PERFORMANCE ASSESSMENT OF MICRO CREDIT PROGRAMS AND INSTITUTIONS: A CASE STUDY OF PAKISTAN

Ahmed Nawaz Hakro[*]

Abstract

The study has been designed to assess the performance of micro credit programs and institutions in Pakistan. Broad category of performance indicators such as; program scale, target groups, efficiency of program services, services performance, cost effectiveness, and sustainability have been used. For institutional capacity assessment parameters; financial capacity, financial conditions, viability, sound management practices etc have been used. Results indicated; micro credit programs have sound financial size but unable to reach the significant number of poor. Size of amount disbursement is very significant, operational efficiency is negative or at least the micro finance institutions are not profitable. Programs are cost effective, moderately efficient but financially unstable. The targeted participation is very low. The service performance is moderate. The efficiency, profitability, capital formation and other financial ratios do not show the long run sustainability of the overall financial performance of the institutions. There is strong need of the policy/intervention to make these programs more efficient and financially sustainable. It is strongly suggested that micro finance institutions, government/semi government should formulate the framework for program monitoring and evaluation and make baseline studies to measure the impact and magnitude of change in longitudinal studies.

Key words: performance, microfinance, programs, institution, Pakistan.

Introduction

The question of performance of micro credit programs and institutions is continues to plague micro credit practitioners. Performance is widely recognized in the literature [see e.g. Heino and Pagan (2001) Black et al. (2001), Schreiner (2000), Swain (2002), Wilson (2001), Doyle and Black (2001), Chen et al. (1999), Dash (2002), Lariviere et al. (1998) etc]. These authors defined broad categories of performance of programs and institutions, which are; program reach at target groups, scale of program and services, program services performance, cost efficiency, efficiency and sustainability of programs, institutional capacity and financial condition of institutions etc. This category of performance indicators described the process of determining excellence among distinct strategies, targeted to different populations, and implemented in unique socioeconomic environments.

E.g. Schreiner (2000) by using data from three Latin American micro finance programs and institutions, discusses seven aspects of loan size[1] each of which affects not only depth of outreach but also profitability. It also defines the seven aspects, explains why each one matters. Wilson (2001), recognized the fact that agenda and financial health of micro finance institutions would be far more sound if we understand who our customers are, why they leave, what they really want, and the real business we are all in. Apart from these studies, the literature on performance assessment of various micro credit programs and institutional capacity is diverse[2], e.g.

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[*] Ahmed Nawaz Hakro , visiting scholar, university of Glasgow, Glasgow, UK, e-mail: hakro@qau.edu.pk, tel: +44-141-330-5273

[1] The seven aspects are: term to maturity, dollars disbursed, average balance, dollars per installment, time between installments, number of installments, and "dollar-years of borrowed resources."

[2] E.g. the micro finance-institution performance, the efficiency with which financial services are supplied and its evolution monitored over the time, it is important that first, the financial viability of the institution must be assessed according to the recognized criteria. Second, the impact of the institution must be evaluated from the standpoint of poor people's access to services and the improved living conditions which directly result from their having greater access to these services.

[refer Pereira (2002)[3], Zeller *et al.* (2001)[4], Copestake (2000), Copisarow (2000), Cheston *et al.* (1999), Johnson *et al.* (1999) and Doyle *et al.* (2001) these studies recognized the importance of programs, microfinance organizations and financial sustainability of institutions etc and developed and used different performance indictors].

In addition to this, Doyle and Black (2001) studied the performance measure for micro enterprises in the United States: using outputs and outcomes to assess the performance of micro enterprise development providers, they used various indicators such as scale of the program, target groups programs, programs cost, services efficiency, sustainability, institutional capacity and its impact and outcome on the beneficiary and overall economic activities. Chen *et al.* (1999) worked on micro enterprises services at the household, enterprise, and individual levels by comparing borrowers and savers in SEWA bank with a control group on a number of variables. Dash (2002) focuses on five levels and two types of performance. Level of performance includes individual, households, enterprise, self help groups and community, while types of impact includes tangible and intangible changes in economic and social domain. Lariviere *et al.* (1998) used secondary and survey data to assess the financial viability of micro finance institutions, and the accessibility of financial services to poor people. Johnson *et al.* (1999) based on primary data by conducting interviews with staff of funding agencies directors and the information collected on the background of the program, its mission and goals, the size of the program in terms of staff and operating budget, description of its clients, the success and weaknesses of the program, its partnerships with other agencies, suggestions for outcome measurement and evaluation of current programs assessment by the state funding agency and concluded with recommendations on the strength and weakness of programs, the funding agency's role etc.

The literature on performance of micro credit programs and institutions in Pakistan is hardly available. A number of reasons possibly explain this, as microfinance is still relatively new to Pakistan both in concept and practice (see e.g. Montgomery (2005)), lack of interest, e.g. lack of basic data, baseline studies, absence of evaluation of various programs, lack of capacity assessment of NGO's and government support micro credit finance programs etc[5]. Whatever is available in Pakistan is in spirit of role played by micro credit, impact of credit on small farmers, importance of an institutions, mode of poverty, and credit for poverty reduction etc, refer e.g. Gohar (1999), Qureshi (1995), Malik (1996), Bhatti (1999), Malik *et al.* (1999), Khan (1988) etc. A couple of studies, which measure the impact of micro credit are less rigorous and suffers from sample size problems (for example impact assessment study of Kashaf Foundation, 1999 a very small sample size) and concerned about the impact at household level. Similarly, two other impact assessment studies which are conducted by using one or two organizations with a very small sample size (e.g., see Montgomery, 2005, Lohano and Jamal, 2001). Montgomery (2005) studied the impact of Khushahli Bank's micro credit programme and concluded that it had a positive impact on economic and social indicators and positive impacts of the credit were higher for the poorest. On the other hand Lohano and Jamal (2001) assessed the impact of NRSP's and OPP's micro credit organizations and found that most of the borrowers were not hard-core poor. Mixed results are derived for welfare indicators. The study shows that micro credit has no significant impact on education, food and electricity. In case of income, the rural borrowers had more income than non-borrowers while this was reverse for urban borrowers.

