

# HRD COMMUNIQUÉ

## newsletter

NRSP

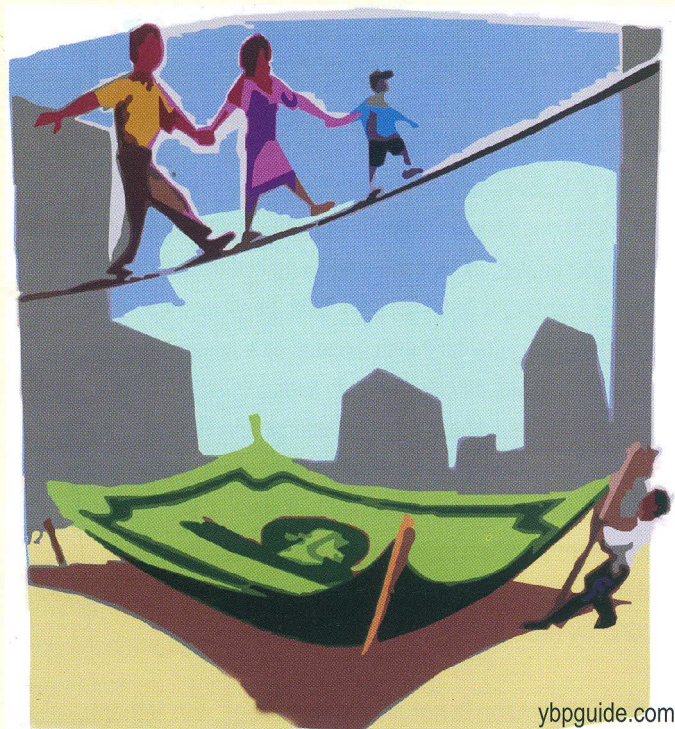
Institute of Rural Management

AHK

Resource Center

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### Microfinance - A Safety Net



"By directly empowering poor people, particularly women, microfinance has become one of the key driving mechanisms towards meeting the MDGs", Mark Malloch Brown (Deputy Secretary-General of the United Nations)

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### Editor's Note

Dear Readers,

In the Pakistani microfinance milieu, there has been a constant growth as new initiatives are being launched and methodologies developed. Our donors and practitioners recognize, more than ever, that well-targeted microfinance programmes can reduce poverty, promote economic growth, support human development and improve the status of women.

During the first quarter of 2007 microcredit outreach in Pakistan crossed one million active borrowers. Khushali Bank and NRSP remain the largest providers of microcredit with the market share of 25.2% and 25% of active borrowers respectively. By March 2007 female clients accounted for 46% of the total outreach. Microfinance Institutions (MFIs) continue to account for the largest number of female borrowers, followed by the Rural Support Programmes (RSPs) and Microfinance Banks (MFBs) respectively. NRSP has been the largest provider of micro-savings with 41.8 % of active savers. Urban growth was largely accounted for by MFIs whereas growth in rural areas was spearheaded by the RSPs. Overall microcredit outreach in Pakistan continues to be primarily rural i.e. 60% (MicroWATCH Jan-Mar 2007).

In the past few years the emergence of banks in the microfinance scenario has played a pivotal role in enhancing its activity. However, it is yet to be seen if they can bring a major competitive challenge for MFIs. In this regard, another important development around the corner is the establishment of NRSP Bank. Whatever the achievements may be, the challenge remains to reach millions of people who have not been reached at all.

We gratefully acknowledge the appreciation and encouragement we have received from our readers who have filled an online readership survey form for our previous issue. We would like HRD Communique' to be a more interactive piece of journalism. Therefore, we request all of you to get in touch with us and voice your requests and suggestions on what you would like to see in the next issue.



# Listen to the Masters

With "microfinance" becoming the development buzzword and many new initiatives and innovations launched into the sector, microfinance institutions have been criticized immensely on repayment rate, collection methods and accounting practices. Questions have arisen regarding whether microfinance can ever be as important a tool for poverty alleviation as its proponents and practitioners would submit. To learn from the experiences and intellect of the renowned microfinance experts, we contacted **Ms. Roshaneh Zafar (RZ) - President, Kashf Foundation, Mr. Gregory Chen (GC) - Country Representative, ShoreBank International Ltd. and Dr. Rashid Bajwa (RB) - CEO, NRSP**

**Q1. What prevents microfinance institutions from achieving significant scale or seen alternatively what are the drivers for achieving scale?**

**RZ:** The first aspect to determine when talking about scale, is the "scalability" of the approach that the MFI is pursuing. This relates to more obvious aspects like the induction of staff, their training, the overall product offering of the MFI, the systems of information management, the delivery methodology, the policies and procedures and their simplicity to the need for having a clear plan and strategy for growth. The more qualitative aspects that impact on the ability of the MFI to grow are related to the vision and the overall leadership stance towards growth. In some ways, growth cannot be achieved without sustainability. Once an MFI becomes sustainable it can also rely on commercial sources of funding (ofcourse this does not apply to MFIs that can mobilize deposits). However, in the Pakistani scenario this does impact many players for access to significant and reliable sources of on lending funds which is critical for fuelling growth.

