

**Brief**  
**Pilot Project On “Provision Of Micro-Credit And**  
**Enhancement of Local Level Savings for Poverty Alleviation In Pakistan”**  
**(Phase-I & II - 1999-2002)**

**1) Background of the project**

The Secretary General, AARDO, H.E. Dr. Bahar Munip, visited Pakistan in December 1997 and called on Secretary Finance along with Director General, NCRD. During discussion he expressed the possibility of financing a Pilot Development Project up to US\$ 40,000/- and invited the Government of Pakistan to send proposal as per guidelines given by AARDO. NCRD sent the proposal on cited subject project on January 7, 1999 which was returned by AARDO to be duly endorsed by the M/o E, LG&RD in order to satisfy the legal requirements. The proposal was resubmitted to AARDO by NCRD on March 6, 1999 after getting formal approval from the M/o E, LG&RD. AARDO intimated approval of the project vide their letter dated April 7, 1999 with a revised budget of US\$28,000/- (US\$8000/- for phase-I & US\$20,000/-for phase-II). Mr. Zahur Ahmed Ch. was designated as Project Coordinator who submitted an action plan for phase-I of the project from March, 2000 because of the late received amount of US\$8000/- from AARDO on January 19, 2000.

**2. Implementation of the Project**

The project was divided into two phases i.e. Phase-I Action Research and Phase-II. A Project Management Unit (PMU) was constituted in order to facilitate proper project implementation and management. This unit was the final authority to take decisions in all matters pertaining to the project. The composition of the PMU was as under:

Director General, AHKNCRD&MA	Chairman
Director (Research), AHKNCRD&MA / Project Director	Member
Assistant Director, LG&RD, Chakwal (Representative partner field agency)	- do -
One AHKNCRD&MA member associated with the project.	- do -

## **2.1 Action Research (Phase-I)**

### **2.1.1 Reconnaissance Visit**

The reconnaissance visit was made to the Project District headquarter, Chakwal with the purpose to collect the needed information pertaining to the project area from the secondary sources and obtain first hand knowledge about the public sector institutions, important NGOs, and direction of development activities in the project area villages. The idea was to assess their possible collaboration / involvement at the time of the project implementation. Based on data collected and discussions held with various agencies involved in development at local level, it was decided to consider the Departments of Local Government and Rural Developments as the major co-partner in planning and implementation of the project.

### **2.1.2 Village Selection**

Village selection was made in the light of the findings of the reconnaissance visit and consultation made with various experts / institutions' representatives. Keeping in view the available resources, initially five villages one at each five union councils were selected which were later on extended to all the seven union councils by adding two villages on popular demand from the concerned union councils and to develop an element of uniformity in the approach.

### **2.1.3 Development of Planning Material**

The training-cum-planning tools i.e. house-hold survey form, data consolidation sheet, programme prioritization and phasing formats, village development profile document and related instructions were got prepared and printed.

### **2.1.4 Conduct of Training-cum-Planning Workshops**

A three days training-cum-planning workshop for the master trainers was organized in the office of Union Council, Kallar Kahar. It was followed by the similar workshops simultaneously conducted for all the seven union councils. They were introduced to project background, its aims and objectives besides action to be taken. All the planning tools i.e. house hold survey and data consolidation forms were explained. The village volunteers as a test exercise were sent to selected house-holds of Kallar Kahar village in order to conduct data collection themselves. Progress of volunteers was reviewed, filled questionnaires were checked, and errors pointed out besides clarification of points came under discussion and short-comings rectified.

The Secretary of the respective Union Councils acted as training facilitator who was supported by one National Centre for Rural Development (NCRD) team member and the respective Project Manager of the Local Government and Rural Development Department. During this training, 10 Volunteer Village Development Workers (VVDW) from each village were trained in house hold data collection and consolidation techniques. Secretary, of each Union Council were supplied actual data collection material i.e. house hold data survey form and the village data consolidation sheets etc. as per their requirement. Guidelines were provided for the actual conduct of survey and its consolidation for all the seven selected villages as per programme schedule.

### **Conduct of Village Survey**

The village household survey was carried out through trained volunteers (ten in each village) for all the seven selected villages (one village in each union council) within 10-days time. The Secretary, of the respective Union Council, Project Manager and the Assistant Director of the Department of LG & RD, District Chakwal supervised this activity. The progress was monitored by the Project Director at the level of the project. The data so collected was analyzed and the list of households as per their indicated income levels was prepared through the Community Volunteers with the assistance of Master Trainers with the purpose to identify the potential loanees and income generating activities.