Consequently, this paper contribute in number of ways, first broad categories of performance indictors have been set up to assess the performance of micro credit programs and institutions in the context of Pakistan, second, this is a study to devise the performance parameters, and there is likelihood that performance data would

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[3] Micro finances organizations were more efficient in different area, in maturity curve in micro financial institutions, in which their financial risk increase between the third and fifth year. Target can serve as a useful instrument for planning and control for both their manager and other suppliers of capital.

[4] Non-government organization should reach to the poor. They have to provide services and sustainability. Targeted programs have had a positive impact on household welfare in number of ways. Group based financial institutions can contribute greatly to poverty reduction in Bangladesh and offer a viable alternative to state and market failures in rural finance.

[5] The main providers of microfinance are NGOs (DAMEN, SUNNGI, Taraqee, OPF, SAFWCO, Asasah, Kashaf etc) and government sponsored rural support networks e.g. RSPs, NRSPs , a traditional commercial bank with a specialized microfinance window. With the exception KASHF, a well-known NGO operating out of Lahore, none of these institutions are specialized microfinance institutions and none have demonstrated financial sustainability (Pakistan Microfinance performance report (2003). Despite the achievements of these institutions5, total their total outreach is still less than 5% of the estimated 5.6 million poor households in Pakistan that require microfinance services refer e.g. Montgomery (2005). Apart from this, there are two leasing companies in Pakistan that reach the MF market; both are listed on the stock exchange. Orix is larger and Network Leasing Corporation is smaller and only focuses on the micro and small market. In the last few years some micro finance bank, both in public and private sectors, have started their operation; these include Khushhali Bank, First Micro Finance Bank, Rozgar Bank, Network Bank and Tameer Bank etc.

clarify the potentiality of programs and degree of institutional strength in context with the broader objectives of micro credit programs especially for poverty alleviation. Third, techniques of data gathering and analysis concerning households have evolved a great deal over the last few years, paving the way for the development of small-scale yet rigorous systems, it would seem essential to fine-tune performance and assessment instruments and to apply acquired methods to actual cases, institutions and programs based on secondary data. Fourth, most micro credit programs are founded with some variation of an economic or community development mission. Programs and the institutions are critically concerned with community development; income generation and other out come measurable at the level of individuals, the business or at the community level. Measures of these outcomes require establishing business and then following up to re measure overtime[6]. Most of the micro finance programs and institutions do not have staff designated for evaluating activities. Even they do not hire evaluation firms to conduct queries of samples of their clients, when they find suitable to assess the performance, this study fills the gap. Fifth, the parameter of the study is an extension to measure the outcomes of the micro finance programs and a development to evaluate a simple process that mirrors the overall performance measurement excessive, providing same simple and key data to suggest program managers/institutions/or programs finders/ policies planners for insight into program effectiveness.

Sixth, piloting these interesting approaches, early micro credit programs were found, and inspired from the dominated discourse among the practitioners that micro credit is a powerful tool of poverty alleviation. Hence, there is no serious attempt on the part of government or donors or NGOs to evaluate the performance measurement according to their values and goals. Through the measurement performance evaluation field is quite matured or quantitatively developed. However, the area of performance in context Pakistan is virtually non-existed. There is strong need to develop general performance measurement framework through which, capacity outcomes, strategies/institutional performance measurement parameter estimates can be evaluated consolidated and coordinately rather than simple practice of dissemination of general descriptive reports.
Rest of the paper is organized as under: Section II is consisted of literature review; section III-methodology, section –IV results, Section V conclusion and policy recommendation

Most of the studies reviewed here are in the spirit of linking micro credit and poverty or impact assessment a very few studies are concerned about performance of program or institutions. These studies are descriptive in nature, e.g. Mayoux (2002), Hossain &. Diaz (1999), Krogstrop (2000), Diague (1999), Lensink and Mehrteab (2001), Honig (2000), Tiwari & Fahad (1999) Woller and Dunford (1999) Mishra (2001). Other studies, such as Copestake (2000), he argued that formal impact assessment can assist in the transition from donor controlled replication projects to autonomous and adaptable organizations – but that it also often fails to do so see e.g. Norell (2001). Copisarow (2000) also describes the main hindrance faced by micro credit institutions in the UK and offers solutions to obtaining funds from the private, public, and voluntary sectors and to operating within a legal and regulatory framework that permits micro credit institutions to serve their clients with the products that they need Cheston and Reed (1999). Johnson *et al.* (1999) this paper presents a case study of what happened to 11 micro enterprise programs that adopted outcome assessment. Factors affecting the adoption of outcome assessment were changing norms in the nonprofit sector, demands from state legislators for information on program outcomes, and mandates from donors.

