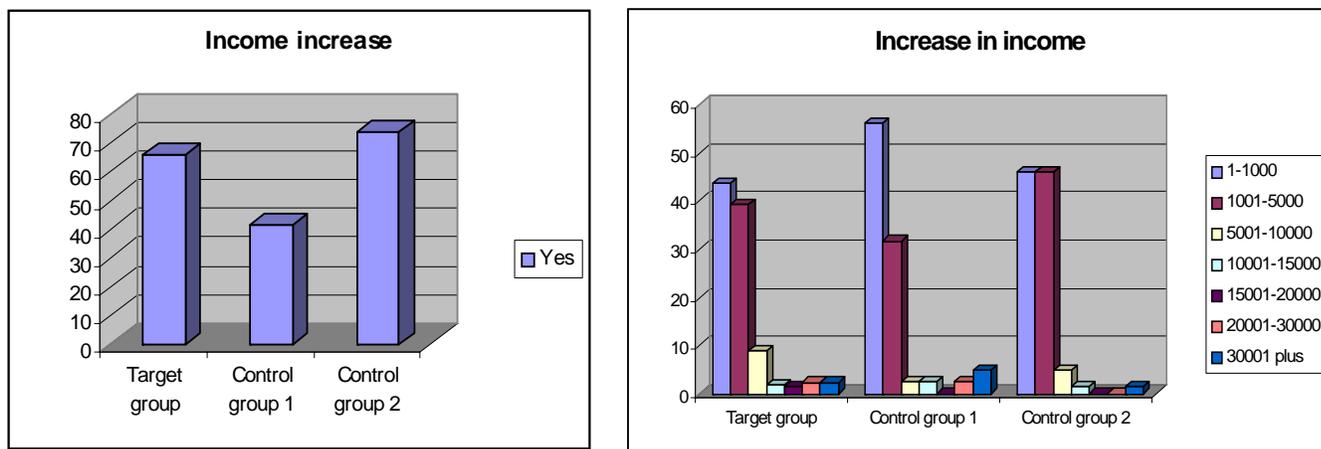
Our hypothesis posited two-fold outcomes. First, that microcredit would generate an increase in income, assets and social benefits as well as empower the credit recipients socially. Second, the social and physical foundations established by the NRSP would synergize such credit impacts -- referred to in the literature as microcredit plus. In order to test the hypothesis, we formed three groups, the target group and two control groups. The target group comprised sample households which had benefited from the entire NRSP package -- social mobilization, physical infrastructure and microcredit. The first control group consisted of households which were a part of the regular NRSP program but were not provided credit. The second control group comprised households which were not a part of the NRSP but received credit from other microfinance institutions, such as Khushali Bank and the First Microfinance Bank.

Our survey results indicate that microcredit has produced the anticipated benefits. They do not, however, bear out the second part of the hypothesis. As expected, the target group admitted consistently higher benefits than the first control group, both in terms of the

number of household which conceded these benefits, as well as in quantitative terms. However, in relation to the second control group, target group benefits either matched, or were lower than those perceived by the second control group. In other words, the microcredit plus presumption is not supported. We do add one caveat, however, which is that the target sample is numerically larger than the two control group samples by more than a factor of four. This makes the conclusions suggestive rather than definitive.

Be that as it may, the results have interesting organizational implications. The key implication is that development and microfinance are two structurally disparate activities which need to be addressed separately. This finding is very different to an earlier study we conducted on microcredit impacts on women (Khan et al, 2008). We concluded in that study that social mobilization empowered women socially and culturally, enabling them to utilize microcredit more effectively. However, these two findings are not necessarily incompatible. Women are both poor and socially and culturally marginalized. The RSPs imbue in them a self-awareness and confidence that is key to their undertaking economically productive activities in an inherently repressed environment. This overrides considerations of organizational incompatibility. Also, at the end of the day, commercial and development functions can be separated in a RSP controlled environment. The presumption is that the highest management tier will not allow commercial considerations to depreciate their original social and development mandate. In fact, the NRSP has preempted our survey findings and has already established its first microfinance bank.

We present the detailed results below:



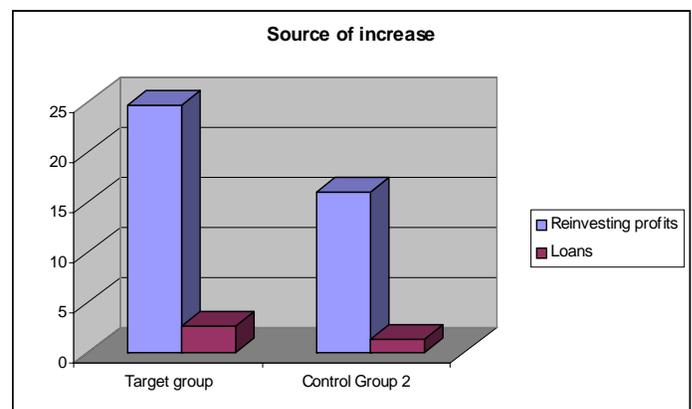
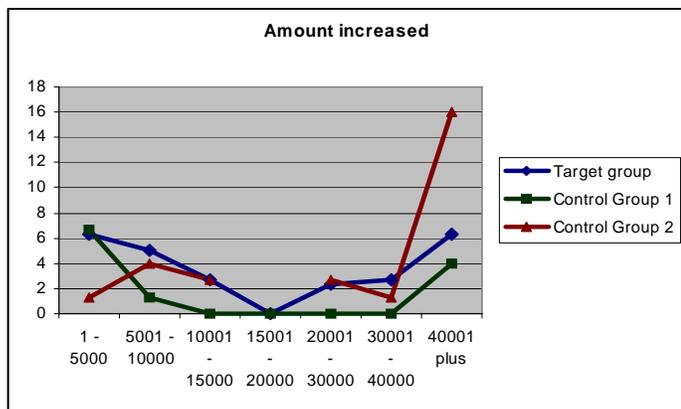
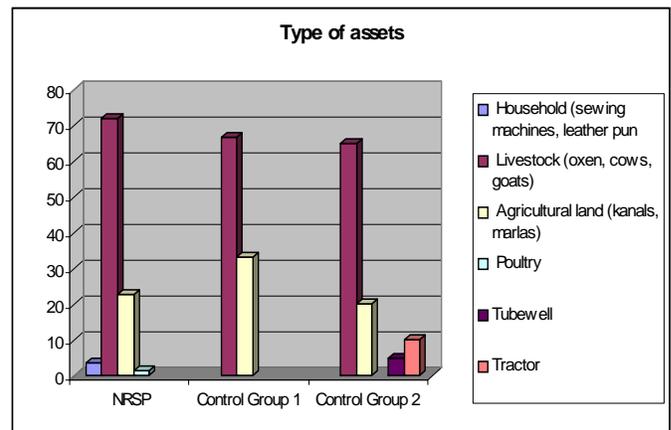
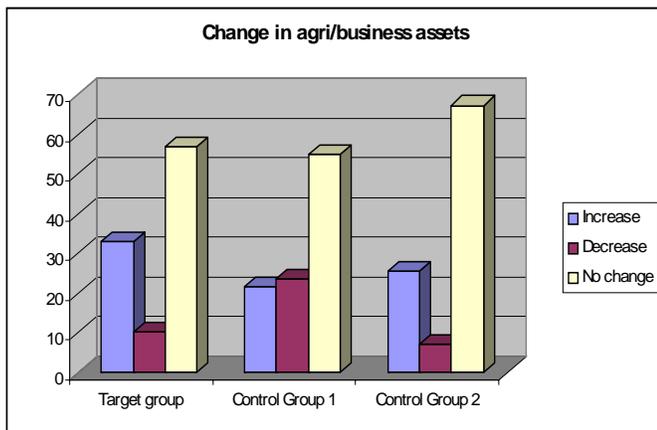
Source: SDPI household survey, June 2009

Close to 66 percent of the target group perceived an increase in household income as a result of being microcredit recipients. This percentage was even higher (73 percent) in the case of Control group 2. A considerably smaller percentage, 41 percent indicated their income had increased due to NRSPs social mobilization and development activities. The bulk of the income beneficiaries across the three groups noted that the income increase averaged about Rs.2,500/- per month. In addition, close to 10 percent of the target group admitted that their income had increased by between Rs.5000/- to Rs.10,000/- per month.