### **Identification of the Potential Target Groups**

As a result of the analysis made, it was considered appropriate to approach to the middle income group families whose identified needs were coinciding with the priority needs determined by the majority households of the village. The logic to approach this income group was that this class of population by way of empirical evidence is generally considered as a commercially viable class; possess the reasonable level of education and the requisite risk potential to enter into some viable income generating activity.

### **Identification of Poor Families.**

The poor families and the potential micro-enterprise were identified on the following criteria:

- a) Income below the determined poverty line.
- b) Potential micro-enterprise identified on the basis of majority household scoring/choices.

As a result of the final analysis of the information collected and priorities determined based on the above indicated criteria', a list of the families falling below the poverty line (family

income upto Rs. 2100 per month) in each village were prepared. The main types of micro-enterprises as indicated were business, livestock and poultry rearing besides agriculture inputs. A total of 470 persons were identified as potential loanees in all the selected seven villages.

### **Identification of Potential Entrepreneur**

The identified poor families (as per above criteria) were further approached to provide detailed information with regard to the micro-enterprise activity indicated in their household survey form at the time of data collection / survey and indicate the person (he or she) who would undertake this income generating activity. In addition to this information, the details regarding his/her experience of indicated enterprises, training obtained, if any or do they need training besides his/her saving desire, personal investment and exact amount of credit requirement was also collected. In order to identify the potential entrepreneurs only, those poor families were approached whose priority need was coinciding with the majority village priority, determined on the basis of data analysis).

### **Selection Criteria of Loanees**

The following criteria were used for selection of the actual loanee out of the already identified 196 potential enterpenurers for advance of micro-credit.

1. Minimum loan requirement.
2. In-line with community need.
3. Service oriented nature of the micro-enterprise
4. Possessing desired level of needed training and skill.
5. Quick turnover of the enterprise.
6. Least risk of default (failure)
7. Reliability and sustainability of the business.
8. Leading to existing resource optimization.
9. Having maximum demonstrational effect
10. Maximum self-investment ratio.
11. Seriousness of the loanee.
12. Maximum saving offered.

## **Implementation of Project (Phase-II)**

### **Loan Advancement Procedure**

The applications of the selected loanees duly verified and forwarded by the village committee and the union council concerned were thoroughly examined in the light of the information obtained, credit policy, selection criteria of loanees developed besides principles and rules framed for the purpose under the project. The loan applications after thorough examination and scrutiny were considered and approved by the committee constituted at the district level. The composition of the committee was as follows:-

1. Director (Research)	Chairman
2. Assistant Director, LG&RD, Chakwal	Member
3. Project Manager (concerned)	- do -
4. President, Village Committee (concerned)	- do -
5. Secretary, Union Council (concerned)	- do -

The cross cheques in the name of individual loanees were issued and handed over to the loanees after approval of the loan amount by the committee and completion of the requisite formalities mentioned below

- i) Submission of application requesting for issue of cheque.
- ii) Submission of agreement deed on stamp paper alongwith application.
- iii) Deposit of 25% of the approved loan amount in his bank account opened for the purpose.

The amount Rs. 2, 98,000/- was disbursed to a total of 14 loanees. All records pertaining to credit disbursement and recovery in respect of individual loanee were maintained at all levels i.e. village, union council and the project headquarter on Credit Disbursement and Recovery Register in a prescribed manner. The loanee wise detail of micro-enterprise with credit amount is given at Annex- I.

### **Monitoring and Reporting**

Appropriate monitoring and reporting system was devised to over-see the project implementation progress besides use and recovery of credit at all levels. The records were maintained and progress-monitoring reports sent to all levels on the forms prescribed for the purpose. The over all project implementation activities were however monitored by the Assistant Director, Local Government and Rural Development at the district level and Director (Research), AHKNCRD&MA / Project Director at the project level.

## **Recovery of Loan**

The micro-credit was advanced for a period of one year and was to be recovered in eleven monthly installments with first one month as grace period. The recovery installment schedule was prepared and distributed to all loanees as well as to the respective offices at the district and union council's level. The purpose was that each loanee should know about the installment amount he/she has to deposit in a particular month.

