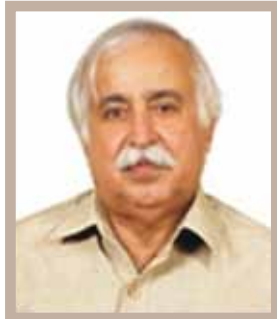


# Sindh Rural Support Organization



# SRSO Governance

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Mr. Fazlullah Qureshi



Dr. Sono Khangharani



Mr. Nazar Memon



Mr. Shoaib Sultan Khan



Mr. Gh. Mustafa Abro



Dr. M. Suleman



Mr. Tasneem Ahmed



Ms. Sheerien Narejo



Mr. Rashid Bajwa



Mr. Azar Ayaz



Ms. Naheed Shah



Mr. Gh. Sarwer Khoro



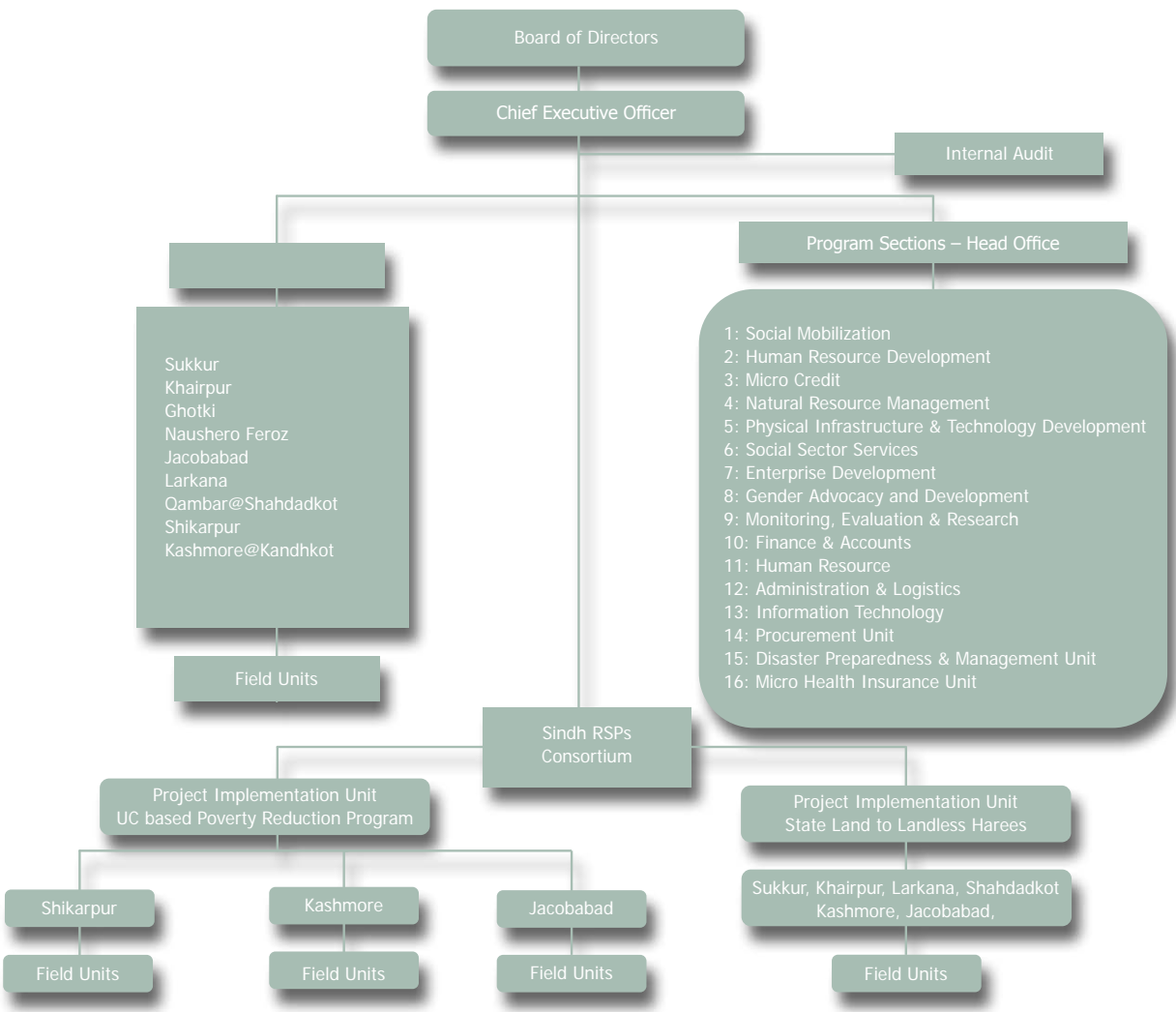
Mr. Suleman G. Abro



Mr. Nazar Hussain Mahar



Ms. Faryal Hussain Khan



## Acknowledgement

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It is acknowledged that to Almighty Allah the all-powerful who bestowed upon the capability in MER section- RCED to accomplish the Annual Report.

MER- RCED would like to thankful to RMs, DPOs, SCOs and team members who participated to complete this annual Report.

MER- RCED would be thanking full to Mr. Zubair Ahmed Soomro Manager Operation RCED-SRSO, who support and appreciate to MER efforts for designing and writing within due time frame.

MER section would also be appreciative to Ms. Shazia Gul Shaikh- Head of Rural Credit Enterprise Development (RCED) Sindh Rural Support Organization (SRSO), who support optimistically, morally and provided opportunity to work with enthusiastically with her consent and has given back-up support step by step.

The MER- RCED Sector is pleasing to reward Dr. Sono Khangharani CEO- Chief Executive Officer who gives self-belief, support and encouragement to MER-RCED staff at all levels for publication of Annual Report.

**Arifa Roohi**



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## Message from CEO

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It gives me great pleasure to present the first Annual Report of Rural Credit Enterprise Development (RCED) sector. The year 2010 was a challenging year for RCED. With its newfound independence, RCED had to overcome several major obstacles in order to achieve its mandate. I can now proudly say that RCED, with its excellent team and unflinching belief, dedication and hard work, has in fact proven its success in establishing itself as an independent function. This report serves as a testament to this fact.

Through social mobilization, the poor segments of the 9 districts where RCED operates are getting microloans due to which they are successfully running different income generating activities. RCED is committed to provide new and innovative avenues to community members through encouraging small and medium social enterprises. In addition to providing access to credit for entrepreneurial activities, RCED is also committed to facilitate communities in the areas of agriculture and livestock. Through the sector's emphasis on women's empowerment, community members now have new and more accessible opportunities to enable themselves to escape the clutches of poverty in a sustainable way.

RCED is planning to reach out to lower and middle income areas of 9 districts of upper Sindh. With a deeper outreach RCED will be able to extend its assistance to every deserving person in the 9 districts it is operating it. RCED has significant relative advantages due to its experience and the insights it has in development areas which need more focus. In the coming years, RCED will continue to provide excellent services while expanding its outreach. That entails not just increasing its microcredit portfolio but empowering the community- especially women, giving them skills and capabilities so that they can be productive players in the market, and expanding life opportunities for those that lack them in a socially responsible and sustainable manner. I firmly believe that RCED can and must live up to this task and it is in a unique position to do so.

Finally I would like to thank all the RCED team for being with me in making my dream of empowering the poor to break the shackles of poverty a reality.

## Way forwarded by the Head OF RCED Program



I am delighted to note the significant achievements of RCED's sustainable regular & Urban loan program in 9 districts of upper Sindh. The RCED team accomplished these big achievements through a high quality of microfinance portfolio and its positive rate of growth over the past seven years.

The central part of the microfinance program is its strength in reaching out to the poor through social mobilization and providing them with

access to credit. That approach relies heavily on organizing the poor and preparing them to make effective use of developmental involvements.

With seven years of experience in implementing transformational programs in rural areas of Sindh, RCED can play an important role in helping communities in the region to move from symptomatic solutions to sustainable development activities that address grassroots issues. The coming year will prove most challenging but is also an important year for RCED to achieve its target and increasing its outreach in 9 district of Sindh.

As always capacity development of our staff remains a priority and I am pleased that the high quality training of staff has proven beneficial to both local staff, program participants and communities.

Our success is made possible through the hard work and dedication of RCED staff, the strong involvement of our stakeholders, the generous contribution of our partners including Pakistan Poverty Alleviation Fund (PPAF) and the support of the Government of Sindh. I am confident that with their continued support Rural Credit Enterprise Development Sector (RCED) will be successful in changing the lives of the poor in Sindh.

The most valuable contribution came from CEO- Dr. Sono Khangharani. I am very thankful to Dr. Sono Khangharani whose support and guidelines gave RCED team the confidence to increase disbursement targets and enhance RCED management, team capacities and courage.

Sindh Rural Support Organization (SRSO) is an autonomous not-for-profit organization working for rural development in nine districts of Sindh. Established in 2003 and registered under the Companies Ordinance 1984, SRSO's mandate is to reduce rural poverty in its area of operations by harnessing people's potential to undertake development activities.



SRSO is currently working in Sukkur, Shikarpur, Jacobabad, Ghotki, Khairpur, Larkana, Kambar-Shadad Kot, Naushero Feroze and Kandhkot-Kashmore districts in upper Sindh. It is a member of Rural Support Programmes Network (RSPN) and, with the help of Government of Sindh and other donor agencies, is working to tackle rural and urban poverty in its area of operation with various interventions like micro-credit, physical infrastructure schemes, capacity building, natural resources management and social sector services. Through these interventions, SRSO works to establish and enhance opportunities for sustained livelihood and poverty reduction.

SRSO accomplishes its mission by mobilizing communities. A three tier (Community Organization (CO) at Mohala level, Village Organization (VO) at village level and Local Support Organization (LSO) at Union Council Level) Social Mobilization precedes any interventions, and has been a tested tool for SRSO to deliver services to its target population. This process culminates into formation of Community Organizations (COs) which are essential for participatory development initiatives. Once communities have been organized into COs, community members are able to identify their needs and the solutions necessary to address those needs since COs provide a structured forum for empowering people to take on an active role in the management and execution of local development initiatives. A properly functioning CO contributes to alleviating poverty and brings people together to work for their common good. VOs and LSOs also generate funds for their own initiatives while SRSO facilitates them in establishing linkages with government, the private sector and other stakeholders.

Partners / Donors of SRSO

- Government of Sindh
- Pakistan Poverty Alleviation Fund (PPAF)
- National Rural Support Program (NRSP)
- Rural Support Program Network (RSPN)



The Rural Credit and Enterprise Development function of SRSO is primary responsible for disbursing and recovering microcredit to and from COs. The year 2010-2011 was a milestone in SRSO's microcredit operations as the RCED function was made a separate function and as such all microcredit activities fell under RCED's preview. This move was an instrumental step to mainstream SRSO's credit operations and to ensure better and more effective service delivery in a transparent manner.

As of June, 2011, RCED reached out to 119,937 beneficiaries in 9 districts across Sindh with 44, 220 active clients. RCED used funding and resources from Pakistan Poverty Alleviation Fund, Peoples Women's Empowerment Programme and SRSO's own funds to disburse credit and carry out Enterprise Development

During the reporting year, RCED disbursed a total of Rs. 765,494,951 to 50,564 beneficiaries in its program area. For the same period, the total amount recovered was Rs. 594, 802, 783. On the other hand, the cumulative credit disbursed by RCED to date is Rs. 1,616,789,573. Hence, 47% of all credit disbursed by SRSO since its inception in 2003, was disbursed by RCED during the reporting year which is a testament to its success as an independent function.

As per its mandate, 68% of the total credit disbursed to date was extended to women while only 32% was extended to men. For the reporting period, these figures were 84% and 16% for women and men, respectively.

RCED has reached out to 8,617 COs (6,473 women's COs and 2,144 men's COs) to date, out of which 2,862 COs were added during the reporting period.

RCED organized several client protection workshops as a means to invest in the capacity building of the communities it serves to ensure that providers of financial services to low-income populations take concrete steps to protect their clients from potentially harmful financial products and that they are treated fairly. A total of 22 client protection workshops were conducted in which 2,708 women members from 246 COs in six districts participated.

In the aftermath of the devastating floods in 2010, RCED worked to rehabilitate its affected clients. A total of 2,178 clients were facilitated with Rs. 14, 876 for each client for starting their business, strengthen agriculture or purchase livestock. All of these clients were women and RCED worked diligently on enhancing their capacity to deal with the disaster. RCED reached out to these clients using Rs. 33,842,250 provided by PPAF for the purpose of reviving business of RCED's flood affected clients.