**GC:** Scale is critically important for Pakistan where 9 out of 10 potential clients have no access to safe and reasonably priced financial services. Scale can be achieved by MFIs with the following characteristics: appetite for growth, profitable operations that generate a surplus, and an approach which allows the organization to move into new markets quickly and at a minimum of cost. One can recognize a microfinance (MF) organization geared for scale when it is continually focused on refining and improving its business model, continually seeks to lower costs and has the attitude and mindset that scale is critical for the organization's mission.

**RB:** One has to have systems in place that can scale up MF operations. These include an Operations Manual, an HR policy, a Risk mitigation policy, and a sound IT back up with an online MIS.

**Q2. Is commercialization the right way forward for microfinance**

**institutions? What about mission drift and being able to serve poor clients at an affordable price?**

**RZ:** This is a very interesting question, however, I would really respond to it by stating that ultimately market forces will determine the price of loans in the MF sector. One example that comes to mind is that of Bolivia, where despite rapid and enhanced commercialization, interest rates in the MF sector have decreased rather than increased. In fact the one thing commercialization does offer is creating a level playing field for all practitioners, along with providing the MFI with access to a reliable source of funds through deposit mobilization. In terms of mission drift, on that the jury is still out and it may appear on the first assessment that commercialization will push the frontier of MF out in terms of loan sizes, however a closer appraisal will reveal that in most cases commercialization leads to greater inclusivity in the financial markets by first offering a full range of financial services and second by broadening the scope of clientele.

**GC:** Commercialization is not an objective itself, but rather a means to achieve scale and outreach. 9 out of 10 potential microfinance clients currently are paying a high price by either not having access to services or by getting services from informal sources. I believe that, if carefully managed, commercialization will lower the costs to poor clients. Effective use of commercial principles will enable MFIs to get access to more sources of capital, it will enable microfinance banks to become sound enough to be a safe haven for the savings of the poor and it will bring in competition. Competition is ultimately the best antidote to high prices. But we do need to be careful in how we manage commercialization of microfinance and, in particular, this is critical in how we think about the governance of microfinance institutions who serve a social goal but use commercial means to achieve these goals.

**RB:** Commercialization means different things to different people. For me, commercialization means cost recovery and accessing



commercial sources of debt finance and therefore is the right way. Mission drift can be avoided if institutions follow the "double bottom line" i.e. financial sustainability and outreach to the poor.

**Q3.** How important is consumer protection in the microfinance industry? What would be the important benchmarks to consider?

**RZ:** I strongly believe that "truth in lending" is a very important aspect of educating and empowering MF clients and there needs to be a greater commitment by the MF sector as a whole to improve its disclosure practices. This is a very new concept in the MF industry globally and very little work has been done to formalize consumer protection. This creates a lag in information and opens up the sector to information dissonance and as happened in Andhra Pradesh in India, can also be a cause for political risk.

**GC:** Consumer protection is increasingly critical for Microfinance in Pakistan. There are three important benchmarks: (1) Are we doing enough to educate consumers about the financial choices they are making, (2) is microfinance entirely transparent to the end consumer and to regulators on interest rates and fees, and (3) can microfinance providers find meaningful ways to monitor their own behaviours through established codes of conduct with respect to consumer treatment? Government enforced consumer protection measures are almost always problematic. The most dangerous is government set interest rate caps. These almost always end up hurting the end consumer.

**RB:** Consumer protection is becoming relevant day by day especially in areas where multiple MFIs are present and give loans without looking at the fact that multiple loans can create indebtedness. The client's ability to pay back is limited and therefore coercive measures are taken. This debate started about five years back but came to prominence when the news of a suicide by a borrower in Andhra Pradesh in India was splashed. Consumer protection is also a tool that does not allow MFIs to charge usurious interest rates. However, consumer protection

does not mean reducing interest rates. If one is not sustainable then one will always be dependent on donor funding and will never be able to grow.

**Q4.** What role can technology play in bringing costs down for MF in the future?

**RZ:** Technology can help in a better and more reliable information management system, which can in turn help MF managers make better and timely decisions and which can also provide quicker and more efficient access to clients. The second aspect relates to managing certain functions, for example loan collection. Since MF is predicated on a small ticket high volume business,

collection systems become critical in determining cost structures. Technology can provide many options to MFIs today to manage their collection systems better e.g. cash and payment transfers through mobile phones being one such option, followed by debit cards and ATMs. However, one aspect worth mentioning is the cost of utilizing various IT options, which in some cases can be punitive and would need to be factored into the scheme of things.



