Annex 1: Loanee questionnaire & responses

We started interviewing on the 18th of June till the 3rd of July (Kharmang) and then from the 7th of July to the 12th (Skardu). The original questionnaire underwent several changes during the first six interviews and as a result we redid parts of these initial interviews at the end so as to make them more consistent with the rest of the results.

While the questionnaire was developed in English it was actually conducted in Urdu. Since each question was asked by the author, we did not think it necessary to provide an Urdu version. While the format seems to indicate a fairly structured questionnaire, in practice the questionnaire was semi-structured as the questions were used as a guide and the author took the liberty of fairly open-ended versions in Urdu. This should be kept in mind when going through the responses. At times when the original question was not understood the author tried to explain things differently and in certain cases used the help of the local staff, particularly in translating in Balti.

The detailed responses of each individual are given below. Before we began each interview there was a general “warming up” discussion during which we got some general information from the interviewee and more importantly tried to build a rapport by creating a fairly relaxed and informal atmosphere. While we give the transcript of this too, the content ranges widely and wildly!

Comments/Thoughts by the interviewer both at the time of the interview and afterwards are given in parenthesis. We have also taken the liberty of rephrasing the answers given so as to make them more readable (a necessary evil since the replies had to be translated in English in any case and at times went through an initial Balti-to-Urdu translation as well).

After the first few interviews we realised that getting information out of the people was hardly easy, both because people often did not understand the question and also as they were not necessarily forthcoming especially with regards to sensitive issues or areas where there was a clear notion of what constituted a “right” answer. We decided to get at the same topic through several different indirect questions. Moreover, we mixed the order of these similar questions through the interview. Below we first list each question and explain what it was trying to get at. Afterwards, we also give the actual order in which the interview was conducted.
The Questionnaire:

(A) ECP impact/usage/repayment:
Informal discussion in the beginning.

(B) Information flow:
1. How/from whom/when did you first hear about ECP? About VOCP?
2. Did you talk/look at/hear of any other ECP users before taking it? (What made you decide to take ECP?)

(C) Perception of ECP rules/procedures:
1. How did you get your first ECP? What problems did you have in filling out the forms? What were you asked for? Did you have to show your business? Did it get easier next time?
2. What are the criterion your president/credit committee use when giving out a loan? (Same as above?)
3. (i) Is it easier/harder to repay larger loan amounts? (ii) easier/harder the 2nd time around?
4. What can ECP be used for? consumption? working capital only? (What would you like to use it for?)

(D) Attitude change particularly loan acceptance issues:
1. Very few people took ECP in the past? In the last few years a lot of people have done so. (I am a bit worried as to why this is happening). Can you tell me why?
2. People here usually do not like taking loans. (Our culture says "Apni madad aap karni chaheyay" but it seems taking a loan goes against this). Is this still true and if so how do you deal with this taboo?
3. ECP is an individual loan. Do/Should we announce that you/someone else has taken a loan in front of the entire VO?
4. In the last 2-3 years peoples thinking probably changed? Identify the good and bad changes. (If nothing has been mentioned about loans/ECP so far, prompt a bit). Is there less co-operation now?
5. In what ways do you think the city (Skardu) is different (in terms of attitudes etc.) from your village? How about unity within the community? Is your village becoming more like the city?

(E) Individual preferences/suggestions:
1. Between ECP and VOCP, which credit window do you prefer?

2. Should ECP be changed so that a large sum is given directly to the VO (irrespective of its savings) so that the VO itself distributes/collects it?

3. Would you prefer a similar-to-ECP loan but with a 2-3 year duration? Would you take it for a slightly higher service charge?

4. What are the main problems you face with an ECP loan? Suggestions to improve ECP (other than lowering interest): loan size, maturity dates, partial collateral (cash or asset). Give examples. (What would you like to use it for?).

5. What other sources of credit are available and what problems do they entail? (i) Other banks (ADB etc.)? Give details of any such loans taken. (ii) Trader-credit? (iii) Local money lenders? (Do you anticipate borrowing in the future? If AKRSP stops lending which source, if any, will you use to borrow?)

6. Have you heard the AKRSP is thinking of making a Bank? Do you think it is/should be a part of AKRSP (i.e. separate from AKRSP’s non-credit activities)? How is it going to different from any other bank? What would you like for it to have?

(F) Enforcement issues:

1. What did AKRSP say the procedure/action will be if you default? Will they give you/VO more loans? How about non-credit help? Will you personal/whole VO’s Savings be affected?

2. (Trust) If we replace your FMU staff with people who don't know you/non-locals, will it matter? Why or why not? Who do you trust more, the actual FMU staff or the institution?

3. (Monitoring) How often does the AKRSP staff visit? Is it too much/less? What are these visits for? Do they look/ask about your business? (remind you of your loan)

4. Why do you/people repay? (If they reply “we have to” ask them about the reasons behind doing so).

5. (VO pressure) ECP is an individual loan. Should we announce/show that you/someone else is a defaulter at the VO meeting. Before going to the VO is it better to first approach the individual?

6. What ways does your VO use to guarantee people pay back a VOCP loan taken?

7. If you've taken or familiar with both VOCP and ECP, which one puts more pressure on you to repay it? (Imagine you have to repay Rs 10,000 ECP and VOCP loans tomorrow but you only have Rs 10,000. Which one would you repay first? Why?)

8. (Formal enforcement) If you have a fight/legal dispute who solves it? What about the local courts/police? What are the problems with them?
9. People default a lot on loans from local banks (ADB, Small Business etc.) but not (as much) on AKRSP ones. Why?

10. (VO reputation) ECP is an individual loan. If a person defaults its between him/her and AKRSP. However, in some villages the VO members also get involved. (Does this happen in your village?) Why does this happen?

(G) Savings/Insurance:

1. What form do you save in (cash or o/w)? (Do you save mostly in non-VO savings.)

2. Why do you save?

3. Do you have any means of formal/informal insurance? (i.e. what happens when you have to undertake large expenditures like marriages, other celebrations, calamities etc. What about village-wide disasters?) Do you have any formal insurance for your business? Is there any need for it?

(H) Marketization:

1. Do you give “udhar” (credit-sales). Is it affected by whether or not you have taken a loan?

2. (Nominal vs. Real interest) Prices increase usually every year and most people are adversely affected unless they can raise their prices/earnings. I want to ask about the effect of inflation of loans. Suppose you borrowed Rs. 100 today and had to repay Rs. 120 tomorrow and prices increased/doubled next year. Would it be easier/harder for you to repay the loan?

3. Is money more commonly used now? Can you still buy/sell by paying in ghee, eggs etc. as much you did a few years ago?

(I) Sustainability:

1. If AKRSP decides to end VOCP and not make saving a requirement for membership, what will you do with your VO Savings? (If they say we’ll withdraw savings then ask what will happen to VO) In particular what will happen to your VO if AKRSP leaves?

(J) To be asked of defaulters only:

1) Why did you default?
   • failure of enterprise (unexpected or expected) so need time. Why failure?
   • non-productive usage
   • failure to monitor on the part of FMU (physical verification of business not done)
   • weak enforcement by FMU
   • unwillingness to pay
• FMU staff made loans to bad individuals (i.e. business feasibility error).
(After asking the above questions from the defaulter, ask the FMU staff what the ‘real’ reason is or try to get at it ourselves.

2) How frequently and in what amounts have you been repaying the default amount?

3) Did others view you differently once you defaulted? Was your reputation at stake? i.e. Does default affect business dealings/credit purchases? Give specific examples? Are there any pressures on you as a defaulter?

(K) Interviewee questions/concerns:

At the end of the interview we asked the interviewee if they had any questions/comments. {Several times the interviewee made suggestions/comments during the interview and they have been transcribed in this section as well}. 
Actual order in which the interview was conducted:

A, B1, B2, C1 (partly), D1, F1, E5 (partly), F2, F3, D2, J1-J3 (defaulters only), C3, F1 (partly), E2, H1, F4, D3, F5, F6, F7, H2, F8, H3, E1, C4 (partly), E3, E4, C1 (partly), C2, D4, E5, C4 (partly), E6, D5, F9, F10, G1, G2, G3, H1, K.

Actual Responses:
{Curly Brackets indicate comments by the interviewer. Parentheses indicate appropriate paraphrasing by us (where necessary) or side-comments made by the interviewee.}

Kharmang:
{The first six individuals were interviewed briefly for a second time as the questionnaire underwent the first few days of unavoidable upgrades!}

*1. Fazil Abbas s/o Mohammad VO: Khar Paeen
{Fazil is the manager of his VO and also the VA for his area. A middle aged guy; seems very shrewd. The first interview was at his shop and the follow-up was in his house} 

(A) Fazil is the sole owner of a general store/cloth shop along the main road in Mehdiabad. He started his business in 1980 and since then has taken three ECPs of Rs 10K, 20K and 100K (95, 96 &97) which were paid back lump-sum by the due date. He claims not to keep any records although estimates his sales at Rs 2.5 - 3K per day and a daily profit of Rs 400-500. He maintains that the 20% interest charge actually results in a loss for him but he is forced to take the loan because he has to keep a large variety of new stock to keep his sales up.

(B) 1. I learnt about both ECP and VOCP through AKRSP staff around 1995.
   2. I was the first one to take an ECP loan in Mehdiabad. In fact I took it in order to create a precedent for the others.

(C) 1. I filled in the form myself. The procedure was very simple to start with and later on they added the ID card copy, President & Manager’s signatures and the two witnesses. However I believe that this isn’t too much and in fact is just the right amount of paperwork. However the problem is that the President & Manager of most VOs still do not realise that they are taking a responsibility when they sign the form. Instead for most of them it is simply an indication of the power they wield.
   2. We don’t have a credit committee and haven’t given out any VOCP so far. {VO Savings is about Rs 40K}
   3. (i) It all depends on the person’s capacity to bear the amount. (ii) Yes.
   4. It should be used for business purposes only because it has a high service charge. Since it’s not so large, small businesses prefer to use it. It should not be used for consumption purposes, could be used for education if it were interest free. Also there is little need for using this for asset investment. Previously people used to get “loans” for marriages by taking say cloth on credit from a shopkeeper.

94
(D)
1. I think the ECP loan is a big risk (for AKRSP); people are repaying quickly to get to the next (larger) loan amount. It could be possible that when they reach the largest possible size {currently 100K} they will default. In fact a lot of other banks may have higher defaults because they give large loans (initially). I would suggest that AKRSP have stricter requirements for larger loan sizes, particularly since they can hardly resort to government/Police action.
2. Yes (loans are disliked) but we don’t have enough resources to run things on our own (w/o loans). For e.g. consider the wastage of apricots. If we had the means (capital) we could cover at least 6 months expenditure just through apricots.
3. “Legally” one should give the ECP in front of the VO but this way fewer people will take the loans (because loans are considered “bad”).
4. {Interviewee was prompted about credit} These loans started in Mehdiabad in 1995. Since then there has been a change as a lot of people have taken ECP several times. Before we thought it was quite bad to take loans and loanees used to hide (from shame) when the creditors from Rawalpindi came. Now I believe that all those who need loans are taking them and the only constraint faced by businessman is a limited market to sell to.
5. Our area has a lot of mutual trust. Cities are different in that people are strangers to one another. {a lot of anonymity there}

(E)
1. The VOCP poses a problem because it requires full collateral and also it is a bit hard to get since it requires the whole VO’s approval. It’s used mostly in an emergency {not clear why}. The ECP is a lot easier to get but then one cannot get a very large loan {not clear why since his VO’s savings were only Rs 40K.
2. This may work but there is no VOCP here. The advantage of this loan would be that it has the entire VO as its guarantor. However, the problem is that all the members will want a loan simply because it was given to so and so.
3. It might work if the service charge is kept the same but not if it’s increased.
4. The main ECP problem is the 1-year period. A longer duration with instalments would be good. The fact that it doesn’t require any (financial) capital is good and should be kept the same. The loan amount limit should be increased but this should be done according to need.
5. (i) Other banks need political backing and one also has to give something (bribe). They require a lot of paperwork as well unlike AKRSP that even went to the extent of making a copy of my ID card themselves. (ii) There are no local money-lenders. (iii) Yes we can get trader-credit from Pindi. Each shopkeeper trusts us with up-to a year of credit w/o any service charge; much better than AKRSP!
6. Yes and it will probably be like the usual banks. I guess it will be separate from AKRSP’s other activities although if there is an overall head then there will be a link to these activities. If you do make a bank I suggest that it be a mobile one or have many branches. Also the same people who head the VO’s should be involved in the bank.

(F)
1. There was a case where one guy defaulted. AKRSP came to his house again and again so that eventually the guy repaid out of shame. Also there was the case of a defaulter (Ghulam Shah) where AKRSP threatened to deduct the default amount from a PPI. As a result the VO put pressure on the individual so that he repaid. If the PPI threat had not been used the person would probably not have repaid.
2. The AKRSP procedure will continue but obviously it will make a difference because they (FMU staff) know us whereas a stranger will stick to too many formalities. Trust does not exist between strangers.

3. Two-three times/week. They look at businesses before giving money and go door-to-door for loan recoveries. Even so 90% of the loanees deposit their loans directly at the (AKRSP account in the) Bank.

4. Firstly in order to get to higher loan sizes & maybe default then! This area is very religious and so one’s own conscience will not allow one to default. If a person has the money he will definitely repay. Also loans shouldn’t be given for non-business purposes so they should be carefully monitored. One should make the President & Manager legally responsible and after that the VA and FMU accountant should also be held responsible.

5. If the ECP was given secretly before then this will be pointless since the VO wasn’t informed earlier. If however the VO was informed at the time the ECP was given then such an announcement will make a difference because of reputation effects.

6. We would look at the person’s ability before giving out a loan.

7. The ECP. Amongst the villagers there is “lihaz” (leniency/respect) for one another and so one can delay repaying them. Strangers should be repaid first.

8. Usually the VO solves such problems. Bigger problems are solved by the elders and only as a last resort does one go to the Police {a policeman present during the interview added that very few people actually reach that stage}.

9. Its the same loan size issue which I talked of earlier. The ADB gives loans to the rich and powerful who then don’t repay; it is the poor man that is afraid of the law. In the SBC one cannot get a loan w/o the backing of an MNA. If AKRSP also starts giving out large loans then it runs the risk of attracting such rich people too. {Fazil here mentioned a case of an influential friend who asked him to get an AKRSP loan. Fazil “encouraged” the person to look elsewhere since these AKRSP loans were just too small}.

10. Skipped.

(G)
1. I save mostly in the bank and post-office. Richer people usually save in land, houses etc.
2. For weddings, health emergencies and education etc.
3. There is life insurance here but I haven’t asked about it. Yes, AKRSP should provide insurance for businesses. {Fazil seemed to regard this as quite important}

(H)
1. Udhar depends on the customs in an area and here it will keep on going. Thos who care about there business will recover their udhar regardless of whether they are loanees or not.
2. {He seemed to misunderstand the question } Even if prices are higher we are unaffected since we are detached from the market changes. We simply sell our items based on the original cost we bought them at.
3. Yes people do use more cash now, however credit sales will not cease.

(I)
1. People think of the VO as their own and not AKRSP’s. They (AKRSP) simply taught us a way/tools and we work for our own benefit. If the VO were theirs we wouldn’t be working in it. For those who want progress the VO will survive after AKRSP. However those who only wanted to get the PPI will leave and in that case the VO will collapse. {Here Fazil mentioned that some religious leaders had said that co-operating w/ AKRSP was forbidden}.

(J) NA

(K)
Fazil would like the VA to be paid a percentage of total loan disbursement in his area, particularly since he also helps in both loan disbursement and recovery.

*2 Hassan Ali s/o Haji Ali  VO: Gones Madupur

{Hassan is a middle aged school teacher who is also the President of his VO. Seems quite enterprising. The first interview was at his workplace and the second at his brother’s house}

(A)
Hassan first took a VOCP of Rs 30K in 1994 at an interest charge of 14% in order to buy a wheat grinding machine. However he realised that there wasn’t a lot of profit in this. As a result he decided to set-up a workshop to saw construction wood particularly since his brother (Ghulam Mohammad) had 15-20 years of carpentry experience. For this purpose he and his brother separately took ECPs of Rs 10K each (early 1996) which were eventually repaid in a few instalments. Then at the end of 1996 he took an ECP of Rs 50K along with an ECP of Rs 20K under his brother’s name and bought three wood cutting machines at a total cost of Rs 105K. While this ECP has been repaid as yet (he expects to have it paid by July and adds that he prefers monthly repayments), Hassan is already thinking of the next ECP in order to buy a generator and its fuel so that his work can continue uninterrupted.

Hassan keeps a daily written record and his monthly net earnings average around Rs 10K. He primarily does construction woodwork (doors, windows), although does make furniture at times. Usually customers provide their own wood and are charged Rs 150/hr. He claims that his machines should last a few decades and so does not include any depreciation costs. Currently three men work at his workshop; he himself, his brother and an employee. According to Hassan they are not too many people around doing similar work.

(B)
1. Some members had already taken ECPs so I had heard from them and I was also informed about it in a VO meeting.
2. See response to (B)1.

(C)
1. I didn’t have to do too much paperwork. There was a form and I had to give a copy of my ID card. I was also asked about my business and savings.
2. We don’t have a credit committee. We look at loan usage (don’t give loans for consumption purposes) and the loan size we give depends on the existing value of the business and the individual’s ability/talent. We also consider whether the person is honest.
3. (i) Depends on the capacity of the business (ii) It makes no difference.
4. I prefer to use the ECP loan for buying machines (and don’t like the shop business). No credit should be provided for consumption purposes.

(D)
1. I am not sure why but my guess is that people didn’t realise before that one could get loans so easily.
2. In reality a loan is very bad if not used properly. If used properly (for business), it’s not as bad as people say. For example I just went to rent a thresher and found out that they charge Rs 200/hr. If I get a loan I can buy my own thresher and pay back the loan in just a month.
3. It makes no difference.
4. {prompted about ECP} Yes, we thought of loans as bad before. There wasn’t a large change in thinking with the VOCP since the usage wasn’t as large (wide) as with the ECP.
5. There is a lot of difference. For one there is a lot more teaching/learning in cities. There is greater co-operation in the village because there are fewer people here; in the cities one doesn’t even know one’s neighbours. There is no change in unity within the village.

(E)
1. With the VOCP loan I felt a pressure to repay earlier because my borrowing had precluded someone else from being able to borrow.
2. No, the ECP loan is better because its easier to recover since its hard for us to get money out of our own villagers. However, the President & Manager should have a say in who gets the loan.
3. Yes but only if its given at the same interest. (Even a 1% increase for two years is not acceptable).
4. The loan procedure is fine. A person should be allowed to borrow only up-to his capacity.
5. (i) With other banks there is a lot of paperwork. One has to register one’s land with the “Patwari” and so on and so forth. (ii) Yes but one can only get this in small amounts. (iii) I don’t have access to any such lenders.
6. I heard something last year but not much.