The three categories of respondents perceived an increase in agri/business assets, but the percentage of respondents who reported this increase was much lower compared to the those reporting an increase in income. This was, respectively, about 33 percent for the target group, 22 percent for control group 1 and about 25 percent for control group 2. Asset losses were comparatively much lower at, respectively, 10 percent, 24 percent and 7 percent. Note that reported asset losses for control group 1 -- the group not taking credit, match its asset gains. However, well over 50 percent of the respondents in all three groups perceived no change in their assets.

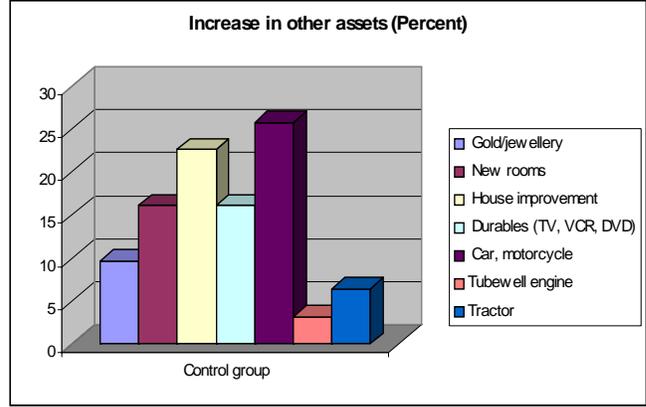
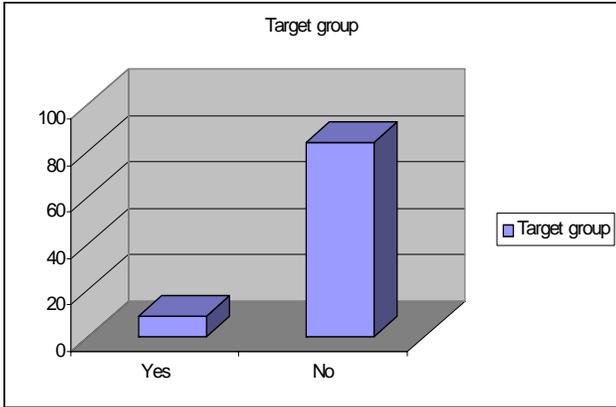
The two types of assets incremented predominantly across all three groups were livestock and agricultural land, which was also the case with regard to asset loss. There is also a similarity in the monetary value of these increases. The bulk of the respondents across all groups indicated that these gains were concentrated in the low and high value ranges. Possibly this reflects their division into two categories of gains, namely low-cost livestock and high-cost land.

Reinvestment of profits was the primary source of asset growth. Conversely, the respondents in the two credit-taking groups noted that asset sales were triggered by loan repayments.



Source: SDPI household survey, June 2009

About 6 percent of the respondents in the target group reported an increase in ‘other assets.’ The percentage distribution of these assets is indicated in the figure below. The bulk of the households observed that such asset increases had a high monetary value.

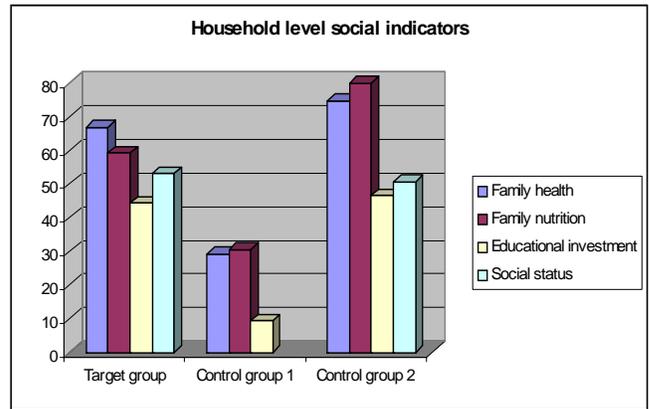
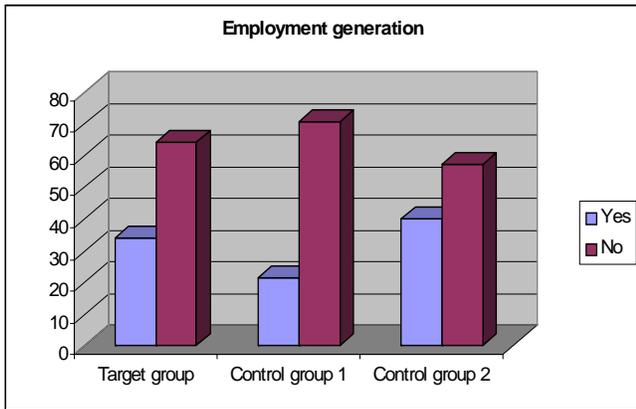


Source: SDPI household survey, June 2009

In conclusion, this evidence from the three categories of respondents, clearly indicating an improvement in their material welfare, refutes the negative press publicity associated with NRSP microcredit activities a few months ago. Further proof that such publicity was erroneous and irresponsible emerged from individual and collective interviews with the so-called disgruntled elements (see subsection 5.3.1)

5.4.2 Social benefits

The perceived social benefits stemming from microcredit are substantial. Respectively 30 percent and 40 percent of the two credit receiving groups reported credit-related employment gains. In the case of Control group 1, these gains were a little under 20 percent. Similarly, the two credit-receiving groups have reported improvements in social indicators, such as health, nutrition and educational investment and overall social status.



Source: SDPI household survey, June 2009

We have also documented a case study which endorses the NRSP program.

Case Study

Ghulam Mustafa

Village Name: Muhammad Mangeri

CO Name: Muhammad Mangeri

Category: Target Group

I am a member of the CO since 2003, and am well informed about with the policies of NRSP. Before NRSP became active, we used to get seeds, fertilizer and pesticides from local money lenders on high interest rates and with strict conditions. Despite making payments to these moneylenders/traders, often times we still did not get the inputs in time, resulting in low yields despite our hard work.

In 2003, NRSP introduced the Microfinance loan scheme for small farmers. I became a member of my village CO and continue to be one. Now I don't need to visit the local money lender. I get the required cash from the NRSP and return the loan on time. The loan officers visit me after six months. Now I am able to cultivate my crop and apply pesticide on time. My crop yields have gone up, I have increased the number of livestock I own and I have also added new rooms to my house.

The NRSP is a very good organization for small farmers provided we utilize our loans properly.