**GC:** The technology infrastructure and regulations in Pakistan provide a promising environment in which technology will play an important role in reducing costs thereby providing opportunities for much larger scale to be achieved more quickly. I am one who believes that the Mobile Phone network in Pakistan will in time become a major contributor to the outreach of financial services. But we do need to be thoughtful about how to set up the business models and the regulations so that these systems are as pro-poor and inclusive of the poor as possible.

**RB:** Technology is the key to success of any MF programme as it helps track delinquencies and enables the MFI to follow "know your clients" (KYC).



# MICROINSURANCE

## Innovation of the Last Decade

Microinsurance is an emerging financial service. It is a risk management tool specially designed to reduce the vulnerability of the low-income groups.

The Rural Support Programmes Network (RSPN) in association with Adamjee Insurance Company Ltd., the largest insurance company in Pakistan, introduced an insurance scheme for the Community Organization (CO) members in August 2005. The RSPs intermediates between the CO members and the Insurance Company for collecting and submitting the insurance claims.

To provide a buffer to its microcredit clients against financial stresses and unpredictable risks, NRSP signed another contract with Adamjee Insurance in December 2006. Hence NRSP is implementing two parallel insurance schemes; one under RSPN contract and one for its microcredit borrowers. It offers the following products to its clients:

Insurance under RSPN Contract	
<b>Coverage</b>	Hospitalization minimum 24 hrs. Accidental Death/Disability
<b>Benefit</b>	<ul style="list-style-type: none"> <li>- Payment as per receipts in case of hospitalization</li> <li>- Insurance amount in case of accidental death</li> <li>- % of total amount depending upon the nature of disability</li> </ul>
<b>Maximum Limit</b>	Rs. 25,000
<b>Age Limit</b>	5 years to 65 years
<b>Insurance Premium</b>	Rs. 250 annual (Rs. 230 on renewing)

The insurance premium for non credit clients is Rs. 250 which includes processing fee of NRSP (Rs. 42 per case). It covers NRSP costs on information dissemination, data collection, collection of premium, data compilation and transfer of information, initial scrutiny of insurance claims and making payments of claims to individuals. In the case of credit clients, the insurance premium is embedded in the loan processing fee.

Insurance for Microcredit Clients	
<b>Coverage</b>	Hospitalization minimum 24 hrs. Accidental Death/Disability
<b>Benefit</b>	<ul style="list-style-type: none"> <li>- Payment as per receipts in case of hospitalization</li> <li>- Insurance amount in case of accidental death and burial expenses in case of normal death</li> <li>- % of total amount depending upon the nature of disability</li> </ul>
<b>Maximum Limit</b>	Rs. 15,000
<b>Age Limit</b>	18 years to 65 years
<b>Insurance Premium</b>	Rs. 100 annual

### Microinsurance Progress as of April 30, 2007

<b>Total # of Persons Insured</b>	<b>235,877</b>
<b>Total # of Insurance Cases</b>	<b>256,830</b>
Men	182,922
Women	73,908
<b>Data of clients sent to Adamjee</b>	<b>232,894</b>
<b>Premium Collected (Rs.)</b>	<b>53,285,265</b>
<b>Premium Paid to Adamjee (Rs.)</b>	<b>40,311,984</b>
<b>Total # of Claims received at HO</b>	<b>1,547</b>
<b>Total # of Claims sent to Adamjee</b>	<b>1,447</b>
Claims Approved	994
Claims in process	233
Claims Rejected	220
Claims Pending at NRSP	100
<b>Claims Reimbursed to the Clients</b>	<b>994</b>
<b>Amount Reimbursed (Rs.)</b>	<b>9,303,821</b>

## Microfinance

Microcredit + Microsavings + Microinsurance



# Akhter Hameed Khan Revealing the Truth

Back in 1999 when I was working as a Research Assistant in Women in Credit Information and Resource Centre (WCIRC); a project of UNDP, SEBCON Pvt. Ltd. and FWBL, we had requested Dr. Akhter Hameed Khan to tell us where the difficulties for running Orangi Pilot Project microcredit programme lie. Only a man of substance and principles could reply with absolute honesty. I am reproducing his letter after eight years. We did not know then that this would become one of his last discourses since he died on October 9, 1999. We salute him for his dedication to the cause of poverty alleviation.

Letter from Dr. Akhter Hameed Khan to Ms. Zahra R. Babar, Programme Manager - WCIRC (19 March 1999)



ORANGI PILOT PROJECT - RESEARCH AND TRAINING INSTITUTE FOR THE DEVELOPMENT OF KATCHI ABADIES

"Dear Ms. Babar,

Your demand that I should tell of the failures of the OPP Credit Programme surprised me. I am aware (are you also aware?) of Bhulle Shah's warning:

Sa Jhuth Akhya Kuch Kha Buch Dae  
Such Akhya Bhabbar Much Dae

Tell lies, you will make profit. Tell truth, face a riot. Here is a 4 paragraph article.  
Let there be a riot.