## RCED Professional Staff

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Region Sukkur Rural & Urban Program Team in weekly meeting



Poverty is a complex and multi-dimensional phenomenon that plagues most of the rural population of Pakistan, in general, and upper Sindh, in particular. It essentially translates to social, economic and political deprivation. One of the key factors which limit people's ability to climb out of poverty is lack of access to credit. Given the current monetary nature of the global economic system, it is almost inconceivable to have opportunities for a better life without access to credit. As a result, the most poor and marginalized segments of society – especially women and children - are unable to own assets or ensure a sustainable livelihood for themselves and their families. This leaves them extremely vulnerable to external shocks and exploitation by money lenders and traders. Most poor people in rural areas borrow from local money lenders in times of desperation at exorbitant rates which are compounded. Such loans are usually taken to cover medical expenses and leave them heavily indebted and subject to exploitation.

The main reason for lack of access to credit for the poor is the divergence between the modus operandi of mainstream financial institutions and the financing needs of low-income households. The prerequisites for borrowing from financial institutions such as banks are a stable source of income and collateral- both of which members from low-income households do not have. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administrative costs. Ultimately, poor households are completely excluded from benefitting from these financial institutions.

Monthly Progress review meeting at Larkana Region



## Rural Credit Enterprise Development (RCED) Program

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Micro-credit is an established and proven means to raise income levels of the poor. It is an essential component of SRSO's programme delivery and has been primarily developed to serve the needs of low-income households and micro enterprises. Micro-credit not only enables poor households in augmenting their income, but also allows them to actively participate in economic activities that generate income. Hence, through this process, people who were previously partially or entirely excluded from the market economy have to access to it which in other words means that they now have more opportunities to engage in entrepreneurial or agricultural activities.

The Rural Credit and Enterprise Development function of SRSO is primary responsible for disbursing and recovering microcredit to and from COs. The year 2010-2011 was a milestone in SRSO's microcredit operations as the RCED function was made a separate function and as such all microcredit activities fell under RCED's purview. This move was an instrumental step to mainstream SRSO's credit operations and to ensure better and more effective service delivery in a transparent manner.

In addition to delivering microfinance products, the RCED section also trains and facilitates community members in setting up micro-enterprises in order to help them establish a sustainable source of livelihood. Ensuring women's empowerment and participation in all of RCED's activities is given particular attention since women in rural areas are more marginalized and hence, more vulnerable. However, at the same time, they are also better planners, save effectively and are more future-oriented than men. SRSO believes empowering women is the most effective way to have self-sufficient and prosperous communities. Keeping in line with this belief, RCED concentrates most of its efforts in targeting women so that its microfinance products translate to meaningful outcomes for individual households as well as communities.





There are five main sections under RCED which ensure smooth operation of the entire function:

- Management Information System
- Human Resources
- Finance
- Information Technology
- Monitoring, Evaluation and Reporting

The RCED function has its head office in Sukkur. As of June, 2011, RCED reached out to 119,937 beneficiaries in 9 districts in upper Sindh with 44,220 active clients. RCED uses funding and resources from Pakistan Poverty Alleviation Fund, Peoples Women's Empowerment Programme and SRSO's own funds to disburse credit and carry out Enterprise Development. Table 1 gives a snapshot of RCED outreach and coverage.



Table 1: RCED Outreach

S #	Indicators	Achievements As of June-2010	Achievements As of July- 2010 to June 2011	Achievements as of June- 2011
1	No: of Total District	9	0	9
2	No: of Taluka RCED Presences	35	0	35
3	No: of Union Councils RCED presences	176	43	219
4	No: of Villages RCED intervened	3,231	1,026	4,257
5	No: of COs RCED Presence		2,862	8,617
6	No: of RCED Households organized	103,073	0	119,937
7	Total No: of Microcredit Beneficiaries	69,356	50,576	119,937
8	Total No: of Active Clients	31,246	12,974	44,220





- To increase outreach of micro credit by following an efficient, proactive and focused credit delivery mechanism for the poor.
- To minimize delinquencies.
- To achieve financial self-sufficiency of micro credit operations by setting up a suitable organization structure for micro credit.
- To enhance income generation and livelihood opportunities in the 9 districts SRSO is currently working in.
- To identify and prioritize what the people are willing to undertake in terms of opportunities and needs and not demands which have to be provided by outside agencies (the assumption in social mobilization is that guided or blue print approach is not effective).
- To assess the feasibility of the identified portfolio opportunities and needs in terms of peoples capacity, willingness, requirement of resources and availability of resources from within and outside.



### Methodology

Microcredit is only extended to individual members of COs and only the recipient of credit is counted as a beneficiary and not the whole CO. The RCED uses social collateral as a means to ensure proper utilization and recovery of credit. It does not involve complicated legal procedures which most commercial financial institutes require. Hence, most of the responsibility to ensure proper utilization of credit falls on CO members. This creates a sense of ownership of the credit in community members and ensures timely recovery of credit.

In order to ensure that loans extended to community members actually translate to meaningful outcomes, RCED directly links its credit program to skills enhancement. At least one community activist in each CO is trained as Credit Manager to enable the COs to manage further lending at local level.

Credit terms are negotiated and may be modified from time to time depending on the needs of the community members. In addition to this, credit policies are designed in partnership with the communities and are not enforced upon them in a top-down manner. This process is further facilitated by Social Organizers and credit assistant taking a lead in implementation of the credit program. The Credit Officers posted the cases at the district office.

## Procedure

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1. Social Organizers introduce the program in particular areas
2. Social Organizers organize communities and help community members form Community Organizations.
3. Routine meetings conducted by CO -at least 6- meetings (one meeting per month)
4. COs identify needs of communities and individual members.
5. CO passes a resolution stating that the applicants (CO members) have been selected with the consent of 70% members and forwards it to District Office through the field workers along with the applicant's Loan Appraisal Form.
6. Door to door social appraisals are carried out by Credit Assistant
7. Poverty Score Card (PSC) of individual borrowers are carried out to assess their level of poverty and needs- only borrowers with a score between 12-30 will be extended loans.
8. PSC exercise is followed by technical appraisals conducted door to door by Credit Officer
9. The concerned SRSO District Office receives the resolution with the list of applicants and the requested amounts by each applicant and ensures that the required documents are complete in all aspects and a technical appraisal has been completed by the district Credit Staff.
10. The District Office submits copy of the resolution to Head Office showing the list of successful applicants and pays the amount to each applicant through individual bearer cheque which would be distributed to the borrowers in the CO meeting in the presence of CO members and members of applicants' household.
11. SRSO Management ensures that loans are disbursed in a transparent and accountable manner.
12. The COs also ensures that the borrower utilizes the loan for the purpose for which the loan has been sought and later applies social collateral for regular repayment by the borrower.
13. A Management Information System (MIS) for this program is maintained at Head Office level.
14. In case of any uncertainty, SRSO team applies social collateral to particular client.



### HOUSE HOLD SURVEY



یونین کائونسل دشتان تنظیم جو نالو دشتان

رهائش			خرج		آمدنی			فردن جو تعداد			
ڪرائي تي	ذاتي	گهر جي ايراضي	معاوض خرج	تفصيل	نمبر	روزانہ	پيشو	تعليم	عمر	نالو	نمبر
	پڪيون	پٽيون		پلي حويل							
	چت ڪيڙا ڇير ڳاڙو ليٽر	چت		گيس جو بل / پائيلون / اسليٽر نيل							
	موٽر لنگيا پهلون	پيشن جو پائي		گهر							
	زير زمين پائيه کليا ايون ڪوئي انتظار ناهي	نڪاسي									
		ڪنهن جو تعداد									
		جائيداد گهڻن مينهن مشنري ڪيون ڪڪڙيون تي وي									
		ارج گادي موٽر سائيڪل									

عدالتي مقدمو (راهي) (اهي)



1. Borrower must have participated in the PSC survey and his/her score must lie 18 and above.
2. Borrower must be member of a CO.
3. Borrower must have CNIC .
4. Borrower must attend routine meetings.
5. Saving is obligatory for a borrower/community organization (CO) member. It is compulsory for CO members to save Rs. 50 every month which is accumulated in the Group Fund.
6. The loan giving on wheat, rice, cotton and sugar cane etc. The appraisals form fill by those CO members which are working in land or have their own land.
7. The loan giving on wheat, rice, cotton and sugar cane etc.
8. Loan size may vary between Rs.12,000 (minimum) and Rs.25,000 (maximum).
9. Repayment tenure ranges from 6 to 12 months.
10. A photograph of the borrower to be attached with the credit case.









# گڈجائيءَ ۾ حاضر ميمبرن جو تفصيل

سروي نمبر	ميمبر جو نالو ۽ ولدیت	صحيح/ اڱوڻي جو نشان	سروي نمبر	ميمبر جو نالو ۽ ولدیت	صحيح/ اڱوڻي جو نشان
1	قربان زوجہ اقبال		11	صہوران زوجہ محمد بخش	
2	ارشاد زوجہ ساجد		12	صہم بنت شعبان	
3	شاهدان زوجہ عبد العزيز		13	حسنہ زوجہ جعفر	
4	فرزات زوجہ اعجاز		14	رابیہ بنت نیاز	
5	زرینہ زوجہ ہست علي		15	شہیران زوجہ شہان	
6	سہیلون بنت نیاز				
7	سرہانہ				
8					
9					
10					





## Saving Program

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It is compulsory for CO members to save 50- rupees per month which is accumulated in the Group Fund. This account is managed by CO on a consensual basis, thus providing the members with an essential experience in the collective management of finances. Amounts collected from fines imposed on members for breach of discipline are also put into this account. A member can borrow from this fund for consumption, sickness, social ceremony or even for investment (if allowed by all CO members). Terms and conditions of such loans, which are normally granted interest free, are decided by the CO members.





## Challenges and Milestones

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The year 2010-2011 was a monumental year for SRSO's credit program. During this year, SRSO successfully separated its credit operations and established the Rural Credit and Enterprise Development sector which works exclusively in micro-finance. The primary motivation behind this move was to streamline SRSO's credit operations so that credit delivery to target populations can be done in an effective, efficient and transparent manner.

Being established as a separate sector opened a whole new avenue of opportunities for RCED. However, there were also numerous challenges which RCED successfully tackled head on and persevered. Independence from other operations of SRSO necessitated creating separate, new functions for RCED. These included the establishment of Human Resources department, Finance department, and developing and implementing a Management Information System to track and record RCED microcredit operations. The Human Resources department worked intensely to recruit 236 staff members from SRSO at unit, district and head offices. In addition to recruitment, HR also successfully developed policy guidelines, trained staff members and devised and implemented a robust ethical framework for the staff to work within.

Establishing an independent Finance department was a huge challenge for RCED. However, RCED successfully overcame this by accurate budget forecasting and planning, and aligning all financial procedures to standard accounting, financial and reporting standards.

Another challenge was designing and implementing a robust Management Information System which the Information Technology department successfully performed.

One of the biggest challenges for RCED was to retain and recover the credit amount due to the borrowers affected in the floods in 2010. A total of 2,178 clients were affected by the floods. These were traced



### SINDH RURAL SUPPORT ORGANIZATION (SRSO) CREDIT RECOVERY Receipt

Book No: 2502  
Region: Kt  
Installment for the month: 1000  
Field unit: Ka  
Received from Mr./Ms. Kamaldars  
Of CO/Group (M/F) Niaz  
(In words) Rs. 6000/-  
Signature Of: Begum  
R.No. 250144  
Date: 30.11.2014  
on No. 12347A  
Rs. 6000/-





down –their conditions assessed; mentored and facilitated by RCED to restart their businesses after the flood water receded. Pakistan Poverty Alleviation Fund came to rescue SRSO in this difficult time. It gave a grant of Rs. 33,842,250 to help affected. This not only helped in building confidence in the communities but is nothing short of a miracle in terms of rehabilitating the clients and securing their portfolio.



During the reporting year, RCED disbursed a total of Rs. 765,494,951 to 50,564 beneficiaries in its program area. For the same period, the total amount recovered was Rs. 594,802,783. On the other hand, the cumulative credit disbursed by RCED to date is Rs. 1,616,789,573. Hence, 47% of all credit disbursed by SRSO since its inception in 2003, was disbursed by RCED during the reporting year which is a testament to its success as an independent function.

RCED uses funds from PPAF, PWEF and SRSO's own funds. The funds allocated for Enterprise Development Program (EDP) are separately allocated. Both EDP and PWEF funds are used to disburse credit to women only.

While the overarching aim of PWEF is to empower women in rural areas by providing them with access to credit, EDP has a much broader scope – in that, it also entails trainings and support from RCED to help female borrowers set up microenterprises successfully. Figure 2 shows the contribution of each of these partners in the total cumulative amount disbursed by RCED to date.