In current decade poverty line is rising. Government failed to provide institutional credit to the poor in the past. For changing socio economic conditions and transition of society is to reduce the chances of informal credit. Poverty rooted in socio political inequalities, Gohar (1999). Tucker (2001), financial ratios of 17 Latin American MFIs is compared to benchmark performance ratios for the industry and with commercial Latin American banks. Qureshi (1995) state that due to the poor has had limited access to institutional credit, the impact of the credit on small farmers[7] has been much below the policy maker's intention. Further Agriculture Development Bank of Pakistan could not achieved target even introduced Mobile Credit Officer (MCO) due to administrative cost remained high. The attained by the Agha Khan Rural Supporting Program (AKRSP) in improving the living conditions from the adoption of comprehensive rural development program, and its subsequent replication in the Balochistan Rural Supporting Program (BRSP), the National Rural Supporting Program (NRSP), and the Sarhad Rural Supporting Program (SRSP), augurs well for the rural poor in Pakistan.

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[6] For example, a poverty alleviation program that collects the information of household income and family size, showing that a client and poor upon enrollment in the program will have to update this data at a determined period offer program, particularly to know which client escaped poverty. This kind of data collection of outcome maintaining is extremely difficult as most of the government/Semi government/ NGO is hardly doing this job on constant basis. Collecting this kind of data is very expensive and time consuming.

[7] Small farmers had faced a handicap as they had limited access to land and were placed at the bottom of the social and economic power matrix.

Otero (1999) the paper argues that it is micro finance's ability to connect in all three points: reaching the poor, building sustainable micro finance institutions, and deepening the financial system's reach those make it so compelling as a development strategy. Friedman (1999) a decade's worth of program results, demonstration projects, and research strongly suggests that the benefits of micro enterprise development for welfare recipients outweigh the costs and risks. The purpose of the evaluation is twofold: (1) to document program implementation and results, including goal attainment and participant characteristics; and (2) to analyze participants' movement toward self-sufficiency, as compared to that of welfare participants not enrolled in the program. This article reviews ISED's program and summarizes the findings of the first five years of the program. Among other findings is the fact that the program has experienced a three-year business survival rate of 56.4per cent. Hans and Torres (1999) a Grameen [8] replicator in the Philippines, the Center for Agriculture and Rural Development (CARD), has recently set itself firmly on the path to sustainability by becoming a formal sector, rural bank[9] The principal lesson to be learned from the CARD's success is that Grameen-type microfinance institutions (MFIs) can be sustainable and can substantially increase their outreach. Malik (1996) by using micro survey data[10] containing hundred households on production activities, income, and employment. Churchill (2000) enhancing customer loyalty is a micro finance institution's most important business strategy. Every critical element involved in managing micro finance operations—from product pricing to staff incentives, from marketing to eligibility requirements, from client screening to the menu of available services—can (and should) be formulated to promote loyalty. Ashe (2000), noting that the hundreds of micro enterprise programs in North America are reaching less than seventy thousand businesses, the author makes the case for going back to the customers of these programs to learn from them how they would set up a micro enterprise service initiative as a business. Schreiner (2000) argues that scoring does have a place in micro finance. Although scoring is less powerful in poor countries than in rich countries[11], and although scoring will not replace the personal knowledge of character of loan officers or of loan groups, scoring can improve estimates of risk. Thus, scoring complements—but does not replace—current micro finance technologies. In the next decade, many of the biggest micro finance lenders will likely make credit-scoring models one of their most important decision tools. Haynes et al. (2000), this paper reviews relevant micro credit and micro enterprise literature, and then argues for increased micro entrepreneur training based on the case of a Manila micro entrepreneur. Dunford (2000), a simple conceptual framework is offered to facilitate understanding of the current diversity of experiments with product-market pairs (e.g., group-based lending to poor women struggling to earn enough for family survival). Franks (2000) it argues that macroeconomic instability imposes high costs on micro entrepreneurs. Malik & Nazli (1999) used household data collected in 1999 from representative sub sample of the 1985[12] concluded that through rural credit welfare enhancing and poverty reduced. However credit is not used for inputs properly but households used for food consumption and poor people become extremely poor[13].

A significant finding is that while within the different types of farm expenditure borrowing from both informal and formal[14] sources is used, generally, the proportion of expenditure met from borrowing from formal sources is much lower than that from informal sources and poorer households have a significantly smaller proportion of expenditures met through credit from formal sources than the richer households. Small farmers and tenants are paying a higher price by being shut out of formal credit market. Therefore a formal analysis of what determines access to institutional credit by farmers is warranted[15]. He further state that major welfare gains can arise from higher input use, and resultant higher productivity, as well as through improved and more efficient consumption smoothing. Kazi and Raza (1995) review the efforts of credit lending agencies of Agriculture Development Bank of Pakistan (ADBP), the Co-operative Departments, and First Women Bank Limited (FWBL). In findings to provide credit and extension services to rural women serve as the basis of defining broader strategy to improve access of rural women to productive resources. Recent experience in South Asia and

[8] the Grameen Bank in Bangladesh is well known worldwide for its success in providing credit to the poor. However, subsequent replication of its methodology in other parts of the world have been less successful, is there really an infallible solution that works everywhere, and is outreach to the poor compatible with sustainability?

[9] the first credit NGO in the country to do so.