6. Focus group discussions (FGD)

	Women's FGD – target group	Male target group		Control group 2
		FGD - 1	FGD - 2	
<i>Loan details</i>				
<i>Source of loans</i>	ADBP, NRSP, relatives, <i>arhti</i>	ADBP and NRSP.	NRSP, Micro Finance Bank, Khushali Bank, money lenders and traders.	
<i>Purpose of loan</i>	Agriculture (primarily men), livestock (women)	Invest in crops and livestock.		
<i>Why switch to NRSP</i>	Offers better terms. One member had to sell land to repay loan to ADBP	Arhtis, patwaris, beoparis, charge exorbitant rates for poor framers who have no land collateral. The NRSP program is geared towards poor farmers. It also provides loans on time.		
<i>Access to loans by women</i>	Both independently and through men	Both male and female COs have access to loans.	NRSP provides loans to both male and female.	
<i>Loan denials</i>	NRSP rarely denies loans			
<i>Loan defaults</i>	Pay back in time	Pay back loan in time which ensures the next loan. Occasionally, the CO faces problems because one member does not pay back the loan, in which case a collective fine is imposed.	Loans returned in time. In case of default, the CO often steps in and uses the collective savings to return the loan. The loans allow additional land cultivation making it easy to pay back the loan with the profits.	
<i>Loans used for indicated purposes</i>	Livestock, given to males for agriculture, household consumption	Bulk of the loans invested in crops and livestock.	Bulk of the loans invested in crops and livestock.	
<i>Loans large enough</i>	Most satisfied, few wanted	Loan limit should be	The loan amount should be	

	<p>larger loans</p>	<p>increased in accordance with property owned.</p> <p>Most people take loan according to their requirements.</p> <p>During a meeting in the LSO office farmers requested to increase the loan limit but NRSP refused due to its policy. Loan appraisal should take place with the manager and the president of the CO present.</p> <p>Rs. 10,000/- is a very small amount and difficult to meet the requirements of seed, fertilizer, tubewell expense, etc.</p>	<p>increased to Rs. 50,000/- or according to land holding.</p> <p>Need communicated to the NRSP but they cited policy constraints.</p>	
<p>Are NRSP loan terms comparable with other banks?</p>		<p>NRSP and other sources have the same mark up rates.</p>		

<i>Institutional details</i>				
<i>Informed about overall credit strategy</i>	Lower interest rate, simple procedures. Explained loan options - agriculture, livestock, business	NRSP staff visited household and explained merits of the scheme, focusing on increasing incomes of poor farmers and small businesses.	NRSP informed the people that the loans were aimed at removing poverty and making them self dependent. While staff members disseminated information about the loan, some people were informed by their friends and family members.	Bank staff visited the village and explained the benefit of their scheme. Villagers responded by making a CO. However, while they indicated the scheme was meant for poor farmers and small businessmen, they did not convey details on loan terms. These were disclosed once the loaning started.
<i>Lead time for getting loans</i>	6 days after submitting ID card and other documents	Loan secured in 10 days after providing a copy of the ID card.	The loan processing time varies from 7 – 15 days. The prerequisites are CO formation, visit by the loan officer, appraisal and copy of ID Card.	
<i>Uniform loan procedures for male and female clients</i>	Yes	Yes.	Yes.	Easy access very simple procedure. Required to submit ID card copies and photograph.
<i>Is loan monitoring regular?</i>	Yes, and recovery is ensured through more frequent visits		The loans are monitored closely and NRSP staff is strict about recovery. However, they are also flexible in accepting delayed payments.	
<i>Does the NRSP provide any training/business support?</i>	Yes, and women had attended training sessions at the NRSP head office.	Some people are provided training by the NRSP.	No there is no business support facility provided by the NRSP. The NRSP provides agriculture training to people and also supplies seeds, but	

			selectively.	
<i>How good is the savings program?</i>	All respondents had contributed various amounts to the CO savings account. However, none had utilized the savings.	There should be no saving scheme. We deposit Rs. 100/- per month and the banks deduct Zakat from the saving accounts. No loans taken against these savings. The insurance (Rs. 500/-) should be waived. In contrast, the Khushali Bank has no compulsory savings it has a longer, (one year) repayment period. The Micro Finance Bank charges less insurance (Rs. 300/-).	There should be no saving schemes and insurance deduction.	The CO does not have a savings scheme. However, have heard of them.
<i>What do you think of NRSP setting up a bank</i>	Most respondents approved, saying they would not have to visit the the HBL any more for banking services. Also that the NRSP bank was more gender-friendly.		The view was it was premature to comment on the NRSP bank and its advantages and disadvantages.	
<i>What is your assessment of the NRSP credit program?</i>		Micro Credit Bank/NRSP should provide livestock to the farmers The NRSP provided turbines to its favorites, while poor farmers are still waiting to receive them. High level NRSP officials rarely visit. They should visit more often and initiate development projects and investment in children's	The purpose of CO formation was not only to provide loans but to promote development. As matters stand there is an excessive focus on loans and little on development. NRSP has a high mark-up rate which should be decreased. Also the loan repayment period should be increased to one year.	The CO is a precondition to getting a loan. However, the associated development and infrastructure benefits like turbines, roads, school, electricity have not materialized. This has resulted in those COs not interested in credit becoming dormant

		education.		
<i>Credit benefits</i>				
<i>Has household income increased.</i>	All respondents said income had increased – seasonally or annually. Most respondents indicated using savings to purchase livestock.	It is premature to comments on this. There may have been a small increase in income due to the loan activity.	Yes house hold income increased if loan utilized properly otherwise there is loss.	Timeliness of loans has resulted in increased yields and income.
<i>Have household assets increased.</i>	Uniformly no.		There is a trend to re-invest the profit. Purchased TV and livestock.	Assets have increased in the shape of livestock, motorcycle, new rooms. Reinvest profits in business and farming assets. Also purchasing jewellery, household electronic items and two-wheeled vehicles.
<i>Has the business contributed to household employment</i>			Yes, business activities contribute to house hold employment.	
<i>Has your health status improved</i>			Yes, the loan has contributed to an improvement in health status.	Have funds to visit doctor.
<i>Have you invested in your children's education</i>	A few respondents indicated they had spent more on education, books, supplies.		Yes, there is more investment in children's education.	Investing in children's education.
<i>Has family nutrition improved</i>			Yes.	Eat well which increases productivity.
<i>Has microcredit empowered women?</i>	Yes, as a result of increased income they felt more independent.			

The results of the focus group discussions are qualitatively fairly similar to those generated in the household interviews except in four key areas. First, communities collectively expressed a need for larger loans. Second, confusion still prevails on the merits of the mandatory savings schemes and communities expressed dissatisfaction with the life insurance -- again a forced deduction. Third, there was a sense that the program focus was tilted heavily towards credit and not enough towards development. On the other hand, the collective response towards training and business was more positive than it had been in the household interviews.

7. Conclusions and recommendations

Our hypothesis posited two-fold outcomes. First, that microcredit would generate an increase in income, assets and social benefits as well as empower the credit recipients socially. Second, the social and physical foundations established by the NRSP would synergize such credit impacts -- referred to in the literature as microcredit plus. Our survey results indicate that microcredit has produced the anticipated benefits. They do not, however, bear out the second part of the hypothesis. In other words, the microcredit plus presumption is not supported. The key implication is that development and microfinance are two structurally disparate activities which need to be addressed separately. Also, at the end of the day, commercial and development functions can be separated in a RSP controlled environment. The presumption is that the highest management tier will not allow commercial considerations to depreciate their original social and development mandate. In fact, the NRSP has preempted our survey findings and has already established its first microfinance bank.

For the target group, there are a number of clear outcomes which demonstrate the visible impact NRSP-disbursed microcredit is having on rural farming communities in Bahawalpur. The process achievements which lead to such impacts are as follows:

Socioeconomic profile

- The predominant occupation is farming followed by labour and business. This trend is very similar across control groups. The poverty of the respondents is evident in the monthly income data; the bulk of such income (60 percent) is concentrated in the Rs.1,000/- to Rs.5,000/- income range. There is also no evidence of an income-education correlation; in other words, the most educated do not earn the highest incomes.

