

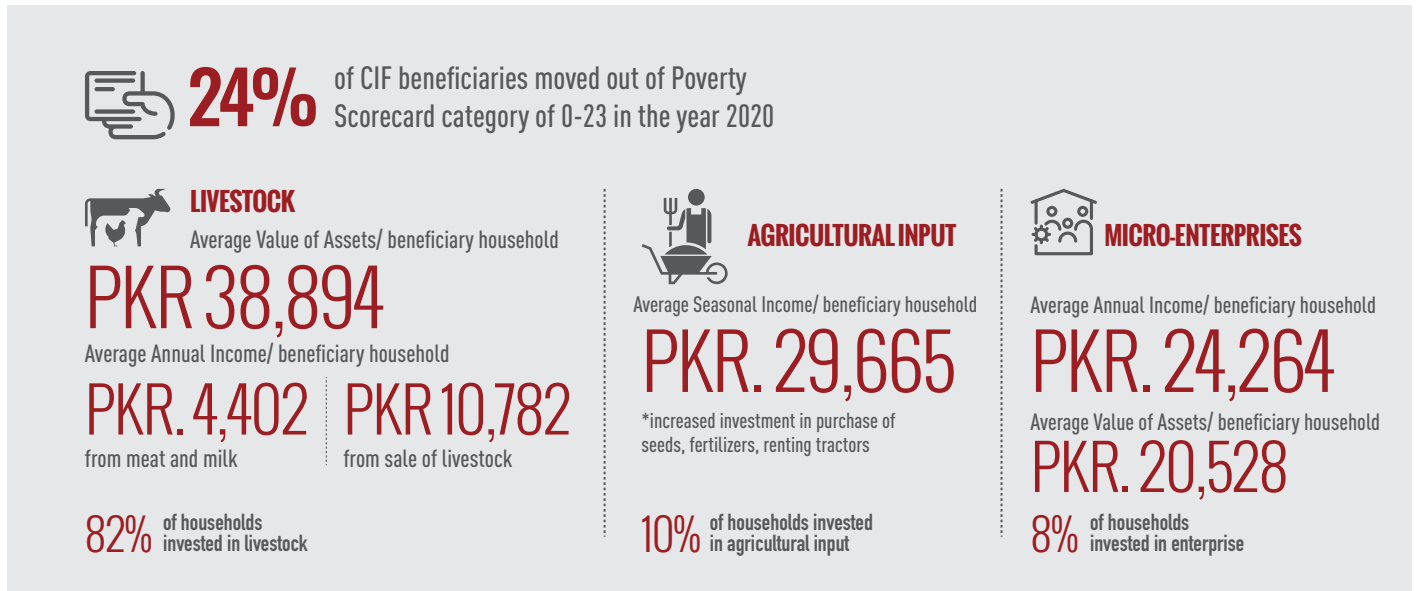
POLICY BRIEF

# SUCCESS in Sindh: Financial Inclusion of Women for Socio-Economic Advancement

OUTREACH of CIF



IMPACT



CONTEXT

In developing countries like Pakistan, rural poor women are the most financially vulnerable groups of the society due to dependence on their husbands for household spending amplified by exposure to poverty, lack of access to or absence of financial services and financial products. According to the State Bank of Pakistan (2015), only 18% of women in Pakistan borrow credit with 2% from formal sources<sup>1</sup>. Women in rural districts of Pakistan require financial access in order to play an important role in the development process in the country. High transactions costs mainly to know your client, perceived risks, based on the assumptions that lowest income groups have the highest likelihood to default on loans, and limited mobility of the women in rural areas are some of the key factors that exclude the rural poor women from accessing financial services. Community Investment Fund (CIF) is an alternative system of delivering financial services to the poor and women through the social mobilisation approach of Rural Support Programmes in Pakistan. CIF does not experience the abovementioned limitations of conventional microfinance. CIF

entails the creation of a revolving fund for the poor and women in rural areas. The poor are identified via Poverty Scorecard and women are mobilised through social mobilisation to form and run their own Community Institutions at sub village level, village level and Union Council level. The delivery of credit and grants is entirely operated by members of community-based institutions called Local Support Organisations (LSOs), and not professional staff. Hence, CIF can reach the poor and is not limited by the costs of operating through brick-and-mortar branches.

