

RURAL SUPPORT PROGRAMMES NETWORK

Assessment of CIF Operations

In

LSO Roshni Chak Kamal, Gujrat

By

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Specialist Social Mobilisation

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1. Background

In the year 2009, RSPN had provided Rs 2,575,000 to PRSP, from DFID funding, for a project called “Undertaking Multi-stakeholder Analysis and Action Planning: developing and operationalising the plans for poverty reduction in one union council in District Gujrat”. The project was basically aimed at scaling up social mobilization in UC Chak Kamala, at Jalalpur Jattan, Gujrat, formation of VOs and LSO, conducting poverty scorecard survey and supporting the poorest families through women COs by CIF. An amount of Rs.1,200,000 was provided by RSPN for CIF while the LSO had contributed Rs 250,000 bringing the total amount of CIF to Rs. 1,450,000. The LSO was formed on 8th April, 2010 and, among other things, is managing CIF operations.

In the last week of December 2011, PRSP informed RSPN that an unspent amount of Rs. 623,723 was still with them from the project funds and asked for RSPN approval to give this to the LSO as CIF. The COO RSPN asked me to visit the LSO and carryout an assessment, mainly focusing on its CIF operations. I visited the LSO on January 10, 2012. I first met the staff of PRSP at their Field Office at Jalalpur Jattian, discussed the performance of the LSO and its CIF operations with them and obtained the financial figures of CIF operations from their MIS. I then visited the LSO. The meeting was organised at village Chak Qazi where some 25 people, all men, attended the meeting. They included the President, General Secretary, Secretary Finance and members of Executive Committee of the LSO, members of VOs Sahara Chak Qazi, Badal, Chaman Jasso Sarai, Iman Saggat and Ranja Jamat, and members of COs of Chak Qazi and Chak Bhago. Later on I visited female CO Chak Qazi.

I checked the records of the VO Sahara Chak Qazi and also the records of male CO Nigahban Chak Qazi and female CO Chak Qazi. I interviewed some 6 male members who had taken CIF loans. No women member could be interviewed as no one was present in the female CO meeting, though 3 members had taken CIF and repaid fully.

I then checked the financial records of the LSO, specially their CIF records which they had brought in the meeting. After the meeting, I visited the LSO office and checked loan appraisal and approval documents. I asked the members about the overall performance of the LSO and their ideas about improving its performance.

This report summaries my findings about the general performance and CIF operations of the LSO Roshni Chak Kamala, Gujrat.

2. Profiles of the LSO

Table 1: The short profile of the UC and LSO is as under

1	Name of LSO	LSO Roshni Chak Kamala
2	Date of formation	April 8, 2010
3	Total HHs in the UC	2,483
4	Total Organised HHs	1,509 (61%)

5	Poverty Profile of the UC with HH coverage	
6	- HHs in 0 – 11	Total 49 (2%) Organised 37 (76%)
7	- HHs in 12 – 18	Total 231 (9%) Organised 175 (76%)
8	- HHs in 19 – 24	Total 253 (10%) Organised 171 (68%)
9	- HHs in 25 – 100	Total 1,950 (79%) Organised 1,208 (61%)
10	Total Villages	14
11	Total VOs formed	10
12	Total COs formed	101
13	- Male	62 (61%)
14	- Female	39 (39%)
15	Total CO members	1,590
16	- Male	962 (61%)
17	- Female	628 (39%)
18	Total General Body members	20
19	- Male	18 (90%)
20	- Female	2 (10%)
21	Total Ex. Committee members	10 (100% men)

Recommendation: The ratio of women members in the General Body and Executive Committee of the LSO is very bad. They should seriously take steps in increasing the number of women activists in these bodies. In fact, the area is very conservative in terms of women’s participation in public affairs, therefore, women themselves have strong . The LSO leaders need gender sensitization training. PRSP should arrange a proper training and if possible, an exposure trip to gender sensitized LSOs.

3. Social Mobilisation

At the start of the project, there were 1,054 households organised under 65 COs (male 38 and female 27) in the UC. With the help of project, 455 additional households (43%) were organised under 36 new COs (male 24 and female 12).