Institutional delivery

- The NRSP had clearly articulated the program vision and strategy to its clients.
- Simple procedures are cited as the principal reason for taking loans. These procedures also led to quick loan processing. The loan process was uncomplicated both for new and repeat loans. NRSP clients indicated that it took 6-10 days to process a loan once the documents were submitted.
- The NRSP clients also considered home-based loaning as an important inducement for taking loans. Agriculture and livestock raising were the two key activities for which loans were taken across both groups.

- From a distributional point of view, there is no evidence that larger income groups get more loans. The maximum number of loanees are to be found within the Rs.2,500/- to Rs.15,000/- income range.
- Loan defaults and delayed loan pay-back percentages are extremely low for both groups.
- Loan monitoring was intensive across the target and control groups, conducted through regular visits and primarily by the loan/credit officer. However, strictness did not translate into threats or coercion, with recovery largely being effected through more frequent visits.
- Close to two-third of the clients expressed a need for future loans, primarily for agricultural purposes. Of the one third deciding to discontinue future loans, close to 40 percent of the respondents said they did not need these loans, while another 20 percent admitted they could not afford them. The absence of such need suggests the credit programs have induced a measure of financial self-sufficiency.

Areas for reflection

- Close to 16 percent of the NRSP clients expressed a need for larger loans, ranging from Rs.10,000/- to over Rs.50,000/-. This finding was also reinforced in the FGDs.
- Generally a deficiency was felt in the area of training and business support. However, the collective response via FGDs was more favorable in its assessment.
- On the whole while NRSP's institutional delivery is close to exemplary, there are documented cases of high handedness which merit attention, invoking the familiar analogy of a few bad apples.

Credit benefits

- Close to 66 percent of the target group perceived an increase in household income.
- A relatively smaller percentage 33 percent reported an increase in business and household assets. However well over 50 percent no change in their assets. On both income and asset criteria the smear campaign does not appear to carry much weight.
- The perceived social benefits stemming from microcredit are substantial. Close to 30 percent of the credit recipients reported credit-related employment gains. Similarly, they perceived improvements in social indicators, such as health, nutrition and educational investment and overall social status.

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Annex - I: Respondents by village location

Bahawalpur Tehsil			
Village		Village	
<i>Basti Aryan</i>	18	<i>Basti Kachia</i>	9
<i>Ka mullah Khan</i>	2	<i>Basti M. Mahera</i>	4
<i>Basti Siddiqu</i>	3	<i>Goth Mehrab</i>	7
<i>Basti Qasimabad</i>	4	<i>Basti olad Mohd</i>	6
<i>Chah Mari Wala</i>	16	<i>Basti Durrah</i>	2
<i>M. Yar Walla</i>	6	<i>Yateem Shah</i>	3
<i>Sanjrani Baloch</i>	7	<i>Munshi Chah Wala</i>	4
<i>Chah Pathan Walla</i>	3	<i>Basti Ghanjay Chanara</i>	9
<i>Basti Numberdaran</i>	9	<i>Basti Chakar</i>	4
<i>Basti Abdul Rehman</i>	2	<i>Mahran Sakar</i>	1
<i>Basti Hazrat Sb</i>	9	<i>Nashehra</i>	5
<i>Basti Mahran</i>	4	<i>Basti Khichan</i>	2
<i>Khum Walla Khu</i>	4	<i>Basti Sanjarani</i>	1
<i>Mir Mohd</i>	1	<i>Chah Allah Dad</i>	1
<i>Basti Ullah Roah</i>	2	<i>Basti Saddiqabad</i>	8
<i>Munshi Wala</i>	4	<i>Mehran Basti</i>	4
<i>Moza Allah Kkhoo</i>	1	<i>Basti Ghari say</i>	3
<i>Basti Gazran</i>	3	<i>Chah Nabi Ahmad</i>	1
<i>Basti Haloca</i>	1	<i>Basti Tibbi Wala Khu</i>	2
<i>Allah Dad Arian</i>	5	<i>Basti Chah Pul Wala</i>	1
<i>Basti Kishoir Wall</i>	2	<i>Basti Bagga Mar</i>	2
<i>Goth Parha</i>	6	<i>Basti Mehrian</i>	2
<i>Basti Verk</i>	4	<i>Chah Mrar Wala</i>	1
<i>Basti Sial</i>	1	<i>Basti Khokar</i>	3
<i>Chandrani Sharqi</i>	5	<i>Chah Haji Ahmad</i>	2
<i>Chah Nabi Walla</i>	3	<i>Basti Babar wala</i>	2
<i>Malkan Wali</i>	6	<i>Basti Bahar Wala</i>	1
<i>Moza Malkah Dad</i>	1	<i>Basti Maheran</i>	1
<i>Basti Gulshan Fareed</i>	4	<i>Fangrija</i>	1
<i>Jandrah</i>	1	<i>Basti Phool Wala</i>	1
<i>Basti Lafa Arian</i>	1	<i>Chah Mahar Allah Dad</i>	1
<i>Tibbi Supgan</i>	1	<i>Dar Pondar</i>	1
<i>Basti Jindral</i>	1	<i>Chah Alam Khan</i>	2
<i>Basti Tibbi</i>	2	<i>Zafar Arain</i>	2
<i>Basti Sawo</i>	1	<i>Basti Batti Sohagan</i>	1
<i>Chah Kalay Walla</i>	3	<i>Noor Muhammad Mangraja</i>	1
<i>Basti Hataro</i>	2	<i>Moosa Wala</i>	1
<i>Shah Mahi</i>	1	<i>Pehalwan wala</i>	1
<i>Khwaja Mathani</i>	2	<i>Chah bathinda</i>	1
<i>Rind Baloch</i>	1	<i>Basti Anwar ul Medina</i>	1
<i>Basti Nonari</i>	2	<i>Dera M. Akram</i>	1
<i>Ghulam M</i>	4	<i>Nosharan</i>	1
<i>Basti Ghazrian</i>	1	<i>Haji Ahmad Ranjha</i>	1

<i>Chah Mari Walla</i>	1	<i>Dera M. Aslam</i>	1
<i>Basti Sadar din</i>	2	<i>Chah Mehar Allah Dad</i>	1
<i>Moza Chndy Shogy</i>	1		
<i>Basti Bhatian</i>	16		
<i>Moza Ditta Baloch</i>	6		

Annex – II: Household survey (Target group)

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For office use only

Draft questionnaire

Impact Assessment of Micro-credit in Bahawalpur: Target group



By

**Shaheen Rafi Khan
29, Sector F-6/2**

Questionnaire for the Target Group

Introduction:

<p>Name of Village/Mohallah _____</p> <p>Location: Rural.....1 Urban.....2</p> <p>Tehsil: _____</p> <p>District: _____</p> <p>Name of Respondent: _____ Line # _____</p> <p>Age: _____ completed years</p> <p>Sex: Male _____ Female _____</p> <p>Education: _____</p> <p>Relationship with head of the household:</p> <p>Self.....1 Wife.....2 Daughter.....3 Son.....4 Father.....5 Mother.....6 Brother.....7 Sister.....8 Daughter-in-law.....9 Mother-in-law.....10 Sister-in-law.....11 Other.....12</p> <p>Marital Status of Respondent:</p>	<p>Profession (Respondent):</p> <p>Housewife.....00 Farming.....01 Business.....02 Labour.....03 Govt. job.....04 Private job.....05 Services.....06 Other (<i>specify</i>).....77</p> <p>Monthly income: _____</p> <p>Name of Researcher: _____</p> <p>Date of interview: _____/_____/2007</p> <p>Time of interview Started: <table style="display: inline-table; border-collapse: collapse; margin-left: 10px;"> <tr> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="font-size: 1.2em; vertical-align: middle;">:</td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> </tr> <tr> <td colspan="2" style="text-align: center; font-size: 0.8em;"><i>Hours</i></td> <td></td> <td colspan="2" style="text-align: center; font-size: 0.8em;"><i>Minutes</i></td> </tr> </table> </p> <p>Time of interview Completed: <table style="display: inline-table; border-collapse: collapse; margin-left: 10px;"> <tr> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="font-size: 1.2em; vertical-align: middle;">:</td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> <td style="border: 1px solid black; width: 20px; text-align: center;"> </td> </tr> </table> </p>			:			<i>Hours</i>			<i>Minutes</i>				:		
		:														
<i>Hours</i>			<i>Minutes</i>													
		:														

Never Married.....1
Married2
Divorced/Separated.....3
Widowed.....4

Data entry operator(DEO): Name: _____

Code:

Date: ____/____/ 2007

Household Roster

Sr_no/ Line No.	Name	Age	Gender		Education	Occupation	Health		
			1. Male	2. Female			1. Good	2. Fair (minor illnesses)	3. Poor (Major/ Chronic illness)
1			1	2			1	2	3
2			1	2			1	2	3
3			1	2			1	2	3
4			1	2			1	2	3
5			1	2			1	2	3
6			1	2			1	2	3
7			1	2			1	2	3
8			1	2			1	2	3
9			1	2			1	2	3
10			1	2			1	2	3
11			1	2			1	2	3
12			1	2			1	2	3
13			1	2			1	2	3
14			1	2			1	2	3
15			1	2			1	2	3
16			1	2			1	2	3
17			1	2			1	2	3
18			1	2			1	2	3
19			1	2			1	2	3
20			1	2			1	2	3

Note: Please ensure that Head of the household is listed first and "Sr_no" should be encircled.

If household members are more than 20, please use extra sheet/roster & please mention it here

** If a person is not employed/not working and seeking for a job/employment*

Section A: Socio-economic profile

Qno.	Question	Responses		
A1	Major source of household income (<i>A source which is a major contributor to household income</i>)	Farming01 Business.....02 Labour03 Govt. job.....04 Private job.....05 Services06 Other (<i>specify</i>) _____		
A2	Monthly Household income (Rs.)	a. Crops_____Rs. b. Livestock_____Rs. c. Business_____Rs. d. Labour_____Rs. e. Govt. job_____Rs. f. Private job_____Rs. g. Services_____Rs. h. Pension_____Rs. i. Rent_____Rs. j. Remittances_____Rs. k. Gift/ Cash_____Rs. l. Other (<i>Specify</i>)_____, _____Rs.		
A3	Type of house	Pacca.....01 Katcha.....02 Pacca/katcha.....03		
A4	Number of rooms	<table border="1" style="display: inline-table; width: 40px; height: 20px;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>		
A5	Water supply	Piped (<i>inside - Govt. Supplied</i>).....01 Piped (<i>outside - Govt. tab</i>).....02 Hand pump.....03 Well inside.....04 Well out side.....05 Canal/ stream06 Other (<i>Specify</i>) _____		
A6	Latrine	Inside.....01 Outside.....02 No latrine.....03 Other (<i>Specify</i>) _____		
A7	Drainage	Yes.....01 No.....02		

Qno.	Question	Responses	
A8	Fuel (For cooking & heating)	Gas.....01 Wood.....02 Kerosene.....03 Electricity.....04 Other (specify)_____	
A9	What is your living arrangement?	Nuclear family.....01 Joint Family.....02 Extended family.....03	
A10	House ownership?	Own.....01 Rent.....02 Without rent/ rent free.....03	
A11	Do you have the following utilities?	Yes	No
	a. Electricity	1	2
	b. Gas	1	2
	d. Sewerage System	1	2
	e. Telephone: line	1	2
	Cell phone	1	2
A12	Monthly Household Expenditure (Rs.) Please use average if reported expenditures are other than monthly		
	a. Food_____Rs.	b. Clothing_____Rs.	
	c. Health care_____Rs.	d. Education_____Rs.	
	e. Transport_____Rs.	f. Housing_____Rs.	
	g. Social Functions_____Rs.	h. Utility Bills_____Rs.	
	i. Other expenses (specify)_____, _____Rs.		
A13	Household Food Expenditure (in Rs. per week)		
	a. Wheat_____Rs.	i. Fish_____Rs.	
	b. Maize_____Rs.	j. Sugar_____Rs.	
	c. Fruits_____Rs.	k. Millets_____Rs.	
	d. Poultry_____Rs.	l. Vegetables_____Rs.	
	e. Milk_____Rs.	m. Mutton_____Rs.	
	f. Rice_____Rs.	n. Eggs_____ (No.)	
	g. Pulses_____Rs.	o. Fat/Oil_____Rs.	

Qno.	Question	Responses
	h. Beef _____ Rs.	p. Other (Specify) _____, _____ Rs.

A15	Assets					
	Assets	Number	Value (Rs.)	Assets	Number	Value (Rs.)
	a. Land			l. Car		
	b. Trees			m. Motorcycle		
	c. Livestock			n. VCR/ DVD		
	d. Poultry			o. Bicycle		
	e. Tractor			p. Sewing machine		
	f. Thresher			q. TV/ radio		
	g. Cart/trolley			r. Savings(cash, etc)		
	h. Tube well/pump			s. Loan given		
	i. Shop/business			t. Jewelry		
	j. House			u. Air-conditioner		
k. Other structure			v. Other assets			

Section B: Credit Details

Qno.	Questions	Responses							
B1	Have you ever taken a loan(s) other than from NRSP? (<i>Over the past 5 years</i>)	Yes.....1 No..... <i>Go to B3</i>2							
B2	Where did you take loan(s) from?	Informal source (family, friends, etc.).....01 Money lender?02 Banks03 Microfinance institution (Khushali Bank, Kashf, any other).....04 NGOs.....05 Other (<i>Specify</i>).....							
	From whom	Amount	Interest/mark-up Declining balance.....1 Fixed period.....2 Other.....77	Rate of interest (Annualize)	Operating costs	Loan loss provision	Any other costs (<i>Specify</i>)	Purpose of loan	Loan duration
	1.								
	2.								
	3.								
	4.								
	5.								
	6.								
B3	Have you taken a loan (s) from the NRSP?	Yes.....01 No.....02							
B4	Why, did you take a loan from the NRSP instead of another source (s)?	No collateral needed.....01 Simple procedure.....02 Quick processing of loan.....03 Home-based loaning.....04 Lower interest05 Lump-sum repayment.....06 Insurance provided.....07 No alternative.....08 Any other (<i>Specify</i>).....							
B5	What was the purpose of the loan?	Household enterprise (shop, handicraft, clothing, leather punching).....01 Lift irrigation, land leveling.....02 Other productive infrastructure (specify)...03 Agriculture (fertilizer, seed, pesticide, equipment).....04 Poultry raising.....05 Livestock raising.....06 Other (<i>specify</i>).....							