(F)
1. By legal right they can take the money (loan). The loan guarantors can be taken to court as well. Yes, it is written in the forms (for ECP) that they can take a person’s (and not the whole VO’s) savings.
2. It won’t make any difference as we’ll continue to follow the rules. Generally speaking I trust the staff of an institution more.
3. Around 8 times/month. They tell us about our repayments and ask about our work and about the loan.
4. You have to repay; it’s someone else’s money so it has to be paid back. If I don’t repay then I’ll have to face the court and my reputation would be ruined. Since eventually one has to repay anyway, why not repay on time and save oneself all the trouble/shame.
5. Yes because then the whole VO will put pressure on the person and he will then probably repay.
6. We rely on trust as we only give a loan to the person we trust. Since we know all the people here we can identify the troublemakers and not give them the loan. If there is still a repayment problem then we can (legally) sell the person’s property.
7. The ECP so that I can get another ECP and then repay the VOCP!
8. We have a committee to solve such disputes. Even if the matter goes to the police we try to bring it back to the committee.
9. I haven’t thought of this before so I am not sure. {The FMU accountant then prompted a bit} Maybe its because the ADB notifies one about the loan infrequently but is very quick to take one to court.
10. Because the VO loses its reputation with AKRSP (if a person defaults) and in future it will not get any help from AKRSP (in terms of future loans, training etc.).

(G)
1. My savings are mostly in the bank (only about Rs 3K in the VO).
2. {He saves primarily for precautionary motives}. I also save for my business so that I won’t have to take loans again.
3. I have (State) life insurance. One can get insurance for machines as well but I have not felt the need for it.
1. Yes I give udhar but it’s usually for only around 1-2 weeks so makes no difference on my loan repayment.
2. It makes no difference. Actually it (inflation) makes things worse. {he seemed unable to separate the effect from his real income decrease}
3. More cash is used now.

I will put my savings in my bank. The VO will exist w/o its savings. It will continue to make the collective decisions that it does not (public grazing and collective repairs). {When prompted he said they’d had around 8-10 meetings this first 6 months of the year}.

*3 Mohsin Ali s/o Hasan  
VO: Tolti I

{A young person. Very respectful and a bit hesitant/shy especially in front of others. The first interview took place at the FMU office and the second was initially at his workshop but then moved to the FMU office since he seemed uncomfortable in answering in front of others.}

Mohsin owns an Auto workshop right in front of the FMU office in Kharmang. He also supplies diesel and has a welding set-up at the same place. He learnt his trade from Skardu and then opened his workshop.

He began his shop in 1993 with a pump and welding equipment that he’d bought for Rs 4.9K. As his business spread he took a Rs 25K VOCP loan at 15% in 1994 and repaid Rs 28K by the year end. He added Rs 9K from his own pocket and went to Pindi to buy a puncture repairing machine, a motor and a grinder. In 1995 he took an ECP loan of Rs 10K and bought spare parts from Pindi (His brother works in the local transport service, NATCO, and so is responsible for the actual procurement/transport). Mohsin repaid this loan in monthly instalments with a total service payment of Rs 1.5K.

He then took another ECP loan of Rs 30K in particular to buy spare parts for the AKRSP vehicles, since, at the RPO’s encouragement, AKRSP became his regular customer. This loan was again repaid in monthly instalments within 8 months.

Mohsin earns around Rs 8K a month and since he is reinvesting his earnings he is currently in no need of any further loans.

1. The FMU called a meeting of the local business people and told us about the ECP loan. For the VOCP I was told by our VO that if we deposit Rs 1K we can get a loan of Rs 2K so I deposited Rs 12K and took a VOCP loan.
2. After my success with the VOCP loan I took I realised I could take (repay) loans and so I took an ECP loan.
1. I came with my VO manager (who vouched for my membership) to the FMU office. My manager filled the form and it posed no problem. They asked about my work and also saw my shop. The next loan was easier since I better understood the loan terms. Now when I need money I simply take the form to my manager. Getting a loan is only a problem if a person doesn’t already have a business. If he doesn’t know how to run the business that isn’t a problem since the president/manager will help him.

2. We don’t have a credit committee but need the approval of our President & manager who gather the VO when deciding on a loan. Also we give loans only to existing businesses.

3. (i) One should take according to ones capacity (then there’s no problem) (ii) The first time I took a loan I found it a bit difficult (to repay) but it got a lot easier subsequently.

4. It is best to use the loan for working capital needs. For investment (asset) one should have one’s own capital since it is hard (slow) to repay from asset earnings. Loans should be for business/agricultural purposes. Consumption loans should generally not be given although maybe they can be given for house building but not for weddings.

(D)

1. Earlier on people used to take agricultural loans from the government. There are a lot more businesses now and we told other shops about AKRSP so that the news (about their loans) has now spread (widely). One is not afraid of taking a loan if one is hardworking. Those people worry about loans that take it for consumption reasons. We can never get a loan w/o showing our business.

2. If the loan is used for one’s business then people don’t think like this.

3. Yes because there is no point in taking the loan secretly.

4. Nowadays people only think of money (that is not good); when I run a business others look at me and say he needs money and may even take a loan {not clear on what Mohsin meant by this}. The future looks good since no business has suffered (any losses) so far.

5. The smaller our village is the narrower our thinking. We can only think of businesses on a small scale. I believe there is greater co-operation in the city because people have to work together there. There is too much politics in the village {apparently there has been some conflict in his VO recently}.

(E)

1. I prefer the ECP loan because I can repay it in monthly instalments. In fact someone asked me about getting a loan of Rs 40K and I told him not to take the VOCP loan since even though the ECP loan charge is 20% its easier because it can be repaid monthly.

2. Normally going through the VO would be better if the President/Manager is a nice person. However in today’s politicised times it’s probably better not too.

3. The other day we had a meeting in this room (FMU office) with lots of big businessmen present who were asked for their advice. We were told that we should think of expanding to different cities as well. We made three suggestions in the meeting: (i) The loan period should be extended to around 2-3 years (not too much because then it won’t be repaid) (ii) the service charge should be decreased (iii) Introduce us to and give us training from these bigger businessman you talk about.

4. The current level of paperwork is fine. See E3 above for more.

5. (i) These loans involve a lot of paperwork and bribes. Either you need to know the staff or you need a “sifarish”. (ii) We can get trader-credit for up-to 3 months at no charge. If there is a longer delay they send us a notice that they are coming to get their payment. (iii) There is some local lending but I don’t take it.

6. I haven’t heard anything about such a bank.

(F)
1. We have loan guarantors who tell us to repay the loan. AKRSP talks very gently with us w/o any severity unlike the government loans that are a lot stricter. AKRSP also notifies us before the due date. The president/manager sign the form and so, along with the two witnesses, they are all guarantors of the loan. If the person doesn’t repay, his due amount will be deducted from the VO’s total savings. As such the VO puts pressure on the person to repay.

2. If the new person works well then it makes no difference. However a stranger/non-local is less likely to do so. The good thing about the AKRSP staff is that they aren’t involved in (local) politics and work genuinely everywhere. I trust the staff more.

3. Two-three times/month. They advise us about business.

4. Firstly due to religious reasons. Also I simply don’t like to have a loan due on me. There is also an issue of individual reputation (the manager tells us to repay o/w our reputation is at stake) and of trust between the FMU staff and us. The problem with loans is that when a person dies the burden of the loan is passed on to his children. The only problem in repayment occurs if the person’s work is not so good (as such a loan should be made only up-to 50% of the business’ worth). The loan money can never be forgiven although one might be able to make allowances in the repayment date.

5. Yes the president/manger can hold a meeting to tell the whole VO since it is their right to know if they lose face (because someone defaulted).

6. The guarantors are informed of the default and they put pressure on the loanee.

7. The VOCP puts more pressure on one because it can only be paid at the end of the year unlike the ECP that can be repaid in instalments. {it seems he misunderstood the question}

8. The sensible (people) go to the religious leaders or village elders. If one goes to the police at times they are sent back to the elders again.

9. Those loans are usually 5-10 years and in much larger amounts. A good businessman can repay them but only if he doesn’t suffer a loss. When the loan period is long people forget about the loan and get careless. AKRSP loans are smaller and only last a year so they are always in one’s mind.

10. Only the president & manager should be involved since they guaranteed the loan. If anyone else gets involved it’s probably due to some personal conflict with the loanee.

(G)

1. I don’t save; just reinvest in my business.
2. For business reinvestment
3. I have (state) life insurance myself and while one can get business insurance I don’t feel the need for it.

(H)

1. One cannot do business w/o giving udhar. I give it on a monthly basis to those who I think are able to repay.
2. It may make a difference to labourers but not to us businessman since we just sell at a higher price.
3. Mostly cash is in use now.

(I)

1. My own VO savings are around Rs 2.5-3K. The VO will use its savings to use for the “kool” (water channel). If AKRSP leaves we will still work on our kool. We’ll try to set-up a contract with the government or some other NGO because otherwise the VO won’t be able to survive. I don’t think people will save in the VO of their own accord since they prefer to invest in their business.

(J) NA
Mohammad Hasan s/o Ghulam  
VO: Gidiakhdo

(A) Hasan owns a general store along the main road, right in front of the MDS (medical centre run by the army). He started his shop in 1985 and in June 1996 he took his first ECP loan of Rs 10K in order to buy stock for his store. This was repaid lump-sum within 11 months. He took another ECP worth Rs 20K in June 97 and also used it for stock purchase. Although the AKRSP staff come often he still prefers to repay in a lump-sum and intends to do the same for his current loan by not buying any new stock a month or so before his loan is due. He keeps a written record of his sales and estimates an earning of Rs 4.5-5K/month.

(B) 1. I heard about the ECP from AKRSP staff during a VO meeting. We still haven’t got a TDR so there has been no VOCP loan given so far. {Their VO saving is around Rs 130K}
2. I looked at others who had taken an ECP loan before me and found that they were making a profit (after paying the loan charges etc.)

(C) 1. The FMU staff came here (Gidiakhdo) and the manager filled in my form. They already knew I had a shop. They needed president/manager’s signatures, witnesses, a copy of my ID card and also asked me how much capital I had invested in my business; If they don’t ask that then people may borrow w/o any limit.
2. NA {no VOCP given}
3. (i) Even a large loan is fine. (ii) It gets easier the second time around.
4. AKRSP told us that it could only be used for (working capital) needs. I asked the manager and they told me that the VOCP loan was not available so I took an ECP loan. The loan shouldn’t be used for consumption use.

(D) 1. I didn’t know about the loan (ECP) before. {Another person present at the shop added that people were a bit afraid before}.
2. Who says this (i.e. that taking a loan is bad)? I got a loan from AKRSP because I couldn’t run my store w/o it. It’s (the loan) is not good but it’s a necessity.
3. No. There is no need for others to know that I have taken a loan.
4. There is no difference in thought {he had a lot of trouble answering this question}. Before we used to carry only salt but now we have a lot of items in our stores. Women have also started studying. There is nothing bad (except the societal effects created by AKRSP women coming here).
5. In a way there is no difference because we all have to work. I think of this village as a city since my family is here. City dwellers are cleverer. There is greater co-operation in the village because there are fewer people here. The VO solves our disputes so that we don’t have to go to the courts.

(E) 1. We don’t have the VOCP loan as yet but I prefer it due to the lower service charge on it.
2. It makes no difference whether the loan is though the VO or FMU staff.
3. I won’t take the ECP loan anyway in future {he seems to be quite fixated on the VOCP credit window}.
4. No suggestions except that I would like to get a loan to buy a tractor.
5. (i) There is a long wait for these bank loans and one has to go to Skardu. With AKRSP it’s door-to-door delivery. (ii) No I have to pay in cash. (iii) Neighbours and family do give loans and w/o any charge but I feel uncomfortable in taking such loans.
6. No.

(F)
1. If I default on my ECP loan they (AKRSP) will deduct it from my VO savings {he thinks the ECP is fully collateralized}.
2. It makes no difference. They (the staff) are all doing AKRSP work so it doesn’t matter who comes. I trust AKRSP more.
3. They come 4 times/month and ask about how VO meetings, poultry, nurseries etc. They also ask about the profitability of the store.
4. It (loan) is someone else’s so it has to be returned. If I don’t return it then there will be problems in the VO; the villagers will talk badly of me.
5. Yes because then the VO will give me a “danda” (i.e. will pressurise me).
6. NA
7. {He doesn’t seem to know the difference between the two (VOCP and ECP)}
8. I solve them because I am in the union (council). There is no need to go to the police.
9. AKRSP only lends to those people who save in the VO. An ordinary man is not able to get a loan. This whole procedure causes the VO to save.
10. Yes the VO members interfere because they are afraid that they might lose their VO savings.

(G)
1. {He seems to have bought some land for about Rs 35K but he is unaware of how much his VO savings are.}
2. I save for my children (inheritance), for weddings, health and deaths etc. AKRSP tells us to save and then gives us a lot of things (projects/training), so we save. Also one cannot be a member of the VO w/o saving. {he was prompted on this question}
3. We do have informal insurance. The villagers pay the person and then he slowly pays them back. People also help others in building a house (if it were damaged).

(H)
1. I give udhar and it makes no real difference. I know it makes things hard if I am a loanee but we have to give credit in business.
2. Inflation doesn’t make a difference since we just sell at higher prices. It is a problem only due to the (lack of) profitability of the business.
3. Mostly cash is used although there is some “ghee” (oil) and wood given at times.

(I)
1. My own VO savings are Rs 900. I’ll put them in the bank as a TDR together with the other VO members. The VO will stay even if AKRSP leaves as it will solve disputes and earn a return on its deposits. We have made the VO not for AKRSP but for our own future.

(J) NA

(K) NA
Baqir took his first ECP loan of Rs 10K in 1996 for his poultry (layer) business. He returned the loan lump-sum after three months and earnt a profit of Rs 7K. The next Rs 15K ECP loan, used to get layer chickens, was also returned lump-sum, this time in 6 months and for a Rs 10K profit. Baqir says he prefers to return in instalments since it is hard to collect such a large sum all at once. He had previously paid the loan back in one instalment because he had not been aware he could do otherwise.

Recently Baqir has taken an ECP loan of Rs 30K and with his own investment (Rs 25K) he has taken over a local hotel (he paid Rs 32K for he hotel and used the rest of the money to get items for his hotel). He keeps a written record of his business and currently employs two persons (including himself) at a monthly salary of Rs 1.5K. It is interesting to note that Baqir includes his own salary as a cost {opportunity cost ideas} and after deducting that estimates his net profit to be around Rs 5K.

1. I went on an animal husbandry (goat vaccination) course to Skardu in 1993 and learnt about the loan then. I heard of the VOCP (loan) then as well. The ECP loan only requires one to present an individual request.
2. I was the first person in my village to take the ECP {AKRSP records show he was the second} and I took a small amount in the beginning to experiment.

The FMU accountant came to a VO meeting in order to give loans. Our president filled out my form. I had to give a copy of my ID card, which was a bit of a problem since there was no copier nearby. They asked me why I needed the loan and whether I had prior experience. I was asked the same the second time I took the loan and this third time they asked about and saw my hotel as well.

1. The amount makes no difference. It’s just that paying lump-sum 1-2 weeks before the due date hurts the business. (ii) Didn’t make any difference when repaying.
2. One can buy cows, goats and land (consumption use) as the loan can be repaid by (other) work.
3. Before people’s fights used to get resolved by resorting to the police. Now they are settled in the VO. Also people like to earn money now. They had the same desire before but lacked the opportunity.
4. City people are more sensible. Here in the village people have to be told what to do. Cooperation has increased in the village due to the VO; before there were fights and the VO now solves them.
(E)
1. NA
2. No because some villagers may have a problem (with your receiving a loan). With the ECP loan one does not need to get their (villagers) approval.
3. {He prefers a three-year loan since that way he won’t have to waste as much time in depositing the money. Not quite clear why this is true though.}
4. There is no problem with the (ECP) loan size. The period may be made longer. {He doesn’t seem to know the difference between the VOCP and ECP loans}.
5. (i) One needs witnesses, a copy of one’s land and the “patawari” needs three chickens! The conditions are harder (ii) I don’t take on any trader-credit even though its available because it’s inconvenient to repay it afterwards. (iii) No local moneylenders.
6. I’ve heard about it. I will now be able to put my deposits there (in the AKRSP bank).

(F)
1. They (AKRSP) said they would cut the amount from our savings and will increase the service charge, if we default on the ECP loan. They lectured us more and told us we wouldn’t get anything else {multilateral trading relations threat?} (in case of default). {He seems to think that the ECP loan is fully collateralized}.
2. I knew the AKRSP staff from before however it won’t make a difference (if one has the papers) if they are replaced. I trust AKRSP more. Wazir (FMU accountant) can’t forgive the loan whereas AKRSP can. All the work done is due to the organisation and not its staff.
3. Two-four times/month. They ask about the business and see how it’s going (profit/loss).
4. One has to repay the loan. Otherwise AKRSP will cut the VO savings. Also even before the defaulter faces AKRSP he is answerable to the villagers.
5. Yes because then the VO will put pressure on him. However it is better to approach the person first.
6. NA {no VOCP given}
7. NA
8. The VO decides. We never have to go to the police.
9. Other banks have fixed instalments and they send the police even if one is a few days late in repaying. They also have a large late repayment charge.
10. If a person doesn’t repay then the VO puts pressure because that one person is ruining their reputation. People want to keep the village “clean” (of such disagreeable matters).

(G)
1. One should save in all forms but it is best to save in land. {He doesn’t know his VO savings}. Most of (my) savings are in land because you can get grass (fodder), wheat, vegetables etc. from it.
2. I save for weddings and health expenditures. {when prompted} Yes, I save in the VO to become a member and in order to get a larger VOCP loan (Although his VO does not have a VOCP. He also seemed to mention some sort of collective savings motivation but was quite unclear on it}. 
3. There is life insurance but I don’t have it. Maybe if I try I can also find out about business insurance.

(H)
1. This doesn’t pose a problem for me since I only give monthly udhar.
2. It makes no difference, as I don’t feel the pinch of inflation. {He was unable to look beyond the income/earnings effect}.
3. More cash is used than before because prices are higher.
1. We will consult the VO as to what they want to do with the savings. If they have no need for them then we'll withdraw them. People now realise the advantages of the VO in that it solves disputes so that they will continue it even if AKRSP no longer remains.

(J) NA

(K)
During the course of the interview Baqir mentioned that they face lots of problems regarding not being able to deposit regularly since there is no bank nearby. {The nearest bank is probably the branch in Tolti, which is around an hour and a half by jeep}.