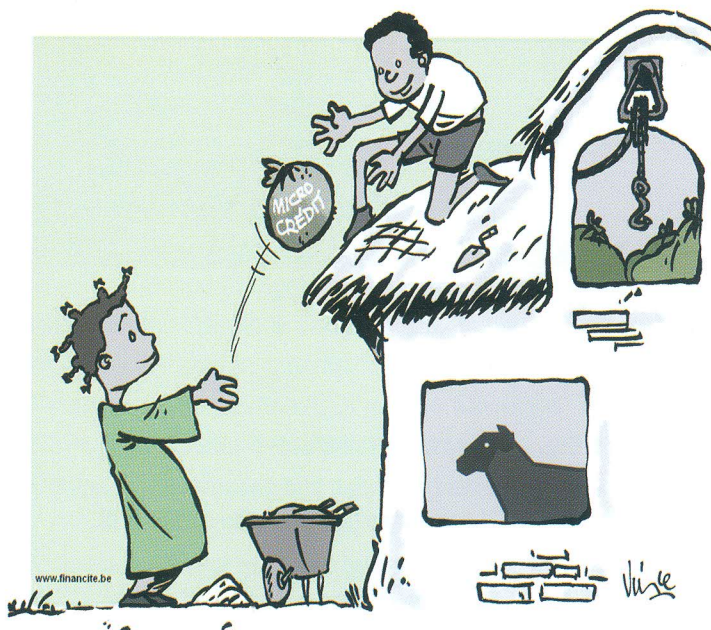
Yours Sincerely,  
Akhter Hameed Khan

Orangi Pilot Project - Orangi Charitable Trust  
Microcredit (1987-1999) - Three Failures

1. OPP-OCT microcredit programme was started in 1987. I wanted to do what I had done successfully in Comilla (1960 - 1971) i.e. form cooperatives. In Orangi every one of our cooperatives failed including the OPP employees' cooperative. We lost much capital and also our faith in the cooperative capacity of Karachi. This was our first failure.
2. However, as we were eager to help micro entrepreneurs of Orangi, we loaned to individuals, relying on our "supervisors" to make proper selections and ensure recovery. Here came our second failure. Our supervisors themselves were products of our culture of nepotism. Most of them abused their discretionary powers till (after 10 years and much loss) we excluded them from selection and confined their jobs to recovery only.
3. Our third failure came when we expanded our program outside Orangi to Sindh and Punjab districts, entrusting the task of selection and recovery to NGOs, the new saviors. We affiliated about 50 NGOs. Over a period of nine years we have discovered that only two or three are trustworthy. Most have indulged in nepotism and misappropriation. As a result loans amounting to Rs. 10 million (out of Rs. 50 million) got stuck up. After nine years (with a broken heart) we have decided to end our affiliation with most NGOs.
4. Instead we are concentrating on increasing the circle of competent and honest client loanees (the new role models), and accepting them only as guarantors (as well as guides and mentors) of new clients. It is indeed an arduous job (and also slow), but the response is permanent. By now we have several thousand loyal clients, and our loans (amounting to Rs. 25 million annually) and our mark up (Rs. 4.5 million annually) are coming back steadily. At present it seems good enough. But what will happen next only God knows."



# Cash and Dignity Side by Side



*"One of the most distressing consequences of globalization is the increase in the wealth of a few while hundreds of millions of people still live in poverty. However, microfinance is a powerful tool to begin to change that." (Marilou van Golstein Brouwers, Senior Fund Manager for the Triodos Bank, The Netherlands)*

**"Microfinance is an idea whose time has come."**

Kofi Annan, Ex-Secretary-General,  
United Nations; 2005

**"At the most basic level, the key to ending extreme poverty is to enable the poorest of the poor to get their foot on the ladder of development. The ladder of development hovers overhead, and the poorest of the poor are stuck beneath it. They lack the minimum amount of capital necessary to get a foothold, and therefore need a boost up to the first rung." (Jeffrey D. Sachs; The End of Poverty)**



**"Give a man a fish, he'll eat for a day. Give a woman microcredit, she, her husband, her children and her extended family will eat for a lifetime." (Bono, Lead Singer, U2)**



# Coming UP



## Microfinance Training

### Loan Portfolio Management

for the microcredit  
Professionals

Sep 11-14, 2007

### Credit Appraisal & Recovery Techniques


for the microcredit  
Field Staff

Sep 18-20, 2007

For more information please  
contact at: [info@irm.edu.pk](mailto:info@irm.edu.pk) &  
92-51-2822 792, 2822 752

The Microcredit Summit Campaign and Pakistan Poverty Alleviation Fund (PPAF) are co-organizing the Asia/Pacific Region Microcredit Summit Meeting of Councils 2008 in March at Islamabad. The sessions will reflect the Summit's core themes: 1) reaching the poorest people, 2) reaching and empowering women, 3) building financially self sufficient institutions, and 4) ensuring a positive measurable impact on the lives of clients and their families.