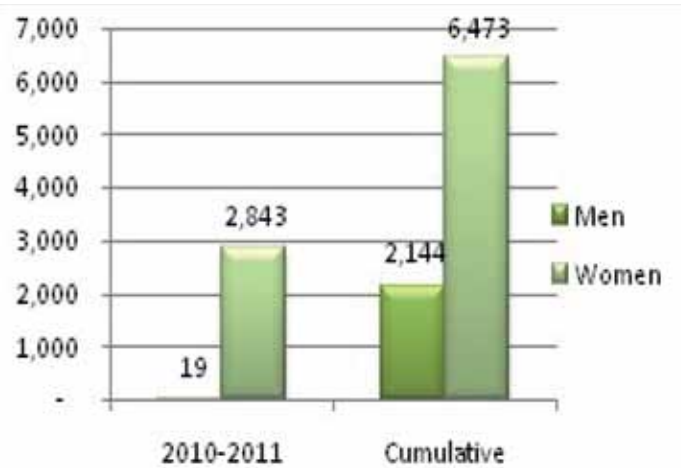


Figure 1: Gender-wise comparison of loans

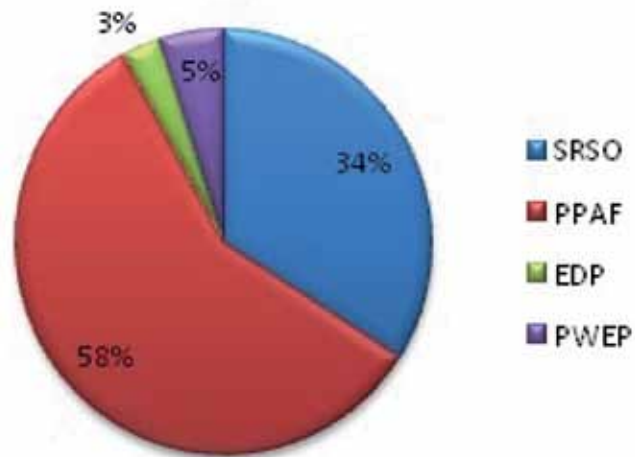


Figure 2: Partner-wise distribution of credit

As per its mandate, 68% of the total credit disbursed to date was extended to women while only 32% was extended to men. For the reporting period, these figures were 84% and 16% for women and men, respectively.

RCED has reached out to 8,617 COs (6,473 women's COs and 2,144 men's COs) to date, out of which 2,862 COs were added during the reporting period.

As shown in Figure 1, RCED concentrated its efforts on reaching out to women. As a result, almost all of the COs it reached out to during the reporting period were women's COs except for 19 male COs.

Out of the total amount disbursed in 2010-2011, a majority of loans were extended for agricultural inputs, followed by livestock and enterprise. Figure 3 represents the distribution of disbursements by sector. As shown, most of the credit disbursed during the reporting year was used for agricultural inputs.

Most of RCED's target population lives in rural areas whose main source of income is agriculture. Hence, majority of the credit extended to beneficiaries was directed towards providing agricultural input. In particular, women were given priority over men when disbursing credit. Out of the total credit disbursed for agricultural inputs during the reporting year, 82% was extended to chronically poor and marginalized women.

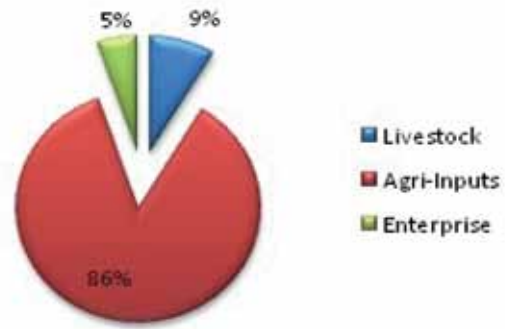


Figure 3: Sector-wise distribution of credit

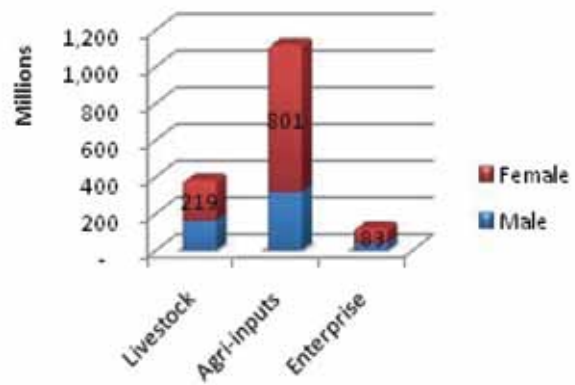


Figure 4: Gender-wise distribution of credit

The cumulative figures for credit disbursed for livestock, agricultural inputs and enterprise are given in Figure 4. The figure clearly shows that across all microcredit products, an overwhelming preference was given to women. In terms of agricultural inputs, women received a staggering 71% of all credit disbursed to date. Similarly, 68% of all credit disbursed to date for enterprise was extended to women while 58% of all credit disbursed to date for livestock was given to women. This shows RCED's commitment to Empower women in the rural areas of upper Sindh which will help improve the lives of hundreds of thousands of families.

RCED heavily emphasized lending to women in its area of operations this year. Of the total microcredit disbursed during 2010-2011, 91.8%, 82.1% and 95% of livestock, agricultural inputs and enterprise, respectively, were extended to women.



# Pakistan Poverty Alleviation Fund (PPAF)

The Pakistan Poverty Alleviation Fund (PPAF) is a major partner and contributor in RCED's microcredit activities. PPAF has a 58% contribution in all the funds that RCED has disbursed to date. During the reporting year, RCED performed exceedingly well in terms of disbursing microcredit for agricultural inputs using PPAF funds. From 2003-2010, RCED disbursed a cumulative total of about Rs. 240 million whereas during the year 2010-2011 alone, RCED this amount was about Rs. 492.3 million which is more than double of what this amount had been since SRSO's inception till 2010. RCED disbursed almost half of microcredit for livestock since inception in the reporting year. Figure 5, shows a comparison of

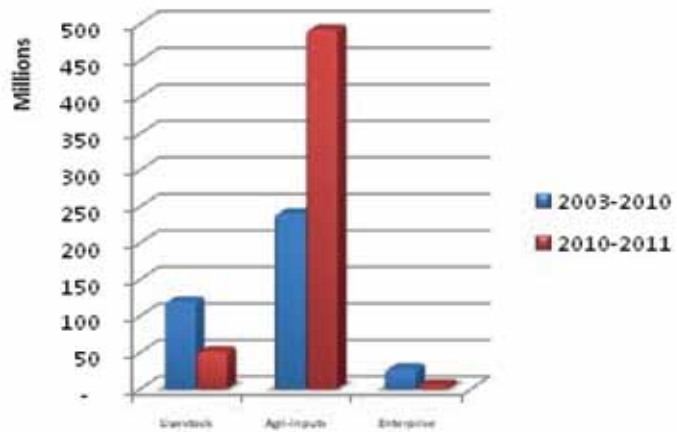


Figure 8: Cumulative progress vs. reporting year progress

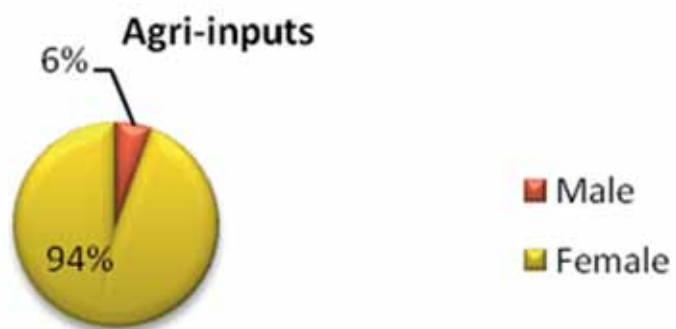


Figure 7: Gender-wise distribution of credit for agri-input

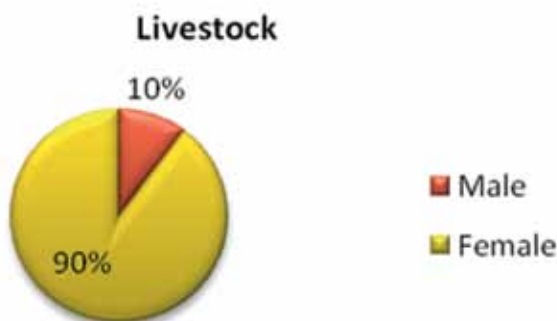


Figure 5: Gender-wise distribution of credit for livestock

funds were disbursed as microcredit for livestock and agricultural inputs were extended to women. Similarly, Figure 8 shows that 82% of the loans extended for enterprise were given to women.

RCED reached out to 1,669 COs (only 10 male COs) during the reporting year bringing the cumulative total number of COs reached out to using PPAF funds to 4,132 (3,206 COs out of these were

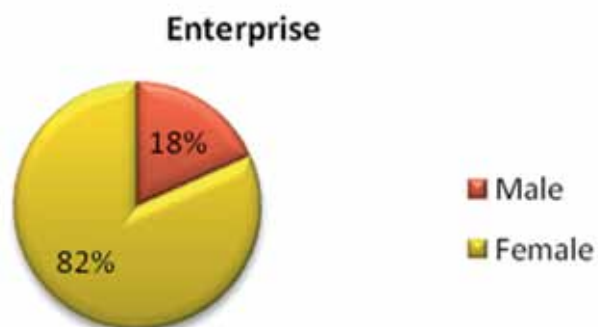


Figure 6: Gender-wise distribution of credit for enterprise

RCED's performance from 2003-2010 against its performance in the reporting year. Across all three categories, RCED disbursed a total of about Rs. 549.1 million. The same amount from 2003-2010 was about Rs. 388.1 million. Most of PPAF funds to date have been used to disburse microcredit for agricultural inputs. While disbursing PPAF funds as microcredit, RCED prioritized lending to women over men during the reporting year. As shown in Figures 6 and 7, more than 90% of the

women's COs). RCED also extended a total of 36,573 loans during 2010-2011 and has, to date, given out 67,961 loans using PPAF funds.



### Peoples' Women's Empowerment Program (PWEF)

The Government of Sindh has established the Sindh Social Relief Fund to develop a support system for the most vulnerable and disadvantaged sections of the society. SRSO, in partnership with the Government of Sindh, designed a microfinance package for poor women in rural areas which specifically targets prospective female entrepreneurs who require start-up funds to kick start their small business, trades or establish their cottage industries. The loans extended to poor women will be used for income generation by creating and establishing sustainable livelihood opportunities. These loans are provided to them without any interest.

The Government of Sindh provided a seed corpus of Rs. 500 million from the Sindh Social Relief Fund as an endowment which was approved by the Chief Secretary of Sindh. The yearly return on investment of Rs. 500 would go to SRSO for loan disbursement to respective women borrowers in rural Sindh.

The loans extended to beneficiaries vary in size from Rs. 10,000 to Rs. 30,000 while the repayment period varies from 6 months to 3 months.



The salient features of this program are:

- Organizing marginalized women groups into Community Organizations
- Undertaking identification assessment and tailor credit need accordingly
- Providing business support
- Promoting savings
- Providing right-based training to beneficiaries

So far, RCED has disbursed a total of about Rs. 81 million in 6,772 loans to 744 female COs . All the credit extended under this program was for women who are members of female COs. To date, RCED has recovered about Rs. 45.2 million.

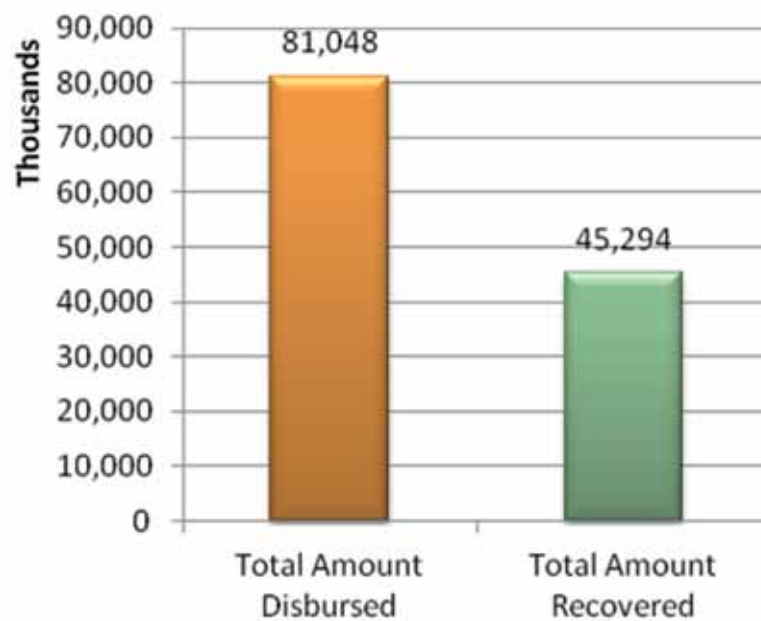


Figure 9: Disbursement vs. Recovery of credit









Along with funds from other partners, RCED has been using SRSO's own funds to disburse microcredit. These funds are generated from SRSO's own investments and include funds borrowed from banks. From 2003 to 2010, SRSO had disbursed a total of Rs. 366, 872, 122 in 30,075 loans . After being separated from the core program, RCED had disbursed 33% of all credit disbursed using SRSO's funds to date in the year 2010-2011 bringing the cumulative total to about Rs. 550 million and the cumulative loans to 41,333 out of which 11,258 loans were extended to 311 COs during the reporting year.