The overall household coverage in the UC is 61%. Even 1/4th of the poorest households are still unorganized in the UC. In fact CO formation is almost standstill in 4 villages where some 514 households reside. Therefore, the household coverage in these 4 villages is only 25% while it is around 70% in the other 10 villages. According to the LSO leaders, reasons for slow speed of mobilisation in these 4 villages are different. In one village, a politically influential Choudhary family who has no interest in community mobilization dominates the people and the rest of the community is hesitant to go against them. In another two villages, an influential lady gives loans to people on high interest rates, and she has so far been successfully resisting CO formation to protect her business interest. In the 4th village, the influential families are not interested and others cannot decide without them. No CIF fund is going to these 4 villages simply because nobody is asking the LSO for any loans.

Recommendation: Using the PSC data, the LSO should directly contact the poorest and poor families for mobilization and primarily focus on women in these villages. It should hire the services of some women activists and start organizing women in COs.

4. VO Sahara Chak Qazi and its member COs

Sahara Chak Qazi is one of the active VOs of the LSO. The profile of the VO is given below.

Table 2: Profile of VO Sahara Chak Qazi

1	Date of formation	24-07-09
2	Total HHs in the village	147
3	Organised HHs	120 (82%)
4	Total COs	5 (male 3, female 2)
5	Savings of all COs	Rs. 1,069,113
6	<p>Activities of the VO: The VO meets regularly on monthly basis and verifies CIF loan applications and pays CIF loan to members. Also recovers CIF loan from members and deposit with LSO. The VO arranged bulk purchase of fertilizer costing Rs. 216,000 in 2010 and Rs. 325,000 in 2011 for 92 members saving considerable amount of their time and cost as well as making timely procurement of a vital agri-input. Members pay the cost of fertilizer with 10% service charge at harvest. Also provided loan of Rs. 50,000 to two members. One member used it for establishment of a hotel and the other member purchased a peter engine for irrigation. A third member was given a loan of Rs. 100,000 for buying a visa of Italy. The amount of loans was arranged from the internal lending operation of male CO Chak Qazi on social guarantee of the VO at 20% annual service charge. The members are paying their installments regularly. Collected donation of Rs. 22,600 and helped flood victims during the 2011 floods.</p>	

As stated earlier, the VO has 5 member COs, 3 male and 2 female. The profiles of these COs are as under.

Table 3: Profiles of member COs of VO Sahara Chak Qazi

		MCO Chak Qazi	FCO Chak Qazi	MCO Pasban	MCO Nigahban	FCO Chashman
1	Date of formation	4-12-02	25-11-08	4-6-09	15-5-010	11-7-09
2	Members	44	25	15	15	21
3	Savings Total Rs. 1,069,113	902,094	95,300	10,175	8,700	53,700
4	Meetings	Regular	Regular	Irregular	Regular	Regular
5	Rating	A	A	C	B	A

Out of the 5 member COs I held meetings with members of male and female COs Chak Qazi and checked their records.

Records of both COs were updated. Both were doing internal lending from their own savings. The rate of service charge of CIF, Internal lending from savings and PRSP loans are the same, i.e 20%. The members who take CIF loan can take loans from internal lending operations but only as a matching loan for the same investment plan. Loan from internal lending could be taken for both productive as well as for

consumption purposes. Male CO Nigahban Chak Qazi has saved Rs. 786,856 and has earned Rs. 115,238 in service charge income from internal lending. Their total savings are now Rs. 902,094. Five of their members had taken CIF loans and repaid fully on time. No other member is requesting for CIF loans, as they can take larger loans from their own internal lending operations on similar terms and conditions. One member had started a grocery shop with a Rs. 20,000 CIF loan and had expanded it up to Rs. 60,000 besides paying the loan in full with service charge. Unfortunately, few days ago, his entire shop and residential house was burnt to ashes due to an electric short circuit. The irony is that electricity comes only for an hour and half in 24 hours in the area these days. The LSO is planning to help the poor family through all possible means.

Female CO Chak Qazi had saved Rs. 93,500. They also internally lend their savings to their members. Three members had taken CIF loan from LSO and fully repaid. Now they prefer to take loan from PRSP because the PRSP loan officer is a female and they feel more comfortable in dealing with her compared to the male office bearers of the LSO who deals with CIF. Second, PRSP loan becomes relatively larger in the second and third rounds while CIF loan is maximum Rs. 20,000.