For more information visit:  
[www.ppaf.org.pk](http://www.ppaf.org.pk)



## Microcredit Summit Meeting of Councils 2008 at Islamabad

## AHKRC Public Forum



The Akhter Hameed Khan Resource Center (AHKRC) is organizing a Public Forum on Rural Microfinance. The agenda of the forum revolves around the importance of rural microcredit in alleviating poverty and improving the standards of lives of the rural poor.

The AHKRC plans to hold Public Forum on development issues on monthly basis.

For more information please contact at:  
[info@irm.edu.pk](mailto:info@irm.edu.pk) & 92-51-2822 792, 2822 752



# Akhuwat - A Local Effort

There is now a large and rapidly growing Islamic financing sector in which not only specialized Muslim institutions but also Western banks are playing a major part. However, Islamic principles have generally not been applied in microfinance.



Mosque is the centre of many activities of Akhuwat - Cheque disbursement in the mosque

In early 2001, Dr. Amjad Saqib and his friends resolved to provide the answer to interest free microfinance through common charity. One of the people around the table offered Rs. 10,000 then and there to start a pool of free money for lending to the poor and Dr. Saqib volunteered to manage the process of identifying suitable borrowers, lending the money, and recovering it so that it could be recycled indefinitely.

At the end of 2001 it was decided to formalize the activity. Dr. Saqib and his friends registered it as a Society under the 1860 Act and named it Akhuwat (brotherhood). They continued to give their leisure time free of cost to manage the new institution, but it soon became clear that it was growing too fast to be managed and run totally on a voluntary basis. They decided that they would charge borrowers an administration fee of five per cent of their loans irrespective of the timing of the repayment. This administration fee, however, was exempted on loans for less than Rs. 4,000.

By the end of 2003 Akhuwat was employing six people and the pool of funds had increased to 2.4 million rupees, or approximately \$40,000. They had lent out almost 6 million rupees (\$100,000) to a total of 900 men and women in about forty groups,

by recycling the funds. There had been no defaults. In the three years from early 2002 to 2005, Akhuwat raised donations of about 20 million rupees (a third of a million dollars); in the following one year, they raised 30 million rupees (half a million dollars). From July 2005 to June 2006, around 6200 loans were disbursed amounting to 63 million rupees. The total of all the costs was 4.7 million rupees, including loan loss provision and a substantial donation to the victims of the 2005 earthquake in Northern Pakistan. The total income from the five per cent membership fee was 3.4 million rupees, plus a small amount for the administration of the insurance programme. The cost per rupee lent during financial year 2005-2006 was thus seven percent, and Akhuwat had to provide an operating subsidy of 1.3 million rupees to make up the difference. This was drawn from the funds which were donated both for this purpose and from the general fund. By June, 2007 Akhuwat was lending Rs. 220 million to over 21,000 clients.



Cheque disbursement to female borrowers in the mosque



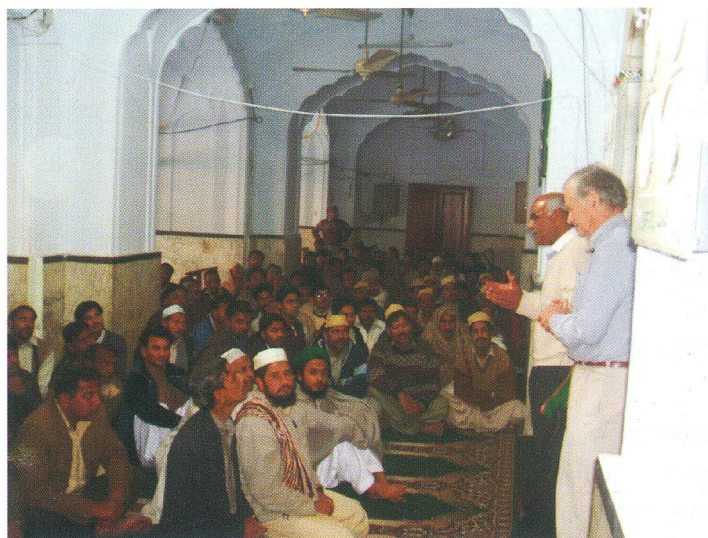
The average Akhuwat loan size is about Rs.11,000 but the maximum is Rs. 25,000. Most of Akhuwat's loans are repaid in eleven months while maximum period of loan repayment is eighteen months. Up until early 2007, the repayment rate has remained at about ninety nine percent. Akhuwat experimented with individual loans; given to both men and women as a "selling point", as well as working through groups but to strengthen family relationships Akhuwat instituted a policy of lending to households. Wives and husbands are required to sign loan agreements, or mothers and sons, or fathers and daughters, and the loans are known as family loans. Borrowers are required to bring two other guarantors who are not from the same household to co-sign their loans, in order to replace the group guarantee. In addition to the five percent fee, borrowers also pay a compulsory one percent insurance charge. In case of death or permanent disability, outstanding loan balances are waived, and needy families receive a 5,000 rupees cash payment as well as a stipend of 3,000 rupees a month for three months. The balance of half of one per cent is treated as the fee for managing the insurance operation.