Figure 10, shows the performance of RCED given SRSO's funds. It also shows a comparison between the total credit disbursed from July 2003 to 2010 and the reporting year. Most of SRSO's funds were used by RCED to disburse credit for agricultural inputs.

Of the total microcredit RCED disbursed using SRSO's funds during the reporting year Rs, 14,975,000, Rs. 166,760,00 and Rs. 1,636,000 were used for livestock, agriculture and enterprise, respectively. Figures 11, 12 and 13 show the gender break-down of the micro-credit disbursed for each of the above categories.

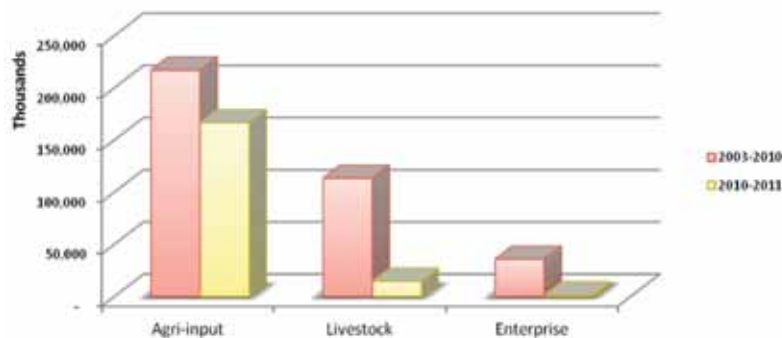
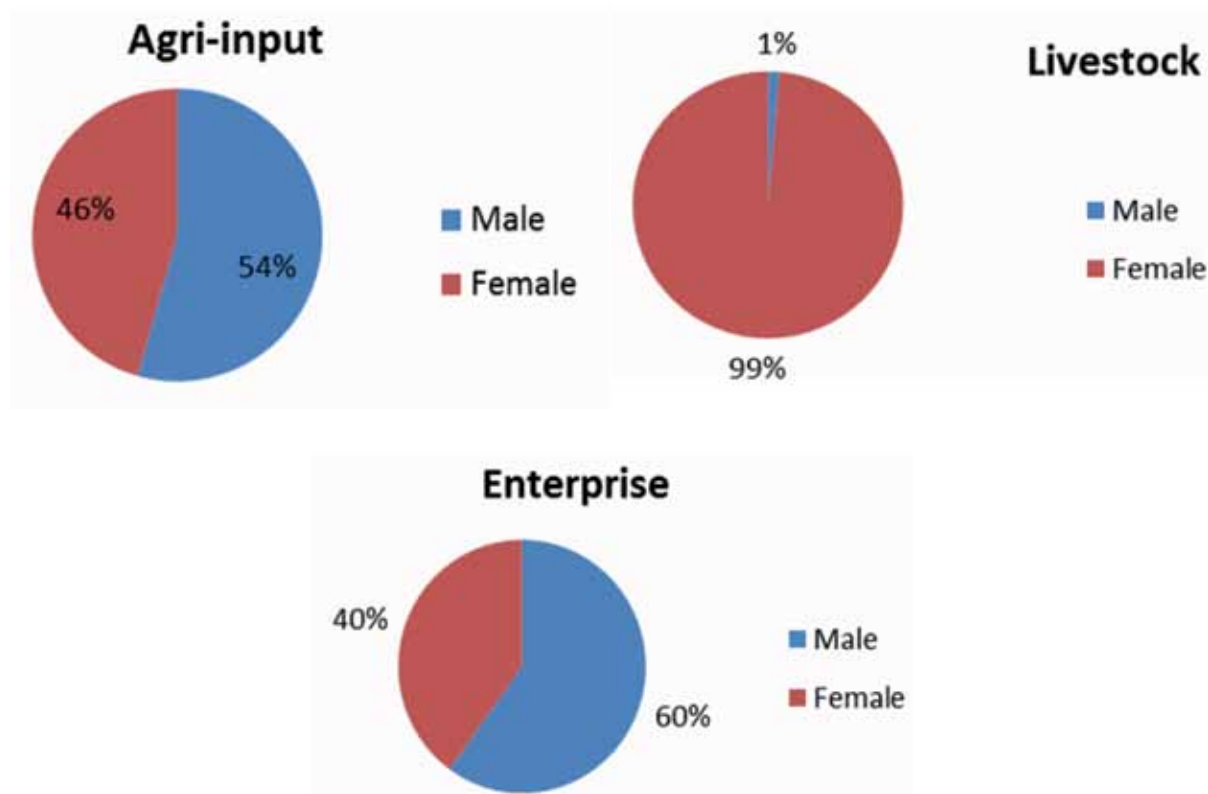


Figure 10: Cumulative progress vs. reporting year progress











## Enterprise Development Program

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Almost 80% of RCED's outreach encompasses rural areas in the nine districts SRSO works in. Rural communities in Sindh are by and large poverty-ridden and RCED, therefore, focuses most of its efforts in alleviating poverty in these areas. Poverty also has an urban dimension and in order to tackle urban poverty, RCED has launched the Enterprise Development Program in February 2010 which focuses on helping micro-entrepreneurs in establishing and running microenterprises successfully in semi-urban areas of Sukkur, Shadadkot, Khairpur and Larkana.

RCED-EDP's mandate is to help communities in semi-urban areas to lift themselves out of poverty, providing opportunity through microcredit loans and financial services that help micro-entrepreneurs to reap the full rewards of their labor.

The target population of RCED-EDP is the poor and vulnerable section of semi-urban areas in Sukkur, Shahdadkot , Khairpur and Larkana. The beneficiaries are selected on the bases of their living and socio-economic condition, for example, poor housing and sanitation, unstable sources of income and so on.





The EDP solely targets women in semi-urban areas, most of them illiterate. RCED mobilizes poor women and organizes them into groups of three or more members. Once a group has been organized, RCED conducts a household survey of each member which captures their literacy level, occupation, income, expenditure and assets.



Like all other microfinance services of RCED, RCED-EDP also uses a peer-group model- that is, social collateral- to ensure timely recovery of the loans. Members of COs are responsible for ensuring that borrowers do not default on the loans. Credit can be utilized by an immediate family member of the borrower and can only be used for income generation activities. Borrowers must be between 20 and 60 years of age.

RCED-EDP offers the following credit product to its target beneficiaries:

1. The first loan cannot exceed Rs: 15,000.
2. Loan can only be disbursed for income generating activities.
3. The repayment period cannot exceed 12 months for the first loan.
4. All repayments are done on a monthly basis.
5. The service charges are calculated on the daily product bases.
6. A nominal processing fee is charged to the clients which is used to cover processing costs.

RCED-EDP has to date, disbursed a total of Rs. 48.323 million in 3,871 loans to 1,266 female COs. Figure 14 shows the distribution of the total credit disbursed from February 2010 to June 2010 and from June 2010 to June 2011.

As can be seen from the figure above, of the total credit disbursed to date, 68% was disbursed in the reporting year alone. All the loans were extended to women only and for the express purpose of enterprise development.

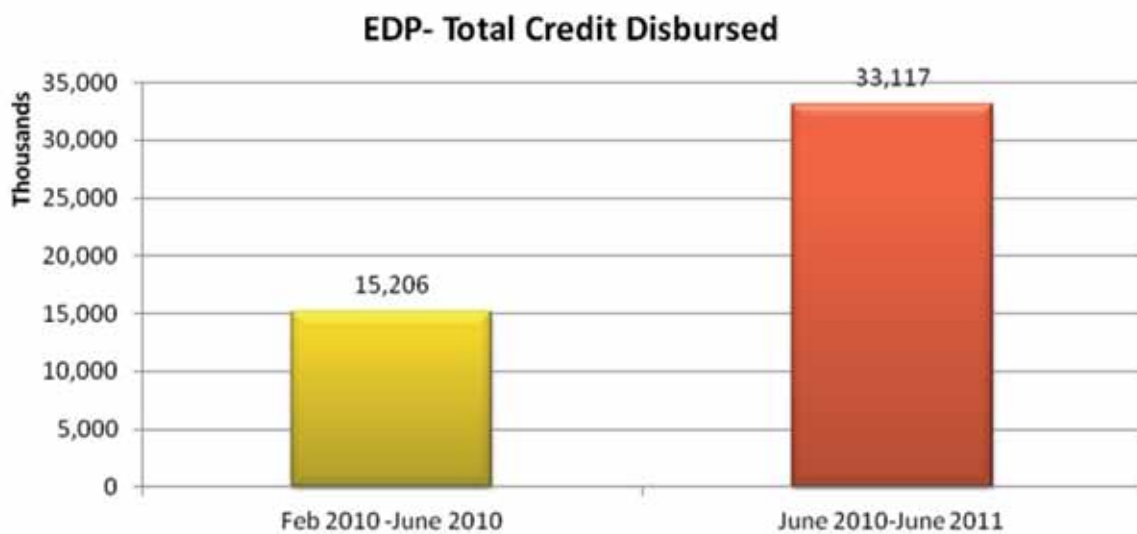


Figure 14:



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گڈ جائی ۾ حاضر میمبرن جو تفصیل

سلسلہ	پتو	تعلقہ	تاریخ	تعلقہ	تعلقہ	تعلقہ
1	11	11	11	11	11	11
2	12	12	12	12	12	12
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4	14	14	14	14	14	14
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9	19	19	19	19	19	19
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اسان تصدیق طور پر 20/11/21 تاریخ

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## Client Protection Workshops

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RCED organized several client protection workshops as a means to invest in the capacity building of the communities it serves. Workshops were housed at the Center for Financial Inclusion and their main aim was to ensure that providers of financial services to low-income populations take concrete steps to protect their clients from potentially harmful financial products and that they are treated fairly. The workshops were based on client protection principles and were conducted using participatory group discussions.

The client protection principles describe the minimum protection microfinance clients should expect from providers. These principles have evolved through path-breaking work of providers, international networks, and national microfinance associations and best practices across the globe to develop pro-consumer codes of conduct and practices. While the principles are universal, meaningful and effective implementation will require careful attention to the diversity within the provider community and conditions in different markets and particular areas contexts.

RCED will take reasonable steps to ensure that credit will be extended only if borrowers have demonstrated an adequate ability to repay and loans will not put borrowers at significant risk of over-indebtedness.

Proper utilization of micro credit through peer monitoring and mentoring of borrowers individually for effective program delivery and management were also discussed with community members at the workshops.

RCED aims to increase serviceability and sustainability of Community organization as well as borrowers by enhancing their technical and managerial capacities and financial resources through CMST/Refresher or any other need base trainings. RCED staff will comply with high ethical standards in their interaction with microfinance clients and such providers will ensure that adequate safeguards are in place to detect and correct corruption or mistreatment of clients. Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients.

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions, and such data will not be used for other purposes without the express permission of the client (while recognizing that providers of financial services can play an important role in helping clients achieve the benefits of establishing credit histories). At the end of the workshops, feedback and suggestions were collected from the participants so that they can be incorporated in the RCED's guidelines to ensure consumer protection.

A total of 22 client protection workshops were conducted in which 2,701 women members from 246 COs in six districts participated .







## Community Management and Skills Training (CMST)

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In addition to client protection workshops, RCED also organized Community Management and Skills Trainings (CMST) and refreshers for community members. These trainings enhance the management capacity of the community members which helps them manage their respective COs effectively. CMSTs were focused on enhancing the capacity of women in the community. A total of 10 CMSTs have been organized by RCED to date in which 238 women from 108 different COs have participated. CMSTs will enable these women to better manage their COs, increase savings and build capacity of other CO members.





During the summer of 2010, Pakistan witnessed one of the worst floods in its history. Vast areas in Shikarpur, Jacobabad and Kamber-Shahdadt districts were completely inundated and resulted in complete destruction of homes, crops, livestock and infrastructure. In a matter of days, standing crops ready for harvest, livestock, food storage and water supply systems were destroyed.

While SRSO played a huge part in the relief, recover and rehabilitation of flood affected areas and people, RCED team was also present in these areas. RCED team organized rapid assessment of the flood affected areas. The assessment revealed that over 200,000 households had been directly affected by the flood in Shikarpur, Jacobabad and Kamber-Shahdadt in which houses, livestock, shops, standing crops, schools and other infrastructure and natural resources had been destroyed.

The primary challenge for RCED was to revitalize the flood affected clients' portfolio as soon as possible; recover the portfolio from people who migrated to safer areas in the three districts and aid in the resettlement and rehabilitation of affected clients.

PPAF gave Rs. 33, 842, 250 to RCED for the purpose of reviving business of RCED's flood affected clients . Through these funds, RCED not only helped its clients in reviving their businesses but was able to aid in reestablishing their livelihoods and supporting them in bringing them back to their routine life. In addition to these, RCED also acted as a facilitator and conducted different sessions regarding health and hygiene; provided cooked food and dry rations; provided mosquito nets in camps and schools; and also provided various ideas for income generation to flood affected people.