*6 Abdur Rahim s/o Ali Muhammad       VO: Rzong
{A young/middle aged man. He is the VO manager. He seemed very busy during the interview and was not very attentive/co-operative. We visited him both times at his medical store}"

(A)
Rahim works as a dispenser at the local hospital during the day and then runs a medical store in the afternoon/evening along the main road running through Mehdiabad. He took his first ECP loan of Rs 10K in Sept. 1996 and, with an additional Rs 25K from his own pocket, he bought medicines for his store. The loan was returned lump-sum in 8 months and a next ECP loan of Rs 20K taken. Like before he added Rs 25K of his own and used the total amount to buy more stock. He rents his shop and says he makes a monthly profit of around Rs 2.5K.

(B)
1. Around 4 years ago there was a workshop in Skardu where the GM told us about the VOCP and ECP loans. Our contact with AKRSP remained limited till they made the irrigation canal (PPI). After that we decided to start taking individual benefits from them.
2. I looked at others but as the manager I decided that I would set an example for others {AKRSP records show he was the fourth person in his VO to take a loan}.

(C)
1. I took the loan during a VO meeting. I had no problem in filling in the forms. Although though my shop did not exist before, I simply used average estimates (of costs and revenues). They also required some signatures and witnesses. The second time round was easier than the first.
2. NA {no VOCP given}
3. (i) It won’t be hard (to repay a loan amount) because now my store is fairly established. (ii) It gets easier because one is mentally better prepared.
4. It can be used for home expenditures and then repaid from one’s salary. {He thinks the loan can be used for investment purposes too}

(D)
1. One or two people (here) were unemployed so they thought of running a business. They took courage and took loans. Earlier on people were afraid and so very few took loans. Once we developed relationships (with AKRSP) we started taking loans. We also looked at the Kachura VO (Skardu).
2. Those people (who dislike loans) haven’t entered the practical sphere of life. Those who run businesses don’t say this and as such businesses increase this thought will become less common.
3. As a matter of principle one should do so because then everyone will know what’s going on within the VO. People should learn from other’s successes/failures.
4. Naturally (people’s) thoughts change. There is more awareness towards one’s development now. People don’t want to be a burden on anyone else (and they accomplish this by saying running their own business). Now the reason to study is not only to get a good job but also to develop oneself. As people become less dependent they will obviously be more proud {negative effect?}.
5. There is a difference in education. More luxuries and facilities are available in cities although it’s more expensive (to live) there. I would like it if our village became more like the city {He primarily focused on material differences}.  

(E)
1. NA {He claimed not to know about VOCP despite having said otherwise in B1 above; it seems he was in a rush to get done with the interview}.
2. Going through the VO will make the loan easier to get but it will increase the default rates as it is hard for us to get money (repayment) out of our own people.
3. Yes, I would like to have the loan for a longer period even if it means accepting a slightly higher service charge.
4. Usually people want a longer loan period; at least about 4-5 years.
5. (i) The problem with ADB is that they don’t give small loans (which I need as I only work part-time). I haven’t thought/asked about the other local bank. (ii) I buy from Skardu and pay them up-front. I haven’t asked about getting credit from them. (iii) Yes but I am not at that stage. I haven’t thought of taking such a loan as yet.
6. Yes I heard about the bank at Kachura (Skardu). It (the bank) will be an internal affair because getting others creates pressures {he was possibly referring to the fact that the bank will cater to VO members but the interviewer is unsure on this}

(F)
1. They (AKRSP) made no threats. They said there would be an extra surcharge in case of default and we would not get any further loans. If the default remains for a long time AKRSP may take our VO savings.
2. It all depends on the individual’s personality (i.e. whether it can influence people). A local man is better because he knows us mentally and is more aware of our conditions; he explains things more gently.
3. Three-four times/month. They come to meet the members at VO meetings but don’t say anything till someone is about to default.
4. It is one’s duty (to repay). Otherwise the VO members will suffer (lose their VO savings) and not be able to take any further loans. We won’t be able to undertake large projects, as we will develop a bad credit history. One also repays so that one may be able to get another loan.
5. Yes, because that way others may learn from the defaulter’s mistake and not do the same.
6. No VOCP has been given in our VO and people don’t know about it. AKRSP didn’t stress it (the VOCP) as much.
7. NA
8. The VO and village elders solve any disputes. There is no need to resort to the police/courts.
9. AKRSP rewards us (for not defaulting) with prizes such as PPIs (they have a large development network). We return loans and then reap the benefits. The government doesn’t give us such benefits. The Co-operative bank and ADB are now trying to compete (with AKRSP) with their loans. They have a 5 year loan with two repayments (the first three years
they charge a high interest and then a low one for the next two) specially designed for VO level projects. AKRSP is ahead in this competition as they are more careful in giving their loans. The ADB gives larger loans and it has the advantage of having an interest free first year.

10. It is because it is an AKRSP custom that everyone should help the other. If there is default, the president & manager are responsible to get the repayment. The VO risks losing its reputation (due to the default) and so will pressurise the person to repay and if need be may even pay on his behalf and then slowly recover the loan from him.

(G)
1. We buy land, animals, grass and wood etc. The VO savings are less because we are following the rules {not clear what rules he is referring to but their VO might have some equal savings rule}.
2. I save for future improvement. (If you save an egg now you can eat two in the future). Also one needs to save for children’s education, old age and in order to leave a bequest {he gave some precautionary savings motives as well}.
3. NR

(H)
1. I don’t give any credit.
2. It won’t make any difference because I repay the loan in regular instalments. {He does seem to link inflation with a decrease in purchasing power as he said that if there were initially high inflation then his loan would be “worth” less}.
3. The sales are mostly in cash. People try to produce more at home and so fewer people now go to the general store.

(I)
1. We will continue saving collectively and remain in the VO. It will be pointless if we split since our (individual savings) will end in a few days. Possibly our VO’s name will change (as we’ll no longer be using the AKRSP letterhead) but the VO itself will remain and do welfare work. We will establish contacts with other welfare organisations and maintain our savings. {When prompted on free-rider problems he mentioned the following example}. We had a problem when making the kool as one guy didn’t agree on it since his land wasn’t benefiting. However we explained to him that, while he may not gain at present he stood to benefit a lot in the future (from other VO projects etc.). However it’s probably unlikely that the VO will give out loans from its savings.

(J) NA

(K) NA

*7 Mohammad Amin s/o Mohammad Bilal VO: Rumbokha
{A middle aged man. He was interviewed in his shop}

(A) Amin owns a general store and is a government flour dealer (he receives a commission of Rs 25/bag sold). He took his first Rs 10K ECP loan in Sept. 1996 and with Rs 30K of his own he
bought 70-80 bags of flour. This loan was repaid in two months and in Jan. 1997 a Rs 20K ECP loan was taken and together with Rs 10K, 60 bags of wheat bought. Amin returned this loan in three months and in March 1997 he took his third ECP loan (Rs 50K). He has used Rs 28K of this so far to buy 32 bags of flour and 18 bags of rice and he still has Rs 22K in order to buy items for his general store.

(B)
1. I went to AKRSP myself. Around June 1996, I had seen someone in my village who had taken such a loan and I found out from him that AKRSP provides loans for businesses as well. There is no VOCP here {at least he doesn’t know about it}.
2. See B1 above

(C)
1. They required a copy of my ID card and I filled the form myself {he’s passed his matriculation exam}. I showed my store before I received the loan check. They asked about my business and how it was doing (besides they know about my store). It got easier (to get the loan) subsequently as I learnt how to fill the forms.
2. NA
3. (i) It is easier to repay a small loan since it is hard to collect a large amount. (ii) It gets easier to repay the loan the next time since by then one’s business has expanded.
4. One can use it for poultry farms, to increase the size of one’s hop etc. One should not give loans for marriages as one should use one’s own savings for that purpose.

(D)
1. It was a problem to (get loans) from other banks before (AKRSP). Now people trust the FMU staff.
2. It’s all right of the loan is taken for business usage. One should take a loan only up-to one’s capacity.
3. Yes it’s good because others will then learn (about loan usage).
4. People are happier now because we have roads, hospitals and schools. {He did not seem very forthcoming in answering}
5. City people are cleaner and more educated. We are becoming more like the city since villagers go to the city and then return to change the village.

(E)
1. NA
2. Not asked.
3. It’s is better if they (AKRSP) provides longer term loans (at least up-to 5 years) even if the service charge is a bit higher (e.g. 22%)
4. There are no problems except that the loan period should be extended.
5. (i) ADB requires land titles and so one has to go to the patwari. (ii) No. In fact the government requires a cash advance when I buy flour from them. (iii) Yes, but one cannot always get such (interest-free) loans.
6. I have heard nothing but it would be good if the bank had a branch here or in Tolti (Kharmang).

(F)
1. I don’t know the rules. (In any case) they (AKRSP) will take their money (loan). I don’t know what will become of my VO savings (Rs 1.2K) if I default. While they didn’t say so, (I believe) they won’t give any more loans/other help.
2. It’s usually makes no difference although it is better if you know the person since then he is better able to understand our condition and trusts us.
3. One-two times/month. The visits depend on the amount of work. It’s good if they come more often. They come to see our program and (when they visit me) they see how my business is faring.
4. I took the loan for my business so I have an agreement (to repay). If I don’t repay then I won’t be able to get another loan the next time I need one. A Rs 50K (loss) poses no problem for AKRSP but I won’t be able to get even Rs 10K subsequently. Also my reputation with the villagers would be ruined.
5. Yes, because the VO’s reputation is at stake and one should learn about such (default) cases.
6. NA
7. NA
8. The village elders decide. We don’t go to the police/courts.
9. One has to repay right the loan at the end with other banks. Also they compound their interest payment. (Otherwise) apart from this compound interest and a larger loan size there is no difference between AKRSP and other banks.
10. No villagers get involved; the matter is solely between AKRSP and me {he was a bit vague in his reply}. 

(G)
1. We mostly save in trees and land. The majority of what we save is outside the VO. The advantage of VO savings is (the resulting ease) in getting a loan. Since the VO savings are kept separate (i.e. one knows one’s personal contribution) there is no conflict. In fact cooperation between villagers increases as we get projects (PPIs) and other help from AKRSP.
2. For weddings and other precautionary motives.
3. During weddings we bring items/gifts for the family.

(H)
1. Not asked.
2. I will have a problem due to inflation as it will hard to save up money to repay the loan.
3. Yes more cash is used now (particularly by government servants).

(I)
I will invest my VO savings in my store. There will be no VO w/o AKRSP. This VO exists on account of AKRSP.

(J) NA

(K) NA

*8 Rajab Ali s/o Mehdi VO: Goma Shagharan
{A nice and co-operative middle-aged man. He has an equal share in *7’s store. He was interviewed in *7’s store.}

(A)
Rajab had been operating a drill machine owned by someone else since 1994. He estimates daily earnings of Rs 700-800. In 1996 he took his first ECP loan of Rs 10K and, with an additional Rs 25K from his own pocket, he bought the same drill machine he had been using. He returned the loan in three months and took out a second one for Rs 20K out of which 18K was used to put a new engine in his drill machine and Rs 2K was used to buy meat for the general store. This loan was repaid in three months as before and currently Rajab has taken an ECP for Rs 100K. He used
this to buy 100 bags of flour and of this amount Rs 20K has yet to be spent (also items for the general store). Rajab says he needs Rs 400-500K in order to buy a compressor machine {used in breaking rocks}.

(B)
1. I heard about it (ECP) several months ago and I asked someone how one goes about getting the loan. {He doesn’t know anything about the VOCP Loan}.
2. I asked an old ECP holder about his experience.

(C)
1. My manager filled in the form and I took it to the FMU and they issued me the check. The only problem was making a copy of my ID card. The FMU staff knew about my drill machine. The next time around the process was easier since I had already dealt with them once.
2. NA
3. (i) It makes no difference (ii) It gets easier.
4. One can also use the loan for investment in public goods. Maybe for making a house as well but then that may cause a problem in repayment (as one won’t sell one’s house). Generally for consumption use I will use my own savings.

(D)
1. People were afraid earlier on. They used to think that taking a loan is bad. Now they think it’s actually good.
2. If someone (mocks me) by saying he is a loanee I reply that it’s my own loss not yours; in fact it’s their loss.
3. It’s better not to tell the others.
4. We want our kids to receive education now. My father didn’t think like this and so I never studied. People talk badly about loans so its better that they talk well of education. If I had been educated I wouldn’t have taken this loan but would have worked elsewhere.
5. Citydwellers are more educated and they have a lot more resources available. One can do a lot more there.

(E)
1. NA {though he said he found what he heard about the VOCP interesting}.
2. No because it will create conflicts (within the VO) since it is hard to get everyone’s approval.
3. It will be good if there is a 5-year loan but only if the service charge stays the same. Such a long-term loan is best repaid in monthly/half-yearly instalments.
4. See E3 above.
5. (i) They (other banks) send over the police and after all “police is police”; they’ll sell all our land. AKRSP does not do so. (ii) None. (iii) No.
6. Yes. It would be great to have a bank; it would be easier to repay the loans and there would be a smaller transportation cost (for us). These other banks delay us by 10-14 days in cashing the AKRSP check so that they may earn interest on our money. I know of another person (Ali) who had the same problem; He had taken a Rs 100K loan from AKRSP but the bank in Mehdiabad (National bank) delayed him so that it ended up costing him Rs 1.5K. The AKRSP bank should have a convenient branch (Tolti is fine).

(F)
1. They (AKRSP) didn’t say anything much; just that if we return the loan on time we could get another one. {He also indicated that AKRSP might withdraw their non-credit support in case of default}. If I go into default then AKRSP can take my VO savings.
2. It is better if the staff is local because otherwise the trust we have developed will end.
3. Two-three times/month. The more they come, the better. They come to give advice and check on how I am doing. It’s forces me to keep the loan in mind.
4. If I default it will create a conflict between AKRSP and the VO and the latter’s reputation will be affected. AKRSP may bother our VO and the village will put pressure on me (to repay); I can’t run anywhere else since my family is here.
5. Yes, because our (VO’s) reputation is at stake. It is better to inform the defaulter first.
6. NA {no VOCP given}
7. NA
8. The elders and religious leaders solve disputes. We only go to the police if it’s a serious case as we have to pay (i.e. bribe) them.
9. People take government loans and then don’t work but eat up all the money. The AKRSP loan has to be returned in a year otherwise they (AKRSP staff) keep on coming (for their recovery). You can escape the government but you can’t escape AKRSP!
10. I don’t know since there has been no default here so far.

(G)
1. My own VO savings are Rs 2.5K. I save mostly in land, goats etc. One saves in the VO to get benefits from AKRSP (non-credit ones as well).
2. For my old age, marriage and health expenditures etc.
3. If there is a collective problem (floods etc.) so that normal informal insurance fails we will ask the government or AKRSP for help.

(H)
1. Loanees give less udhar as they have to repay their loan as well.
2. {He gave an interesting scenario;} If there is inflation but we have to repay the loan (in a lump-sum) then we will be forced to sell our stock cheaper (to quickly come up with the loan amount) and so we will actually lose (out on the profits we could have made). The advantage of inflation is that we can sell the same stock at higher prices.
3. Mostly cash (is used).

(I)
1. I will take out my money (in the VO) and reinvest it (in my business). The VO will end because it is linked with AKRSP. They (AKRSP) made it; it’s theirs.

(J) NA

(K)
Rajab also talked about how people were diversifying (their business) a lot. People had never grown potatoes before but they were doing so now.
Also on a slightly different note; at the end of the interview with Rajab, an old man, Fida Mohammad was somewhat critical of AKRSP loans. We were unable to stay and talk with him but I was told by one of the loanees that he was a rival shopkeeper (who hadn’t taken loans because he was old and conventional) and was jealous of how well the loanee shopkeepers were doing.
Another interesting incident that occurred after the interview was with a few young men. One of them was very interested in asking about AKRSP loans. In particular he wanted to know what AKRSP could do if someone defaulted on an ECP loan. When told that he (and his VO) would be unable to take future loans and probably be cut off from all future AKRSP projects/help he smiled and said what if AKRSP had already given the VO their big project (PPI). {We could only smile back!}
Habibullah s/o Ghulam Mohammad  WO: Yorungut I

{A young and well-educated man. Fairly co-operative. He is the (male) manager of the WO. Interview took place at his house in the presence of a fellow WO (Osang) manager, Ghulam Ali.}

(A)
Habibullah is an operation theatre assistant at the local hospital and he runs a medical store and has a share in a transport service. Habibullah initially had a general store which he converted into a medical one after taking an ECP loan of Rs 10K (May 1996) and buying supplies together with Rs 10K of his own. The loan was returned in two instalments of around Rs 6K and Rs 4K in three months. He earns a commission of 12-16% on the medicines he sells. In Sept. 1996 he took another ECP loan, this time for Rs 30K and together with Rs 10K from his pocket he invested it in partly buying a second hand tractor. His partner in the transport service, Ghulam Haider (manager of VO Tazipi Longba), invested Rs 120K (a VOCP of Rs 100K and an ECP of Rs 10K). In nine months Habibullah has earned a profit of Rs 9K from his tractor and has returned Rs 10K of his ECP loan.

(B)
1. I heard about it (ECP) from the previous FMU manager.
2. I was one of the first few to take the loan here. The FMU manager literally “forced” us to take a loan because no one was taking loans here; now a lot of people are.

(C)
1. See B2. I simply filled in the forms. They saw my tractor after having given the loan.
2. We haven’t given any VOCP as yet.
3. (i) There is no difficulty; it all depends on one’s work. (ii) When I first took the Rs 10K loan I was concerned but then I thought I had to return the money so I knew I could do it.
4. It can be used for any sort of business, including investing in machines/shop etc.

(D)
1. The RPO also came here (as) people didn’t know about the ECP loan and it was a long process to get the VOCP loan (get a TDR etc.). People thought that loans were bad because they were hard to return and (in case of default) the police would come.
2. No, because taking a loan is also a way of helping oneself. People used to dislike loans earlier on but they don’t anymore.
3. Yes, because people can see if I succeed and that is could (it will encourage those who still think that taking a loan is bad). If a loanee fails maybe we shouldn’t mention him!
4. There is a positive change in viewing businesses and loans. {He admitted they were negative changes but didn’t mention any}.
5. Skipped

(E)
1. Whichever one has the lower service charge is the better one.
2. Going through the VO will be good because it has a lower service charge (other banks only charge 14%). If (this new loan) has the same service charge as the ECP loan then the latter is better as it goes directly to the person. Otherwise people think that their savings are in a loanee’s business; so it’s better if the loan is not linked to the VO members’ savings.
3. Yes. 3-5 years is a good loan length. If forced I guess even a 25% interest rate is fine.
4. The service charge should be decreased and the loan length extended. The loan obtaining process is fine.
5. (i) These loans involve dealing with the police and run a high risk of fraud (e.g. someone else taking a loan in my name) (ii) Yes. When buying the tractor I paid Rs 140K up-front and promised to pay Rs 20K later on (iii) No, however one’s relatives may give loans.
6. No but I guess a bank is after all a bank.