[10] Obtained form Punjab village studied a large number of rural specific and household specific variables besides landholding in an attempt to determine their role in raising levels of living of rural masses.

[11] In rich countries, lenders often rely on credit scoring—formulae to predict risk based on the performance of past loans with characteristics similar to current loans—to inform decisions.

[12] Rural Survey of Pakistan Household by the International Food Policy Research Institute (IFPRI)

[13] About a 5th of rural household classified as a poor and when expenditure met through credit then half becomes below line. Means 30per cent becomes through credit.

[14] Landlords are more enjoying to formal then to informal and poor are enjoying to informal then to formal.

[15] The detailed econometric survey presented in Malik (1999) show that significant poverty alleviation is possible in rural Pakistan through better functioning rural credit market.

in Pakistan has underlined the importance organizing women's groups [16] as an effective means of distribution of inputs, particularly credit. Hussain and Rehman (1997) a multivariate regression model[17] used household level data to assess the relative contribution of different factors to change in rural household economy. There is need for the expansion of rural infrastructure, i.e. roads education, electrification, and telecommunication facilities for support low-income household to participate in the process of development. Policies base on providing better access to capital and education for the poor would make a greater impact on poverty alleviation than policies based on interventions in the operation of the rural labor and land market. Khan (1987) poverty remains intractable mainly because it has not been confronted by policies with the biggest impact on the target groups; and because they have relied on "soft" policy options. Further point out that this sorry state of affairs is partly reflection of the institutional impediments and partly a result of policies that have been contradictory[18]. A direct attack on poverty requires that income-earning opportunities be provided to the rural poor, by making available assets like land and human capital and through providing productive employment in and out of agriculture. Tray (1989) descriptively provided lessons. One, investment in human capital is the key. Second, consumption transfers should be restricted to the very poor. Third, targeting programs on the basis of personal or group characteristics alone is seldom enough to ensure the needed efficiency. Fourth, programs need to be realistic. Fifth, objectives need to be clear and focused. Sixth, patience and a steady commitment over time will lead to the greatest success. Deolalikar (1995) argue that the two main poverty alleviation strategies used in many developing countries- wage employment creation via rural public work or self-employment creation via provision of subsidized credit for purchasing assets are complementary to each other. Studies which are concerned about impact assessment e.g, Khandker (1998) suggested that that access to credit can significantly reduce poverty by increasing per capita consumption among programme participant and their families. Zaman (1999) assessed the impact of Bangladesh Rural Advancement Committee, and found that after a threshold loan size "micro credit can make a significant dent on poverty".

Chowdhry et al. (2005) also measured the impact of micro credit in Bangladesh and found that poverty rate was declining with the duration of micro credit programme. Mosley (2001) studied the impact of micro credit in Bolivia and found that micro credit had a positive impact on income however this positive impact was greater for richer borrower as compared to poor borrower. However in the sample none of the borrower was extremely poor which suggest that micro credit does not reach the extremely poor people in Bolivia. There are some studies, which suggest that micro credit has no impact on poverty. Morduch (1998) suggested that micro credit has minimal impact on poverty reduction. In an other study Morduch(1999) says that "the typical borrower from financially self sufficient programme has a loan balance of $430 –with loan size often much higher. In low-income countries the borrower at that level tends to be "better-off" poor or even slightly above the poverty line. Expanding financial services in this way can foster economic efficiency and perhaps economic growth but it will do little directly to affect the vast majority of poor house holds". Hulme and Mosley (1996) studied the various micro credit institution of Bangladesh, Bolivia, India, Indonesia, Kenya, Malawi and Sri Lanka and while discussing the impact of micro credit on poverty they concluded "In sum while our study confirms the emerging consensus that well designed credit schemes can raise the incomes of significant numbers of poor people, it also indicates that such schemes are not the panacea for poverty-reduction that has been claimed. There are trade-offs between the goals of poverty-alleviation and institutional performance, and credit has differential impacts on different groups within 'the poor'.

Broad categories of performance indictors have been set up to assess the performance of micro credit programs and institutions in the context of Pakistan. The indicators are programs outreach to the target groups, efficiency of the program services, services performance, cost effectiveness, efficiency of the programs and sustainability. For institutional capacity assessment there financial capacity, its financial conditions and viability, sound management practices etc. The target groups' measures are evaluated in the light of an organization's operating context and mission. Program with a poverty alleviation mission is serving a significant number of lows and very low-income individuals. In target group programs to measure its outreach to men and women, both groups believed to have enjoyed less access to formal business assistance institutions. The scale category is designed to measure the extent of program reach. Clients/ borrowers/trainees have the program for business with the help to start or maintain. Scale is for services a person needs to receive in order to be considered a program client. Program service describes all loans, equity products, or saving products that are used as micro enterprise

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[16] NGO's can be important catalyst for organizing women and provide training, technical support, and supervision.

[17] The model was estimated in Linear Form.