Answering my query about the reasons for the low profile of CO Pasban, the LSO President and General Secretary said that some “Choudharies” dominate others in this muhalla. However, with the help of constant efforts from LSO and VO leaders, there are clear hopes that they will change their behavior and sooner or later, they will also become as active as others.

Recommendation: There is no proper planning document with the VO. They should develop a proper plan and budget with a number of cashless activities. Second, the VO should motivate other COs to increase their savings following the role model of male and female COs Chak Qazi. Third, the VO should list down the households fall under poor categories and organise hundred percent of them. Fourth, the VO should organise women of the village in separate COs to give them proper opportunities to initiate development activities for themselves.

Moreover, despite the clean and neat financial records of savings and credit operations, no consolidated accounts of VO Sahara and its member COs are available. Therefore, no internal or external audit of their accounts and savings and credit operations has been carried out. It is, therefore, recommended that PRSP train the LSO in financial record keeping and auditing of VOs and COs. LSO then should carry out their audit and receive a modest fee for the financial record keeping and auditing services from the them.

It is further recommended that the LSO should try to organise 100% of those households who fall under 0 – 24 according to Poverty Scorecard survey. These are 150 households in total (12 in 0 – 11, 56 in 12 – 18 and 82 in 19 – 24).

5. Activities of LSO

Besides running the CIF operations, the LSO has been doing several development activities through its leaders as well as through its member VOs and COs. Example are:

1. Carried out Poverty Scorecard survey of the entire union council
2. Due to poor management and facilities, the local BHU was unable to address the health needs of the community in an acceptable manner. The LSO organised a meeting to discuss and resolve health related issues. As a result of the meeting, a Local Health Council was established. Each village nominated 2 representatives in the Health Council. These representatives are active members of the LSO. A 5 member Executive Committee was also elected out of the general members. The President and the Manager of the LSO were appointed as the President and Manager of the Local Health Council. The Health Council is actively supporting the BHU. It has so far been able to arrange an ambulance, a generator for electricity during load shading hours and an ultrasound machine. Moreover, the LSO got checked eye sights of 145 children and provided glasses for 49 of them free of cost with financial support of NCHD. In addition to that it arranged spray against Dengue mosquito in the entire union council. With the help of the Local Health Council, the BHU has become a model health facility.
3. Arranged monthly "Rashan" to 10 poor families in Villages Jasso Saria and Jhammat Abad through Al-Khidmat Foundation.
4. Arranged scholarship for five poor students from Al-Falah Scholarship Scheme in villages Chak Kamala and Chak Meeran.
5. Arranged spray machines for VO members from Government Agriculture Department.
6. Educated 1,500 illiterate women through adult literacy programmes with the technical and financial support of NCHD in village Chak Kamala.
7. Collected cash donation of RS. 16,200 and clothes and qurbani hides worth Rs. 10,400 for the flood victims of village Jasso Saria
8. Recently a lady teacher in the Girls' High School Kalyan Wala hit a girl student with a stick that badly damaged one of her eyes. The girl belonged to a very poor family. The LSO discussed the matter in its meeting and decided to protect the rights of the children in the school. The LSO contacted the UC Nazim to seek his support. They met the school administration and arranged Rs. 4,000 for treatment of the injured girl from school funds. Moreover, they made the Headmistress of the school agree to bear total cost of treatment of the poor girl. In addition to that, they made the school administration to permanently ban use of sticks in the school to punish the students.

Recommendation: The LSO lacks a proper plan and budget. PRSP should help the LSO develop a proper plan and budget.