The financial picture of Akhuwat at the end of March 2007 has been approximately as follows:

Assets or Uses of Finance		Liabilities or Sources of Finance	
Long term loans	Rs.660,000 (\$11,000)	Donations	Rs.58,980,000 (\$983,000)
Loans	Rs.49,860,000 (\$831,000)		
Cash and bank	Rs.8,460,000 (\$141,000)		
<b>Total</b>	<b>Rs. 58,980,000 (\$983,000)</b>		<b>Rs.58,980,000 (\$ 983,000)</b>

(Pakistani rupees have been converted to US\$ approximately at the rate of Rs. 60=\$1.00)

There are eight branches of Akhuwat in the city of Lahore and it is operating in thirteen cities with about sixty full time staff, paid at approximately the same level as they could expect elsewhere. It is Akhuwat's policy, however, to recruit staff from the same communities as their borrowers and not to hire highly qualified professionals. This reduces costs and also ensures that staff turnover is much lower than in other microfinance institutions. Another important way in which costs are reduced and the general spirit of Akhuwat is supported is the use of local mosques as meeting places for loan disbursement and as avenues for imparting social guidance and capacity building. It builds and strengthens the links between Akhuwat and the local communities. Akhuwat has also made use of a local church in the same way to



Dr. Malcolm Harper, author of the study and Dr. Amjad Saqib, Executive Director Akhuwat addressing a borrowers' gathering in the mosque

serve its Christian clients. Akhuwat deliberately avoids grants from official foreign donors or other similar sources. Dr. Saqib and his colleagues feel that these would inevitably come with 'strings attached'. Akhuwat's expansion depends on continuing donations to finance growth in the loan portfolio, and on the continued willingness of the voluntary staff. There is as yet no evidence that

these will stop. Although substantial effort has to be put into fund raising and further initiatives will be required in future, there does not seem to be any reason why a programme which depends on brotherhood, generosity and goodwill should be any less 'sustainable' than one which depends on purely financial incentives.

For more information on Akhuwat log on to [www.akhuwat.org.pk](http://www.akhuwat.org.pk)

*This article is an abridged form of a case study authored by Dr. Malcolm Harper.*



# Urban Poverty Alleviation Programme

## MicroCREDIT for Growth

NRSP is Pakistan's largest microcredit institution and has been running its programmes in both rural and urban areas of Pakistan to alleviate poverty. A success story of NRSP in establishing and running a microcredit programme is the Urban Poverty Alleviation Programme (UPAP) that focuses exclusively on the low income urban areas. The clients of UPAP are economically marginal women and men who have no means of entering the formal credit market. Majority of the clients are women.

UPAP began its operations in June 1996 in the urban and peri-urban areas of Rawalpindi and Islamabad. The first expansions of the programme were in Faisalabad and Karachi in 2002. The programme has since expanded to Lahore and Multan.

UPAP has adopted two different approaches to disburse credit that process in the following ways;

Low cost settlement offices are established in various localities and then credit is disbursed to women using the **solidarity group** method. Under this approach, three or more women with comparable social and economic conditions form a group and hold weekly meetings. Each group member saves an amount through cutting her expenditures equivalent to the weekly recovery installment of the credit amount that she intends to borrow. After five weeks the weekly saving amount is equally divided among the group members and

credit is disbursed to one of the women after appraising her application. After the group has ensured that this woman has utilized the credit properly, credit is disbursed to another woman. Men can also use the facility but they must be family members whose incomes come into the hands of the borrower women. This strategy saved UPAP from any major incidents of fraud or default.

### In the words of Masood Gill, Director UPAP:

"When the idea to establish a microcredit institution in the urban areas arose in NRSP, a lot of projects such as the Grameen Bank, BRAC and OPP were studied and visited to understand the concept. A lot of strategies were adopted and tried out. The team picked up the practices that turned out to be the most successful.