The recovery of credit installments was made by the individual loanee through cross cheque in the name of the Director General, NCRD A/C No: 102-8, National Bank of Pakistan, NIH Branch, Islamabad. These cheques were handed over to the Secretary, Union Council through the President, Village Committee. The record of all such financial transactions was maintained at all levels in the prescribed manner. The Secretary, Union Council sent all the cheques alongwith the monthly progress report to the Project Director office, AHKNCRD&MA, Park Road, Chak Shahzad, Islamabad under intimation to the AD, LG&RD, Chakwal each month.

## **Credit Recovery Trend**

As observed from the data analysis, the recovery percentage of first installment remains 84%. The obvious reason of less recovery found was lack of understanding of the payment / recovery deposit procedure especially by the illiterate loanees. The recovery in the second installment touched to the peak of 104%, which endorsed the reason of low recovery given earlier. The recovery gradually showed a descending trend in the third, fourth, fifth and sixth installments from 94% to 84% and 76% for the last 2 installments. The recovery for the 7<sup>th</sup> installment was found 91%, which again came down in the 8<sup>th</sup>, 9<sup>th</sup> & 10<sup>th</sup> installments as 79%, 61% and 44% respectively. The recovery percentage of the scheduled eleven (last) installment remained 52%. The recovery percentage in aggregate made so far remained 81%. The reason for this trend has been explained under major constraints faced.

## **Major Constraints**

The major three types of problems / cases experienced can be categorized as follows:

### **Incidental**

For initial two months there was a lack of understanding of the repayment procedure, since many of the loanees due to lack of understanding or guidance at appropriate occasions

were either depositing the recovery amount through money order, cash or cheques directly addressed to the Manager Bank branch concerned in Islamabad without any intimation to Project Headquarter Islamabad.

Some of the loanees were regular recovery installment payers in the first few months but later on became irregular. On persuasion with the Secretary Union Council and the guarantors concerned they assured regular payment of the loan balance.

#### **4 Accidental**

A case of accident was experienced in which the wife of loanee died and he himself and children got injured. Secretary, Union Council and the Village Committee concerned recommended for relaxation of period of his installment on compassionate ground. The person however, assured to deposit the credit in balance.

#### **5 Attitudinal**

An attitudinal constraint was also experienced that a loanee did not intend to repay the loan. Formal persuasion with his guarantors was made to recover the amount through local social pressure. His case was being regularly perused through reminders and issuance of notices to him and his guarantors through union council concerned.

#### **5. Experiences**

1. The recovery of loan in general remained as per expectations.
2. Some un-orderly deposit of installment was observed which could be attributed to the following:-
  - Lack of understanding and inconvenience felt by some of the loanees regarding payment through cheque
  - Frequent transfers of trained Secretary, Union Councils.
  - Involvement of staff in the Local Government Elections 2002 at critical stages of project implementation.
  - Lack of follow-up and persuasion by the Village Committees and the Secretary, Union Councils in problem cases
  - Drastic shift in the role and responsibilities of the Secretary, Union Council after induction of the new local government system.
  - Non-availability of trained and competent professionals well-versed with action research techniques and other requisites.

3. The feasibility aspect of the micro-enterprise for which loanee intends obtaining micro-credit needs thorough scrutiny from technical and financial angles alongwith its rationale.
4. Group of loanees (i.e. more than five) may preferably be advanced micro-credit in a village.
5. Coordination with a permanent organization must be ensured. The project experienced lack of interest of local council administration responsible for monitoring and supervising the progress after the elections under the New Local Government Ordinance 2000 in District Chakwal, held in May 2001.

### **Incentives**

A prize of Rs. 1000/- at each of the identified critical stages i.e. planning, and recovery was announced for timely completion of planning and survey activity, smooth recovery and expansion of the programme to another village in the union council by the community on its own. This incentive as a tool did work well since a **Village Bhalial of Noorpur Union Council** offered to expand the programme on their own expenses, which itself is a good indication of programme acceptance and usefulness.

### **Lessons Learnt**

1. Keen response from the below poverty line segment of population
2. The identification of the target families and the potential entrepreneur can improve if the local communities are involved in the programme in an organized manner at the planning stage.
3. The micro enterprises schemes based on local skills have greater prospects of resource generation.
4. Careful and bias free assessment of the local situation is a prerequisite for development of micro-entrepreneurship programme.
5. Continuous and consistent monitoring at various stages/activities of the programme must be ensured in order to get the desired results.
6. Regular contacts with programme partners i.e. project/programme management, community organization, beneficiaries besides partner agency, if any must be maintained for smooth programme implementation.
7. Training of all programme partners in programme planning, implementation and management is essential for imparting needed project management skills to the local communities.
8. Demand for its replication in other villages/sub districts.