The LSOs have hired community bookkeepers to keep the loan records; RSPs had provided the LSOs leaders and community bookkeepers' training on how to manage the CIF. The LSOs have developed policies and procedures (amount of loans, repayment terms, processing fee, service charge if any, methods for processing of loans and repayments etc.) of managing the CIF with the technical support of RSPs. The main principles around which the policies and procedures are developed are: CIF is to be 'used and not consumed' and should

1. Cited in State of Financial Inclusion of Women in Pakistan by World Bank (2018)

serve maximum number of poor households through their women member in community organisations.

The resulting financial independence of women leads to women empowerment coupled with other benefits such as poverty

graduation through an increase in income levels, an increase in savings, increase in assets, participation in business activities, participation in intra-household decision making, and independence to conduct their everyday affairs.

---

## ABOUT THE STUDY

This policy brief is based on a study that assesses the impact of Community Investment Fund (CIF), Income Generating Grant (IGG), and saving component of the SUCCESS programme. Through the social mobilisation approach of Rural Support Programmes (RSPs), CIF and IGG are provided as financial means for income generating activities and improvement in living conditions of the targeted poor households and communities. CIF is a revolving grant (loan) whereas IGG is a one-time grant to the poorest households who do not have means to repay the CIF. This study has used both, quantitative and qualitative method, to assess the impact of CIF and IGG on poor households. For this purpose, household survey (4000 households), focus group discussions, and key informant

interviews have been conducted to measure the overall impact of CIF and IGG before and after the intervention. As of October 2020, the SUCCESS Programme has granted to the Local Support Organisations a total of PKR 1.56 billion for CIF and PKR 0.56 billion for IGG which has benefitted a total of 125,000 households. The study has used the Poverty Scorecard (PSC) tool to assess the changes in poverty status of beneficiaries using before and after approach, measuring the impact on household income and asset base. Summary of the key findings of the study and recommendations are presented in the latter sections. The [full report](#) is available at SUCCESS website.

---

## FINDINGS

### Creation of sustainable access to micro loans for the women from poor households

The study finds that CIF exclusively targets the poorest women (PSC between 0-23) who are generally not catered to by a typical microfinance scheme. Another distinguishing feature of CIF is that instead of merely giving cash handouts, it encourages women to develop micro investment plans for income generating activities when applying for CIF. Livestock has been one of the most important sectors where 82% of all beneficiary households invested CIF and IGG financing, followed by 10% in agriculture, and 8% in micro-enterprise. The overall average amount of IGG was PKR 15,433 and average amount of CIF loan was 17,552. The CIF loan recovery rate stood at 95%. The CIF is being managed by the rural women themselves through their LSOs and the main principles around which the policies and procedures are developed are: CIF is to be 'used and not consumed' and should serve maximum number of poor households.

As of October 31, 2020, a total of PKR 1.5 billion CIF fund was sub-granted to 313 LSOs by the SUCCESS programme in eight districts of Sindh, whereas the LSOs disbursed a total of PKR 2.0 billion CIF to 88,707 poor households. The LSOs have revolved with an overall revolving rate of 38%, with 188 (72%) LSOs revolving the CIF at least once. Data further revealed that LSOs have three streams of receipts in their accounts: First, the CIF grant received from RSPs, second, bank profit on their accounts, and third is services charges, loan processing fee the LSOs receive from CIF beneficiaries. In total, as of October 2020, the bank profit on CIF investment stood at PKR 48.7 million, while PKR 89.5 million has been received as service charge, processing and membership fees thus increasing the

funds by 7%. The latter two streams of receipts mean a growing monetary for the LSOs through which they will be able to not only grow the amount of CIF being revolved, but also ensure operational sustainability post SUCCESS and RSP support.