6. CIF Operations

As part of the project, RSPN paid Rs. 1,200,000 to the LSO as CIF. The LSO contributed Rs. 250,000 from its member COs. Each member CO contributed Rs. 2,500. The LSO has decided to collect similar amount from newly formed COs and deposit into the CIF fund. When the LSO collected its share of CIF and deposited into the bank account, PRSP paid Rs. 1,000,000 on 15 July 2010 to the LSO. The remaining amount of Rs. 200,000 was transferred to LSO on 2 November 2010. Tables 1 and 2 below exhibit the cumulative summary of CIF operations till 31-12-2011

Table 4: Summary of CIF operations from July 2010 to December 2011

S. No	Particulars	Men	Women	Total
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1	No of Loans	161 (57%)	123 (43%)	284
2	Disbursement Rs.	2,582,000 (60%)	1,747,000 (40%)	4,329,000
3	Average loan size Rs.	16,000	14,200	15,200
4	Recovery Rs.	1,803,887	1,100,381	2,904,268
5	Amount outstanding Rs.	778,113	646,619	1,424,732
6	Members with outstanding loan	102	84	186
7	Amount overdue Rs.	45,824 (6%)	11,917 (2%)	57,741 (4%)
8	Members with overdue loans	29	14	43

The LSO has carried out poverty scorecard survey of the UC. Preference is given to the poorest and poor families while giving CIF loan. The table below exhibits the status of the CIF according to poverty bands. Around 79% of loans have been given to 79% poorest and poor families.

Table 2: CIF Status according to Poverty Bands

As of December 31, 2011

Disbursement	Male			Female			Total Amount		Total Loanees	
	Amount	Loanees		Amount	Loanees	No			%age	
Extremely Poor (0 - 11)	217,000	14		60,000	5		277,000		19	7
Very Poor (12 - 18)	790,000	47		662,000	42		1,452,000		89	31
Poor (19 - 24)	1,065,000	69		605,000	46		1,670,000		115	40
Non-Poor (25 - 100)	510,000	31		420,000	30		930,000		61	21
Total	2,582,000	161		1,747,000	123		4,329,000		284	100
Over Due	PA	SC	Loanees	PA	SC	Loanees	PA	SC	TOTAL	%age
Extremely Poor (0 - 11)	4,530	-	2	-	-	0	4,530	-	2	5
Very Poor (12 - 18)	4,989	-	4	186	-	1	5,175	-	5	12
Poor (19 - 24)	11,619	221	10	5,001	56	6	16,620	277	16	37
Non-Poor (25 - 100)	24,686	131	13	6,730	-	7	31,416	131	20	47
Total	45,824	352	29	11,917	56	14	58,149		43	100
Outstanding	PA	SC	Loanees	PA	SC	Loanees	PA	SC	TOTAL	%age
Extremely Poor (0 - 11)	51,047	3,052	9	-	-	0	49,990	3,052	9	5
Very Poor (12 - 18)	52,331	2,182	13	1,102	14	7	53,334	2,196	20	11
Poor (19 - 24)	327,627	21,983	50	327,164	18,301	43	653,381	40,284	93	51

Non-Poor (25 - 100)	347,108	24,198	30	318,353	26,021	30	665,461	50,219	60	33
Total	778,113	51,415	102	646,619	44,336	80	1,424,732	95,751	182	100

PA = Principal Amount SC = Service Charge

7. CIF Procedures

According to CIF principles, the fund has to be given as micro credit to the poorest households through women members. All terms and conditions of loans, like purpose, size, duration, service charge etc has to be decided by the COs. VOs and LSO would have nothing to do with these matters. In the project proposal, it has been stated the CIF money would be given to the poor through women. PRSP, in collaboration with the LSO had carried out poverty scorecard survey of 100% households of the UC. According to the PSC report, there are 49 households in 0 – 11, 231 households in 1 – 18 and 253 households in 19 – 24 poverty bands.

In the case of LSO Roshni Chak Kamala, the following procedures are followed:

1. CIF is managed and operated by the LSO from its account. The bank account is jointly operated by the President and General Secretary of the LSO and the District Manager of PRSP.
2. The terms and conditions of CIF have been agreed by the LSO General Body and applied to all COs
3. Only loan can be given from CIF because there is no provision for making grants
4. The size of loan would be maximum Rs. 20,000
5. The period of loan would be maximum one year
6. Repayment would be lump sum on harvest for agricultural loans while in monthly installments for other loans
7. Purpose of loan would preferably be productive. Most loans have been given for interprise development, purchase of livestock and agri-inputs
8. Preference would be given to women and the poorest. Non poor (HHs in 25 – 100 band of PSC) members would also be given loans but only when the demands of the poorest members are met. Similarly, if a poor household has no woman member, it would be given loan through an organised male member
9. The rate of service charge would be 20% per annum. The entire amount of service would be re-deposited into the CIF
10. Rs. 200 would be collected per successful loan application, irrespective of size and period of loan. Rs. 100 would be kept into a Welfare Fund, while the remaining Rs. 100 would be kept into an Operation Fund of the CIF
11. A formal loan appraisal and sanction form has been developed for the CIF operations. The member fills in the loan application and submits to the CO for approval. The CO discusses and approves the loan applications in its meeting. The application is handed over to the VO who checks and verifies it and submits to the LSO. The LSO further verifies the entries and calculations and approves the loan. The loan is paid in the form of an open cheque in the name