Qno.	Questions	Responses							
B6	How long ago did you take your first loan (years and months)?								
B7	How many times have you taken loans from NRSP over the past 5 years (1, 2 times, more)								
		Amount	Interest/mark-up Declining balance.....1 Fixed period.....2 Other.....77	Rate of interest (Annualize)	Operating costs	Loan loss provision	Dev. Surcharge	Purpose of the loan	Loan duration
	1.								
	2.								
	3.								
	4.								
	5.								
B8	a. Did you have the skill/experience for the business for which you took the loan?			Yes.....01 No.....02					
	b. If no, do you wish to acquire skills?			Yes.....01 No.....02					
	c. If yes, what type of skills?			Technical Training.....01 Marketing.....02 Advertising/sales promotion.....03 Any other (Specify)_____					
B9	a. Have you ever been denied a loan?			Yes.....01 No.....Go to B10.....02					
	b. If so, why? Please explain.								
	c. When refused did you get the money from CO savings instead?						Yes.....01 No.....02		
	d) Did you make any alternative arrangement? Please explain.								
B10	a. Have you decided to stop taking loans?						Yes.....01 No..... Go to B11.....02		
	b. If yes, what was the reason? Please explain.								

Qno.	Questions	Responses
B11	a) Have you ever defaulted on a loan?	Yes.....01 No..... <i>Go to B12</i>02
	What was/were the reasons?	
	a. Family emergency	
	b. Attitudinal (<i>aggressive, defiance by self or family members</i>)	
	c. Lack of monitoring & accountability	
	d. Lack of credit management skills	
	e. Insufficient savings	
	f. High interest rate	
	g. Natural disaster	
	h. Inflation	
	i. Other	
B12	a) Have you ever delayed paying back a loan?	Yes.....01 No..... <i>Go to B13</i>02
	b) What was/were the reasons?	
	a. Family emergency	
	b. Attitudinal (<i>aggressive, defiance by self or family members</i>)	
	c. Lack of monitoring & accountability	
	d. Lack of credit management skills	
	e. Insufficient savings	
	f. High interest rate	
	g. Natural disaster	
	h. Inflation	
	i. Other	
B13	a) Have you used the loan(s) entirely for the purpose for which it is given.	No.....01 Yes..... <i>Go to B14</i>02

Qno.	Questions	Responses
	b) If no, to what other purposes do you put it to?	To repay another loan.....01 Dowry.....02 For household consumption.....03 Gave it to husband or relative.....04 Buy jewellery.....05 Use it for an emergency (funeral, medical)...06 Dealing with a natural disaster.....07 Any other (<i>specify</i>)_____
B14	If yes, to what degree?	Less than 50%.....01 50% – 75%.....02 More than 75%.....03

Section C: Institutional details

QNo	Questions	Responses
C1	How did you first find out about the NRSP micro-credit program	RSP staff.....01 Male member of the family02 Female member of the family.....03 Friends/relatives04 Other (<i>Specify</i>) _____
C2	a. Has NRSP informed you of its overall credit strategy/vision?	Yes.....01 No..... <i>Go to C3</i>02
	b. If yes, please explain what this is	
C3	Was it easy to access the program?	Yes..... <i>Go to C5</i>01 No.....02
C4	If no, what were the reasons	Poverty.....01 No experience.....02 No connections.....03 Gender.....04 Any other (<i>Specify</i>) _____
C5	Why do you think you got the loan? Please explain	
C6	a. Was the loan size adequate to meet required purpose?	Yes..... <i>Go to C8</i> 01 No 02
	b. If not, how much more did you need? Specify amount. (Also, indicate in space below, how much was the original loan?)	_____ Rs.
C7	a. Did you request for the additional funding?	Yes..... 01 No 02
	b. If yes, did they agree?	Yes..... <i>Go to C7 d</i> 01 No..... <i>Go to C7 c</i> 02
	c. If no, why?	Policy issue..... 01 Maximum for specified activities.... 02 Lack of funds..... 03 Any other (<i>Specify</i>) _____

QNo	Questions	Responses
	d. If yes, did repayment represent a burden?	Yes..... <i>Go to C7 e</i> 01 No..... <i>Go to C7 f</i> 02
	e. If yes (burden), how did you manage to repay?	Borrowed from money lenders.....01 Family..... .02 Friends03 Cultivated less land.....04 Used less inputs.....05 Other NGO06 Other (<i>Specify</i>).....
	f. If not a burden, explain why?	Had sufficient funds..... 01 We expected the business to generate funds 02 We expected to borrow the necessary funds 03 Other (<i>Specify</i>).....
C8	a. Is the loan process complicated for new loans?	Yes.....01 No.....02
	b. Please explain the steps and how long it takes to complete each step (social appraisal, technical appraisal, senior credit officer (SCO) intervention). (<i>Once you have acquired an understanding of the procedure, please skip to the next question</i>) 1. 2. 3. 4. 5. 6.	
	c. How long do you wait before you get a loan?	
C9	a. Is the loan process complicated for repeat loans?	Yes.....01 No.....02
	b. Please explain the process briefly for the repeat loans.	
	c. How long do you wait before you get the repeat loan?	
C10	a. Are the loans monitored?	Yes..... <i>Go to C9 b</i>01 No..... <i>Go to C10</i>02

QNo	Questions	Responses
	b. If yes, how?	Never.....Go to C10.....01 Regular visits.....02 Irregular.....03
	c. If yes, (monitoring) By whom (daily recovery planning)?	Loan officer.....01 CO officeholder.....02 Any other (specify).....
C11	Are the loan officers strict about recovery?	Yes.....01 No.....Go to C12.....02
C12	What do they do to ensure timely repayment?	More visits.....01 Threats.....02 Use peer pressure of CO members.....03 Any other(specify).....
C13	In what way are they flexible?	Accept delayed payments.....01 Write-off loans (complete or part).....02 Take partial recovery.....03 Any other (specify).....
C14	Do you think this system works well?	Yes.....01 No.....02
C15	Do you have suggestions to improve it?	Stamp paper availability.....01 Easier loan criteria.....02 Flexibility on loan repayments.....03 Any others (specify).....
C16	Do you maintain your own loan records?	Yes.....01 No.....Go to C17.....02
C17	Please explain the system you use (ledger, any other)	
C18	a) Does the NRSP provide training?	Yes.....01 No.....02
	b) What kind of training?	Vocational training.....01 NRM training.....02 Business training.....03 Financial management.....04 Accounting.....05 Loan and training (L&T).....06 Other (specify).....
C19	a. Does the NRSP provide any business support facilities?	Yes.....01 No.....Go to C19.....02

QNo	Questions	Responses
	b. If yes, what kind?	Input procurement.....01 Output marketing.....02 Market /price information.....03 Technology/business practices.....04 Any others (<i>specify</i>).....
C20	a. Do you have a need for taking a loan in the future?	Yes.....01 No.....Go to C19 c.....02
	b. If yes, why?	
	c. If no, why not?	
C21	a. Does your CO consist exclusively of women? (<i>Ask the question in case of women CO/female respondent</i>)	Yes..... Go to C20 c.....01 No.....02
	b. If no, how many males?	<input type="text"/> <input type="text"/>
	c. How many members does it have?	<input type="text"/> <input type="text"/>
C21	a. Do you attend your CO meetings regularly?	Never..... Go to C22.....01 Regularly.....02 Irregular.....03
	b, How many times a month?	<input type="text"/> <input type="text"/>
	c. What issues are discussed at these meetings?	
C22	a) Has the NRSP helped you set up a savings scheme?	Yes.....01 No.....02
	b) Is the amount of savings fixed.	Yes.....01 No.....Go to 22d.....02
	c) If yes, how much is it?	
	d) How much are you required to save. Why is the amount flexible and how is the decision made?	