Key Informant Interviews with the LSOs office bearers and assistant programme managers further revealed that many LSOs have acquired the capacity to manage the revolving of CIF loan without much support from the RSPs. LSOs monitor the activities of its staff and beneficiaries effectively with a well-defined mechanism to ensure recovery. A conflict management system is also in place. LSOs plan to continue collecting CIF processing fee/services charges and use that money to ensure sustainability and revolving of CIF once the SUCCESS programme ends.

### Poverty Graduation

The availability of CIF and IGG and their utilisation have led to improvement in the Poverty Scorecard (PSC) of beneficiary households. Overall, in the baseline surveys, women borrowers from CIF were from extremely poor households with PSC 0-23. The study shows that 24% of the CIF and 9% of IGG beneficiaries have moved out of the extremely poor category of PSC 0-23 since the baseline.

The average profits from CIF and IGG investments stood at PKR 12,702 per annum, for livestock; PKR 19,836 per season, for agriculture; and PKR 24,360 per annum for enterprise. Comparing them with the baseline (2016 ) annual household income for households with PSC 0-23, the estimated average contribution to the annual household income thus stands at 11%. In addition to the income, the beneficiary households have

successfully developed a productive asset-base (especially in terms of livestock and business assets), however, the returns from these assets will be fully realised in the future: 88% of the households who are yet sell their CIF/IGG animals (and/or offspring) with average estimated worth of PKR 38,894. While the same is true for enterprise set-ups as well, the current value of businesses owned is almost PKR 20,528.

With respect to CIF investments specifically, larger gains are enjoyed by households who have completed more than one round of CIF. The difference in returns between one versus multiple CIF cycles is largest for net profits earned through sale of livestock, mainly because multiple loans directly translate into a larger herd size in most cases. For enterprise, the current value of business increases by more than 50% in case of multiple loan cycles. Overall, the results from multiple loan cycles seem robust for poverty graduation.

### **Women Empowerment**

The financial inclusion of women through CIF loan and IGG financing has led to an increase in role of women in intra-household decision making activities such as getting medical advice or treatment for herself and children; making everyday goods and large assets household purchases; using contraceptives; marriage of children; and taking CIF/IGG or any other loan. Furthermore, overall mobility; beneficiary's visits to family, friends, markets, other villages for CI meetings, banks, has also increased significantly after CIF and IGG support. Women are more empowered due to their higher participation in employed (paid) activities and decrease in time spent on unpaid household activities. However, enterprise start-ups still observe the charge of running a business being delegated to male members of the family.

### **Cost Effectiveness and Cost Benefit**

The CIF has been recognised as a safer option of lending as compared to the formal micro-credit options available to rural communities, especially women. As rural households tend to rely heavily on their social circle, local shopkeepers and agricultural input dealers for loans or credit, such borrowing is highly vulnerable to collective suffering such as shocks of bad cropping season. However, since CIF revolves within the households, it is less susceptible to such shocks. Furthermore, the low service charges and associated costs provide a low-cost benefit ratio for beneficiaries: For an amount of PKR 20,000, the average CIF service charges and associated costs for the beneficiary would come to be around PKR 1,400. Comparing the costs with average annual income earned from CIF gives a very low-cost benefit ratio at 0.07. Moreover, the average annual service charge of 4.4% per annum for CIF is relatively low as compared to other sources of finance, such as most microfinance sources, where interest rates remain around 20-25% per annum in the country.