of the borrower. The VO receives the cheque and gives to the CO who gives it to the borrower. If the borrower lives nearby he/she can even receives the cheque from the LSO in person.

12. Recovery could be made either through CO and VO or in person to the LSO office. The receipt is issued by the LSO
13. There is no provision for fine or extra service charge on overdue loans

Recommendations: The LSO should use the poverty scorecard as the primary criteria for sanctioning CIF loan so that CIF is issued to only the poorest members. Moreover, the LSO should consider to revise the rate of service charge in consultation with the poorest members.

8. Record keeping of CIF operations

1. The General Secretary, who is the accountant in the local post office, keeps manual records of CIF at LSO level
2. The loan applications are filed date wise at the LSO office. The General Secretary maintains a manual loan register
3. The LSO has purchased a computer from the Operation and Welfare fund. They tried to hire a permanent book keeper, to maintain the CIF records properly, but the demand was over Rs. 6,000 salary per month. Therefore, they requested for support from PRSP. PRSP asked its Field Unit Accountant to assist the LSO. The accountant visits the LSO on every Sunday and maintains the CIF records on a micro finance MIS in the LSO computer. He updates the MIS and reconciles the bank account. He provides the list of due loans in the start of the month and the list of overdue loans at the end of each month to the LSO leaders. The LSO pays Rs. 3,000 per month to the Unit Accountant for his services.
4. The CIF bank account is a PLS account and is reconciled with the cash book up to December 2011
5. The LSO maintains a Post Office account for its routine operations. The Vice President and the Finance Secretary of the LSO operates the post office account jointly. The Welfare Fund and Operational Fund amounts received from CIF borrowers are also deposited into it. The General Secretary keeps these records manually and share with other members in meetings and on demand.
6. By the end of December 2011, the total CIF pool was Rs. 1,829,228. Out of this, Rs. 1,418,342 was in the form of loans receivable from 183 members while Rs. 410,886 was in the bank account. The breakdown of the CIF is given in the following table:

Summary of CIF operations from July 2010 till 31-12-2011

S. No	Particulars	Amount
1	Funds from RSPN	1,200,000
2	Funds from member COs	250,000
3	Principle amount of CIF	1,450,000
4	Add: Service Charge on loans	359,728

5	Add: Bank profit	6,514
6	Less: Bank Charges	1,850
7	Less: Withholding Tax	11,136
8	Net profit on operations (26%)	379,228
9	Grant total CIF	1,829,228

9. Conclusions and recommendations

LSO Roshni Chak Kamala has been running its activities smoothly. The CIF operations of the LSO is managed satisfactorily by its leaders. The on time recovery rate was 96% on 31 December 2011, which has further increased to around 99% by 16 January 2012 as the overdue loan reduced to Rs. 12,000. There is no chronic default till today. The fund has increased by 26% over the last one and half years. The financial record keeping is satisfactory.

The LSO needs to increase its household coverage in the remaining 4 villages. Moreover, it should ensure to organise 100% poorest and poor households into COs and use the Poverty Scorecard data as the deciding criteria for sanctioning loans to ensure that all poorest and poor households have been served before giving loans to non-poor members.

In addition to that, the LSO needs to develop a proper plan of operations with budget in consultation with its members and wider stakeholders.

The LSO also needs to prepare a consolidated account of all its operations and get its accounts audited by PRSP Finance section from the Regional Office.

The balance amount of Rs. 623,723 with PRSP should be given to the LSO to be used as CIF. However, a proper ToP should be signed with the LSO in which the recommendations given in the assessment report should be incorporated for compliance.