[18] Industrial growth has not touched many of the rural communities; and the relative abundance of labor in these countries has not been used to advantage in selecting the industries, which have the biggest impact on growth in both rural and urban areas.

development tools lending methodologies such as peer or individual; terms and conditions; and the charge of policies. The program service performance includes loan delinquency and loss rate, the measure most commonly associated with micro enterprise performance assessment. Measures used to document and report on the financial performance included loan loss and restructured loan rates, portfolio at risk at a range of time periods. Cost, efficiency, and sustainability contain essentially an independent measure for assessing micro enterprise performance. Institutional capacity and financial condition relate to the strength and solidity of the program and institution in which a micro enterprise program is housed. The conceptual formula of performance measurement in following categories has been developed in this study. Surely not every categor y is appropriate for every program. This framework captures the "key" micro credit programs/institutions. This setting of range of performance indicators or areas is necessary to evaluate complex programs and institutions. It is the duty of the head of the organization to decide what is relevant. What framework is ultimately used to guide performance measurement, it must be comprehensive enough so that data can be understood and is not isolated from other pertinent information. The data set has been used in order to relate the framework into practice. The key categories are: Reaching the target groups, Scales, Program Service Performance, Cost, Efficiency, and Sustainability, Institutional Capacity and financial condition, Out comes and Impact

Data

The data of various programs and institutions has been taken to assess various performance indictors are shown in table-1

Table –I Credit programs

Credit Programs:

Organization	Program Assessment	
National Rural Support Program	04 Credit Program 08 TrainingPrograms	1998 – 2005
Agriculture Development Bank of Pakistan	18 Credit Programs 02 Training Programs	1997 – 2005
Agha Khan Rural Support	05 Credit Programs 29 Training Programs	1996 – 2005
Orangi Pilot Project	64 Credit Programs	1997 – 2005

Sources: annual reports of the organizations

Institutions:

Organization	Institutional Analysis	No of years
National Rural Support Program	Fiscal Year 2000-2005	05
Agriculture Development Bank of Pakistan	Fiscal Year 2000-2005	05
Agha Khan Rural Support	Fiscal Year 2000-2005	05
Small Business Finance Corporation	Fiscal Year 2000-2005	05
First Women Bank Limited	Fiscal Year 2000-2005	05

Sources: annual reports of the organizations

III. Results

Reaching the Target Groups

The first category of measures helps to answer the question, 'where is the program actually serving'? Most micro credit programs describe a target population that reflects their overall program mission. Therefore, another set of question is that this category of measures shed some light as whether the program is fulfilling its mission? Whether the program is offering attractive services and accessible to the individuals, when the organization has identified as its targeted population. The target group measures are evaluated in the light of an organization-operating context and mission. One would expect to see that program with a poverty alleviation mission is serving a significant number of individuals, whether a program is focused on country's economic development, which might serve some moderate-income individuals, to meet business development or job creation goals etc.

The table-II shows the number of credit programs (91) initiated by various government/non government/semi government organizations. This division into groups is based on the nature and characteristic professional category and size of the business activity or nature of community or nature of loans targeted to poor or rich groups. The result suggests that 89 per cent of total credit programs are targeted to low income groups[19] and while 11 per cent programs are targeted to high-income categories, this suggests that high per centage of credit programs are transacted to the poor or low-income individuals/groups.

Table No. II

Credit Programs, Low-Income Targeted Prog rams, & High-Income Targeted Programs

	No. Of Credit Programs*	Number of Low income programs	Number of High income programs	per cent Of Total credit program targeted to lower income program	per cent of Total credit program targeted to higher income program
1. NRSP	04	04	-	100	-
2. ADBP	18	08	10	56	44
3. AKRSP	05	05	-	100	-
4. OPP	64	64	-	100	-
Total	91	81	10	89	11

Source: Annual Report: NRSP, ADBP, AKRSP, & OPP, 1999.
* By credit programs means various classifications/categories of loans offered to different sections; for further classifications is based on Low income targeted programs and High income targeted programs

Average Outstanding Loan Portfolio Quality (1998-2005)

The table -III demonstrate the average outstanding loans (1998-2005) and loan portfolio quality. The restructured loan is only 3.36 million of ADBP, which is quite high. While its loan loss rate is high due to a multiple reasons[20]. This is three times higher in case of ADBP as compared to NRSP and AKRSP, which is around 25.41 per cent where the loan loss rate is, is 6.75 per cent and 8.44 per cent of NRSP & AKRSP respectively. The loan loss rate of OPP is very low i.e. around 2.13 per cent. The total portfolio at risk in million is very high of NRSP, which is 126.434 million as the size or the program as average number of outstanding loans are very high as the size of the NRSP organization is very large and the organization is operating at national level. Its recovery of credit is showing around 93 per cent.

Table No. III

Average Outstanding Loan Portfolio Quality (1998-2001)

Organization	Total No. Of Loans (1998-2005)	Loans Outstanding (Average) in numbers & millions	Restructured Loan in million (Average)	Loan Loss rate per centage	Total Portfolio at Risk in million (average)
1. NRSP	471956	8224 (No.)	-	6.75 (ml.)	126.434 (ml.)
2. ADBP	1430668	6522 (ml.)	3.36 (ml.)	25.41 (ml.)	-
3. AKRSP	7216	157.05 (ml.)	-	8.44 (ml.)	18.94 (ml.)
4. OPP	14669	682 (No.)	-	2.13 (ml.)	2.37 (ml.)
Total	1924509				

Scale of Programs:

[19] Low income group programs are classified according to the nature of credit program which is targeted to poorest of the poor.
[20] i.) Some were murdered ii.) Some died naturally iii.) Some were incapacitated by blindness, paralysis, T. B. and other chronic illnesses iv). Some lost their capital by fire, looting, and extortion etc v). Some became heroin and charas addicts vi) Some were shattered by family disaster vii) The majority just failed to keep going.