**LOANEE WISE DETAIL OF LOAN AMOUNT WITH PURPOSE**

<b>Sl. No.</b>	<b>Name of Loanee</b>	<b>Amount of Loan (Rs)</b>	<b>Purpose</b>
1.	Mr. Abdul Rasheed S/o Haitum Khan	10,000	Sand/Crush
2.	Ms. Mamona Riffat D/o Dilawar Khan	28,000	Embroidery
3.	Mason Fazal Din S/o Imam Din	20,000	Massonary Work
4.	Mr. Rab Nawaz Khan S/o Muzaffar Khan	15,000	General Store
5.	Laais Muhammad S/o Alam Khan	15,000	Hardware Store
6.	Mr. Rahmat Ullah S/o Muhammad Inayat	10,000	General Store
7.	Mr. Fazal Hussain S/o Muhammad Ramzan	30,000	Beef/Poultry Shop
8.	Mr. Muhammad Amin S/o Karam Din	25,000	Chymny Maker
9.	Mr. Naveed Ashraf S/o Muhammad Ashraf	20,000	General Store
10.	Mrs. Ferozan Begum W/o Altaf Hussain	25,000	Maternity Home
11.	Mr. Muhammad Nishan S/o Sultan Khan	20,000	Cycle Works
12.	Altaf Javed S/o Malik Zareef Khan	30,000	Livestock Marketing
13.	Shahzada Abdul Karim S/o Hakim Khuda Buksh	25,000	Matab Khana
14.	Mr. Fazal Muhammad S/o Doast Muhammad	25,000	Business



**LOANEE WISE DETAIL OF RECOVERY INSTALLMENT WITH AMOUNT AND DATE.**

S. No.	Name of Loanee	Amount of Loan	INSTALLMENTS WITH DATE AND AMOUNT DUE										
			1	2	3	4	5	6	7	8	9	10	11
			2.12.2001	2.1.2002	2.2.2002	2.3.200	2.4.2002	2.5.2002	2.6.2002	2.7.2002	2.8.2002	2.9.2002	2.10.02
1.	Abdur Rashid	10,000/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	910/-
2.	Memona Rafat	28,000/-	2545/-	2545/-	2545/-	2545/-	2545/-	2545/-	2545/-	2545/-	2545/-	2545/-	2550/-
3.	Laais Muhammad	15,000/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1370/-
4.	Rab Nawaz Khan	15,000/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1363/-	1370/-
5.	Fazal Din	20,000/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1820/-
6.	Rahmat ullah	10,000/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	909/-	910/-
7.	Altaf Javed	30,000/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2730/-
8.	Fazal Hussain	30,000/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2727/-	2730/-
9.	Naveed Ashraf	20,000/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1820/-
10.	Ferozan bibi	25,000/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2280/-
11.	Muhammad Amin	25,000/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2280/-
12.	Muhammad Nishan	20,000/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1818/-	1820/-
13.	Abdul Karim Shahzada	25,000/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2280/-
14.	Fazal Muhammad	25,000/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2272/-	2280/-
	<b>Total</b>	<b>2,98,000/-</b>											

**Action Research Pilot Project on Provision of Micro-Credit and Enhancement of Local Level Savings for Poverty Alleviation in Pakistan**

**( Financial Statement to-date)**

<b>Particulars</b>	<b>Total Allocation</b>	<b>Expenditure Phase-I&amp;II Pak. Rs.</b>	<b>Balance Pak. Rs.</b>	<b>Balance in Bank Account</b>
<b>Phase-I Action Research</b>	<b>US\$ 8,000.00 Pak Rs. 4,10,735.00</b>	<b>401,375.00</b>	<b>9,360.00</b>	<b>9,360.00</b>
<b>Phase-II Implementation</b>	<b>US\$ 20,000.00 Pak. Rs. 12,05,000.00 (seed money for credit)</b>	<b>2,98,000.00 (Credit Advanced)</b>	<b>2,62,144.00 (Amount Recovered)  35,856.00 (Amount Recoverable)</b>	<b>11,69,144.00</b>
			<b>Total Balance in Bank:</b>	<b>11,78,504.00</b>