(F)
1. They said it (default) would have no effect on our VO savings except that we will be unable to get loans and schemes (PPIs etc.) in future.
2. The previous manager was good; personality does make a difference. The current manager’s relative is a politician so this causes some conflict with our village. I trust AKRSP more because one cannot bribe an organisation but can do so with an individual.
3. Once a week. They should come more often (maybe have a branch here). Conveyance is a problem here and (my friend and I both being WO managers, we realise) it is harder for women to go out. The FMU staff talk to us (when they come) and look at our business.
4. There is (the matter of) trust between AKRSP and us. If I didn’t repay (the loan) they would keep on bugging me and my reputation would be at stake.
5. The person should be given (a grace period) of 1-2 months (before going to the VO).
6. NA
7. The VOCP loan puts greater pressure as that is other people’s money. AKRSP will take our TDR anyway {not clear whether this was in reference to the ECP or VOCP loan}.
8. The “panchayat” (village elders committee) first and then maybe the court/police since the problem should be solved internally.
9. We trust AKRSP and not the government. Since we have to bribe the patwari and pay a lot of people (in getting government loans) we will pay them back with problems (of not repaying) too!
10. Yes the villagers get involved because AKRSP is doing good work in the area and the villagers want that to continue. If that good work ends then we will have the same government system.

(G)
1. I mostly save in the co-operative bank. My VO savings (Rs 1K) account for about 1% of my total savings. I don’t like saving in the VO because even though people have unequal (less) savings they demand an equal share in the profits. AKRSP wants us to save. We will get schemes (projects) if we save, as AKRSP will then co-operate with us.
2. (I save) for my own future and to use after I retire. Also for weddings and my children’s education.
3. If someone’s house collapses we help build it. If a death occurs we give grain (to the bereaved family). One doesn’t ask that such help be returned, but one doesn’t refuse if it is. For a village-wide calamity we seek government help. (As such collective insurance may work here).

(H)
1. When I had taken a loan I didn’t extend credit to anyone as I thought I had to repay AKRSP.
2. Inflation has a good effect on the loan since I can sell what I bought at a higher price. {He still doesn’t clearly understand the difference as he only says he benefits from inflation if the prices of what he sells rise and not otherwise}.
3. The use of non-cash payment is almost non-existent now.

(I)
1. We will ask the people what they want to do (with the savings). If they want to continue that’s fine (I prefer that) if not, that’s OK too. We will continue the VO since it solves small problems.

(J) NA

(K) During the course of the interview Habibullah mentioned his intentions of taking an ECP loan to repay the VOCP loan his partner has taken (Rs 100K). The FMU manager (also present during the interview) overheard this and refused to give such an ECP loan. After a bit of light bantering Habibullah ended the argument by saying that he always had other means (of getting the money), presumably referring to other “legitimate” ways in which he could obtain the necessary loan from AKRSP!

*10 Mohammand Hussain s/o Mehdi       VO: Aliabad Pari
{We interviewed Hussain’s son, Bashir Ahmed, since he is the person who actually runs the business. Bashir is a young fellow and was quite slow/shy in answering. He was interviewed at his shop}

(A) Bashir is a 5-time ECP and twice VOCP loan taker. His family owns two cars, which they run as taxis while he runs the general store. In 1996 he took a VOCP loan (Rs 60K at 15%) to start his general store and his first ECP (Rs 10K). The latter he repaid in a month, once his stock had been sold. He followed it by two Rs 20K ECPs, both of which were used to buy flour and kerosene oil for his store (although the former loan is listed for a medical store in AKRSP data). The former was repaid in four months with two instalments of Rs 10K and Rs 11K. Bashir then took an ECP loan of Rs 65K that he used to repay his earlier VOCP. He then withdrew another VOCP loan of Rs 60K and after repaying the ECP loan, he took yet another ECP loan (Rs 60K) recently. Bashir estimates his monthly income at Rs 10-15K and says that he makes a profit of around Rs 500 on Rs 3K worth of sales. Since he mostly sells flour and cooking oil, he manages to quickly sell his stock and so his loan repayment periods are fairly short (around 1-4 months).

(B) 1. I heard about the ECP loan from the FMU manager who came to my shop. He explained that, if I took this loan and returned it quickly then I would pay a smaller service charge. I learnt about the VOCP loan during a VO meeting (at which time I didn’t know about the ECP).
   2. (I had seen) our villagers (who run businesses) in Skardu had taken this loan.

(C) 1. I took the form from the FMU accountant and got my president & manager’s signatures and gave a copy of my ID card. I had no problems and no business details were needed. The ECP loan had less paperwork than the VOCP one. I had no problem in getting subsequent ECPs except that in getting the president and manager’s signatures.
   2. The president and manager decide and ask all (the villagers) whether the loan should be given or not.
   3. (i) A bigger loan is harder to return since one can return a smaller loan in a month. (ii) Yes, it got easier afterwards because my business was going well.
   4. It should only be used for working capital needs.
(D)
1. People didn’t know (about the loan) before. Nisar (FMU manager) told us all. People used the loan in their business and earnt profits; they were afraid before but are used to it (taking the loan) now.
2. There is no such problem here.
3. No because it creates a problem in the market. {He didn’t elaborate on what sort of problem}.
4. There is more education and more people are in business now.
5. In the city people think better (than the villagers) because they know everything. Here people are afraid of the police and of taking loans. Yes, the villagers are beginning to think more like the city folk.

(E)
1. The ECP loan is better despite its higher service charge because it’s quicker to get. For the VOCP loan it’s hard to get all the people together; it takes a week to get the VO meeting organised.
2. I prefer the ECP the way it is.
3. Yes I would like a loan for investment purposes. A 5 year loan would be good even at a higher service charge (25%) because it will cause less interruptions in my work.
4. Increase the length of the loan, decrease the service charge and one should only need the president and manager’s signatures once a year (and maybe not at all if you take loans several times).
5. (i) We used to take loans from such banks before but don’t do anymore since AKRSP has come. My brother had taken a loan from ADB for Rs 100K in order to buy a car. A few other people took such loans and did not return them so that created a bad feeling about such loans. (ii) Yes but only for 1-2 months (at no interest). (iii) Yes a lot of people working outside send money back here. They tell me to take such loans but it doesn’t look nice to take money from relatives.
6. Yes. A bank and AKRSP are the same thing. It won’t be different from say the ADB. {He seemed to misinterpret the question being asked}.

(F)
1. You can’t get another loan, but if you repay you can it the next day. I don’t know (if the VO savings will be affected by a default).
2. It will be a bit harder because they (FMU staff) are from our village; I can even get a loan from their home here (in the village). I trust the people more.
3. One-two times/week. They should come more often. When they come they look at my business.
4. Because I need more money (i.e. to get the next loan).
5. Yes, because of the loss of reputation in front of the VO. However they should go to the defaulter first.
6. If I return (the VOCP loan) I can get another one. The VO has to pay back AKRSP so they pressurise the loanee. I care about people and not AKRSP in the VOCP loan. If one defaults (on the VOCP loan) then our contact with AKRSP will end and we won’t be able to get anything from them. {He doesn’t seem to realise that the VOCP is fully backed by the VO’s savings}.
7. It is more important to return the VOCP since the villagers create a greater fuss than AKRSP because the latter earns more profit (service charge) if we delay repayment.
8. The religious leaders (shariat court) and groups of elders. There is no need to go to the police.
9. They (other banks) give larger loans so they are harder to repay. AKRSP loans can be paid in instalments (and don’t have to be saved up for) so there is a less charge on them and they are easier to repay. In other banks you have to repay as a lump-sum which is harder.
10. The VO does not get involved here.

(G)  
{None of these responses very clear}

1. I reinvest my savings. We have very little land/trees so we can’t save; most of us work outside (the village). I save in the VO to reap collective benefits {though he was unable to elucidate on these benefits}.  
2. See G1 above.  
3. Villagers provide help (in the case of an individual loss). If the loss is village wide we seek government help. People also get life insurance here, in fact there is an insurance office (State life) right here.

(H)  
1. We give less udhar if we have taken and loan and tell (our customers) that it’s not our fault but (it’s just that) we have to repay the AKRSP loan.  
2. It’s harder to repay due to inflation {he was quite lost on this question}.  
3. People actually pay with non-cash items (potatoes, oil, onions, eggs etc.) more than they used to.

(I)  
The VO will keep my savings for collective use (say a public good). The VO will continue even if AKRSP leaves and it will run on charity. We will use the VO’s reserve fund for charitable purposes.

(J) NA

(K) NA

*11 Mohammad Taqi s/o Mohammad Ali s/o Qurban       VO: Tolti I
{A young man. He has taken the loan under his father’s name. He was interviewed at the FMU office}

(A)  
Taqi started off as a driver in someone else’s private transport service. In 1995 he took an ECP of Rs 10K along with Rs 10K ECP loans from three other friends (also from Tolti I, though unlike Taqi their loans are listed with AKRSP as general/auto stores). With another Rs 70K borrowed from relatives (Rs 30K and Rs 40K) he bought a Toyota jeep for Rs 200K (with Rs 90K to be paid later). Taqi repaid his loan in about ten months with two roughly equal instalments (two of his friend’s loans were also repaid by the same date and the third a couple of months later, after being a month overdue). Taqi then took Rs 35K as his next ECP to repay his relative (Rs 40K). Taqi uses his jeep to transport flour and other such loads. He estimates a monthly net earning ranging between Rs 10K and Rs 35K (depending on the season) and annual profits of Rs 100-150K. He intends to take another ECP loan so that his brother can also join him in his transport service.

(B)  
1. I heard that everyone could get loans from here (AKRSP) so I came to the office (after meeting my president and manager). I knew about the VOCP loan earlier one.  
2. No (I didn’t ask anyone). I had confidence in myself.

(C)
1. I just needed the form. I got three of my friends ID’s {see A above} and then I submitted all four forms together. No business information was required {only he listed his loan usage correctly}. The second time around there was a lot less bother since I had no “extra” forms.

2. The manager decides whether to give the VOCP loan. He looks to see if the loanee is well off and if he has a business or not.

3. (i) It’s easier to repay a smaller amount. (ii) The first time (to take a loan) places the heaviest burden because one is not used to taking loans. (I couldn’t sleep the whole year when I took my ECP loan).

4. One should take loans for business purposes only. If use them for consumption then how can one repay them?

(D)

1. The (AKRSP loan) system is good. One can repay the loan quickly so there is less of an interest charge to pay. There is very little delay (in loan procedures) and in other banks one has to pay bribes. I am less afraid (of taking loans) now; the first time I returned the loan quickly but now I’ve realised it’s fine to return (the loan) gradually (i.e. in instalments).

2. No one knows that I take loans from AKRSP so this isn’t a problem for me.

3. Yes because one can ask VO members. Also if my car has an accident and I die then others will know that they have to repay my loans. {When asked about telling about repayments, he added that} yes, this should be done as people will see others and see if he has repaid so will I.

4. The negative aspect is that people don’t work themselves but look at other people who have taken loans and make disparaging remarks. A few however say that it is good if one takes a loan and returns it.

5. {He wasn’t very forthcoming} City people are better because the villagers are all “Jats”(i.e. ignorant).

(E)

1. See F7 below.

2. The ECP loan is better because the VO creates a lot of trouble/bother.

3. Five years is a good duration but even 22% is too high a service charge. If that happens then I would take the ADB 5 year loan (at 14%).

4. Increase the length and lower the interest.

5. (i) Need to go to the “tehsildar”, AC etc., pay bribes and give one’s land as collateral. (ii) Yes, I bought my jeep on credit. (iii) There is a local moneylender here (Tolti) and while it’s very easy to get a loan from him, he charges a lot. Also I got loans from my relatives for my jeep. If AKRSP stops loaning I will then take loans from the ADB.

6. No.

(F)

1. If I don’t repay they will bring the police and I won’t be able to get any more loans. Definitely my VO savings will be taken if I default although the other member’s VO savings will be unaffected.

2. It makes no difference since the organisation is still AKRSP. I trust AKRSP more because there is no dishonesty in the organisation. (I used to drive at no charge for AKRSP).

3. The FMU office is right here so we meet a thousand times; yes, they do remind me of the loan.

4. {He primarily gave religious reasons}. If one gets money in one’s time of need then he must repay in his time of plenty.

5. Yes because the VO will put pressure on people to repay.

6. They (the VO) also use the threat of the police.

7. The VOCP places more of a burden on one, as the VO is afraid that I will not repay so they pressurise me. With the ECP loan, even if one delays by 2-4 months they earn the extra
service charge on the loan so they don’t complain. The VO gets on my case (regarding repaying the VOCP loan) as soon as the year ends.
8. The religious leader solves disputes. If he fails then we go to the police; mostly we do go to the police.
9. The ADB (and others) cheat on us so we cheat back. AKRSP is honest with us so we are honest with them. {Notions of reciprocity}.
10. No the villagers won’t interfere.

(G)
1. I save mostly in cash at the bank. My VO savings are Rs 4K and I save there for collective projects.
2. I save for my children, for marriages and death and in order to give to others in their time of need.
3. Villagers help in such cases and there is also a religious organisation in the village that helps in such times. The help is both in terms of cash and non-monetary assistance.

(H)
1. I try to get people to pay in cash but they say they will pay later. I have Rs 10K stuck on such credit and probably won’t get it back.
2. Inflation is harmful because the loanee has less money to spend and so his burden is increased.
3. People use more cash now.

(I)
1. I will take my VO savings (Rs 4K) out of the VO and put it in the bank. The VO itself will therefore end because there will be no savings left.

(J) NA

(K) NA

*12 Ghulam Abbas s/o Haji Abdullah    VO: Aliabad Pari
{A middle-aged friendly man who is the secretary of his VO. He was interviewed in *13’s shop, which is right in front of his own glass store, in Skardu}

(A)
Ghulam owns a glass house in the Skardu bazaar; he gets large glass sheets from Pindi, which he then sizes down to order (mostly for use as windows etc.). He has taken five ECP loans of Rs 10K, 20K, 40K, 45K and 80K respectively since May 1996 to date. The loans are used (together with his own capital) to order large amounts of glass sheets from Pindi (it’s very cost effective to order in bulk). Ghulam generally repays the loans lump-sum after a couple of months (he estimated that Rs 85K worth of glass is sold off by 1-2 months) during which time he accumulates the loan amount by saving in the MCB branch a few times a week. As an example of his profit margin he told us that he gets glass for Rs 20/square feet which he then prices at Rs 28 {this was for a particular thickness and he told us that other thickness are marked up similarly}.

(B)
1. Nisar (FMU manager) told me (about the loan) personally. They also had a (loan) workshop here in Skardu.
2. No I didn’t ask anyone else.

(C)
1. I filled in a form and got the president and manager’s signature. I had to go to Pari so now we
have made a VO (Qasimia) here to avoid this problem. {He added something about the VO
members having shares in an apple general store but was quite vague}.  
2. Not asked.  
3. (i) It makes no difference since a larger loan also means a larger profit.  
4. It should not be used for investment (in machines/shop extension etc.) because in that case the
returns will be too slow (to repay the loan).

(D)
1. People didn’t know before. Now they have learnt from (seeing) one another.  
2. But the ECP loan is akin to helping oneself too. This thought (of disliking loans) is not as
prevalent now.  
3. No because if you do so then no one will take the (ECP) loans as people will look at our stock
and say it all belongs to AKRSP.  
4. We used to have no work. Now there are more opportunities so we have developed the desire
to improve ourselves. It is a problem if people just sit in their neighbourhoods; in that case
they are bound to get into fights.
5. Not asked.

(E)
1. Not asked.  
2. The ECP loan is better as one (AKRSP) can then put (direct) pressure (to repay) on a
particular person.  
3. There is a lot of demand to increase the loan length but if you do so then few people will repay
the loan simply because they will forget about it. If (the longer loan) has monthly instalments
then it may work provided it has a lower service charge.  
4. Everything is good (with the ECP loan) so far.  
5. (i) These loans involve lots of paperwork, need land titles, one has to go to the AC/DC etc.;
they involve a lot of delay. I took a 5-year ADB loan of Rs 80K in 1990 (at 13.5%) for my
shop and have repaid it. I have also taken Co-operative bank loans before taking loans from
AKRSP. These loans keep your deposits as collateral. (ii) I can get stock on credit but I
hesitate. (iii) No.  
6. I won’t take any more loans if AKRSP stops loaning.  
7. Yes.

(F)
1. AKRSP didn’t say anything. The loan is easy if one can return it quickly. It works through the
president’s guarantee so the entire VO savings are at risk if I default.  
2. It will be a problem since before Nisar (FMU manager) the loaning wasn’t going so well.  
3. Twice a week. They talk about business and the future.  
4. AKRSP and my trust; if I default I will lose that trust and our opportunity to progress is lost
and I won’t be able to take loans in the future.  
5. Yes, as it puts VO pressure on the loanees. However, one should approach the defaulter first.  
6. The (VOCP loan) poses no problem as it has 100% collateral. There are general meetings each
year during which the loanees are told to repay and their guarantors put pressure on them to do
so.  
7. The VOCP loan puts more pressure because it is “mixed” (involves other people’s money).
However there was a case where three VOCP loanees were allowed to pay back their loan
gradually so as not to risk breaking up the VO. Generally any type of loan creates the same pressure (to repay it).
8. Villager elders and not the police.
9. As I said earlier {see E3 above} there is the issue of length of the loan. Also AKRSP loans create an incentive (due to the service charge) to repay the loan as early as possible.
10. Skipped.

(G)
1. I mostly save in the bank (reinvest it in my own account). The VO savings are good because it forces one to save.
2. For precautionary purposes and our religion also instructs us to save.
3. Not asked.

(H)
1. I only take cash.
2. We take loans to circulate money {i.e. to increase his liquidity} and as long as the circulation doesn’t stop inflation poses no problem.
3. I mostly take cash.

(I)
We will give loans from the VO money (even after AKRSP leaves) to say two people; the VO will survive.

(J) NA

(K)
Ghulam Abbas is about the only interviewee who said that the service charge on the ECP loans was no problem. If fact he declared it wouldn’t be any problem even if the rate was increased a lot since he returned the money quickly so that the effective rate on him would not be much.