The scale category is designed to measure the extent of program reach. How many clients/borrower/trainees have the programs served? How many businesses have the programs helped to start or maintain? Inherent in the scale category is the need to receive in order to be considered a program client. In practice, the field managers use their own scale category to become the true micro credit services and the capacity at the ground, which qualify for the needs. It may be possible that people could benefit from services but the micro credit providers may not reach them. Where as the managers decides as to what capacity level services are required at field level. Managers are usually using their own data from the scale category to build cost and efficiency ratios. Finally, program compares scale data with outcome data, to assess how many people or businesses they can serve effectively and still achieve the desired goals.

Table No. IV

Scale of Programs

Credit Programs

Description	No. Of Years	Credit Programs	< 4 Year Old	> 4 Year Old
Total Clients	**1998-2005 (08)**	**1920841**	-	**All**
Total Loan Disbursed	**1998-2005 (08)**	**96881.13**	-	**All**

Training Programs

Description	No. Of Years	Training Programs	< 4 Year Old	> 4 Year Old
Total Clients	1998-2005 (08)	224565	18254	202645

Table No. V

Scale of Programs:

Organizations	Credit Programs	Training Programs	All Programs	< 4 Years Old Credit Programs	> 4 Years Old Credit Programs	< 4 Years Old Training Programs	> 4 Years Old Training Programs	Low Income Targeted Program	High Income Targeted Programs
1. NRSP	**04**	**08**	**12**	-	**04**	**01**	**07**	**04**	-
2. ADBP	**18**	**02**	**20**	-	**18**	-	**02**	**08**	10
3. AKRSP	**5**	**29**	**34**	-	**05**	-	**29**	**05**	-
4. OPP	**64**	-	**64**	-	**64**	-	-	**64**	-
Total	**91**	**39**	**130**	-	**91**	**1**	**38**	**81**	**10**

Program Services:

Program Services category is important; it provides program an opportunity to describe their methodologies., thereby, contextualizing quantitative data into other categories. This would certainly envisage as narrative description of the services offered through micro credit program[21].

A program describes all loans, equity, savings that are used in micro credit development tools, lending methodologies. Training is described in terms of major curricula topics; courses, objectives, and length in terms of weeks, days, and providers technical assistance.

Under this program the number of direct beneficiaries of credit programs is nearly 1.92 million. Most of the programs are more than four years old while the total amount disbursed during the period is around 97 billion rupees, which is very sizeable amount. While looking at training programs, the number of people trained are around 0.224 million. Most of the program i.e. 89 per cent is a low-income targeted group. The ratio of male and female number of clients served is 83 per cent and 17 per cent respectively, see table No. VI, which demonstrate the low participation rate of female borrowers. Therefore one can fairly say the scale, size, gender distribution amount is invariably high. The number of beneficiaries is just 1.92 million people, while the rate of participants of women is very low.

Table No. VI

Program Service Performance:

Organization	Total No. Of Clients 1998-2005	Male	Female	Total Loan Disbursed (Million)
1. NRSP	471956	162756	58143	7449.89
2. ADBP	1430667	-	-	88603.8
3. AKRSP	11002	3666	-	685.44
4. OPP	7216	-	-	142.41
Total	1920841	83per cent	17per cent	96881.13

Sources: annual reports of the organizations

Cost, Efficiency, and Sustainability:

This category contains essential and interdependent measures for assessing micro enterprises performance. Program level, financial information is needed to calculate the cost, efficiency, and sustainability ratios. The cost figures help to make rough comparison of the investment that was required to train one client, assist one business, disburse one loan, serve one loan participants, etc. Moreover, efficiency and cost ratios can serve as "wake up" calls to program managers, who need to restructure inefficient aspects of operations.

The sustainability ratios yield a sense of the current level of cost recovery from program income, as well as the level of finding diversification achieved by the program. The term sustainability is used in a sense as " self-sufficient" for two reasons: 1) Self-sufficiency in a simple term refers to a program being fully financed; 2) Clients demand and necessities a focus on business development services as well as financial services.

[21] Managerial Training, NRM trainings, vocational trainings, PITD trainings, activists workshop, refreshers, subject specific workshops, office training workshops, nursery, poultry, vegetable seed producti on, livestock, sheep and forestry trainings. Most of the trainings are ranges from one day to three months and some of the trainings are of long term

Table No. VII

Operational Self-Sufficiency of NRSP:			
Description	Credit Programs	Training Programs	All Programs
Cost Per Client*	**Rs. 870**	**456**	**1326**
Cost of Training Per Client**	**-**	**456**	**-**
Operational Cost Rate	**65.61%**	**34.39per cent**	**100%**
Cost Per Client	**18**	**1**	**19**
Cost of Training Per Client	**-**	**1**	**-**
Operational Cost Rate***	**94.73%**	**5.27per cent**	**100%**
Operational Self-Sufficiency of OPP:			
Cost Per Client	**828**	**N. A.**	**828**
Cost of Training Per Client	**N. A.**	**N. A.**	**N. A.**
Operational Cost Rate	**100%**	**N. A.**	**100%**

*** Cost per client = Tota l Cost / Total Clients**

**** Cost of Training Per Client = Total Training Cost / Total Clients**

***** Operational Cost Rate**

Tables No. VII to IX show that the cost per client of credit programs is nearly identical of NRSP and OPP, which is Rs. 870 and 828 respectively. While there is great difference of cost per client of training programs this is Rs. 456 per client of NRSP and Re. 1 for ADBP. The operational cost rate is 65 per cent of NRSP and 94 per cent of ADBP where is 100 per cent is of OPP, which do not run any training program. The rate of NRSP is 34.39 per cent and for operational cost ADBP is 5.27 per cent.