### **Social Cohesion and Discipline of Saving**

The community has developed trust amongst each other due to fair work by LSO and CO members and approval of CIF loan and IGG grant on merit. There is consensus that the financial management skills of women have also improved significantly after handling CIF and IGG. As a result, the improvement in lives of CO members have convinced the non-members to join COs as well. Most of the beneficiaries have also acknowledged monthly savings as an important source of capital, which can provide funds for business expansion, and can be used in emergencies for smoothening consumption. A decrease in domestic violence has also been anecdotally reported as women can now contribute financially to household expenses.

---

## **POLICY RECOMMENDATIONS**

The broader policy implication for the positive impact of CIF and IGG on income and savings coupled with the cost effectiveness of the approach emphasises that given the limited available resources with the government and foreign donors in the wake of Covid-19, the provision of financial access to the poor via CIF and community mobilisation approach should be the cornerstone of the country's poverty reduction strategy. A revolving fund such as the CIF that preconditions on income generating activities and targeted approach would lead to a larger coverage of the poor population and a greater impact on poverty reduction as compared with other approaches of traditional micro finance and cash handouts. National rollout of CIF for all poor households is thus essential for income generation and poverty reduction and this is only possible with the support of the government and donors through the network of Local Support Organisations fostered by RSPs in Pakistan.

---

3. While some LSOs have a fixed service fee, in many others the decision to charge a service fee (and the amount charged) is left for the LSO and community to collectively decide.

## ABOUT SUCCESS

Funded by European Union, the Sindh Union Council and Community Economic Strengthening Support (SUCCESS) Programme is helping the Government of Sindh to formulate and implement a province-wide Poverty Reduction Strategy and Community Driven Local Development (CDLD) Policy to reduce poverty in Sindh. As part of the CDLD Policy, SUCCESS supports the Rural Support Programmes' (RSPs) social mobilisation approach to Community Drive Development (CDD) in eight districts to empower women and reduce poverty at the household level. The programme aims to improve the living conditions of poor people through their active participation in the development process. The female members of around 610,000 households are mobilized into their Community Institutions (CO/VO/LSO) fostered by Rural Support Programmes (RSPs) for providing means to income generating and income diversification activities at the household level. The programme supports the poor households with revolving grants – Community Investment Fund (CIF), Income Generating Grants (IGGs), Technical Vocational Skills Training (TVST), and Micro Health Insurance (MHI) through their women members of Community Institutions. SUCCESS also supports the Community Institutions to create linkages with government line departments at the district level and to implement local level Community Infrastructure Schemes for improved access to better public services. National Rural Support Programme (NRSP), Sindh Rural Support Organisation (SRSO), and Thardeep Rural Development Programme (TRDP) implement SUCCESS with technical assistance of Rural Support Programmes Network (RSPN). Ernst and Young (EY) provides technical assistance to the Government of Sindh for the formulation and implementation of the province-wide Poverty Reduction Strategy and Community Driven Local Development (CDLD) Policy.

## GEOGRAPHICAL COVERAGE



JULY 2021

### Authors:

Huma Irfan, Knowledge Management Officer, SUCCESS, RSPN  
Fazal Ali Saadi, Programme Manager, SUCCESS, RSPN

### Designing and Printing:

Bilal Safdar, Dot Advertising

© 2021 Rural Support Programmes Network (RSPN). All Rights Reserved.



### Sindh Union Council and Community Economic Strengthening Support Programme

SUCCESS is funded by the European Union

3rd Floor, IRM Complex, Plot # 7, Sunrise Avenue (off Park Road),  
Near COMSATS University, Islamabad, Pakistan  
Phone: +92-51-8491270-99, Fax: +92-51-8351791



“This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of Rural Support Programmes Network (RSPN) and can in no way be taken to reflect the views of the European Union.”

[www.rspn.org](http://www.rspn.org)  
[www.success.org.pk](http://www.success.org.pk)  
[www.facebook.com/successprogramme](https://www.facebook.com/successprogramme)  
[www.twitter.com/SUCCESSinSindh](https://www.twitter.com/SUCCESSinSindh)