*13 Ghulam Raza s/o H. Mirza VO: Gambagrong Pari {A young and educated man. He was quite friendly despite being fairly cynical. He was interviewed in his shop after we had interviewed *12, his relative, in the same store}

(A)
Ghulam owns a shoe shop in the main Skardu bazaar (started in 1993). He has taken 5 ECP loans so far for Rs 10K, 20K, 20K, 40K and 100K, starting in June 1995, all for buying his stock (for which he pays in cash). He restocks every three months or so, although his (various) suppliers come every month. He repays his loans in a lump-sum and within a few months (ranging from 1-6 months). Ghulam said previously he had to go to Tolti (to get the loan) but now AKRSP had opened accounts here (in Skardu). Ghulam works alone and estimates a profit margin of about 22-33%. His monthly sales are around Rs 65-70K and he claims to make a profit of Rs 40K on an investment of Rs 100K.

(B)
1. I heard about the loan in 1995. I needed Rs 10K urgently for my business but Wazir (FMU accountant), a relative, refused and I wasn’t able to get a loan right then.
2. I talked to Nisar and Wazir (FMU manager and accountant) and they guided/helped me.
(C)
1. I filled the form. They asked about some business details.
2. I don’t know.
3. (i) A small loan is easier (to repay). It’s also easier if one pays in instalments. (ii) (Easier) because one’s business expands.
4. It’s a good loan for business needs. (Possibly even for making a house since one can give that on rent).

(D)
1. They (people) didn’t know about the loan before. Other bank loans involve a lot of paperwork, they heard that AKRSP loans are easier (to get). Other loans are for longer periods and are larger, so one risks facing a big loss. The AKRSP loan is not more than Rs 100K so one risks at most a Rs 10K loss.
2. There is no such problem. People say this because they are ignorant.
3. No because it will irritate others {presumably out of jealousy}.
4. On the positive side people are travelling in and out (of the village) more. They see others running a good business in Skardu so they are encouraged to do business in Pari. Anyplace where there is unemployment is bad; people sitting together and doing nothing.
5. Skipped.

(E)
1. {He doesn’t know anything about the VOCP loan, as he hasn’t spent much time in the village}.
2. It’s probably not a good idea because then everyone will know about (who has taken a loan) and they will talk (badly of loanee). My dad used to be against (taking) loans. He asked me why I had taken a loan (the first time I took it). However I taught him (that it was all right) and now he is fine with one taking loans.
3. A three year loan is good for asset investment (the HBFC gives such loans)
4. They should lower the service charge, while the loan period should at least be a year.
5. (i) ADB and SBFC loans etc. involve a lot of paperwork but I haven’t tried (to get such loans); I’ve just heard about it from others. (ii) Yes, we can get it from private suppliers for up-to 2 months (w/o service charge). From Bata we can get shoes on credit for up-to 15 days. (iii) I don’t know.
   I used to work without loans and (if AKRSP stops loaning) I will go back to doing so.
6. Yes I heard about (the bank) at a workshop. They shouldn’t give (loans) to non-VO people. They should give loans to the poor since they will repay them (as they care about their reputation).

(F)
1. I don’t remember. I don’t know much about what happens to my VO savings (if I default) but since my savings are only Rs 2-3K it doesn’t make a difference (whether AKRSP takes them or not). I haven’t really stayed in the village.
2. These (FMU) people are nice. I trust people more (than the organisation).
3. They (FMU) are my friends. They come sit with me here (in my shop) and yes, they do remind me of the loan.
4. If I were an MNA I probably wouldn’t repay the loan. If I don’t repay my reputation is at stake. Particularly in Pari will speak badly of me.
5. One should try individually first (at least up-to 1-2 months) and also go through the village elders. One’s “izzat” (reputation) once lost can never be regained.
6. I don’t know.

122
7. Both loans create the same pressure (to repay).
8. In the village we go to the elders. In Skardu people resort more on the police.
9. These other banks loan larger amounts and for longer periods so the loanees run higher risks (of incurring large losses) and may not repay. {Also see D1 above}.
10. Not asked.

(G)
1. I save in cash at the bank. I see no real reason to save in the VO. Wazir (the FMU accountant) asked me to save so I did. {He doesn’t care about his VO savings as they are relatively a small amount}.
2. {He gave precautionary motives to save}.
3. In the village we have informal insurance but there is no such thing here in the city. In fact here people rejoice when the other (person) goes bust!

(H)
1. Yes udhar is prevalent and if I take a loan then I give less credit.
2. It will obviously be harder (due to inflation).
3. More cash is used (here) now. However in Pari the “khata” (credit) system is still common. In fact I go and clear my family’s khata every month.

(I)
The VO can keep my savings and use it for welfare work. The VO will stay (even if AKRSP goes); as a matter of fact we had similar organisations before. The VO can take charitable donations from us (like Sipah-i-Danish and Askari etc. already do) to keep going.

(J) NA

(K) NA

*14 Mohammad Raza s/o Hasan VO: Gambagrong Pari
{An old guy who runs a large auto store in Skardu. He was interviewed in his shop. A self-proclaimed illiterate, but with a lot of “business sense”. He was quite busy and somewhat inattentive. We kept on being interrupted by customers during the interview.}

(A)
Raza started his auto parts business 15 years ago. He is a six time ECP loanee with loans of Rs 10K, 40K, 60K, 65K, 100K and 20K respectively. He uses these loans to buy stock for his shop from Pindi, Lahore and Karachi. In fact he started buying tyres using this loan money (at the time of the interview he pointed out his tyre stock valued at around Rs 700K) and supplies them on order to AKRSP and the local hospitals etc. Raza returned the first few loans as a lump-sum. He generally repays the entire loan in a couple of months (in fact he repaid the first five loans over a period of 4 months only, starting in June 1996). He says there is a very slim profit margin in tyres as Rs 100K worth of stock sold only generates a profit of around Rs 6-7K.

(B)
1. I was told (about the VOCP loan) by Nisar (FMU manager) in a meeting.
2. Not asked.
1. My brother filled the form for me. I needed to give a copy of my ID card and was asked about my business. The (application) process got easier with subsequent loans.

2. NA

3. (i) Yes a bigger amount is harder to repay if one’s business isn’t going well. (ii) I have taken loans before (the AKRSP ones).

4. It can (also) be used for land/house investment.

(D)

1. People now have the awareness of not to remain unemployed. Also people didn’t know (about the loan). They saw us and now there are a lot of them working in the auto parts business.

2. This isn’t an issue here. Maybe it was before but it isn’t any longer.

3. No because it will create a conflict between people.

4. The positive change is that people are now willing to do business with the help of loans.

5. AKRSP gives loans through the VOs (based on trust). If the VO works then so will this loan. However AKRSP (staff) is more careful when giving the loan.

(E)

1. NA

2. I prefer the ECP loan (the way it is now).

3. There is little need for such (capital investment) loans. If they are given then they should be at a lower interest rate.

4. The service charge should be decreased and the loan limit increased to at least Rs 500K.

5. (i) I took a ten-year Rs 90K loan from ADB 13-14 years ago to set-up my business and it was {partly?} waived during Benazir’s government. I didn’t have a problem in getting the loan as I had friends there but I won’t take any if the future since it involves a lot of paperwork. (ii) One can take interest-free credit from shopkeepers for up-to 3 months. (iii) No.

   Yes, I will take loans (even if AKRSP stops loaning); probably a large loan from Habib bank etc.

6. Yes and I expect it to be good and different from the other banks.

(F)

1. My VO savings will be taken if I default (on an ECP loan).

2. It makes no difference.

3. Four times/month. They come for repairs to their cars and also ask about my business.

4. I won’t be able to get the next loan (if I default) and it (the default) will also create problems for others. Besides they (AKRSP) can catch me and my reputation will be adversely affected.

5. Yes because then the VO will get a hold of the person.

6. NA {as he’s not involved in the village}.

7. I don’t know {haven’t taken a VOCP loan}.

8. The Tehrik (a religious group) solves disputes. We don’t go to the police.

9. NA

10. NA

(G)

1. I have an account in the bank but I mostly reinvest in my business. I don’t know how much my VO savings are.

2. I can’t think beyond {my business needs}.

3. I have life insurance.

(H)
1. I sell a lot on udhar. Yes, udhar does affects a loanee as then he has less cash at hand.
2. Inflation makes no difference because I can sell the tyres at a higher price.
3. There are mostly cash sales (in the city).

(I)
1. The VO won’t survive without its savings and AKRSP.

(J) NA

(K) NA

*15 Ahmed Hussain s/o Mohammad Hassan       VO: Aliabad Pari
{A young man who owns a sanitary equipment store in Skardu. We interviewed him at his shop but he seemed very disinterested and did not listen/answer carefully}

(A)
His sanitary shop was started about 20 years ago and Ahmed took his first ECP loan in June 1996. He has taken a total of four such loans of Rs 10K, 20K, 20K and 100K. He uses the loans to buy sanitary items from Lahore and apart from his second loan he repaid the rest (except the Rs 100K which he took two months ago) as a lump-sum. He estimates his daily profit at Rs 5-6K.

(B)
1. Nisar came to my shop and explained the loan (ECP) to me. I don’t know about the VOCP loan.
2. I heard from Mohammad Raza (interviewee *14).

(C)
1. My brother filled my form for me.
2. NA
3. (i) A smaller loan is easier (to repay) (ii) It makes no difference.
4. It can be used both for the shop (buying stock) and for capital investment. It shouldn’t be used for consumption, as then one wouldn’t be able to repay it. (Ahmed’s father, who joined in temporarily, said it would be useful to get loans for building houses).

(D)
1. People didn’t know about it (ECP) before. Also they were afraid (of taking loans) before but they are no longer afraid now.
2. There is no such problem (here).
3. Definitely not. It doesn’t look nice (to announce the loan in public) and people tend to talk.
4. People are now interested in making profits, in buying cars etc.
5. Skipped.

(E)
1. NA
2. The ECP loan is better (the way it is) as (going through the VO) would be slower.
3. A three-four years loan length would be good (even 10-20 years is fine) but only if it’s at the same interest.
4. This (loan) is fine. It would be good to have a loan size limit of Rs 400-600K.
5. (i) ADB and SBFC give loans but I don’t know much else about them. (ii) One can get credit for 2-3 and w/o any service charge. (iii) No.
If AKRSP stops loaning then I will not take any more loans.
6. Yes. (I guess) the bank will be separate (from AKRSP’s other activities).

(F)
1. AKRSP didn’t say much except that I wouldn’t be able to get a loan the second time (if I defaulted). I don’t know whether my VO savings will be affected. {He basically doesn’t seem to know much of matters pertaining to the VO}.
2. It will make things harder as strangers are less willing to give loans.
3. Once or twice/month. Yes, they come and talk about (my) business.
4. I have to repay; it doesn’t look nice otherwise. If I don’t repay they will bring the law in. Also I repay so that I can get the next loan.
5. Yes, so as to prevent the person from defaulting.
6. NA
7. NA
8. The village elders. The police is rarely involved.
9. {He seems to think that AKRSP has a cheaper loan as compared to other banks. Maybe he is referring to effective rates being lower since one can quickly repay the AKRSP loans.}
10. NA

(G)
1. I don’t save since I reinvest all.
2. (I save) For precautionary reasons, weddings, education etc.
3. My brother has taken out a 20-year life insurance policy.

(H)
1. Yes, a loanee gives less on credit.
2. It will get harder. {He was unable to separate the effect of inflation on real income from that on the interest rate}.
3. Cash is used mostly.

(I)
1. {He was unable to answer the question. His brother, who joined us at the end and is educated, said that the VO would survive even w/o AKRSP and would continue to lend from it’s savings}.

(J) NA

(K)
Interestingly enough, Ahmed’s father has been kept in the dark about his son taking a loan. The interviewer was unaware of this and when, during the interview, his father came into the shop and proudly declared that none of his businesses had ever run on even a rupee of loan money, we were about to clarify his mistake but were stopped by the FMU manager in time! Apparently Ahmed’s father strongly disapproves of taking loans.
Ghulam Abbas s/o Ghulam Haider s/o Rajab

{Ghulam is a young and enterprising young man. He was interviewed in his general store in Skardu. He has taken the ECP five times (so far) under his father’s name.}

(A)
Abbas finished his primary education in his village (Pari) and then headed off to Karachi and eventually ended up doing his B.A (on his own working for State Life Insurance and a medical company). He came back to Skardu in 1994 and got a job in Kendrick (with the military) at a salary of Rs 2K/month. However, he had to leave this job due to family problems. He then joined State Life Insurance again and opened an office in Pari.

At this stage Abbas realised that he may as well start his own business (since he was not kept as busy in the insurance work). To this end he used Rs 5-6K of his savings and started a general store in Pari. He also asked the FMU manager about a loan and as a result he got his first ECP loan (Nov. 1994) of Rs 10K. He added Rs 7K from his own pocket and bought items for his general store and also started his own poultry business (brooding centre). He returned the loan as a lump-sum after 3-4 months {AKRSP records show 6}. He followed with an ECP of Rs 20K used again to restock his general store and returned as before (lump-sum) in 6 months {AKRSP records show 12}.

As Abbas’ business was going well he decided to take an ECP loan of Rs 30K and open another general store in Skardu and let his younger brother run the store in Pari. He said that he had to work a lot (his insurance job and also the sale of vegetables from his land) to repay the loan with it’s 20% charge (the loan was repaid as a lump-sum in 7 months {he thought it was 3-4 months}). With his fourth ECP loan of Rs 60K (and a personal capital of Rs 20-25K) he went for the first time to Pindi to get stock for his store (he previously used to buy from Skardu). All his stock was sold within 2-3 months and so he was able to repay the loan in around 5 months. Abbas says that although he realises that it is better to repay in instalments he is unable to do so as he needs the cash to reinvest in his business (the more variety the better).

A few months ago Abbas took another ECP loan, this time of Rs 100K. He used this money to procure items for his general store and establish contacts with suppliers in Lahore, Gilgit and Pindi.

Abbas says he makes around Rs 5-6K/month (though this can go up to Rs 10-15K in the peak season) from his store. His poultry business is also going and his two brothers handle the Pari shop although he buys stock for that store as well.

Talking about how things have improved for him, Abbas said that before all one could do was get employment somewhere and earn at most Rs 2K a month. Now (thanks to his business) all three of his brothers are working and they are supplementing their business earnings with the vegetables and potatoes they grow. As a sign of his increased income, Abbas has already made a “pakka” (cemented) house and is thinking of buying land in Skardu. He also mentioned somewhat sheepishly that all three brothers intend to get married soon. Apart from setting up his family, Abbas also told us of a case (at the FMU managers prompting) where he started a relative along the business line as well; a relative of his in Gundus was unemployed but had a house next to the main road. Abbas advised him to open up a general store and gave him some items from his general store to start him off. Now he’s doing quite well also.

(B)
1. I went and asked the FMU manager myself and was told about the ECP loan and the fact that it involved less paperwork {than the VOCP}.
2. Yes I looked at other Pari loanees (Mohammad Raza {*14 above} had taken an ADB loan).

(C)
1. I just filled in the form and got some signatures and gave a copy of my ID card. They asked about my daily income and personal investment; the formalities were all very easy.
2. I don’t know.
3. (i) A smaller loan is easier to repay even though a bigger loan also generates higher profits. 
   (ii) It makes no difference.
4. One can set-up a company or do construction work on bought land; one can get a lot higher profits on such work.

(D)
1. The population has increased, business has been going well and marketing has improved. People have started thinking about work. Earlier on, people were worried that a business wouldn’t work on loans but then some people did well.
2. Only those people who take loans for non-productive purposes think like this.
3. No. It’s better for one’s business if the loan is kept secret as people talk. They point out and say “look this is the guy who took a loan” and this affects our business.
4. AKRSP has instilled a thought for progress. For example better was to cultivate have been introduced, to dry and sell apricots. When one gets money, one becomes interested to get more. The only negative thing is sitting around and doing nothing.
5. Skipped.

(E)
1. {He didn’t know about the VOCP loan}. 
2. The ECP loan is good as it is now. The level of understanding at the VO level is less so it would be hard to work such a loan (through the VO). 
3. Yes it may work (but it would be taken under a real need). The service charge doesn’t make a difference; it’s how you work, that matters.
4. The loan size should be increased. I could work with up-to Rs 1,500-2,000K.
5. (i) There are too many formalities and wastage of time (with these banks). (ii) Yes they give credit w/o any charge for up-to 1.5-2 months once you get to know them. I haven’t taken any credit as yet since I am already dealing with AKRSP loans so I don’t want another one. (iii) I have heard about some but have no contact with them.
   Yes if I need another loan I will try the other banks.
6. Yes. If the formalities will be the same as other banks then it will be hard; AKRSP should try to keep fewer formalities. AKRSP has worked for a long time to know the people and so they should keep the same loan systems that they have now.

(F)
1. I didn’t have any such problems besides I haven’t paid much attention to it. I haven’t done anything at the VO level and I (guess) it could affect my VO savings {he didn’t know how much his savings was} but not the whole VO’s savings.
2. It’s easier if the FMU staff members are strangers; outsiders are better in dealing and will look at my work more closely.
3. Three-four times/month. They look at my business and ask how it’s going. They should come more often and keep in touch.
4. A loan has to be returned. In fact the word loan is synonymous with return. Due to temporary greed (of defaulting once) one will lose others confidence in him and later on if he has any problems no one will trust him. Also he won’t get any loans in the future.
5. No because it’s an individual loan.
6. I don’t know about the VOCP loan. Maybe it’s cheaper but it’s a hassle to deal with the VO.
7. NA
8. We first go to the court and then the police.
9. The ADB etc. have a lot of terms. Also their loans are of longer length so people use them to make homes and as a result their money gets stuck and they are unable to repay.

10. NA

(G)
1. I mostly reinvest in my business (I’ll save up my money for at most one month in the bank).
2. For my family and any difficulty (health expenditures, wedding, buying a car, making a house etc.)
3. I am a State Life Insurance employee. We give life insurance to anyone who has a regular source of income. There is little insurance available on a wider level although there is a demand for wealth, car, home, livestock and shop insurance.

(H)
1. I give about 25% udhar. One gives less udhar if one is a loanee because one’s money gets stuck otherwise. My village shop gives out more credit (as compared to the city shop).
2. It’s good (inflation) if one has a lot of variety in one’s shop. If one only has a few things then they are hard to sell. {It seemed that he had misunderstood the question so the FMU manager explained in Balti and then he said that it would be only good if the prices of his merchandise were able to rise as well}.
3. Yes (mostly cash sales now).

(I)
1. My savings (probably around Rs 4K) generate hardly much of a benefit. If the money (VO savings) is used for welfare by AKRSP then it should stay in the VO. The VO will end if AKRSP leaves, as the villagers don’t have enough confidence/awareness to run it. Maybe it would work if one puts more educated people (in the VO). A lot of people realise the contribution of and help given by AKRSP but the know the VO benefits them.