Institutional Capacities and Financial Condition: This category relates to the strength and solidity of the program and institutions in which a micro credit program is housed. As with the previous category, these are the measures that assess management quality, the strength of micro finance programs, financial conditions that measure relate to the overall financial conditions of the organization, institution. This includes an examination of organizations net worth, operating income, capital adequacy, leverage and other financial ratios of the organization. This category encourages micro finance institutions to think about capital structure and other financial related policies. Several kinds of ratios are derived from the organization balance sheets and other related information.

Table No. X

AVERAGE RATIO ANALYSIS OF VARIOUS MICRO FINANCIAL INSTITUTIONS FOR THE YEAR 2000-2005

Ratio	NRSP 2001-05	NRSP 2000	SBFC 2001-05	SBFC 2000	ADBP 2001-05	ADBP 2000	FWBL 2001-05	FWBL 2000
1. Current Ratio (Times)	1.401	1.130	7.19	23.55	0.747	0.604	-	-
2.A/R Turn over (Times)	6.80	7.20	28.31	62	1.47	1.545	2.56	2.36
3.AvColl. Period(Times)	52.94	49.93	12.89	5.88	248.29	236.24	103.5	154.6
4.F. Assets T. O. (Times)	11.151	9.40	-	-	1.242	0.723	6.19	0.3
5. Op. Prof. Margin	-	-	11	21.2	0.101	6.06	43.3	19.31
6. Net Profit Margin	34.8	13.89	54.45p	2.25	1.613	4.17	-	-
7. Return on Inv.	19.08	5.78	3.29	0.30	0.1628	0.302	37.9	30.6
8. Return on Equity	17.53	5.01	7.86	11.14	2.51	4.54	28.89	37.72
9. Saving to A. R	21	12.53	-	-	6.8	4.69	7.97	7.27
10. Self Suff. Ratio	57.38	79.6	65	125.70	89.8	95.8	145.85	97.92
11. Oper. Eff. Ratio	35.70	38.84	60.63	10.71	9.37	6.54	1.9	2.82
12. Debt Ratio	38.48	42.26	98.41	97.24	93.52	93.34	95.16	97.15
13. Return on Asset	10.5	2.78	3.29	0.30	0.01	0.43	1.59	0.67
14. Oper. Self Suff.	53.45	16.13	11	26.93	0.10	6.84	80.34	23.94

Source: Annual Repots of NRSP, SBFC, ADBP, & FWBL, 2000-2005

Analysis of First Women Bank Limited (FWBL) for two years 2000-2005

Low accounts receivable turnover suggests a problem in sales, Poor total assets turnover indicates that the FWBL is slow in generating sufficient sales for the size of its investment in assets. Total assets are utilized productively as seen apparently and above normal operating profits are e arned, return on investment is substantially high which shows over utilization of assets to generate high return in assets. Greater return on equity implies somewhat effective management performance but more risky due to higher leverage. Savings to assets ratio is to some extent stable showing positive sign and remarkable self-sufficient ratio is maintained. So for as previous years-operational efficiency ratio is concerned, it has declined in current year. Abnormal excess of debt ratio and debt equity ratios is showing that FWBL will have to bear greater financing charges due to more financial leverage. FWBL is likely to face difficulty in raising additional funds, and higher rate of return that is expected charged by the creditors for additional funds due to high uncertainty. Return on assets and operating self-sufficiency has improved as compared to year 2000 results. Concluding that the solvency condition has many weaknesses. Its potential to discharge short term as well as long-term debt is not stronger. Sound credit and collection policies supplemented by effective asset management are badly needed to restore the confidence of creditors and such other interested parties including the owner itself.

Analysis of National Rural Support Program (NRSP) for Two Years 2000-2005

After careful analysis of the financial statements of NRSP I) It is fairly liquid to meet its operating expenses and other short-term obligations. ii) It has depicted handsome amount of net profit in the years 2001-05, which is attributable to fairly well planned management and utilization of resources to generate income. iii) Its capital structure is good since its debt ratio is 38.4 per cent. V) Total investment in assets and total operating expenses incurred are reasonably comparable with it total income being generated in a year. Ratios indicate that financial performance of NRSP is quite satisfactory, as it possess sound and strong financial health.

Analysis of Agriculture Development Bank of Pakistan (ADBP) for Two Year 200-2005

After analytically examining the various ratios, the performance of ADBP in all aspects seems to be poorer. ADBP is highly illiquid to pay its short and long term obligations. The capital structure is extremely unbalanced. It is deeply indebted since its debt ratio is 93.52 per cent. This is high, debt ratio has brought the ADBP on the verge of encountering insolvency and bankruptcy.The poor management of current and long-term assets has aggravated the performance at alarming conditions. The operating expenses in relation to revenue are extravagantly high and widely incompatible. Owing to disappointing and poor performance, the ADBP has deputed a huge net loss in the year 2001-05.