RCED accomplished this by mobilizing its field staff to appraise each client so as to ensure that they can restart their business from the given amount. These appraisals were again verified at the district level. The project (funded by PPAF) duration was from January, 2011 to June, 2011. Of the total grant given by PPAF, Rs. 19,253,000, Rs. 8,309,000 and Rs. 4,828,000 were used for districts Shahdadt, Jacobabad and Shikarpur, respectively.

As a result of RCED's efforts using PPAF's grant, 2,178 clients were facilitated with Rs. 14, 876 for each client for starting their business, strengthen agriculture or purchase livestock. All of these clients were women and RCED worked diligently on enhancing their capacity to deal with the disaster. The grant also helped in medical treatment of numerous pregnant women living in relief camps. All in all, RCED's efforts during the disaster were instrumental in boosting up the confidence of affected clients in dealing with the disaster and its consequences.



## Case Study - 1

Community organization member Mehtab Channa lives in Channa Muhalla Mehrabpur. She is skilled in applique work and wanted money to buy raw material to create and market her products so that she could add to her household income. She borrowed Rs. 12,000 through RCED-EDP to buy the raw material that she needed and started making bed sheets with applique.

The average raw material cost for a bed sheet that she makes is around Rs. 1,000. She charges anywhere between Rs. 3,000 to Rs. 35,000 for her bed sheets and manages to sell two to three bed sheets in a month. From the money she was able to make, she return her loan in monthly installments and was even able to save about Rs. 4,200 every month.

After returning her first loan, she took another loan of Rs. 20,000 to reinvest into raw material for her bed sheets. Due to the loans, she was not only able to buy raw materials for her bed sheets but she has also managed to save Rs. 30,000 so far. From her savings, she helped her husband start a small general shop in her neighborhood. In a short period, she has successfully managed to turn not just her own business into a profitable venture but has also enabled her husband to run a shop profitably. Her husband, Qasim Ali, now returns the borrowed amount from the money he makes through the shop while Mehtab continues to sell her bed sheets using the money she earns to provide her family a better living. Mehtab's family now enjoys prosperity like it had never known before and because of the money she borrowed she is now able to guarantee her financial independence and commands respect not just in her own household but is a role model for all other women in her neighborhood.





Abida wanted to help her husband, who is a policeman, by bringing in some additional income to her house. She lives in a low-income community in New Pind, Sukkur. She is quite skilled in sewing clothes and machine embroidery and dreamed of opening a home-based vocational training center where she could train other poor women in her neighborhood to sew and embroider using sewing machines.

For the past few years, she was not able to pursue her dream because she was raising four children: three sons and two daughters. Recently, she decided that she was ready to start her own business so that she could bring in extra income to her house. She started a Community Organization after which she borrowed Rs. 12,000. With that money, she was able to purchase raw material that she required to stitch clothes for her customers. Initially, she used to stitch up to three suits daily due to which she was not only able to earn a handsome amount of money, but was also able to save.

Soon Abida started commercial embroidery as it requires little capital investment. She saw a lot of demand of her products not only in the local market but also international market. Through her home-based enterprise, she made women's suits, bed sheets, table and sofa cloths, t-shirts, caps and so on. She sells these in New Sukkur market.

Abida – through her entrepreneurial and embroidery skills- was able to transform her and her entire family's life by contributing to increasing their standard living. She is now in a position to pursue her dreams to fullest and is planning to start a vocational center for similar women in the area who want



## Way Forward (Growth & Competitiveness)

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RCED- SRSO has been using micro credit as a tool for rural development. However, during 2009- 2010 micro credit became one of SRSO's leading interventions in poverty alleviation in both rural and urban areas, with the rural credit enterprises development program (RCED) and enterprises development program (EDP), respectively. It is important to note that micro finance at RCED-SRSO is unique in that it is meant to not only provide financial services to the poor, but is also used as a mechanism to organize people so as to enable them to collectively work towards their own betterment.

Through the communities it serves, RCED aims to continue delivering microcredit services to its clients in the future. RCED has significantly expanded its outreach since its inception, in the coming years it aims to penetrate deeper into rural and urban communities providing quality financial services while ensuring sustainability.

RCED's clients still struggle with the financial skills that will enable them to fully benefit from their microloans. In the coming years, RCED aims to educate its clientes and train them to be skilled entrepreneurs. By constantly reflecting and improving upon its process, RCED wishes to strengthen its internal controls even further while mainstreaming all of its process. Being independent from the core program has given RCED the opportunity to be even more transparent while simultaneously increasing the range of its services and maintaining their quality.





The year 2010-11 was a no doubt a significant period for RCED- both in terms of the headway it made and the lessons that were learnt. Through careful introspection and critical evaluation of its progress and processes RCED's team is always striving to establish itself as a benchmark in the market in terms of quality of service delivery, transparency and sustainability. Operating as an independent unit for the first time during the reporting year, RCED learned several important lessons. They are:

- Regular Meetings with COs is necessary for program success
- Never disburse credit to relatives and friends of team members in the community.
- Planning – for each and every activity – is crucial for successful implementation.
- Door to door appraisals reduce the cases of hijacking.
- Disbursement should be carried out seasonally and calendar wise.
- Credit to be provided to promote existing business not to start new business
- Focus on Risk Management should be prioritized
- Do not rely on third-party opinions.
- Markets can stay irrational longer than you can stay solvent. Try to separate emotion from action.





Online Oracle E suit Business Application Introductory Meeting by Mr.Zubair Soomro (Manager RCED)





## Appendix 1 (a): Credit Disbursement

Activity	Since Inception as of June 2010	RCED - Cumulative Since Inception 2011											Total
		Ghotki	Jacobabad	Kandh Kot	Khairpur	Larkana	N. Feroz	Shahdadkot	Shikarpur	Sukkur	Sub Total	Total	
Total Disbursement	851,252,622	134,556,000	11,775,000	-	154,306,500	137,976,451	116,554,000	112,528,000	2,248,000	95,593,000	765,536,951	1,616,789,573	
Male	388,482,100	10,309,000	-	-	91,946,500	459,000	9,781,000	-	-	13,072,000	125,567,500	514,049,600	
Female	462,770,522	124,247,000	11,775,000	-	62,360,000	137,517,451	106,773,000	112,528,000	2,248,000	82,521,000	639,969,451	1,102,739,973	
No of Loans	69,373	9,217	967	-	9,203	8,976	7,758	7,848	210	6,385	50,564	119,935	
Male	31,878	564	-	-	4,692	27	528	-	-	674	6,485	38,364	
Female	37,495	8,653	967	-	4,511	8,949	7,230	7,848	210	5,711	44,079	81,571	
No of COS	5,755	423	63	-	409	788	304	547	22	306	2,862	8,617	
Male	2,125	1	-	-	9	3	-	-	-	6	19	2,144	
Female	3,630	422	63	-	400	785	304	547	22	300	2,843	6,473	
Disbursement in Live Stock	313,855,022	24,771,000	1,738,000	-	6,981,000	-	19,895,000	90,000	-	12,834,000	66,309,000	380,164,022	
Male	155,740,500	2,988,000	-	-	202,000	-	1,082,000	-	-	1,166,000	5,438,000	161,178,500	
Female	158,114,522	21,783,000	1,738,000	-	6,779,000	-	18,813,000	90,000	-	11,668,000	60,871,000	218,985,522	
No of Loans	28,099	1,748	145	-	520	-	1,399	6	-	942	4,760	32,859	
Male	14,746	176	-	-	11	-	57	-	-	65	309	15,055	
Female	13,442	1,572	145	-	509	-	1,342	6	-	877	4,451	17,893	
Disbursement in Agri-Input	457,631,600	109,137,000	10,037,000	-	136,731,500	125,281,451	93,870,000	106,758,000	2,248,000	75,037,000	659,099,951	1,116,731,551	
Male	197,337,600	6,748,000	-	-	90,763,500	459,000	8,699,000	-	-	11,491,000	118,160,500	315,498,100	
Female	260,294,000	102,389,000	10,037,000	-	45,968,000	124,822,451	85,171,000	106,758,000	2,248,000	63,546,000	540,939,451	801,233,451	
No of Loans	34,303	7,435	822	-	7,813	7,972	6,171	7,375	210	4,814	42,612	76,915	
Male	13,964	359	-	-	4,623	27	471	-	-	586	6,066	20,030	
Female	20,339	7,076	822	-	3,190	7,945	5,700	7,375	210	4,228	36,546	56,885	
Disbursement in Enterprise	79,766,000	648,000	-	-	10,594,000	12,695,000	2,789,000	5,680,000	-	7,722,000	40,128,000	119,894,000	
Male	35,404,000	573,000	-	-	981,000	-	-	-	-	415,000	1,969,000	37,373,000	
Female	44,362,000	75,000	-	-	9,613,000	12,695,000	2,789,000	5,680,000	-	7,307,000	38,159,000	82,521,000	
No of Loans	6,971	34	-	-	870	1,004	188	467	-	629	3,192	10,163	
Male	3,257	29	-	-	58	-	-	-	-	23	110	3,367	
Female	3,714	5	-	-	812	1,004	188	467	-	606	3,082	6,796	



## Appendix 1 (b): Credit Recovery

Month	Total Recover Amount Of the Year 2010-11											Total
	Ghotki	Jacobabad	Kandh kot	Khairpur	Larkana	N-Feroz	Shahdad Kot	Shikarpur	Sukkur			
10-Jul	642,899	76,451	3,486	1,503,630	2,039,359	2,175,086	1,718,661	100,569	3,215,978			11,476,119
10-Aug	169,445	7,280	-	1,120,547	1,549,574	985,083	1,409,006	5,139	670,160			5,916,234
10-Sep	184,090	-	-	3,221,712	1,525,121	977,929	879,740	-	1,255,524			8,044,116
10-Oct	2,060,825	13,172	-	33,396,784	2,219,049	4,234,031	2,111,940	-	1,985,716			46,021,517
10-Nov	16,622,036	205,612	-	18,205,596	8,603,140	29,036,135	9,210,453	197,340	11,833,989			93,914,301
10-Dec	19,740,693	2,229,130	-	15,113,058	35,514,062	11,663,827	36,009,202	582,668	16,815,891			137,668,531
11-Jan	10,853,004	1,361,618	-	2,510,861	22,605,211	2,572,042	16,675,940	686,002	4,284,158			61,548,836
11-Feb	3,167,714	629,223	-	1,137,902	5,945,007	1,135,815	4,293,582	385,187	1,681,822			18,376,252
11-Mar	1,868,357	689,936	-	1,159,636	3,142,084	807,802	2,933,307	252,237	1,179,091			12,032,450
11-Apr	6,536,214	794,709	-	19,220,842	2,291,959	19,862,669	3,363,328	290,685	4,427,917			56,788,323
11-May	18,862,633	2,711,998	-	33,710,001	3,472,421	17,081,189	8,412,442	452,885	23,139,023			107,842,592
11-Jun	2,937,430	2,083,860	-	13,543,077	1,166,038	1,031,861	6,568,021	1,018,695	6,824,530			35,173,512
Total	83,645,340	10,802,989	3,486	143,843,646	90,073,025	91,563,469	93,585,622	3,971,407	77,313,799			594,802,783