(J) NA

(K)
Abbas suggested that AKRSP should make large factories in the Baltistan area and how this would help people by providing employment etc. He also gave examples of how plastic slippers and metal chairs could be made locally. During our conversation, Abbas had no problems in referring to the service charge on the loans as “sood”. (This being a sensitive topic since “sood” is prohibited in Islam and most people would not take loans if “sood” were charged. Renaming it service charge has achieved uneasy acceptance).

*17 Ahmed Ali s/o Haider VO: Ghasing
{A very decent and polite young man. He was interviewed at his shop in Skardu}

(A)
Ahmed Ali runs a wholesale business along with his brother. He started shop in 1983 with a total capital of Rs 35K and currently values his stock at Rs 1,000-1,500K. His daily sales are around 50-60K, generating a daily profit of Rs 5-6K. He owns 4 storage rooms and one shop in Skardu and although he says he’s being incurring losses over the last few years, he seems to be an extremely well established businessman.
The first (several) ECP loan he took (Sept. 1995) was for Rs 150K! While first-time loanees have a limit of Rs 10K, Ahmed seems to have worked his way around that problem; he got 15 different VO members (himself included) to take Rs 10K loans on his behalf (they all listed their business as general stores)! He had taken this loan to cover a Rs 250-300K loss he had incurred in business that year (the price of the apricots he had bought fell drastically). He returned the loan by the end of the year in two instalments of about Rs 70K and Rs 80K respectively. In June 1996 he took another ECP "collective-loan" of Rs 200K, this time four people taking Rs 60K and three taking Rs 20K (out of the original 15). {He was a bit unclear on the loan split-up. The latter amount might be two people taking Rs 30K loans, as this matches with the AKRSP records}. {It seems this loan was taken before the previous one was fully repaid}. Ahmed used this money to buy more Khasta (dried apricots) and Kushta (apricot kernels); he said he could earn a profit of up-to Rs 100K on the two items. He has returned Rs 130K of this amount already and intends to repay the rest soon. In August 1996 {AKRSP records show Oct.} he then took another ECP, this time a total loan of Rs 300K (5 people, including himself, taking Rs 60K} and the money was used to buy tea, sugar and cooking oil (Dalda). Ahmed intends to keep on using loans for his business {and while it seems he has enough capacity to absorb/repay such large loans amounts it needs to be checked whether he might be rolling debt over, particularly since he withdraws the next “multi-loan” while still not having fully repaid the previous one. Apart from this incongruity however he seems to be running a very stable/honest business}. 

(B)
1. I heard about it (ECP) from the VO manager in 1995. I used to think that a 20% service charge was too steep but after taking the loan I realised that it worked fine. I know about the VOCP loan as well but have been unable to take it since there is another large Ghasing wholesaler here (Skardu) who has been getting the entire VOCP amount (together with ECP loans as well) for the last few years.
2. No. I took the loan because of my loss and the fact that business was going slowly so I needed to rejuvenate it.

(C)
1. I filled in the forms and got copies of my (and my friend’s) ID cards and gave my bank account number. I had my business registered (so I keep records). I also asked for a CVOCP loan but couldn’t get it.
2. See B1 {the VOCP loan goes to one person only}.
3. (i) No difference (ii) No difference. One is only affected by mistakes in business as for example I had to suffer a loss this year because I wrongly estimated that prices would rise after the annual budget (of Pakistan).
4. One can use the loan for buying stock. I heard yesterday that people have used it for buying transport vehicles and threshers. That sounds good and I would like to get my own vehicle since then I can transport my own stock.

(D)
1. Now people have the awareness; they can’t get anything w/o doing something. One has to do one’s own business to get somewhere. The VO spread news about the (ECP) loan and told people that they could run their businesses with it.
2. If one has a large income than it’s fine (to not take loans) but people have little cash at hand so they need to take loans. Also one uses these loans to increase liquidity (; I have Rs 400-500K given out on credit at the moment).
3. No because then (our) taking the loan will be revealed to all. Our people are narrow-minded and they would hate us if they hear that we are loanees.

4. There has been a lot of change. People were previously afraid of loans but they now take them readily. They have gained confidence, as there are lots of opportunities for work now as well as schools, road etc. (because people have money nowadays). People visit the village more often and since land is not enough they have started operating buses and tractors (for load hauling).

5. Skipped.

(E)
1. NA
2. No, because anyone whether he is a good or bad loanee will be able to get the loan (through) the VO. Besides there is favouritism in the VO (see A above). Also loan recovery will be better (by going through AKRSP) as people are more ashamed when AKRSP comes (to recover the loan). Alternatively if the VO manager shows up we’ll simply put him off.

3. An increase in the loan length would be good for me because if I can keep the money I can reinvest it. Also losses in business tend to get evened out over a long period. However this loan won’t work if you increase the interest on it.

4. The service charged should be lowered (as 20% is too much) and the loan limit increased to Rs 500-600K. It shouldn’t be increased further because then it will be a problem for both loanee to repay and lender to recover.

5. (i) We have SBFC, National, Habib and Co-operative banks and they are also now loaning out through the VOs. However they involve lots of paper work and one needs proper certificates etc. (ii) Yes, if I buy Rs 500K I can get Rs 20-30K worth of credit (w/o interest and payable in a month). (iii) Yes and although they have a lower interest, they only give small loans.

6. Yes I’ve heard that AKRSP is making a bank and that it will loan out to the public. The bank will probably be separate from the rest of AKRSP’s activities. However, it will be different from government banks as people will trust it more (less if it’s private). AKRSP has given PPIs to the VOs so it has built this trust.

(F)
1. They had written on the form that if I default they would take my property and business. They have the legal authority to take the loan money out of my assets etc. They can take my VO savings (his four brothers have equal savings of Rs 1.75K each while the VO’s savings are Rs 350K) but not the entire VO’s savings.

2. It will create a problem. Strangers won’t know us so they wouldn’t give us such large loans (the previous FMU manager had created problems for us). It would take time (to develop) trust (with a new person). I trust people more; in fact Ghasing is so big now because of its people.

3. Three-four times/month. They look at my business and ask how it's going. Yes, they remind me of my loan.

4. One has to return a loan (religious reasons). Also, there is the problem of one’s reputation (being at stake). Strangers (staff) are more forceful as they can threaten to hand one over to the police; our own villager won’t make such a threat especially when we explain our situation to him.

5. Yes, because w/o doing so the loan won’t be recovered. By telling the people the defaulter will be ashamed/lose his reputation.

6. The VOCP loan has been only given to one person so I don’t know.

7. I don’t know (see F6).

8. Even here (in the city) we have our village elders. If they are unable to solve the dispute we then go to the police. We don’t like doing so, as they tend to prolong the case.
9. {He thinks that there is very little default on other bank’s loans as well, as the same reputation issue comes into play}.
10. Skipped.

(G)
1. I buy land in the Skardu area and also buy fruit trees and livestock (which is better than putting money in the bank since these are assets and their price may rise). I save in the VO because of AKRSP conditionalities.
2. For my children and also to earn profits from my (asset) savings.
3. State Life gives insurance for one’s life (my brother has it) whereas East-West insurance provides wealth and business insurance.

(H)
1. Yes, I give less udhar as I have to repay the loan (I tell my customers that I need to do so).
2. I benefit (due to inflation) because I can sell my stock for more.
3. In the village, yes (we have non-cash sales) but not in the city.

(I)
1. I will keep my VO savings (around Rs 2K) in the VO as they aren’t worth much to be but are good for the VO as it can do collective projects with it. The VO is working through AKRSP and so it will end with AKRSP. If AKRSP provides some (initial) help then the VO can do the rest. AKRSP has already increased awareness in people a lot and it should still do more; maybe in the next 5-6 years people will be in a position to carry the VO through (themselves).

(J) NA

(K)
Ahmed mentioned how people were afraid of taking loans. However by going through an organisation, they realised that it was not their own money (at stake) {we are somewhat unclear on what he meant by this}. Also the recovery of the loans was good because people were afraid (that if they defaulted) the VO would be told {and their reputation would be at stake}.

**18 Mohammad Hasan s/o Ali Mohammad        VO: Rzong
{A young post office employee. He was interviewed while at work in the post office (we bought quite a few stamps in recompense!).}

(A)
Hasan is a full-time employee at the post office in Mehdiabad and he has made interesting use of his ECP loans. He took his first loan in June 1996 of Rs 10K and right away he bought postal certificates of Rs 5K each with it {these certificates can be cashed in at any time but the longer one holds on to them the more interest they pay}. He paid back this amount in two instalments (from his salary) so that the total extra charge he had to pay was about 17%. According to that, Hassan estimates that he has to hold on to his postal certificates for at least four years (to justify the 17% cost incurred due to the loan). Interestingly enough, Hasan says the one of the reasons that he took the loan was that it forced him to save {he realises that from a purely interest perspective his scheme of using loans to buy postal certificates may not be profitable, but it has an important psychological value as he would not have been able to save up the money if he hadn’t had a loan to repay}.  

132
Hassan took a second ECP of Rs 20K and bought 4 more postal certificates (again of Rs 5K each) with it. This time he was able to repay the loan sooner and in 3-4 instalments so that resulting interest charge on him was only 14% (he added that if he held onto his certificates for two years he would get a 17% return). A few days before this interview he had borrowed his third ECP loan (Rs 20K) and he intends to buy more postal certificates with it. {We asked him whether other people had been using his “forced saving” scheme to which he replied that he wasn’t sure but more people had been buying postal certificates of late! He also suggested that this was a good scheme for salaried people}. He added that he had been working since 1986 but till now (before his forced savings scheme) he hadn’t been able to save.

{From a purely economic view Hasan is losing out; he would almost certainly do better if he just saved up the same amount that he is using to repay the loan and then bought postal certificates at the end (thereby delaying buying the certificate by the same duration in which he repays the loan). Even if he repays earlier, while it is true he gets charged a lower service charge, at the same time his postal certificate earns very little for that duration. The way in which his scheme can be justified is: If he holds on to the certificate for long enough so as to earn a greater the 20% annual interest and there is no inflation OR (what is more probable) as a means to force him to save}.

(B)
1. My brother is the VO manager so I heard about the loan from him in 1996. I heard about the VOCP loans as well but no VOCP has been given so far as people are afraid that they won’t get their money back.
2. No. After the first loan I gained confidence.

(C)
1. I don’t know; my brother (the manager) filled out the form for me. I told him what I would use it for {in the AKRSP records his loan is listed in the general store category}.
2. NA
3. (i) A larger loan is a problem (especially for salaried people). (ii) The first time I took a loan I wasn’t as regular in my repayments and so I ended up paying a higher service charge for it. (I knew that an earlier repayment would mean a lower charge but I was unable to do so due to some family problems).
4. I just thought of buying a postal certificate and that’s what I’ve been doing.

(D)
1. People now know that one can benefit from a loan; I tell my friends of the profit I can make and the news then spreads. General stores, poultry farms etc. are initially hard but if one repays monthly there is a lower charge. People lacked confidence before but don’t any longer.
2. Skipped.
3. Yes because people will know about the loan then and will also think of taking it.
4. Yes, people think it’s bad if one takes a loan. They say things like “what can you say, you’ve taken a loan”. However this (thinking) is less (prevalent) now.
5. Skipped.

(E)
1. See E2.
2. The individual loan is better because in a collective loan everyone thinks differently so that may cause a hindrance.
4. The service charge should be decreased and the loan length increased to two years.
5. I don’t know. I may think of taking a loan from HBFC or SBFC (if AKRSP stops loaning).
6. No.

(F)

1. If I delayed there will be an extra charge. Also they (AKRSP) scared us a lot. They will get the money out of the defaulter (and charge him more too) and likewise the guarantors will get into trouble (they would have to pay up to recover the loan). Also others will be affected since they won’t be able to get any loans if I default. They cannot take the whole VO’s savings but they can take mine.
2. We trust these FMU people. They come to our village and tell us (about loans). They also remind us of the loans we have taken (even at home). I think people are more important (than the organisations they work for).
3. I see them once or twice a month and sometimes they come here. They come and tell people about loans.
4. I haven’t thought of this before. It’s due to the respect of law and a responsibility. I have signed a document so I won’t trust myself if I don’t repay. {After a lot more prompting he added} If I don’t repay eventually the police will come.
5. Yes, because others should know that they wouldn’t be able to get loans (due to the defaulter).
6. The ECP {but he couldn’t explain why}.
7. NA {no VOCP given}.
8. The village elders. If the dispute gets prolonged/serious than we go to the magistrate.
9. I don’t know, as I have never thought of taking a loan from these other banks.
10. Skipped.

(G)

1. I save in postal certificates. My VO savings are about Rs 400 (we have to save at least a rupee in each meeting).
2. It is necessary to save (for sickness etc.).
3. I have postal life insurance (as do about 32 people here in Mehdibad). It’s mostly held by salaried people.

(H)

1. NA {he is an employee only}.
2. I’ll lose out since the prices are higher so I’ll have less cash (to repay the loan).
3. More cash is used now.

(I)

1. The VO should return my savings to me (in that case). The VO will stay even w/o its savings however, if AKRSP stays then so does the VO.

(J) NA

(K)

At the end of the interview (when question I1 was being asked) the VA and another man had a small debate about the VO’s sustainability. The man, who had been a manager of a local VO but had since left for work in Khaplu, said that if AKRSP left they would change the name of the VO and make it their own as at the moment that was not the case. The VA got annoyed as to why a change in name signified so much. In any case the man maintained that this new VO would run on the savings and contributions of the people (even in the absence of AKRSP).
Ibrahim has been running his general store/cloth shop for the last 30 years and is the senior-most shopkeeper in Mehdiabad. He took his first ECP loan of Rs 20K in February 1997 because he ran short of cash for his business. He had bought tea and sugar from Pindi dealers and they had to be repaid (Rs 10K each for the two items); they give merchandise on credit free of any charge for up-to 2-3 months. He hasn’t repaid his loan as yet but expects to do so and take another loan of Rs 40K to buy more stock from Pindi. He said that since there are a lot more shops now there isn’t as much profit in the business (5-10%) and one barely earns Rs 2-5K a month.

1. The FMU told us about it in a VO meeting and they also spoke about it (ECP) in the bazaar.
2. No.

1. The VA filled in the form. I needed a copy of my ID card but no business details were required.
2. We haven’t given out any VOCP loan {they have a VO saving of Rs 50K and a TDR of Rs 46K} because people don’t want it.
3. (i) In business a large loan is better. (ii) It’s easier because one can earn profit after the first few loans.
4. One should give the loan for business needs. For house building maybe it should be of a shorter length; apart from these there are no other needs here.

1. If people give loans we will take them. Before there was no source of loans, now one can get loans for business, weddings, houses etc.
2. Those who are rich probably think that loans are bad but businessmen don’t.
3. No, it should be kept a secret.
4. Now people say we’ll work, run businesses etc. Before people were happy with subsistence farming, now that’s no longer enough.
5. Skipped.

2. The ECP loan is better (the way it is). Going through the VO creates a problem because a collective loan is not a good. Also distributing the benefits from such a collective loan will be a problem for me (as a president); it will probably create “ranjish” (animosity) with others.
4. AKRSP is a welfare organisation so it should charge less on its loans. It should charge 10% for new (house) construction and say 15% for business usage. Fertiliser loans are also fine. A 1-year duration is fine for me.
5. (i) For ADB loans (for building houses) one needs land titles etc. (ii) Yes. See A. (iii) No.
6. No.

(F)
1. They didn’t say anything. I (as a president) am responsible for other’s loans. One person asked me (to sign) for a loan of Rs 100K and I refused. I look at a person’s capacity before agreeing to sign. People take loans for building their houses, weddings etc. but not from my VO. I’m the only one with a loan here. {Actually that is not true since AKRSP records show several loanees. When I asked the VA I was given a long explanation; see K). They might take our VO savings. Once a person, Ghulam Shah, (of some other VO) defaulted and that caused problems for his VO’s savings.
2. No difference as my relation is with AKRSP.
3. They come here two-three times a week. When they come to my shop they don’t ask about business but just talk (generally).
4. Primarily religious reasons. If I don’t repay then there will be problems because I will lose name, end up facing the police/courts {he recalls a few cases where this happened} etc. My suppliers (who give me credit) trust me, as does AKRSP.
5. Yes because then it will be a question of their reputation.
6. No VOCP has been given.
7. NA
8. The last resort is the police station. We also first try to resolve the matter within the VO otherwise we go to the “shariat” (religious) court.
9. AKRSP loans are easier to repay. ADB loans are not used for business purposes so are hard to repay.
10. Skipped.

(G)
1. I save in the National bank (branch here). People can save from their salaries.
2. I save to buy stock for my shop, for weddings etc.
3. Yes, there is insurance here. Since I face risks in my business I would like to have such (business) insurance.

(H)
1. I give udhar to people (even though my) business is affected by doing so.
2. Harder because I will not be able to afford {to repay?}.
3. I don’t give udhar because it is hard to get it back. {See H1 where he said the exact opposite} People give less udhar these days.

(I)
1. I will divide the savings amongst the people {he’s the president}. The VO is just the village so it makes no difference (if AKRSP leaves), though the VO meeting will end. We are making this VO good because we got a big PPI. The VO is ours because it gives us benefits not AKRSP. {He went on to talk about how great the kool that had been made was}.

(J) NA

(K)
Ibrahim was under the impression that he was the only ECP loanee in his VO while AKRSP records show this is not the case. When we asked the VA (Fazil Abbas, interviewee *1), he explained that all the other ECP loans had been given using his signature (instead of Ibrahim’s) since there had been internal conflict in the VO. Apparently Ibrahim had a prolonged inheritance
dispute with his nephews and he refused to sign their ECP forms so they approached the VA directly and he obliged. The other ECP loans for signed by the VA for similar reasons. During the interview Ibrahim complained that AKRSP was giving loans too freely and this would create problems for them later (unless AKRSP intended to forgive these loans). He said that they (AKRSP) were giving loans to all and everyone; all sorts of people ranging from the salaried to the rich etc.

Also while we were interviewing Ibrahim a middle-aged man (Mohammad Ismail, “Naib Tehsildar”) gave some advice: He told us that AKRSP needed to develop “commerce” in the villagers as they still did not know how to use money. He suggested that AKRSP teach people how to use/market fruit, to find/sell minerals etc.

20 Mohammad Hasan s/o Haji Ali WO: Shoapa Kamango

{A young, energetic and enterprising young man. He is the male manager of a WO. We interviewed him at the FMU office.}

(A)

Hasan is the eldest of five brothers and an upcoming and very promising entrepreneur. He started off fairly small but now seems to be doing very well.