QNo	Questions	Responses
C23	How much has the CO saved since it was established?	_____Rs.
C24	a) Has the CO set up a credit committee?	Yes.....01 No.....02
	b) Does the NRSP provide financial/accountancy training to this committee?	Yes.....01 No.....02
C25	a) Do you take loans against these savings?	Yes.....01 No.....02
	b) What is the total amount of the loans you have taken against these savings?	

Section D: Credit-related benefits (income, asset growth, welfare improvement)

Qno.	Questions	Responses
D1	a. Is it your own business, or is it a joint family business?	Own..... <i>Go to D2</i>01 Joint.....02
	b. If jointly, with whom?	
D2	What is the nature of this business	Household enterprise (shop, handicraft, clothing, leather punching).....01 Agriculture (tenant, sharecropping, own farm).....02 Poultry raising.....03 Livestock raising.....04 Other (specify) _____
D3	a. Has the household income increased as a result of the loan activity?	Yes01 No..... <i>Go to D4</i>02
	b. Explain by how much? (Rs./ month). (<i>In the case of self-consumption, please calculate monetary equivalent. For instance, the household may consume its own wheat or poultry, rather than buying it in the market.</i>)	
D4	a) Have your agricultural/business assets increased since you took credit from the NRSP.	Yes.....01 No..... <i>Go to D5</i>02
	b) Which agricultural/business assets increased?	Household (sewing machines, leather punching machines, inventory).....01 Livestock (oxen, cows, goats).....02 Agricultural land (kanals, marlas).....03 Poultry.....04 Other (specify) _____
	c) Explain by how much? (<i>Indicate Rs. value or physical terms</i>)	
	d) What was the source of this increase?	Reinvesting profits.....01 Loans.....02 Other (specify)
D5	a) Have your other assets increased since you took credit from the NRSP	Yes.....01 No..... <i>Go to D6</i>
	b) Which other assets increased?	Gold/jewellery.....01 New rooms.....02 House improvement.....03 Utilities (drainage, sanitary).....04 Durables (TV, VCR, DVD other electronics).....05 Car, motorcycle.....06 Any other

Qno.	Questions	Responses
		(Specify) _____
	c) Explain by how much? (Indicate rupee value or physical terms)	
D6	a) Did your assets decrease since you took loans from the NRSP?	Yes.....01 Other (specify) _____
	b) Which assets decreased	Livestock (oxen, cows, goats).....01 Agricultural land.....02 House.....03 Durables.....04 Car, motorcycle.....05 Gold/jewellery.....06 Any other (specify) _____
	c) Why did they decrease?	To repay NRSP loan.....01 To repay loan to any other bank.....02 To repay village money lender.....03 Loss of main family earner.....04 To pay for wedding.....05 Natural hazard.....06 Accidental death.....07 Illness.....08 Any other (specify) _____
	d) By how much did they decrease? (Indicate Rs. value or in physical terms)	
D7	Does the business activity provide employment to members of the household?	Yes.....01 No02
D8	a. Has your health status improved as a result of the loan activity?	Yes.....01 No02
	b. Has your family health status improved as a result of the loan activity?	Yes.....01 No02
D9	a. Has your nutritional intake increased as a result of the loan activity (more meat, milk)?	Same01 Increased02 Other (Specify) _____
	b. Has family nutritional intake increased as a result of the loan activity (more meat, milk)?	Same01 Increased02 Other (Specify) _____
D10	Do you invest more in your children's education as a result of the loan activity?	
D11	Has credit improved the family's social status? Please explain.	

Qno.	Questions	Responses

THANKS for your cooperation

End of Interview

Annex - III: Interviews (need full names of all the informants)

Shakeel (dated June 04, 2009)

Shakeel is a resident of Basti Dita Baloch, UC Mehrab Goth. The NRSP has been a source of inspiration, turning him into a social activist. He has initiated a number of independent development projects for the community. Following are excerpts of an interview held with him by the SDPI team.

What was the source of inspiration and motivation that made you to think about community uplift?

Partly it was a natural instinct, partly I was motivated by a desire to help redress the backwardness of my area and alleviate the sufferings of its people. The health problems of women and the lack of basic amenities were a particular concern.

What practical steps have you taken achieve community development?

I began in 2002 by contacting various departments, NGOs and individuals. Though, I was poor and lacked resources, I formed a community organization and, in time, was able to initiate various development schemes. Now the Local Support Organization (LSO) has been formed by the NRSP and I am a part of that as well.

If you had your own organization, why did you elect to join the LSO?

LSO is a community organization and has the support of the community, so I consider it as a strength. Moreover I am also a member of NRSP's community organization.

What did you learn from the NRSP?

I learnt a lot from the NRSP. They facilitated our efforts in making linkages with other agencies. The NRSP has also organized various trainings for us, both familiarizing us with social and development issues, both in terms of understanding and practical implementation.

What do you think about NRSP's micro-credit program?

It is a good program because of its easy accessibility, simple procedures and service delivery at the door step, which benefits the marginalized segment of the community, i.e small and poor farmers. The program has buffered these farmers from exploitation by traders and money lenders. Now the farmers get timely loans before the sowing season, and cash on hand to purchase quality fertilizers and pesticides at market rates.

As far as the bad loans are concerned, we (the CO members) are responsible, because NRSP extends loans on the recommendation of the CO and not on its own. So, it is up to us to recommend genuine and deserving people who can utilize/invest the loan amount properly. Those who utilize/invest their loan properly – in productive channels for which

that is meant – certainly harvest the profit and generate more income. As there are a lot of examples of income increase and first I will quote my personal example: I utilize my first and second loan in farming that gave me the high yield. So, I invested the income in taking contract of supplying empty bags to the Food Department, which in returned multiplied my income.

Abdurashed, President LSO, Mehrab Goth, June 5,2009

How is the loan system of your LSO is functioning and in what respects is it different to the NRSP system?

Our LSO, mostly, is giving loans to those poor farmers who have not been able to access loans from the NRSP or the other microfinance banks. Our procedures replicate those of the NRSP and, so far, we have formed eight COs. Apart from the men's COs, we are also constituting women's COs and have a program to introduce annual loaning for livestock.

RSPN provided Rs.7 lakhs for disbursing micro-credit, of which we have, so far, disbursed Rs.5.7 lakhs. 570,000 rupees. We do not worry about recovery because we are local and know each other. Besides social collateral, we also take an open cheque (post effective) from the client as guarantee.

The LSO is also involved in CPI and other developmental projects on the basis of community participation. For this purpose, the LSO contacts other development agencies and establishes links with them. In addition, the LSO has also organized/facilitated various trainings for both its CO and community members.

Zafar, RPO NRSP, Bahawalpur Region, June 6, 2009

We just came to know that NRSP is going to establish its own bank and wanted to hear more from you about this initiative.

When we started in 2002, there was no commercial bank providing microcredit. The forms in which credit was provided involved complicated procedures, long processing times and high interest rates. The ADBP mortgaged land from the farmers as guarantee. The traders/money lenders were charging Rs.2000/- rupees per Rs. 5000/- provided for inputs (seed, fertilizer, pesticide). Also, frequently, the inputs were sub-standard, resulting in crop losses. These were some of the reasons which convinced NRSP to establish its own microfinance bank.

What do you expect from the establishment of NRSP's own micro-credit bank?

Currently we deposit community savings in commercial banks, for which they receive a very low return (2-3 percent). We will be able to offer them a better return as well as save them from going through a procedural maze.