### Appendix 3: PPAF District-wise Credit Disbursement

Activity	Since Inception as of June 2010	Regular Micro-Credit PPAF 2010- 2011													Total
		Ghoiki	Jacobabad	Kandhkot	Khairpur	Larkana	N. Feroz	Shahdadkot	Shikarpur	Sukkur	Sub Total				
Total Disbursement	388,126,500	96,918,000	11,775,000	-	-	125,281,451	116,554,000	106,563,000	2,248,000	89,809,000	549,148,451	937,274,951			
Male	155,710,500	10,309,000	-	-	459,000	9,781,000	-	-	-	13,072,000	33,621,000	189,331,500			
Female	232,416,000	86,609,000	11,775,000	-	124,822,451	106,773,000	106,563,000	2,248,000	2,248,000	76,737,000	515,527,451	747,943,451			
No of Loans	31,388	6,414	967	-	7,972	7,758	7,362	210	210	5,890	36,573	67,961			
Male	12,852	564	-	-	27	528	-	-	-	674	1,793	14,645			
Female	18,536	5,850	967	-	7,945	7,230	7,362	210	210	5,216	34,780	53,316			
No of COS	2,453	265	63	-	494	304	391	22	6	6	1,679	4,132			
Male	916	1	-	-	3	-	-	-	-	6	10	926			
Female	1,537	264	63	-	491	304	391	22	134	134	1,669	3,206			
Disbursement in Live Stock	119,832,500	16,877,000	1,738,000	-	-	19,895,000	90,000	-	-	12,834,000	51,434,000	171,266,500			
Male	70,126,500	2,988,000	-	-	-	1,082,000	-	-	-	1,166,000	5,236,000	75,362,500			
Female	49,706,000	13,889,000	1,738,000	-	-	18,813,000	90,000	-	-	11,668,000	46,198,000	95,904,000			
No of Loans	10,206	1,175	145	-	-	1,399	6	-	-	942	3,667	13,873			
Male	6,010	176	-	-	-	57	-	-	-	65	298	6,308			
Female	4,196	999	145	-	-	1,342	6	-	-	877	3,369	7,565			
Disbursement in Agri-Input	240,320,000	79,393,000	10,037,000	-	-	125,281,451	106,473,000	2,248,000	2,248,000	75,037,000	492,339,451	732,659,451			
Male	70,101,000	6,748,000	-	-	459,000	8,699,000	-	-	-	11,491,000	27,397,000	97,498,000			
Female	170,219,000	72,645,000	10,037,000	-	124,822,451	85,171,000	106,473,000	2,248,000	2,248,000	63,546,000	464,942,451	635,161,451			
No of Loans	18,796	5,205	822	-	7,972	6,171	7,356	210	210	4,814	32,550	51,346			
Male	5,534	359	-	-	27	471	-	-	-	586	1,443	6,977			
Female	13,262	4,846	822	-	7,945	5,700	7,356	210	210	4,228	31,107	44,369			
Disbursement in Enterprise	27,974,000	648,000	-	-	-	2,789,000	-	-	-	1,938,000	5,375,000	33,349,000			
Male	15,483,000	573,000	-	-	-	-	-	-	-	415,000	988,000	16,471,000			
Female	12,491,000	75,000	-	-	-	2,789,000	-	-	-	1,523,000	4,387,000	16,878,000			
No of Loans	2,386	34	-	-	-	188	-	-	-	134	356	2,742			
Male	1,308	29	-	-	-	-	-	-	-	23	52	1,360			
Female	1,078	5	-	-	-	188	-	-	-	111	304	1,382			

## Appendix 4: PWEP District-Wise Credit Disbursement

Activity	As of June 2009	Ghotki	Jacobabad	Kandh kot	Khairpur	Larkana	N. Feroz	Shahdadkot	Shikarpur	Sukkur	Sub Total	Total
Total Disbursement	41,480,000	11,258,000	-	-	2,152,000	10,204,000	640,000	8,474,000	-	6,840,000	39,568,000	81,048,000
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	41,480,000	11,258,000	-	-	2,152,000	10,204,000	640,000	8,474,000	-	6,840,000	39,568,000	81,048,000
No of Loans	3,449	1,114	-	-	186	818	55	580	-	570	3,323	6,772
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	3,449	1,114	-	-	186	818	55	580	-	-	3,323	6,772
No of COS	366	89	-	-	27	95	10	67	-	-	378	744
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	366	89	-	-	27	95	10	67	-	90	378	744
Disbursement in Live Stock	41,480,000	11,258,000	-	-	2,152,000	10,204,000	640,000	8,474,000	-	6,840,000	39,568,000	81,048,000
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	41,480,000	11,258,000	-	-	2,152,000	10,204,000	640,000	8,474,000	-	6,840,000	39,568,000	81,048,000
No of borrowers	3,449	1,114	-	-	186	818	55	580	-	570	3,323	6,772
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	3,449	1,114	-	-	186	818	55	580	-	570	3,323	6,772
Total Amount Recovery	210,648	3,013,000	1,304,000	116,865	5,351,200	10,137,387	4,291,500	9,350,500	1,239,303	10,279,880	45,083,635	45,294,283
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	210,648	3,013,000	1,304,000	116,865	5,351,200	10,137,387	4,291,500	9,350,500	1,239,303	10,279,880	45,083,635	45,294,283



## Appendix 5: SRSO District-wise Disbursement

Activity	Since Inception as of June 2010	RCED- Regular Loan (SRSO) Since Inception 2011											Total		
		Ghotki	Jacobabad	Kandh Kot	Khalipur	Larkana	N. Feroz	Shahdadkot	Shikarpur	Sukkur	Sub Total	Total			
Total Disbursement	366,872,122	37,638,000	-	-	145,348,500	-	-	285,000	-	-	-	-	-	183,271,500	550,143,622
Male	232,771,600	-	-	-	91,946,500	-	-	-	-	-	-	-	-	91,946,500	324,718,100
Female	134,100,522	37,638,000	-	-	53,402,000	-	-	285,000	-	-	-	-	-	91,325,000	225,425,522
No of Loans	30,075	2,803	-	-	8,436	-	19	-	-	-	-	-	-	11,258	41,333
Male	19,026	-	-	-	4,692	-	-	-	-	-	-	-	-	4,692	23,718
Female	11,049	2,803	-	-	3,744	-	19	-	-	-	-	-	-	6,566	17,615
No of COS	2,187	158	-	-	153	-	-	-	-	-	-	-	-	311	2,498
Male	1,209	-	-	-	9	-	-	-	-	-	-	-	-	9	1,218
Female	978	158	-	-	144	-	-	-	-	-	-	-	-	302	1,280
Disbursement in Live Stock	113,613,522	7,894,000	-	-	6,981,000	-	-	-	-	-	-	-	-	14,875,000	128,488,522
Male	85,614,000	-	-	-	202,000	-	-	-	-	-	-	-	-	202,000	85,816,000
Female	27,999,522	7,894,000	-	-	6,779,000	-	-	-	-	-	-	-	-	14,673,000	42,672,522
No of Loans	11,176	573	-	-	520	-	-	-	-	-	-	-	-	1,093	12,269
Male	8736	-	-	-	11	-	-	-	-	-	-	-	-	11	8,747
Female	2,529	573	-	-	509	-	-	-	-	-	-	-	-	1,082	3,611
Disbursement in Agri-Input	217,225,600	29,744,000	-	-	136,731,500	-	-	285,000	-	-	-	-	-	166,760,500	383,986,100
Male	127,236,600	-	-	-	90,763,500	-	-	-	-	-	-	-	-	90,763,500	218,000,100
Female	89,989,000	29,744,000	-	-	45,968,000	-	-	285,000	-	-	-	-	-	75,997,000	165,986,000
No of Loans	15,499	2,230	-	-	7,813	-	-	19	-	-	-	-	-	10,062	25,561
Male	8,430	-	-	-	4,623	-	-	-	-	-	-	-	-	4,623	13,053
Female	7,069	2,230	-	-	3,190	-	-	19	-	-	-	-	-	5,439	12,508
Disbursement in Enterprise	36,033,000	-	-	-	1,636,000	-	-	-	-	-	-	-	-	1,636,000	37,669,000
Male	19,921,000	-	-	-	981,000	-	-	-	-	-	-	-	-	981,000	20,902,000
Female	16,112,000	-	-	-	655,000	-	-	-	-	-	-	-	-	655,000	16,767,000
No of Loans	3,400	-	-	-	103	-	-	-	-	-	-	-	-	103	3,503
Male	1,949	-	-	58	-	-	-	-	-	-	-	-	-	58	2,353
Female	1,451	-	-	45	-	-	-	-	-	-	-	-	-	45	2,776

## Appendix 6: EDP District-wise Disbursement

Activity	Since Inception as of June 2010	Enterprise Development Program- EDP since inception to June- 2011										Total
		Ghotki	Jacobabad	Kandhkot	Khairpur	Larkana	N.Feroz	Shahdadkot	Shikarpur	Sukkur	Sub Total	
Total Disbursement	15,206,000	-	-	-	8,958,000	12,695,000	-	5,680,000	-	5,784,000	33,117,000	48,323,000
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	15,206,000	-	-	-	8,958,000	12,695,000	-	5,680,000	-	5,784,000	33,117,000	48,323,000
No of Loans	1,138	-	-	-	767	1,004	-	467	-	495	2,733	3,871
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	1,138	-	-	-	767	1,004	-	467	-	495	2,733	3,871
No of Groups	394	-	-	-	-	-	-	-	-	495	2,733	3,871
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	394	-	-	-	256	294	-	156	-	166	872	1,266
Disbursement in Enterprise	15,206,000	-	-	-	8,958,000	12,695,000	-	5,680,000	-	5,784,000	33,117,000	48,323,000
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	15,206,000	-	-	-	8,958,000	12,695,000	-	5,680,000	-	5,784,000	33,117,000	48,323,000
No of Loans	1,138	-	-	-	767	1,004	-	467	-	495	2,733	3,871
Male	-	-	-	-	-	-	-	-	-	-	-	-
Female	1,138	-	-	-	767	1,004	-	467	-	495	2,733	3,871



### Appendix 7: Client Protection Workshop Details

S #	NO: of client protection workshop	No: of trained Clients		No: of COs attended	No: of villages	Name of UCs	District
		Male	Female				
1	3- Events	-----	379	68	20	3	Khairpur
2	2- events	-----	335	38	16	2	Larkana
3	3- events	-----	392	42	13	3	Shahdadkot
4	8- events	-----	960	40	136	10	Ghotki
5	3- events	-----	270	24	14	3	Jacobabad
6	3- events	-----	365	34	5	3	Sukkur
7	<b>22- events</b>	-----	<b>2701</b>	<b>246</b>	<b>204</b>	<b>24</b>	

### Appendix 8: PPAF Flood-Relief Grant Utilization

S.NO	Description	Units	Cost	2011		
				Jan-Mar-11	Apr-June 11	Total
<b>Operational Cost (H/O)</b>						
1	Project coordinator	1	30,000	90,000	90,000	180,000
2	Monitoring/Training officer	1	20,000	60,000	60,000	120,000
3	Social Organizers	7	10,000	210,000	210,000	420,000
4	Data Entry Operators	3	10,000	90,000	90,000	180,000
5	Office Boy	3	7,000	63,000	63,000	126,000
				513,000	513,000	1,026,000
	Staff benefits @12.5%			64,125	64,125	128,250
<b>Admin/Recurring Cost (Branches)</b>						
1	Office Supplies and Stationary	1	8,000	24,000	24,000	48,000
2	POL and Maintenance	1	25,000	75,000	75,000	150,000
3	Utilities	1	15,000	45,000	45,000	90,000
<b>Sub-total-Admin/Recurring Cost</b>			144,000	144,000	288,000	
<b>Project Cost</b>						
1	Cash for Livelihood Rehabilitation	2160	15,000	32,400,000		32,400,000
<b>Total Project Costs</b>			<b>32,400,000</b>	<b>32,400,000</b>		
<b>Total Costs</b>			<b>33,121,125</b>	<b>721,125</b>	<b>33,842,250</b>	
<b>PPAF Share-Total Costs</b>			<b>33,121,125</b>	<b>721,125</b>	<b>33,842,250</b>	





# SRSO Audit Report 2010-11

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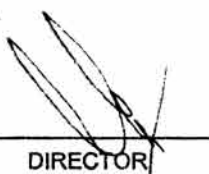
**SINDH RURAL SUPPORT ORGANIZATION - RURAL CREDIT AND ENTERPRISE DEVELOPMENT  
(A PROGRAMME OF SINDH RURAL SUPPORT ORGANISATION)  
BALANCE SHEET AS AT 30 JUNE 2011**

ASSETS	Note	2011 Rupees	Un-audited 2010 Rupees
<b>Current assets</b>			
Cash and bank balances	5	171,858,910	39,090,882
Micro credit loan portfolio - Net	6	540,048,208	355,892,819
Trade deposit and prepayments		1,263,926	-
Service charges receivable		16,032,711	2,669,759
Other receivables	7	61,167	-
<b>Total current assets</b>		<b>729,264,922</b>	<b>397,653,460</b>
<b>Non-current assets</b>			
Fixed assets	8	13,191,822	7,954,144
<b>TOTAL ASSETS</b>		<b>742,456,744</b>	<b>405,607,604</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	11,963,077	9,797,469
Short term borrowing	10	130,000,000	100,000,000
Current portion of long term loans	11	285,373,333	141,110,000
<b>Total current liabilities</b>		<b>427,336,410</b>	<b>250,907,469</b>
<b>Non-current liabilities</b>			
Long term loans	11	164,433,333	10,220,000
Deferred grant	12	6,399,376	-
<b>Total non-current liabilities</b>		<b>170,832,709</b>	<b>10,220,000</b>
<b>TOTAL LIABILITIES</b>		<b>598,169,119</b>	<b>261,127,469</b>
<b>NET ASSETS</b>		<b>144,287,625</b>	<b>144,480,135</b>
<b>REPRESENTED BY:</b>			
Head office account		217,685,388	197,573,622
Accumulated deficit	13	(73,397,763)	(53,093,487)
		<b>144,287,625</b>	<b>144,480,135</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

The annexed notes from 1 to 21 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



HEAD OF MICRO-FINANCE




**SINDH RURAL SUPPORT ORGANIZATION - RURAL CREDIT AND ENTERPRISE DEVELOPMENT**  
**(A PROGRAMME OF SINDH RURAL SUPPORT ORGANISATION)**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