The model of UPAP portrays a win-win situation for every stakeholder. The commercial banks, from which the money is borrowed to lend to the poor borrowers, get a chance of investment. UPAP also earns through the service charges on the loans and thus sustains its operations. The people who borrow money will never get money from the commercial banks because they are too poor to provide any collateral. Thus through UPAP they get a chance to borrow and invest money for their better future. Moreover, the employees of UPAP in various areas of operations also come from the borrower families, thus providing them opportunities of employment. It is, hence, a success story which doesn't harm or exploit any stakeholder in the process.

The success of UPAP is also evident from the fact that the recovery rate of UPAP has been 100% for the past few years and before that it has been 99.99%. The biggest challenge right now to scale up UPAP is the additional requirement of human resource. To alleviate poverty such people are required who are not only willing to work for this cause but are also sincere with it."

Together with the solidarity group approach UPAP also adopted the **individual approach** on the pattern of the Orangi Pilot Project.

Under this approach any micro level manufacturer, living in vicinity where UPAP's settlement office does not exist, can take credit on the personal guarantee of an honest and competent client of UPAP. For credit disbursement UPAP applies a service charge of 35%.

UPAP has come a long way during the eleven years of its establishment. The project started from a three member team and now has a family of 700 employees. The project lent a total of 100 loans in the first year of its establishment, while during the last fiscal year a total of 56,000 loans were given out. There's been an exponential growth in UPAP's operations. The aim is to cater 100,000 borrowers during the next fiscal year to come. UPAP plans to reach every city in Pakistan and cater at least 25% of the total deserving households in each city. It also aspires to become self-sustainable and get out of donor dependence to run its operations for which more commercial sources of funding are required.

### UPAP Credit Portfolio (As of June, 2007)

Number of Credit Cases		Amount Disbursed (Rs.)	Principal Balance (Rs.)
159,444		1,844,637,569	445,673,176
Current Cases	Closed Cases	Expired Cases	Cumulative Recovery Rate
53,390	106,054	54	100.00%



# Case Studies



42 years old **Razeefa Bi** is a mother of ten and lives in the thickly populated slum of Dhok Kala Khan in Rawalpindi. Razeefa's husband died 10 years ago which made her go out and look for work to fulfill the needs of her family. Razeefa started to earn her living by doing the domestic work in Rawalpindi.

Her monthly income of Rs. 3,000 was never

enough for her large family. However, it started to seem even smaller as the children grew older and the expenses of the family augmented. Moreover, with her growing age Razeefa felt she could not do as much domestic work as she could when she was younger. When her children dropped out of school due to financial constraints Razeefa felt that she had to switch her work to something more profitable.

At that time, a few women from Razeefa's locality told her about the UPAP microcredit programme and asked her to join them to form a self help group so that they could access the credit facility. The opportunity seemed beneficial to Razeefa but she was not clear about the sort of work that she could start with the borrowed money. Her neighbour gave her the idea to start making paper bags with old newspapers to sell in the local stores. Razeefa, thus, joined the group. She received her first loan of Rs. 10,000 to make and sell paper bags.

At first it seemed difficult for Razeefa to start her own business as she did not know much about it but then her children proved to be very supportive in providing her help in making the paper bags at home as well as locating buyers of their product in the market. The jobs were divided according to the gender roles of her area as the daughters stayed at home to make the bags and her son went out to buy old newspapers and sell the paper bags. With the borrowed money Razeefa bought old Urdu and English newspapers from the market for Rs. 350 and Rs. 550 per kg respectively. Along with that she bought the paper glue for Rs. 90 per kg. Their work started and paid off well as they could sell around 300 bags every day. Her income rose up to Rs. 9,000 a month. She again borrowed Rs. 11,000 and then Rs. 16,000 from UPAP to continue her work. It's been two years now since she has started her own small business. Her increased income let her afford not only the daily items of necessity but also her children's education. She has put her children back in a government school to continue their education further. Moreover, she has been able to return the loan money that she borrowed from UPAP.

**Anlas Bibi**, 35, lives in an urban slum of Dhok Kala Khan, Rawalpindi with her husband Liaqat Ali and four children. By profession Liaqat Ali is a bicycle mechanic and has been running a mechanic shop for the last 18 years in a nearby market.

During the last few years as the competition of bicycle trade increased in the market, their income and savings started going down. It started to become difficult to afford the education of their children as well as the basic commodities of daily use.

Liaqat Ali was challenged with the task to increase his income from the business and financially support his family. As he had a long experience in the field of bicycle repairing, Liaqat knew that the spare parts of bicycles are in demand and he can earn a good profit if he starts this business. However, obtaining the investment capital was a problem as he could not provide collateral. During this time, Anlas Bibi came to know about the microcredit scheme of UPAP in her locality and decided to borrow the money to invest in her husband's business. Since they were living in this locality for many years, forming a self help group was not a problem for Anlas. The first loan of Rs. 10,000 enabled Liaqat to earn an appreciable return by the sale of bicycle spare parts.