Hasan talks of the time he was studying in Skardu {he has done his matriculation} and how his family couldn’t even afford to rent a house there and so he stayed with an uncle of his. In 1989 he began working in the local hospital (currently he is an employee of a nursing hospital, Civil hospital Tolti). While in Skardu he constructed a house for someone and as payment received 3 kanals of land. He sold some of the land and thought of opening a general store (since he had several brothers he thought it would be a good idea to do so). To this end he took a 5-year loan of Rs 28K from ADB (at 13%) (which has been successfully returned in annual instalments) and together with Rs 15K of his own money he opened a general store in 1991 and bought his merchandise from Pindi. At the same time he started the poultry business as well (his mother had received poultry training). In 1992 he heard that people run a good business drying apricots so he decided to invest Rs 7K in this; he didn’t get any formal training but simply picked up a book on it and taught himself how to do so.

As his work was progressing well he decided to expand more. His second brother was busy studying but his third brother wasn’t as interested and wanted to drive. Hasan decided to buy a suzuki car for him in 1993 (Hasan added here that a lot of people actually lend him money simply to invest for them and not as a means of earning interest but more as a way of keeping savings). However later on he sold this car in exchange for 4 kanals of land out of which he has sold 1 kanal.

In 1994 got another book on potato farming and decided to experiment on his land. Currently his entire land (10-12 kanals) is no longer meant for subsistence production as it is entirely devoted to potatoes! His wife, Fatima, and sister, Zahra, were trained as agricultural specialists and are also both involved in his potato plantation. Moreover he followed AKRSP advice and now has 900 tree saplings planted as well.

Hasan took his first ECP loan in Sept. 1996 of Rs 10K, which was used to buy stock for his general store. (He says he was a bit short on cash as he was building a new house for his family). This loan was returned in a couple of months.
Next Hasan took a “collective” loan of Rs 50K; he took Rs 20K under his name and Rs 10K each under his wife, sister and mother’s names. (This sums up the entire ECP loans given to his WO; i.e. they are all his family!). Hasan added Rs 20K out of his own pocket and went and bought merchandise from Pindi. He used to carry medicines in his store but as there was a problem of medicines expiring he decided to move into purely the general store business. He has already repaid Rs 15K of this loan and intends to repay the rest as soon as his potato crop is sold. Hasan seems to have big plans for the future (In fact he said his made his house as he doesn’t want it to interfere with his business later on). His brother is finishing up with his B. Comm. When he returns, Hasan wants to start business in Skardu with a general store and wholesale depot. For this purpose he wants a large loan of around Rs 300-350K from AKRSP (CVOCP) together with an equal amount from his own savings. Hasan’s economic status is a marked difference from what it once used to be. He not only owns property in Skardu but, whereas earlier on he was unable to even rent a house, he now has two brand new houses (one in Skardu). {We had the pleasure of seeing his new house in Kharmang; a beautiful structure which he has mostly built himself, in keeping with his considerable entrepreneurial drive}. It appears Hasan is headed for big places and he knows it too!

(B)
1. I heard about it (ECP) from Wazir and Nisar (FMU accountant and manager) in our WO in 1996 and then onwards we took the loan. I don’t know much about the VOCP loan. Our VO saving is around Rs 8.5K and while we began with 25 members now we have 15.
2. No, I trusted myself.

(C)
1. I came to the office. They needed my ID card copy, the signatures and asked about details pertaining to my business (they had seen my store earlier on).
2. NA
3. (i) It makes no difference as each borrows according to his (capacity). (ii) Repeating a loan helps because we can learn that profits can be earned even with loans.
4. If it’s a small amount it should be used in a shop. A larger amount one should use for buying a plot (of land and if it’s even larger than one should buy and sell land.

(D)
1. People didn’t know before but now they have been provided with information (regarding ECP loans). Previously people used to go to the ADB (for loans) but now they prefer AKRSP (loans). Also see F.
2. Yes in fact people think this way about the ADB. One person bought a tractor from their loan but then resold it and ate up all the money. As a result people think this is what happens when one takes a loan. However, I’ve taken a loan a few times (so this is not a problem). Besides, the government itself is in debt, so why not us? We (business minded people) think that loans are a necessary part of business.
3. It makes no difference, as (taking) a loan is not a secret thing. Also yes, it would help to tell the VO about a person’s repayments since then people will learn about business dealings and will get interested in doing business themselves.
4. People say that one shouldn’t take a loan because then the person would be destroyed. They say this because 2-3 people defaulted on ADB loans and then the police came (after them) so now people think that that a loan is equivalent to losing one’s name but I say that “harkat mein farkat hay” (i.e. there is benefit in activity). Now people are realising that we (loanees) are doing well; 3-4 people took loans after looking at me.
5. Skipped.

(E)
1. ECP as our WO has fewer savings and there are more conditions (to fulfil) for a VOCP loan.
2. The ECP loan is better the way it is, since people’s thinking is (always) different (some say give the loan others would not) (and so going through the VO would be a problem).
3. Yes, the length of the loans should be increased (because one can less profit in a year and sometimes one’s money is stuck in land etc.) to 2-3 years (w/ yearly instalments) but not at a higher service charge (as the ADB gives 5-years loans at 13%).
4. The service charge should be decreased and the loan limit increased w/o bound (it should depend on the person’s business and it shouldn’t be given to someone w/o any capital of his own).
5. (i) No problem with ADB etc. I have taken a loan from them (See A above). (ii) Yes for up-to 5-6 months and with no service charge. (iii) None because they are all “raja” type of people who do not have any business thinking.
I prefer the AKRSP loan as I can get a bigger loan (Rs 300-400K) from them since I am thinking of registering my business (See A above) (and getting a CVOCOP loan).
6. Yes. It would be best to have the bank through AKRSP. If it will be separate (from the rest of AKRSP) then that would be a problem as they will be strangers (there).

(F)
1. They (AKRSP) have legal powers and will get the money out of us. If you don’t repay you will lose your reputation, your VO will end and your VO’s savings will be taken. Moreover training and other help given by AKRSP will end. It’s easy to take a loan but hard to repay it!
2. Yes (it will make a difference) because these people (staff) are from our area so they cooperate a lot with us. Before they came here we didn’t even know of the (AKRSP) loans.
3. Once to twice a month. They ask about business (after all we’ve taken a loan from them!) and as they keep on coming, we have to repay!
4. (I repay the loan because) it’s not my dad’s property. Also if I return the loan quickly I can get more (since I need to circulate cash in my business). If I lose my reputation once it will be lost forever; doing business is a lifetime matter and not one that lasts a few days.
5. Yes, so that he loses face and so will return the money out of shame. It is better to approach him first.
6. NA
7. ECP. With the VOCP loan (only) the president & manager will catch you. (With the ECP loan) AKRSP puts pressure on one.
8. First the ulema (religious leaders) then members/chairman (of the local union council) and finally the police (if all else fails).
9. It must be laziness (to recover loans) on the part of the staff of the ADB (and other banks). Also the ADB gives loans w/o looking at the person’s business and capacity.
10. Skipped.

(G)
1. I keep detailed records and I reinvest all my savings. I have a bank account but there is not a single rupee in it. [He also has lots of land].
2. I save to improve my economic situation; if one doesn’t have money one can’t do anything. Also in case of health problems etc.
3. I thought of (getting) insurance but I have done my own insurance with my money so I don’t think I will get it. For business insurance I will look at people who have had such insurance and whether they were paid the money (i.e. whether the insurance scheme is genuine or not).
1. Yes I give udhar but not to those who won’t/don’t return it.
2. I benefit (due to inflation) as I can then sell the goods at a higher price.
3. I get repaid in terms of other goods which I resell (for a profit) in turn {the FMU manager, who was with us, told that they actually gain by doing so since they get these goods fairly cheaply and then resell them for a profit}. In fact it’s (therefore) good if we get non-cash payments.

1. Our WO is dead because last year we were encouraged to grow tree saplings and promised a reward for it which we were subsequently never given {he complained against the previous WSO} and now no one visits our WO. However, now that there is a different WSO here, we are thinking of restarting it {and possibly also because WOs are now being given AKRSP projects as well, a fact about which Hasan seemed to be aware of}. The VO won’t survive without AKRSP because even with AKRSP, they are very lazy so w/o it they won’t do much.

Hasan seemed very interested in the CVOCP and we answered several questions about it {he has plans to set-up his registered business, the “Five brothers united”!}. He also mentioned that once he began keeping records, he realised how much profits he made and so took more loans (others miss out on this because they wrongly put their own house expenditures in their business accounts as well i.e. they don’t account for the fact that their general stores also supply their household needs}.

*21 Mohammad Hussain s/o Mohammad Ali s/o Ghulam VO: Tolti I
{A young active man. He was interviewed at the FMU office. Hussain has taken his loans under his father’s name.}

Hussain does welding (grills) and woodwork (doors etc.) and also works in the local hospital as a sweeper-cum-driver. He started business with a five-year loan of Rs 72K from the ADB in 1987. Rs 20K of this loan he invested into a workshop in partnership with Mohsin Ali {Interviewee *3 above} and around Rs 50K he used for a household problem. In 1992 he took a VOCP loan of Rs 20K (at 15%) which he returned on time. By 1993 he had also repaid the ADB loan (in 5 annual instalments and a total amount of around Rs 100K). Then during 1994-5 he moved his workshop to Skardu (as he got transferred there) but as he made a loss (and he was also transferred back) he returned to Tolti.

In 1995 he took another VOCP loan, this time of Rs 15K, in order to buy parts etc. for the workshop. In 1996 he then took his first ECP loan in order to repay the VOCP loan that he had previously taken! This loan was subsequently returned in 4 monthly instalments. However, prior to it’s return, Hussain took another Rs 10K ECP loan under his friend’s name (Shakoor s/o Ghulam VO: Tolti I) {AKRSP records show no such person although there is a Ghulam s/o Shakoor so Hussain probably accidentally switched the names or we made a transcription error} in order to buy parts from Pindi again.

Currently Hussain has taken out another VOCP loan of Rs 5K and is now in partnership (he left the partnership with Mohsin) with Mohammad s/o Haji Akbar {interviewee *23}. The latter has
taken an ECP of Rs 20K and they have bought a multi-purpose woodwork machine (a drill, saw and planer all combined in one) and now they are the only one in the area who are doing construction work (making doors etc.). Customers supply their own wood and are charged around Rs 280/door; Hussain estimates a daily profit of around Rs 200. The two partners do not split their profits as they are simply using the returns to repay their loan for the moment. Once they have repaid the loan they will split profits. They are also then thinking of taking another ECP loan (Rs 40-50K) and of buying their own wood so that they can earn greater profits and can keep busy all the time (i.e. they won’t have to wait for orders).

Hussain is also thinking of getting a small saw and a generator (since electricity interruption is a problem; Tolti does not have any electricity from around 10 am to 5 pm daily). Also Hussain continues his welding work (he makes a daily profit of approximately Rs 200-300 when he has work) from the welding supplies he bought from Pindi two years ago (he anticipates needing to replenish them soon).

Hussain jokingly told us that he is addicted to work now and is only constrained by customer demand.

(B)
1. I heard about the ECP loan at a meeting in the FMU (1995) where we were told how to get and repay the loan. I heard about the VOCP loan from my manager.
2. Yes I had talked to my ex-partner, Mohsin.

(C)
1. My manager filled in my form and asked me about my workshop. He told me I should only take the loan if I expected to profit from it. It’s an easy loan to get as one only has to fill in the form and then one can get it. {Also see F1 below}.
2. It (VOCP loan) is given according to a person’s savings. For business needs one has to have other guarantors (ID cards as you borrow against their savings) and for livestock needs one just requires his own ID card (as the cash needs are smaller). The loan can be used for consumption w/o any problems either as long as it is guaranteed.
3. (i) As long as one repays the loan quickly it is n problem. (ii) Yes, the first time I took the loan I was a bit afraid but I wasn’t so the next time.
4. It should mostly be used for work. One shouldn’t use any loans to make a house etc.

(D)
1. People didn’t know about the ease of loans; it all started from meetings. Then my friend asked me (about the loan) and so information spread (about it).
2. If people don’t work in their business then there is nothing worse than a loan but if they do then it’s the easiest thing.
3. No but if you do say this then the loanee will repay his loan earlier as it will become a matter of his reputation.
4. Now people are more interested in their own progress and in business and loans are easier; before people never planted potatoes but now a lot do since they say someone last year here who had made a lot of profit from doing so. The more the money the less the co-operation amongst people as they are no longer as dependant on others. People used to respect each other earlier on due to this mutual inter-dependence.
5. Skipped.

(E)
1. I am taking less VOCP loans now as if it is a big amount then it’s hard to repay (as one has to make a lump-sum payment) at the end. If it weren’t for this problem then I would prefer the VOCP loan as the VO gains through it.
2. See E2 above {He prefers the ECP loan due to its repayment convenience. If going through the VO also meant still keeping this convenience then he would prefer this new loan}. 
3. The 1-year duration is fine. 
4. The service charge should be decreased (to 15% i.e. equal to the VOCP charge) and the 6-month loan is good (also) as it puts pressure on one to repay. The loan size limit is fine, as I don’t have need for more than Rs 100K. 
5. (i) I took a loan from ADB {see A above} and I didn’t have any problems since I knew someone at the bank. The AKRSP loan though is easier as one can repay it quickly. (ii) I don’t take any credit from Pindi (my suppliers), even though I could, as that is why I took the AKRSP loan (i.e. to avoid Pindi loans) in the first place. Besides it’s is hard to repay a far-off loan. (iii) Yes, there is a man here but he charges a 50% interest rate. Once I took a free (of charge) loan from him but most can’t (he does give free loans to our villagers); he actually discourages people from taking loans though. 
6. No. 

(F) 
1. My president and manager signed (on the form). I don’t know anything about (their default procedure) or the affect on my VO savings; I just gave a copy of my ID card. It’s difficult to get another loan w/o paying the old one (which is why I got my second loan under a different name). 
2. Yes it will make a difference because they know us but on the whole there won’t be much of a problem. I trust the VO the most because I started with them, I don’t know much regarding Wazir (FMU accountant) or AKRSP. 
3. Ten times a day! {Hussain works right in front of the FMU}. If they come to my shop they ask me about my business. 
4. If I keep a loan (i.e. delay repayment) then it cost more. If I default then there is the issue of my reputation. If one defaults on a government loan they take away your land and put you in jail, AKRSP doesn’t do so because it’s easier to repay their loan. For e.g. with a government loan of Rs 100K one has to repay Rs 25K each time whereas with AKRSP one can even repay with Rs 2K. 
5. No because the whole loses it’s reputation that way (Inside Tolti people will say that mohalla’s person didn’t repay, outside Tolti it will be that village’s person and beyond that it will be that person from Kharmang didn’t repay). It is better to go to the person first because if he cares about his name, he will repay. 
6. They simply cut my (and my guarantor’s) VO savings. When I took my Rs 10K VOCP loan {from what he told us he had taken Rs 20K, 15K and 5K VOCPs so he must have made a mistake somewhere} I had to get my relative’s guarantees so I have to worry about their reputations as well. 
7. The VOCP has a greater pressure to repay as it involves other people’s reputations as well. {See F6 above; joint liability ideas?} 
8. There are mostly land disputes and they are solved by the “numbardar” {the local chief in the time Baltistan was under princely rule}. If he fails we go to the shariat court and if that fails then (last of all) the police. 
9. It is due to the nature of instalments; with AKRSP one can repay in small amounts at any time but with the other banks one has to repay at fixed dates. 
10. Since it’s a matter of the village’s reputation, they put pressure on the individual. 

(G) 
1. There is no system/bank to save in (here). I don’t save much as I have to repay my loans. I save in the VO to increase my savings and to be able to get a larger VOCP loan. 
2. (I save) for weddings, death etc.
3. I used to have (State) life insurance but no longer do so due to some (financial) family problems. Yes, there is a need for business and machinery insurance. For example if I buy a car (and all do this on loans) and I have an accident then I am lost forever. I personally want to buy a car but am afraid of (such) a loss. People are afraid only because they do not have insurance.

(H)
1. Yes I do work on credit. I don’t take any large loans, as I have to give such credit (even though for certain jobs, like grillwork, I demand a 50% advance payment).
2. It (inflation) would be good as then I can sell my stock for more.
3. Most people bring cash but I do accept non-cash (oil, wood) payments as well; if I get a non-cash payment I make double the profit (because I buy cheaply and sell expensively).

(I)
1. Now people are addicted to depositing/saving in the VO and so they will continue to do so. The VO will exist w/o AKRSP; as an example we are working on the kool and will continue to do so even if AKRSP leaves. {When asked, he also maintained that the VO would loan out its savings}.

(J) NA

(K) NA

*22 Syed Jaffar Shah s/o Syed Mohammad Shah VO: Sadat Colony
{An old and extremely talkative/clever schoolteacher with a tendency to digress a lot. He accidentally dropped in at the FMU (it seemed he was looking for a lift home, which he eventually got by virtue of agreeing to be interviewed!) and was interviewed there. He is the manager of his VO and the only ECP loanee so far}

(A)
Jaffar took his first loan of Rs 10K and started a general store in his house that was next to the bridge. This loan was returned lump-sum (in around 11 months) and a next ECP of Rs 15 K taken to purchase more merchandise from Pindi. This loan was also returned in one payment at the end of the year. Jaffar claims that his store generates little profits as he runs it mostly as a service/convenience for his “mohallah” (locality). A few months ago, he took his third ECP loan of Rs 40K for his general store but this time he’s expanded his store to include more household items, ready-made cloth etc.
Jaffar is interested in the wholesale business and in his store he tries to give less on credit but sells mostly for cash payments. He says he prices a bit less than the market rate so that he is able to circulate his stock fairly quickly.

(B)
1. I used to read the AKRSP publications and I investigated (about) loans; I also came to the office and consulted them. I had heard about the VOCP loan but that needed all the member’s approval. We still haven’t given such a loan (although we have Rs 40K of savings) as all our members are fairly well-off and in high government posts so they are unable to attend the meetings. {He seemed otherwise well versed in the loan details/conditions etc. but still had some misconceptions as seen in F1}.
2. I have studied other areas so I studied it (loans) carefully before I took my first one.

(C)
1. I filled in the form and signed it. I was asked about the business and I said that only a general store would work in my area.
2. Although we have not loaned out any VOCP loans I believe that one should give loans generously but after checking the loanees (financial) capacity, reputation and ability. One can check up on these things using various independent sources. In any case small/poor people cannot get land titles made and satisfy all these formalities (than other banks ask for).
3. (i) That depends on the person’s capacity. (ii) Yes. Look at me; the first two loans I took I returned as a lump-sum but with my third loan I’ve learnt that one should deposit even Rs 50. This (freedom to deposit whenever and whatever) has made things very easy for us and is a great idea; there should be more of it.
4. For general and medical stores, transport service, poultry and livestock (although they are seasonal) etc. It can even be used for educational purposes (making a school) as one can generate money (to repay the loan) by charging school fees.