		Un-audited	
		2011	2010
Operating income	Note	Rupees	Rupees
Markup/ Interest/ Service charges income	15	75,596,084	23,639,755
Profit on bank deposits		<u>12,971,040</u>	<u>5,533,845</u>
		88,567,124	29,173,600
<b>Less: Financial charges and provision</b>			
Financial charges	16	<u>35,340,181</u>	<u>10,999,017</u>
Provision against micro-credit	6.2	<u>50,741,950</u>	<u>9,907,637</u>
		86,082,131	20,906,654
Net (deficit) / income		<u>2,484,993</u>	<u>8,266,946</u>
<b>Add: Non markup income</b>			
Loan processing fee and other income		<u>17,941,905</u>	<u>5,676,445</u>
Grant	12	<u>33,280,939</u>	<u>38,221,037</u>
Other income	17	<u>4,936,104</u>	<u>8,120,600</u>
		56,158,948	52,018,082
		58,643,941	60,285,028
<b>Less: Expenditure</b>			
Operating expenditures	18	<u>48,394,194</u>	<u>29,568,319</u>
Programme assistance expenditures	19	<u>30,554,023</u>	<u>41,788,463</u>
		78,948,217	71,356,782
Net deficit for the year		<u>(20,304,276)</u>	<u>(11,071,754)</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

  
 DIRECTOR

  
 HEAD OF MICRO-FINANCE

**SINDH RURAL SUPPORT ORGANIZATION - RURAL CREDIT AND ENTERPRISE DEVELOPMENT  
(A PROGRAMME OF SINDH RURAL SUPPORT ORGANISATION)  
STATEMENT OF CHANGES IN GENERAL FUND  
FOR THE YEAR ENDED 30 JUNE 2011**

	Accumulated deficit	Total
<b>Balance as at 01 July 2009 - <i>Un audited</i></b>	(42,021,733)	(42,021,733)
Deficit for the year	(11,071,754)	(11,071,754)
<b>Balance as at 30 June 2010 - <i>Un audited</i></b>	<u>(53,093,487)</u>	<u>(53,093,487)</u>
Deficit for the year	(20,304,276)	(20,304,276)
<b>Balance as at 30 June 2011</b>	<u><u>(73,397,763)</u></u>	<u><u>(73,397,763)</u></u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

  
\_\_\_\_\_  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
HEAD OF MICRO-FINANCE

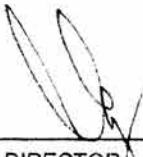



**SINDH RURAL SUPPORT ORGANIZATION - RURAL CREDIT AND ENTERPRISE DEVELOPMENT**  
**(A PROGRAMME OF SINDH RURAL SUPPORT ORGANISATION)**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	2011 Rupees	Un-audited 2010 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficit for the year	(20,304,276)	(11,071,754)
<b>Adjustments for non-cash items:</b>		
Depreciation	3,793,788	2,900,967
Provision for non performing loans	50,741,950	9,907,637
Financial charges	35,340,181	10,999,017
Amortization of deferred grant	(33,280,939)	-
Surplus before working capital changes	36,290,704	12,735,867
<b>Effect of working capital changes:</b>		
Increase in advances, deposits and prepayments	(1,263,926)	-
Increase in micro credit loan portfolio	(234,897,339)	(98,880,842)
Increase/ (decrease) in receivables	(61,167)	1,562,421
Increase in service charges receivables	(13,362,952)	(1,698,982)
Decrease trade and other payables	(32,621,258)	(190,992,250)
	(282,206,642)	(290,009,653)
<b>Net cash used in operating activities</b>	(245,915,938)	(277,273,786)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(9,031,466)	(5,115,254)
<b>Net cash used in investing activities</b>	(9,031,466)	(5,115,254)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans	298,476,666	60,971,032
Short term borrowings - net	30,000,000	100,000,000
Net receipt from head office	20,111,766	147,573,623
Grants received	39,680,315	-
Finance charges paid	(553,315)	(6,531,661)
<b>Net cash flow from financing activities</b>	387,715,432	302,012,994
<b>Net increase in cash and cash equivalents</b>	132,768,028	19,623,954
<b>Cash and cash equivalents at the beginning of the year</b>	39,090,882	19,466,928
<b>Cash and cash equivalents at the end of the year</b>	171,858,910	39,090,882

The annexed notes from 1 to 21 form an integral part of these financial statements.

  
 CHIEF EXECUTIVE

  
 DIRECTOR

  
 HEAD OF MICRO-FINANCE

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Sindh Rural Support Organization (the Company) was incorporated as a public company limited by guarantee on 29 May 2003 under section 42 of the Companies Ordinance, 1984. SRSO took over the operations of National Rural Support Program (NRSP) Sukkur Region, on 01 July 2003. The main objective of the Company is to alleviate poverty in the province of Sindh. The activities of the Company are being supported by the Endowment Fund provided by the Government of Sindh, grants (restricted funds) and income earned on investments in securities.

These financial statements are for the Rural Credit and Enterprise Development (the Programme) only, and the financial information included in these financial statements have been extracted from the audited financial statement of SRSO.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of Accounting and Financial Reporting Standards for Small-Sized Entities (SSEs) issued by Institute of Chartered Accountants of Pakistan (ICAP).

**3. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention on accrual basis, using accounting policies specified in the notes to the financial statements.

**3.1 BASIS OF ALLOCATION**

Prior years' income and expenditures are allocated to the programme on following basis.

<b>Nature of account head</b>	<b>Basis of allocation</b>
<b>Percentage basis</b>	
Other Income including profit on bank deposits	35 % of total profit on bank deposits, and 30 % of total other income
Communication, travelling	Number of employees
Vehicle repair and maintenance, insurance	Percentage of vehicle cost
Office rent, repair and maintenance	Number of rented office related to RCED
Miscellaneous expenses	30 % of the total cost
<b>On actual basis</b>	
Cash and bank	Actual
Fixed assets	Actual fixed assets in use
Micro credit loan portfolio	Full amount
Trade and other payables	Actual related to RCED
Short term borrowing	Actual related to RCED
Long term loans	Portion actually related to RCED
Grant	Portion actually related to RCED
Service charges on portfolio	Full amount
Financial and bank charges	Portion actually related to RCED
Salaries, wages and benefits	Actual expenses related to RCED
Programme assistance	Actual expenses related to RCED

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**4.2 Micro - credit loan portfolio**

This is stated net of provisions for non-performing loans, if any. Repayments received from borrowers are against the latest installment due.

**4.2.1 Provision against micro-credit portfolio**

**4.2.1.1 General provision**

The SRSO (Rural Credit and Enterprise Development) maintains general provision equivalent to 1.5 % of the outstanding loan portfolio.

**4.2.1.2 Specific provision**

The adequacy of the specific provision for loan losses is determined by applying defined percentages to the outstanding balances of principal amounts in following manner:

<u>Category</u>	<u>Criteria</u>	<u>Provision required</u>
Other Assets Especially Mentioned (OAEM)	Loans which remain unpaid for 30 days or more but less than 60 days.	Not required
Substandard	Loans which remain unpaid for 60 days or more but less than 90 days.	25% of outstanding principal
Doubtful	Loans which remain unpaid for 90 days or more but less than 180 days.	50% of outstanding principal
Loss	Loans which remain unpaid for 180 days or more	100% of outstanding principal

**4.2.2 Write-off**

All non-performing loans are written off after these become due for more than 365 days. However, SRSO continues its efforts for recovery of the written-off loans.

**4.3 OPERATING FIXED ASSETS**

**4.3.1 Cost**

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to certain assets signifies historical cost as referred to in Note 8.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Project and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

**Depreciation**

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 8.

Depreciation on additions is charged from the month in which an asset is acquired or put to use while no depreciation is charged for the month in which an asset is disposed off or classified as held for sale.



**Derecognition**

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in income and expenditure account in the year asset is derecognized.

**4.4 Revenue recognition****4.4.1 Grants**

Grants related to income are recognized on a systematic basis as income over the periods necessary to match them with related expenses incurred in accordance with terms of the respective project agreements.

Capital grants related to assets are recognized as deferred credit. An amount equivalent to the depreciation for each year on such assets is credited to income and expenditure account in the same year in which the depreciation is charged. Amount equal to book value of assets relating to grant is also transferred to income and expenditure account in the same year in which asset is disposed off.

**4.4.2 Service charges**

Service charges on loans are recognized on effective interest rate method taking into account the principal outstanding and applicable rates of service charges thereon.

**4.4.3 Profit on bank deposits**

Profit on bank deposits is recognized on receipt basis.

**4.4.4 Loan processing fee and other income**

Loan processing fees and other income are recognized on receipt basis.

**4.5 Provisions**

Provisions are recognized when the SRSO has a present obligation as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made.

**4.6 Accrued expenses and other liabilities**

Accrued expenses and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

**4.7 Taxation**

The income of SRSO is exempt from levy of tax under Sub Clause (3) of Clause 58 of Part - I of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in these financial statements.

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	Note	2011 Rupees	Un audited 2010 Rupees
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand		-	965
Cash at bank - <i>deposit accounts</i>	(5.1)	171,858,910	39,089,917
		<u>171,858,910</u>	<u>39,090,882</u>

5.1 These carry mark up ranging from 8% to 11% per annum (2010: 6.5% to 10.5% per annum).

**6. MICRO CREDIT LOAN PORTFOLIO - NET**

**Considered good**

Agricultural input	254,173,145	240,909,654
Live stock	110,439,243	70,624,707
Enterprise development	67,050,869	25,884,885
	<u>431,663,257</u>	<u>337,419,246</u>

**Considered doubtful-time based criteria**

Agricultural input	8,867,975	3,350,286
Live stock	12,501,872	10,723,088
Enterprise development	2,194,199	1,141,690
	<u>23,564,046</u>	<u>15,215,064</u>

**Considered doubtful-others**

Agricultural input	120,982,458	23,916,423
Live stock	21,468,180	2,081,496
Enterprise development	1,007,664	371,101
	<u>143,458,302</u>	<u>26,369,020</u>
	<u>598,685,605</u>	<u>379,003,330</u>

**Less: provisions against micro-credit portfolio**

Agricultural input	42,001,770	19,897,547
Live stock	14,033,894	2,805,275
Enterprise development	2,601,733	407,689
	<u>58,637,397</u>	<u>23,110,511</u>
	<u>540,048,208</u>	<u>355,892,819</u>

6.1 Micro Credit Loan Portfolio includes credit extended to male and female entrepreneurs, ranging from Rs. 10,000 to Rs. 25,000 for period of six to twelve months, for Agriculture Input, Enterprise Development and Live Stock on social collateral basis, all members of community organization are responsible for repayment of loan, depending on social and technical appraisal. The effective interest rate on micro finance loans is 20% per annum.

**6.2 PROVISIONS AGAINST MICRO-CREDIT LOAN PORTFOLIO**

	Note	2011			
		Agriculture Input	Live Stock	Enterprise Development	Total
		Rupees			
Balance as on 1 July		19,897,547	2,805,275	407,689	23,110,511
Provision for the year		25,454,509	21,951,707	3,335,734	50,741,950
		<u>45,352,056</u>	<u>24,756,982</u>	<u>3,743,423</u>	<u>73,852,461</u>
Less: Written off	(6.3)	3,350,286	10,723,088	1,141,690	15,215,064
Closing as on 30 June	(6.4)	<u>42,001,770</u>	<u>14,033,894</u>	<u>2,601,733</u>	<u>58,637,397</u>

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Un-audited				
2010				
Note	Agriculture Input	Live Stock	Enterprise Development	Total
Rupees				
Balance as on 1 July	2,122,709	10,138,789	941,376	13,202,874
Provision for the year	17,774,838	(7,333,514)	(533,687)	9,907,637
	<u>19,897,547</u>	<u>2,805,275</u>	<u>407,689</u>	<u>23,110,511</u>
Written off	-	-	-	-
Balance as on 30 June (6.4)	<u>19,897,547</u>	<u>2,805,275</u>	<u>407,689</u>	<u>23,110,511</u>

**6.3** Such amount is written off in compliance with approved policy of the programme and does not affect the right of recovery of lender from these customers

2011				
6.4 Provisions	Agriculture Input	Live Stock	Enterprise Development	Total
Rupees				
Specific provision (6.4.1)	6,241,416	11,867,755	1,547,942	19,657,113
General provision	5,760,354	2,166,139	1,053,791	8,980,284
Other provision (6.4.2)	30,000,000	-	-	30,000,000
	<u>42,001,770</u>	<u>14,033,894</u>	<u>2,601,733</u>	<u>58,637,397</u>

Un-audited				
2010				
	Agriculture Input	Live Stock	Enterprise Development	Total
Rupees				
Specific provision	1,460,126	2,805,275	302,528	4,567,929
General provision	-	-	-	-
Other provision	18,437,421	-	105,161	18,542,582
	<u>19,897,547</u>	<u>2,805,275</u>	<u>407,689</u>	<u>23,110,511</u>

**6.4.1 Specific provision**

In addition to general provision, specific provision for potential loan losses is made for all non-performing loans.