After taking the second and third loan of Rs. 15,000 each, the business flourished immensely. The monthly savings of the family reached up to Rs. 8,000-10,000 which was way more than what they used to save before starting the spare parts business. Liaqat then hired a skilled bicycle mechanic who also looks after the shop in his absence. Moreover, he has started the business of selling repaired bicycles and intends to enhance this to motor cycles.

At present the total capital and investment in Liaqat's business is about Rs. 40,000 to 45,000 which used to be only Rs. 8,000 to 10,000 a few years earlier. The family has become economically stable and the children go to the slightly better schools in the locality.

This is not a simple case study of microcredit success but a story of self help, motivation and hard work which made the best use of the loan that was borrowed.



# Akhter Hameed Khan Resource Center

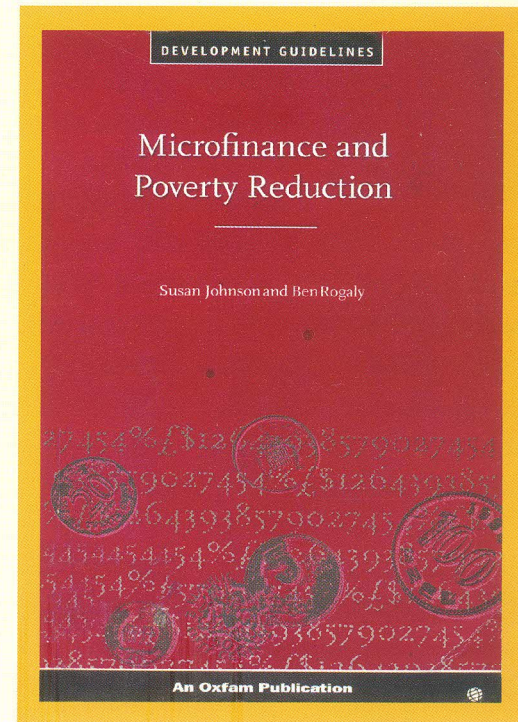
## Book Review:

The potential of savings, credit and other financial services to support the livelihoods of poor people is increasingly being recognized. Microfinance interventions can raise incomes, contribute to individual and household security, and change social relations for the better. However, it cannot be assumed that they will do so. It may often be more effective in terms of poverty reduction to support existing user-owned services or to link people up with established banks.

The authors introduce current debates about the provision of microfinance to poor people. They explore the rich






variety of informal financial services that poor people make use of and emphasize the importance of understanding the local context in deciding whether and how to intervene. The elements involved in designing a microfinance scheme are discussed and emphasis is put on finding ways of sustaining the provision of financial services in the long term.

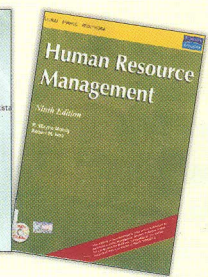
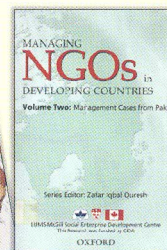
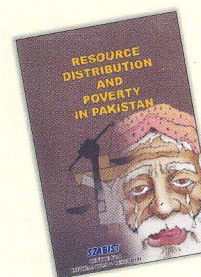
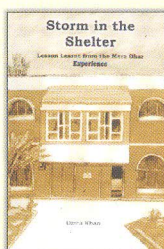
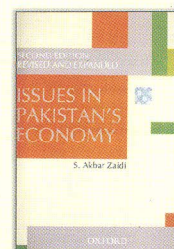
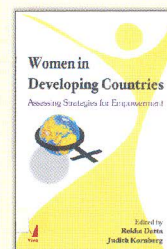
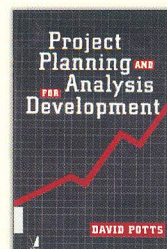
Susan Johnson is an economist who is currently teaching International Development at University of Bath, UK. Ben Rogaly is a socio-economist who has previously been a policy advisor to Oxfam. He is now a Senior Lecturer in Human Geography at University of Sussex, UK.



By Susan Johnson and Ben Rogaly

## New Arrivals in Akhter Hameed Khan Resource Center

-  **Project Planning and Analysis for Development**  
By David Potts
-  **Women in Developing Countries**  
Edited by Rekha Datta & Judith Kornberg
-  **Issues in Pakistan's Economy**  
By S. Akbar Zaidi
-  **Storm in the Shelter**  
By Uzma Khan
-  **Resource Distribution and Poverty in Pakistan**  
Edited by Sikander Brohi
-  **Managing NGOs in Developing Countries- Vol Two**  
Edited by Zafar Iqbal Qureshi
-  **Human Resource Management**  
By R. Wayne Mondy & Robert M. Noe



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