Would your bank strive to accumulate its own deposits?

Certainly we expect that, but more important, we aim to be a part of a banks consortium, under the umbrella of the State Bank of Pakistan. As a part of this consortium, we will be well placed to ask the State Bank to allow us to on-lend their agricultural allocation for small farmers in the form of microcredit. We expect they will acquiesce as a large portion of this allocation tends to remain unutilized.

Is there a risk that NRSP's micro-credit program would be commercialized, and that a focus on banking would undermine its development/social mandate?

No, we don't see any contradictions. NRSP has created social capital in the areas that it has worked and micro-credit will remain essentially an extension or part of the NRSP's over all development program/vision.

Will NRSP's Bank lend/extend credit only to the established COs?

No, with a separate credit section, we will lend to new COs formed only for credit purposes.

Is there a possibility of cross-subsidizing CPIs?

We have given this some thought and, I agree, there should be a policy on this.

Will the NRSP bank consider increasing the loan amount and the loan duration?

Our focus will continue to remain on small farmers and, based on our extended experience, there is little likelihood of relaxation on either the loan amount or the duration. The justification for reevaluating these policy principles will need to be strongly demonstrated.

Assistant Manager, Khushahli Bank, June 6,2009

Could you tell us about your micro-credit program?

Khushahli Bank was established in 2000 through an ordinance and its first branch was established in DG Khan. The loan amounts we offer range from ten thousand to thirty thousand rupees. Our loaning criterion is that monthly household income should not exceed Rs.1.0 lakhs. Our field teams survey the area to introduce the program and form credit groups to provide social collateral. We do try to reach to those who are below the poverty line.

Khushali Bank markets five loan products pertaining to: assets purchase; working capital; livestock; agriculture and; new business loans. The average loan duration is for nine months with a 29 percent mark up/interest rate. This has not affected credit disbursements; in other words, the credit demand is steady.

We have dropped the condition of opening a saving account for the credit group, replacing it with a life insurance facility.

We have multiple funding sources, with sixteen to seventeen commercial banks providing us funds.

How do you determine the income size/limit?

We assess the client's income through cash flow, income and expenditure record.

What are your procedures and time period for loan process?

The local branch makes a case for the loan through an assessment/appraisal and then sends the case to the Head Office in Islamabad for cross-checking and approval. Usually, it takes a fortnight to approve a loan.

Do you have any training program for the community/clients?

No, we do not have any such specific program.

Do you monitor your loans?

Yes, we have a monitoring mechanism but it is very difficult to monitor loans thoroughly. Notwithstanding, our recovery rate is 98 percent. We do reschedule loans in case of crop failure or other emergency.

Do you think you have made an impact?

We have made a positive impact but it is conditioned upon loan utilization – that the credit be utilized/invested properly.

Annex – IV: Presentation to the NRSP

Synergizing The Economic Impact of Micro-Credit Through Social Mobilization

Shaheen Rafi Khan and Talimand Khan

June, 2009

Hypothesis

- *Micro-credit generates household income and asset growth.*
- *Social mobilization enhances these income and asset benefits*

The intent here is to demonstrate that micro-credit in and of itself generates income and asset benefits as does social mobilization. However, when you combine the two, the strong social base ensures that the credit benefits are maximized

- The impacts are also evaluated comparatively across microfinance institution (Khushali, First Microfinance)

Research method

We employed three research instruments, which formed the basis for subjective and objective evaluation. The **objective and comparative** evaluation was carried out via household surveys. As mentioned these consisted of the target group and two control groups. We undertook a stratified random sampling exercise to give more representation to women.

- The **subjective assessment**, aiming to validate/cross-check the sample results have been carried out via focus group discussions (FGDs) and key informant interviews. In addition, the field researchers also wrote-up case studies, focussing on areas of special interest or concern

Loan details

- Majority are agriculture loans (average amount Rs.10,000/crop season)
- Followed by livestock loans – primarily to women
- Some women had taken agriculture loans for the male household members

Quantifiable Impacts

Income increase

- The income increase reflects higher agricultural profitability made possible by credit. Such credit makes it possible for the poor farmer to purchase cheaper and high quality seed and inputs directly from the market.
- The farmer is able to sell wheat in the open market at a better price after meeting household consumption needs. He also sells cotton in the open market at a higher price.
- Essentially, these income benefits accrue as a result of bypassing the exploitative trader.

Quantifiable impact

Asset increase

- More land cultivation, and land purchased with the income (observed in few cases)
- Additional income reinvested in purchasing livestock, motorcycles and household appliances

Qualitative impact

- Microcredit has infused a sense of confidence in small farmers
- This is primarily due to emancipation from exploitation by traders (*arhtis*) and money lenders
- Economic empowerment of poor farmers goes hand in hand with their social and political empowerment.
- The traditional inward looking attitudes among many small farmers has been replaced by more extroverted behavior, as they seek/arrange resources and opportunities

Qualitative impact

- The CO formation process and its regular activities - though, mostly credit related (*is this true?*) - fosters social cohesion, and orients communities towards development activities.
- It also inspires individual activism (Khalil's case).
- However, this process has more space for improvement. Need more involvement by social mobilization units, in tandem with credit units, to make these efforts (*which efforts*) more conscious.
- We will also assess whether social mobilization synergizes credit impacts (micro-credit plus). In order to determine this, we will undertake a comparative analysis with other MF institutions. If the income and asset benefits are higher for the NRSP, we can infer that the synergy does exist.

Institutional Delivery

Positive aspects

- Simple procedures
- Timely and home delivery, except getting the cheque cashed from the bank by the CO's members (The NRSP microfinance bank will resolve this).
- Close and regular interaction with CO s by NRSP's credit staff.

Institutional Delivery

Concerns (should be seen as constructive criticism within an overall context of a preliminary program endorsement)

- The sudden surge in mark up, from 20 to 28 percent. However, communities are also mindful that this is not the case only with NRSP
- Lack of understanding/information among CO members regarding the rationale for the initial savings deduction. More efforts needed to explain/clarify
- life insurance deduction (*was this a concern?*)
- Sporadic incidents of misbehavior with the female clients by the female credit staff

Institutional Delivery

Concerns

- Cases of proxy loans
- Some loans, given without adequate investigation/mobilization, end up as bad loans

Institutional Delivery

Concerns

- Cases of proxy loans
- Some loans, given without adequate investigation/mobilization, end up as bad loans



Disgruntled elements

- We interviewed six out of the eight alleged disgruntled persons. They **disowned** their written complaint to the Planning Commission and the article in the Daily News
- The reasons cited for creating misunderstanding
 - Attempt by two or three defaulters to deflect NRSP's pressure for repayment.
 - Failure by previous LSO chairperson to be re-elected
 - CO president and secretary absconded with savings
 - One borrower said he misused the loan



Conclusion

- The NRSP micro-credit program has generated an increase in income and household assets.
- The presumption of **micro-credit plus** is expected to emerge more clearly as the data is analyzed.
- The loan is properly utilized. This is the result of social mobilization, motivation, direction and careful social and technical appraisal.



Conclusion

- The RSP vision of organizing LSO as an exit strategy seems to have made a promising start in Bahawalpur, with the Goth Mehrab LSO. There was a sense of social capital strengthening, clear external linkages and a poverty focus in its activities.
- Micro-credit and PPIs/CPIs promoted through the RSP-CO nexus are mutually reinforcing. The COs involved in PPI/CPI utilize their loans better than those COs which have only a credit focus.

Annex – V: Household sampling list (separately attached)