Agriculture input:	Classified Advances	%	Provision Held
Other assets especially mentioned (OAEM)	1,173,806	-	-
Substandard	711,842	25%	177,961
Doubtful	1,837,745	50%	918,873
Loss	5,144,582	100%	5,144,582
	<u>8,867,975</u>		<u>6,241,416</u>



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	<b>Classified Advances</b>	<b>%</b>	<b>Provision Held</b>
<b>Live stock:</b>			
Other assets especially mentioned (OAEM)	189,584	-	-
Substandard	307,845	25%	76,961
Doubtful	427,299	50%	213,650
Loss	11,577,144	100%	11,577,144
	<u>12,501,872</u>		<u>11,867,755</u>
<b>Enterprise development:</b>			
Other assets especially mentioned (OAEM)	234,290	-	-
Substandard	380,877	25%	95,219
Doubtful	252,618	50%	126,309
Loss	1,326,414	100%	1,326,414
	<u>2,194,199</u>		<u>1,547,942</u>
			<b>Un-audited</b>
		<b>2011</b>	<b>2010</b>
<b>6.4.2 Other provision</b>	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
Agriculture input		30,000,000	19,897,547
Live stock		-	2,805,275
Enterprise development		-	407,689
	(6.4.2.1)	<u>30,000,000</u>	<u>23,110,511</u>

**6.4.2.1** Pursuant to heavy rains and flood during the months of July and August 2011, the physical infrastructure, live stocks and crops of certain borrowers were affected and resultantly, the chances of recoverability of advances disbursed amounting to Rs 178,858,392 in such areas have been decreased and accordingly the provision is recognized in the books of account. Further, the management is in process of detailed assessment of such portfolio and provision, if so required, would be made in subsequent financial statements. However, the management believes that no significant provision will arise in subsequent period as such advances will be recovered.

**6.5** Such amount is written off in compliance with approved policy of the programme and does not affect the right of recovery of lender from these customers

**7. OTHER RECEIVABLES**

These are unsecured, but considered good by the management.

## 8. FIXED ASSETS

Carrying amounts of assets are as follows:

Operating fixed assets  
Owned assets - tangible  
Capital grants- tangible

## 8.1 Owned assets - tangible

Description	Cos	
	As at	
	01 July 2010	Additions
	Rupees	Rupees
	Un-audited	
Furniture and fixture	1,454,549	664,088
Motor vehicles	15,362,154	2,999,930
Office equipment	308,690	889,800
Computers and accessories	138,022	1,017,983
<b>Total 2011</b>	<b>17,261,415</b>	<b>5,571,801</b>

Furniture and fixture	1,039,075	415,474
Motor vehicles	10,754,222	4,607,932
Office equipment	271,340	37,350
Computers equipment	81,522	54,500
<b>Total 2010</b>	<b>12,146,159</b>	<b>5,115,256</b>

## 8.2 Capital grants- tangible

Description	Cos	
	As at	
	01 July 2010	Additions
	Rupees	Rupees
Furniture and fixture	-	105,000
Motor vehicles	-	2,952,165
Computers and accessories	-	402,500
<b>Total 2011</b>	<b>-</b>	<b>3,459,665</b>

Description	Un-audited	
	2011	2010
	Rupees	Rupees
8.3 Depreciation		
Owned assets - tangible	3,085,499	2,900,967
Capital grants- tangible	708,289	-
	<b>3,793,788</b>	<b>2,900,967</b>

Add: Funds received during the year	3,459,665	36,220,650	39,680,315
Less: Funds utilized / amortized during the year	708,289	32,572,650	33,280,939
Deferred grant as on 30 June	2,751,376	3,648,000	6,399,376

Un-audited		
2010		
Grant for capital expenditures	Grant for Operations	Total
Deferred grant as on 1 July	-	38,221,037
Add: Funds received during the year	-	-
Less: Funds utilized / amortized during the year	-	38,221,037
Deferred grant as on 30 June	-	-

12.1 This amount represents grants received from PPAF for livelihood rehabilitation in flooded areas

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	2011 Rupees	Un-audited 2010 Rupees
<b>9. TRADE AND OTHER PAYABLES</b>		
Adamjee insurance	5,297,395	4,156,418
Finance charges payable	3,914,041	4,467,356
Accrued expenses	542,189	-
Other payables	2,209,452	1,173,695
	<b>11,963,077</b>	<b>9,797,469</b>

**10. SHORT TERM BORROWINGS - secured**

This represents short term financing arrangements with First Woman Bank Limited (FWBL) amounting to Rs. 130 million. It carries markup at six months kibar (2010: three months kibar). These are secured against lien of Pakistan Investment Bonds.

**11. LOAN FOR MICROCREDIT - secured**

Pakistan Poverty Alleviation Fund (PPAF)	439,140,000	151,330,000
Microcredit Innovative Outreach Programme (MIOP)	10,666,666	-
	449,806,666	151,330,000
Less: Current maturity		
Pakistan Poverty Alleviation Fund (PPAF)	256,040,000	141,110,000
Microcredit Innovative Outreach Programme (MIOP)	29,333,333	-
	285,373,333	141,110,000
	<b>164,433,333</b>	<b>10,220,000</b>

**11.1** These represent loans from Pakistan Poverty Alleviation Fund (PPAF) and Microcredit Innovation Outreach programme (MIOP) for credit disbursement to community organizations. The loan carries markup at the rate of 8 % per annum (2010: 8 % per annum). These are secured by demand promissory note from board of directors of the company.

**12. DEFERRED GRANT**

	2011		
	Grant for capital expenditures	Grant for Operations	Total
Deferred grant as on 1 July	-	-	-
Add: Funds received during the year	3,459,665	36,220,650	39,680,315
Less: Funds utilized / amortized during the year	708,289	32,572,650	33,280,939
Deferred grant as on 30 June	2,751,376	3,648,000	6,399,376
	<b>Un-audited</b>		
	<b>2010</b>		
	Grant for capital expenditures	Grant for Operations	Total
Deferred grant as on 1 July	-	38,221,037	38,221,037
Add: Funds received during the year	-	-	-
Less: Funds utilized / amortized during the year	-	38,221,037	38,221,037
Deferred grant as on 30 June	-	-	-

**12.1** This amount represents grants received from PPAF for livelihood rehabilitation in flooded areas



**13. GENERAL FUND**

Utilization of this fund is not restricted to any specific purpose.

**14. CONTINGENCIES AND COMMITMENTS**

There were no significant contingencies and commitments at the balance sheet date (2010: Nil).

<b>15. INCOME FROM MICRO CREDIT PORTFOLIO</b>	<b>Note</b>	<b>2011 Rupees</b>	<b>Un-audited 2010 Rupees</b>
<b>Income from:</b>			
Agriculture Input		62,338,318	13,619,108
Live Stock		7,644,075	5,657,854
Enterprise Development		5,613,691	4,362,793
		<u>75,596,084</u>	<u>23,639,755</u>
<b>16. FINANCE CHARGES</b>			
Service charges on credit portfolio:			
Pakistan Poverty Alleviation Fund		17,940,589	5,000,039
Micro Credit Innovation Outreach Program		163,653	-
First Woman Bank Limited		13,875,238	4,467,356
		<u>31,979,480</u>	<u>9,467,395</u>
Bank charges		3,360,701	1,531,622
		<u>35,340,181</u>	<u>10,999,017</u>
<b>17. OTHER INCOME</b>			
Rural Credit & Enterprise Development Income		1,063,865	5,676,445
Community Investment Fund		280,306	-
Insurance Income		3,445,946	2,300,274
Miscellaneous income		145,987	143,881
		<u>4,936,104</u>	<u>8,120,600</u>
<b>18. OPERATING EXPENDITURES</b>			
Salaries, wages and benefits		30,238,113	10,392,805
Traveling		1,135,663	1,637,185
Communication		759,073	1,169,078
Meetings and conferences		808,063	1,556,153
Utilities		705,772	1,104,680
Insurance		512,657	517,061
Vehicle running and maintenance		6,376,534	5,184,401
Office supplies		562,292	1,193,903
Office rent		1,453,390	1,249,800
Office repairs and maintenance		302,545	789,608
Printing and stationery		1,205,664	1,672,200
Auditor's remuneration		300,000	-
Depreciation	(8.3)	3,793,788	2,900,967
Legal and professional charges		71,444	-
Miscellaneous expenses		169,196	200,478
		<u>48,394,194</u>	<u>29,568,319</u>

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		2011	Un-audited
	Note	Rupees	2010
19. PROGRAMME ASSISTANCE EXPENDITURES			Rupees
Training		802,064	2,769,9
Monitoring, evaluation and review		499,959	797,4
Social mobilization		-	501,0
Livelihood rehabilitation	(19.1)	29,252,000	-
Community Investment Fund	(19.2)	-	17,720,0
Interest Free non refundable advances for Women		-	20,000,0
		<u>30,554,023</u>	<u>41,788,4</u>

19.1 This represents grant received from PPAF for distribution to flood affectees.

19.2 Revolving funds (Community Investment Funds) has been created to provide financing facility and motivate Village Organizations (VO) to save and contribute towards this seed capital. The Company is responsible for vigorously monitoring and reporting the utilization of such funds to the donor.

**20. DATE OF AUTHORIZATION**


These financial statements were authorized for issue by the board of directors on \_\_\_\_\_.

**21. GENERAL**

21.1 Figures have been rounded off to the nearest rupee.

21.2 Corresponding figures have been rearranged or reclassified, wherever necessary. However, no significant rearrangement have been made in these financial statements.

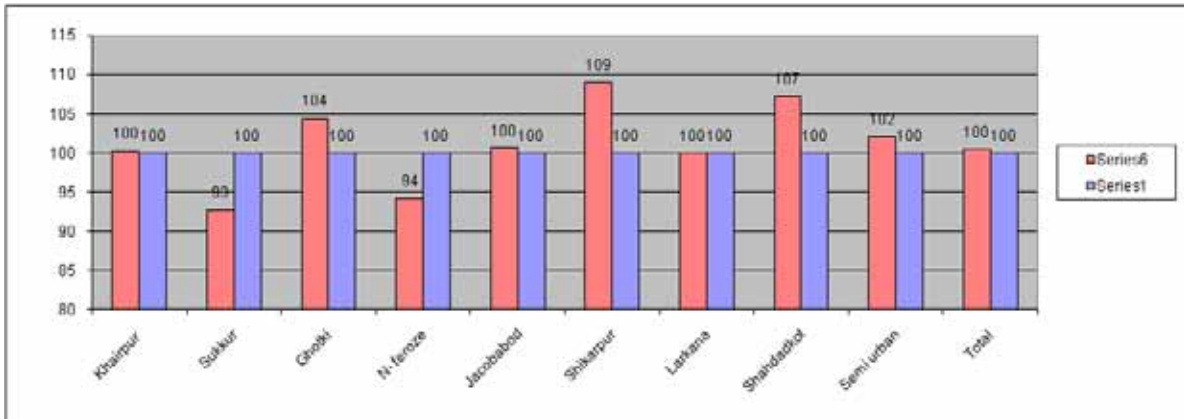
  
\_\_\_\_\_  
CHIEF EXECUTIVE

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
HEAD OF MICRO-FINANCE

## YPO Credit Disbursement for Financial year 2011.2012. Budget Analysis (Achievements)

S. NO	District	Branches	Annual target	Achievement		%
1	Khairpur	7	150,000,000	150,328,000	(328,000)	100
2	Sukkur	3	150,000,000	139,026,000	10,974,000	93
3	Ghotki	9	285,000,000	297,560,000	(12,560,000)	104
4	N- feroze	5	210,000,000	197,810,000	12,190,000	94
5	Jacobabod	2	40,000,000	40,257,000	(257,000)	101
6	Shikarpur	2	10,000,000	10,898,000	(898,000)	109
7	Larkana	5	165,000,000	165,034,000	(34,000)	100
8	Shahdadkot	5	160,000,000	171,565,000	(11,565,000)	107
9	Semi urban	10	140,000,000	142,920,000	(2,920,000)	102
	Total	48	1,310,000,000	1,315,398,000	(5,398,000)	100
Percentage			100%	100		







## Credits:

Author:

### Arifa Roohi

Senior Program Officer

Monitoring Evaluation & Research

Rural Credit Enterprise Development Sector

Consultant:

Amar Sham Khangharani

### Address:

Banglow No: 106 Street # 3

Gate # 2 Akhuat Nagar, Airport

Road - Sukkur

### Contributors:

All RCED Managers & field Staff

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Fahim Siddiqui (Sukkur)

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