It is concluded that financial condition of ADBP is caught up in vicious circle of problems like poor management of assets, depressing capital structure, excessively huge debt, instability of management, high operating expenses and disappointing net profit. As a result the fear of being insolvent, bankrupt and dead unit tickles on the head of ADBP every time. The contribution of ADBP towards eradicating the poverty is unsatisfactory. It has not provided the micro credit financing which is needed by poverty stricken and needy people of the country. ADBP has dragged itself into financial crisis.

Analysis of Small Business Finance Corporation (SBFC) for Two Years 2000-2005

Performance of the SBFC seems short-lived having no or very low future vision, especially from aspects mentioned above as key words for its identity. No doubt SBFC is having extremely greater current ratio which if simply interpreted implies that the firm has ability to meet its current as well as some portion of long term liabilities with current assets. Nonetheless the unnecessary excessive current ratio determines that firm is sacrificing some return because too much financial capital is tied up in current assets. Considerably exceeding accounts receivable turnover and short collection period indicate that SBFC is exercising wrong restricted credit and collection policies, which discourage customers and sooner or later, it will ultimately affect the sales volume adversely. Lack of efficient asset management has unfortunately resulted in reduction of total assets turnover, lower return on investment, lower return in equity, deficiency in profit margin, higher operating costs and low selling prices. More conservative financing and heavy reliance on external finance may consequently affect the terms and conditions of financing negatively. SBFC is having excessive financial leverage, which implies that heavy debt servicing is its usual practice. Creditors rather than owners finance more assets. Since creditors prefer a low or moderate debt ratio, SBFC may face difficulty in raising additional debt. Future creditors may demand a higher rate of return to compensate for the higher risk associated with the FBFL's is having leverage greater than the industry average. This practice will in turn call the solvency of the SBFC in question.

Outcomes and Impact

While checking the major findings it has been found that: Most of the progress of programs is targeted (89) per cent to low-income groups. The loan loss rate is very moderate ranges from 6 per cent to 10 per cent average. The cost per client of both training and credit programs are very moderate i.e. the operational cost rate is 65 per cent, 94 per cent of NRSP and ADBP respectively, while operational cost rate is 100 per cent of OPP. The operating cost rate of NRSP's training programs is 34.39 per cent and for ADBP is 5.24 per cent. Direct beneficiaries of Credit programs are 1.92 million and total disbursed during the period is around 97 billion rupees. Number of people training programs are around 0.224 million. The ratio of male and female number of clients served is 83 per cent and 17 per cent respectively.

While analyzing institutional performance it is found that: FWBL shows overall poor performance during th financial year 2000-2005. The organization has utilized their assets quite effectively but failed due to high leverag ratio, which snarled solvency. NRSP has well utilized assets but it is fairly liquid to meet its operation expenses an other short-term obligations. It has good profit, which can be utilized for more expansion of programs. Its capita structure is also good whose debt ratio is 38.4 per cent. It is concluded that the financial health of NRSP is sound a quite rich. Overall performance of ADBP in all aspects seems to be poorer. Its capital structure is unbalanced in which debt ratio is 93.52 per cent, which is encountering insolvency. It has poor management of assets and high expenses in relation to revenues. Financial condition is beggarly and is caught up in vicious circle of problems like poor management of assets, depressing capital structure, excessively huge debt, instability of management, high operating expenses and disappointing net profit. Performance of SBFC seems short-lived having no or low future vision. It has lack of assets management, which has resulted in reduction of total assets turnover. There is also lower return on investment, lower return on equity, and deficiency in profit margin, higher operating costs.

The NRSP has played somewhat positive role in alleviating poverty in the country. Some of its programs are successfully running and producing right efficacy cheep.

The performance measurement framework described in this study can serve as basis for defining what a high quality program means. The ability to define and subsequently to assess and compare quality is important to both practitioners who serve to improve program operations and policy planers, who need to assess and manage the capital and to achieve the desired objectives.

One can conclude on the basis of performance that micro credit programs have sound financial size but unable to reach the large number of the poor. It has been found that the operational efficiency of three out of four institutions is negative or at least the micro finance institutions are not profitable. It has also been found that the programs are cost effective, moderately efficient but financially unstable. The targeted participation is very low, as only 17 per cent women participation has been found which is showing that low participation of most vulnerable segment of society which makes these programs result in the lowest success.

The service performance is moderate as the training allocation and training cost rate are satisfactory but in terms of outreach, course contents number of training of trainers and permanent nature of extension service is missing. The time and duration of skill development training program are very short. Client services are based on social mobilization or community development. The overall financial performance of the institutions depicts very gloomy picture in the efficiency, profitability, capital formation other financial ratios do not show the long run sustainability of the programs.

Policy Recommendations:

1- One can suggest policy recommendation that there is strong need of the government policy/intervention to make these programs, efficient, financial and sustainable.
2- It has been found from the cross comparison/experiencing of other countries that growth led by creation of job opportunities and building safety nets with equal income distribution and pro poor policies can make the difference by taking poor out of poverty.
3- It is strongly evident that financially sustainable micro finance institutes can make the difference.
4- It is strongly needed that micro finance institutes, government/semi government organizations should formulate the framework for program evaluation and make baseline studies to measure the impact, magnitude of change in longitudinal studies.
5- It is further desired that communities' self help, need identified structure and wide coverage of the population is strongly desired.
6- It has further been found that the policy conduct and impact of last ten years specially reform policies have negative and it is strongly needed for early minimal loss or the lives of the poor.
7- It is widely felt that more surveillance of rural financial institution will improve the long run financial sustainability.

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