(D)
1. People used to be afraid of taking loans and did not understand how to do business (as previously loans were taken for consumption use). Gradually people learnt (by looking at others) that loans used for business purposes could work.
2. Skipped.
3. No because other people may talk ill of the loanees and influence his decision to repay.
4. There are lots of changes now with the making of the Karakoram Highway and the greater presence of city folk. The progressive though has been instilled in people; the VO developed collective though in people and taught them skills. My VO members are all very educated people but were disunited and so I used the VO to bring them together.
5. Skipped.

(E)
1. NA
2. No because there is a big problem of guarantors. It may work if one has 4-5 guarantors of a loanees. In that case the (loan) procedure would need to be (carefully) formalised. Also it would run a risk of loans being given out to the unworthy poor who have no capacity {to work, repay?}. Moreover this may create a conflict in the VO, if I distribute the loans unequally.
3. The 1-year limit is good. A longer period may create problems unless trust exists (with the loanees) and in that case the period length is not a problem.
4. The service charge should be decreased (to say 10%); it should not be more than what government institutions charge. {Also see E3}.
5. (i) ADB and co-operative bank etc. entail lots of paperwork. (ii) Trader credit is given only if one has a large business (If I pay Rs 10K worth of merchandise then I can get Rs 10K more on credit). (iii) Yes, we have some rich people who give loans w/o any charges. Also some people invest their money in other people’s businesses and thus get a fixed return (on their investment).
6. Yes. I think the bank is a good idea and it will go beyond government banks, as it will have a different motive. We will get our TDRs from the bank (so we will both gain). Everyone will save in the bank and take loans from it as well. If the bank remains part of the AKRSP network that is good because it will have (more people’s) trust but bad as it will have less freedom.
1. The defaulter will be charged extra. If one defaults then legally his VO savings are affected {he also mentioned something about his landholdings}. One should loan out only beyond a person’s savings provided the person has the necessary capacity.

2. No, but obviously some individuals are more flexible than others. A stranger will have to develop trust. If people don’t know the AKRSP rules well then they will trust the individual more (than the organisation).

3. They come 10-12 times/month, meet the members and advise them {here he gave lots of details on all sorts of advice given}. They give plants etc. if people follow their advice. They also come and talk to the business community.

4. People are honest here {gave religious reasons}. There is a religious saying that if one’s creditor comes than one should even leave one’s prayer and attend to him first. Secondly since this is a small region, the loans are of small amounts and so they are easily repaid. In cities people have larger businesses so they are more likely to default.

5. No as the VO will say in any case it’s not my responsibility so AKRSP should deal with the defaulter. Besides the president and manager are responsible to get the loan recovered.

6. NA

7. The VOCP puts more pressure than the ECP (even though the latter has a higher charge); if one defaults on the VOCP loan then the whole VO suffers whereas with an ECP default it’s only the defaulter who suffers.

8. The shariat court/Jirga solves disputes and even when people go to the police, they are often sent back to the shariat courts.

9. Since AKRSP doesn’t cheat on us, we don’t cheat on them. These banks are the governments and as they cheat, people cheat back on them {reciprocity}.

10. Skipped.

(G)

1. People save less in the banks. Usually they buy land, make shops in Skardu and say 2-3 shops by the Kharmang bridge. My VO’s savings are around Rs 40K and most of these savings are my own (we have a minimum savings limit if two rupees).

2. To use in bad times and for future needs {precautionary motives}.

3. A lot of people have life insurance here (not me) since the last 2-4 years. People also have business insurance (tractors, cars etc.). If business expands/get easier here then a lot of people will get (such) insurance.

(H)

1. A small store (like mine), which runs mostly on credit, should give less credit. {See A above}.

2. Inflation is a gain as I can sell at higher prices but then at the same time things will cost more as well.

3. Mostly cash sales now. There is some sort of barter but now it’s done through prices anyway {i.e. people value/exchange commodities based on their price in the market}.

(I)

1. VO savings are a means to get (AKRSP) projects (PPIs), VOCP loans and can also satisfy a collective need (like open a medical store etc.). If AKRSP leaves I believe that one-third of the VOs will end as uneducated and poor people don’t have the ability to continue (since they do not have access to a lot of resources).

(J) NA

(K)
Jaffar made a big deal (several times) of how his VO members (around 50) were all very educated (they are all Syeds). They had complete unity in the beginning but not so later on and therefore few projects were done. He said they were people as important as the Assistant Commissioner in his VO but since all of them were so busy they didn’t come to the meetings! {In any case his VO seems fairly dead, despite having such educated people}.

*23 Mohammad s/o Haji Akbar VO: Tolti I
{A young/friendly man and is the partner of interviewee *21. He was interviewed in the FMU office}

(A)
Mohammad has ten years of experience working as a carpenter (in Skardu and Kharmang). He had wanted to get a loan to buy a wood-working machine (drill-saw-planer machine) and had been asking about the co-operative bank but then his partner {interviewee *21} suggested that he talk to AKRSP and so he went and talked to Wazir (FMU accountant). His brother had previously taken an ECP loan of Rs 30K (under their father’s name) to buy a wagon and had repaid it back as a lump-sum. So a month ago he took out his first ECP loan (Rs 20K) and together with Rs 5K out of his own pocket, he bought the machine. He says he earns about Rs 500-600/day from his machine if there is no electricity problem. Next he is thinking of buying a generator.

(B)
1. See A {He heard from a friend. He also knows about the VOCP loan}.
2. No as I had confidence in myself; since I do the work it’s no problem.

(C)
1. The manager filled my form and I was required to get signatures, my ID card copy and was asked about my business.
2. The VO gives loans equal to one’s savings. For use in business one has to get (permission to use) other people’s savings (i.e. the guarantors).
3. (i) A smaller loan is easier to repay. (ii) It gets easier with the next loan because one learns about loan (procedural and usage) details.
4. It is best to do business (with a loan) since if one uses it for consumption, how will it be repaid?

(D)
1. People didn’t know (about the ECP loan) before although they did know about the VOCP loan. I had gone to the Co-operative bank but then someone {his partner} told me to go to AKRSP.
2. Only “loafers” (loiterers) think like this; now people are more business oriented.
3. Yes because they (the VO members) are like guarantors (of the loan).
4. There isn’t much of a change. AKRSP gives some plants (potatoes, onions) and that’s about it. People have become a bit business minded now. There is more co-operation now as there is less (free) time and people are more well off.
5. Skipped.

(E)
1. ECP as the VOCP loan you can get only once a year whereas the ECP loan one can get whenever and repay anytime {presumably before the due date}.
2. The ECP loan is better (the way it is) as it involves only AKRSP’s money and not the villager’s.
3. See E4 below.
4. One year is a good duration but the service charge is too much (it should be decreased to 15%). An increased loan period to 2-3 years is not good because then people will forget about the loan. The loan size limit is fine.
5. (i) They (other banks) need land titles and lots of bribes and so on. (ii) I can get wood on credit for one month at no charge. (iii) Yes there is the numbardar but he charges a lot and now that people have started using AKRSP, fewer people go to him.
6. No but such a bank should have less paperwork and should remain open for longer hours (as compared to other banks).

(F)
1. One gets charged more (on the loan) if one defaults. Also I stand to lose my (though not everyone’s) VO savings.
2. It won’t be a problem since I will tell the new person that as I took a loan before he came, I should be given the next one too. I trust people more than organisations.
3. They visit all the time {he works right in front of the office} in fact I work (woodwork) for the FMU as well. They come and ask me about my business.
4. If I don’t repay I get charged more. Also I have given my word/trust. Since they trust us and are nice to us we must reciprocate that. Also we stand to lose our reputation. The other day 3-4 ADB defaulters were handcuffed and marched around; I hope that AKRSP doesn’t do so.
5. Yes because if the manager guarantees (the loan) then it’s his responsibility.
6. The VO members visit the defaulter a lot and put pressure on him (so the person has to repay from wherever he can).
7. The VOCP loan; as the VO is smaller than AKRSP, it’s more important that it’s loan be returned earlier.
8. We go to the numbardar/ulema. The police is a last resort.
9. If you do good, then they (villagers) repay with good as well. The ADB is very severe (people are handcuffed) {see F4 above} so the loanee gets stubborn with them. AKRSP is more flexible and has very good rules.
10. Skipped.

(G)
1. I put my savings in the bank even though I’d prefer to buy land.
2. For my future and to leave money for my children.
3. I have life insurance. Insurance is also available for machines (a State life insurance representative was trying to convince me to get it).

(H)
1. I give udhar. If I have to repay a loan I work harder and give less udhar.
2. (Inflation) is good because then I can charge more.
3. People use cash now (they no longer bring oil etc.).

(I)
1. I will leave my savings with the VO (what can I do with just Rs 2K). The VO will continue w/o AKRSP as it will do collective projects.

(J) NA

(K) NA

*24 Ghulam Muhammad s/o Haji Haider  VO: Gangani

{A middle-aged and somewhat slow man. He was interviewed in his shop and seemed terribly depressed for most of the interview; Gangani is the last Pakistani village before the border and the villagers are in a pretty bad state - they can no longer access their fields, as they are fired on by the Indian army. They have abandoned their original homes and have moved back to a small settling which had been deserted previously. The general store mostly caters to the needs of the army camp.}

(A)

Ghulam is the manager of his VO (all 11 members of the VO have equal savings of Rs 5K) and currently owns a well-stocked general store (catering to the army). From 1971-95 he used to work as an army contractor, carrying their equipment on his “zos” (a Yak-cow hybrid). In 1990 he started a general store with his own capital (Rs 15K) and that of relatives/friends (Rs 25K). Since 1992 onwards he started taking the VOCP loan (each year). While he didn’t know the exact amounts, apparently he and the president of the VO (interviewee *25) split the total VOCP amount equally between them. {The FMU accountant told us that the total VOCP starting from 1992 was Rs 17K, 25K, 35K and 55K. We also tried for several minutes to see what service charge he had taken these loans at but Ghulam was unable to answer/understand despite the FMU accountant’s efforts in Balti. It seems they generally gave an extra 3% to the VO over and above the rate at which they received the AKRSP loan from AKRSP}. He used this money to buy merchandise from Skardu.

Ghulam also tried his hand in the poultry business (along with the president) but that venture ended in a loss. In 1996 he took his first ECP loan of Rs 10K which he repaid as a lump-sum. His next ECP loan was for Rs 15K and he used this to finance buying four zos at a total cost of Rs 28K.

He doesn’t keep any records and says there is not much money in contracting (for the army). He estimates that he is left with RS 5-6K a year after accounting for the loan repayment and household expenditures.

(B)

1. I learnt about the ECP loan from the president of our VO who had taken it before anyone else.
2. See B1.

(C)

1. The FMU accountant filled my form for me. He asked a lot of questions but I don’t remember anymore.
2. No one in our VO knows how much our savings are ever since the war {i.e. border skirmishes}. We give all the VOCP loans to the president and manager (myself). The third shopkeeper here doesn’t want the VOCP loan as he says it’s a burden for him. {While we were unable to interview this particular shopkeeper we did ask him about the VOCP loan and
he didn’t say any such thing. It seemed he was eager to take the VOCP loan but was unable to do so.

3. (i) Yes, it’s harder (to repay a larger amount) as this place is not much for business. (In Skardu I could have taken Rs 300-400K!) (ii) It’s easier now {his second time}.

4. For a shop.

(D)

1. People didn’t know about the loan. Even now people as far away as we are still don’t know about it.
2. Only the “majbur” (forced) person takes a loan. There is no other work here; I don’t like taking loans.
3. It makes no difference as I tell them myself {they haven’t had a VO meeting for two years now due to the border problems}.
4. We have also half-become like the army and we have lost our houses. {We didn’t press this question, as he seemed quite unhappy to talk about changes given the village’s situation}.
5. Skipped.

(E)

1. I prefer the VOCP because it’s like our own personal money {he may be very right; see C2 above}.
2. It makes no difference.
4. AKRSP should decrease the service charge (it was easier when it was 7%). 18% was also easier (than the current 20%). The 1-year period is all right and it won’t be good to extend it.
5. (i) SBFC gives loans but we had no contact with them. We are now in touch with AKRSP but before that we had no idea of (taking) loans. (ii) We don’t get any udhar from Skardu as we don’t like doing so. (iii) No.
6. I heard about it (the bank) once before but don’t know what’s happening now. I haven’t thought much about it but (I guess) it should be a separate bank and it should have a branch (here) in Olding.

(F)

1. I don’t know. They will get their loan back only if I have property; if I have something they will get it. They will take my VO savings but not that of other members.
2. Yes (having) a stranger does make a difference. Wazir (FMU accountant) does all the work for us. I trust Wazir more.
3. They come 3-4 times a month for an audit and to remind us of our loans.
4. You have to repay. They also increase the service charge (if one defaults). I had (previously) begged the GM to forgive the service charge but he didn’t. AKRSP is very strict and will bring the police (if one defaults). If I am dishonest they will think the whole VO is.
5. No because he (the defaulter) is responsible himself. (His default) has no connection to the villagers.
6. They (the loanees) have land/property that I (the manager) will try to get, if they default.
7. I will return the VOCP first, as it is the villagers’ money.
8. The village elders and the VO.
9. I have no idea why. Those with a “big heart” don’t take loans.
10. Skipped.

(G)

1. I used to save before but no longer have any savings due to the (recent) hardships.
2. Skipped.

(H)
1. I give monthly udhar to the army and it creates no problems (in loan repayment).
2. I’ll lose {he was unable to explain why}.
3. Mostly cash (is used).

(I)
1. Nothing is done by AKRSP alone. The VO will exist even after AKRSP and we will continue to use our own savings.

(J) NA

(K)
During the course of the interview we got the impression that Ghulam didn’t have a clear idea of the difference between the ECP and VOCP loans, or at least he wasn’t able to convey the difference to us.

On a side note, at the end of the interview, Ghulam made a plea to us regarding their problem with a drinking pipe. Apparently the villagers and the army have a drinking water problem and often end up quarrelling with each other, as the army tends to take all their water. There is a fountain 500-600 yards away from the village and they want to put a water pipe (only about an inch in diameter) there so that this problem may solved {some army men at the shop also agreed with this}. Ghulam requested us to forward his request and we felt obligated to do so.

*25 Ghulam Haider s/o Fida Ali VO: Gangani
{A middle-aged and cheerful man. He’s the VO president. Ghulam was interviewed in his shop. See opening comments for *24 regarding Gangani and its military problems.}

(A)
Ghulam’s uncle started the general store in 1965 with Rs 500K and now it has reached a value of Rs 40-50K. Ghulam got the shop {although the current shop is not the original one since last year he was forced to abandon} seven-eight years ago. Since 1992 he has been splitting the VOCP loan equally with the VO manager, Ghulam Muhammad {for details refer to section A of interviewee *24 above}. He has taken three ECP loans (starting in 1994) so far of Rs 10K, 20K and 20K. He has used all these loans to but merchandise for his general store. Ghulam primarily caters to the army (stationed in Gangani) and estimates a monthly profit of Rs 2K after accounting for his household expenditures. He says he doesn’t understand calculations (regarding the loan) and trusts Wazir (FMU accountant) on this; “since he (Wazir) trusts us, we trust him”. It seems as if they trust AKRSP a lot.

(B)
1. I heard from the SO (who used to be) in Olding, who told us about the ECP loan but said it was for 6 months.
2. I am the first ECP loanee here.

(C)
1. I filled a form and needed a declaration (from all the VO members) for the ECP loan. I also wrote about my business details.
2. People have asked for loans for non-business usage but we no longer give any since we had once given Rs 5K to five people and it had caused problems. Now only the manager and I (president) take the VOCP loans. {See C2 for the manager, interviewee *24 above}.

3. (i) It’s a greater problem if the loan is beyond one’s capacity. (ii) The first Rs 10K I took was very hard (to repay) but this isn’t the case now.

4. Mostly for use in a general store. For anything else (kool, pond) it will be hard to recover the loan.

(D)
1. People were afraid earlier on. Now people have learnt about business; the VO taught us how to do business (apricot drying etc.).
2. (We think) it’s bad if one takes a loan and doesn’t return it. People used to be afraid to take a Rs 3K loan but now even Rs 55K poses no problem.
3. It makes no difference (as we are only 11 members).
4. Any new thought has died out with this military problem we have.
5. Skipped.

(E)
1. I like both, but prefer the VOCP as my own people benefit more from it.
2. It’s already too complicated to handle just two loans (let alone this third one).
3. See E4 below.
4. Decrease the service charge (to 10%), increase the period to two years and the loan limit needn’t go beyond Rs 100K (in Skardu Rs 200K).
5. (i) We don’t go to the other banks. The ADB is hard because they ask us to return on (a fixed) time and they put harder pressure (as compared to AKRSP). (ii) We can get it but I don’t, as it (naturally) has to be repaid. (iii) No.
   If AKRSP stops loaning then I will just reinvest from my business.
6. No.

(F)
1. If I don’t repay there will be legal proceedings. Wazir (FMU accountant) “mujhay nahi choray ga” (won’t let me off). Besides I can pay them back by selling my goats (I have 50). Yes, they can take my VO savings although not the whole VO’s. {Although later on it was clear that he knew the ECP loan was not backed by VO savings}.
2. It makes no difference if someone else comes; trust in AKRSP is important.
3. Two-four times/month. They tell us about our own benefit and ask about business and loans.
4. They tell us to repay so we do. One has to repay the loan, if I die it (the loan burden) will just be handed down to my son. The loan has to be repaid sooner or later (it’s clinging to my neck). Also I need to get the next loan too; if we have such a need (loan) or need other help then we won’t get it (if we default).
5. Yes, because then the VO will pressurise the person (to repay); we’ll take his wood/property.
6. We tell (remind) the person (of the loan) a month before it’s due. If he can’t repay we won’t force him too if he doesn’t have the capacity.
7. First I’ll repay the ECP loan since that is my own responsibility. With the VOCP loan it’s the villagers who will catch one.
8. Two people in the village are elected to solve the problem.
9. I don’t know why. A loan is the same whether it’s AKRSP or some other bank.
10. Because the village (stands to) lose its name.
1. We no longer have any savings {due to the military problem}. I used to save two rupees every week and put it in the post office in Olding. We all keep equal savings otherwise it’s a problem keeping records.

2. It is for my benefit, as it (my deposit) will earn me profits {he’s one of the few borrowers who pointed out to a profit motive with regards to savings}.

3. There is no insurance here and there is no need for it.

(H)
1. I give monthly and general udhar however, I don’t give too much as I have to repay (the loan).
2. (Inflation) makes it (loan repayment) easier as I can raise my prices.
3. The soldiers give cash whereas our villagers pay in non-cash.

(I)
1. The VO will stay even after AKRSP; we will loan out our savings and earn profits (on that). Before (they came) we had no experience but they have taught us and so we can do it ourselves now.

(J) NA

(K) 
Ghulam mentioned that loan disbursement by issuing a cross-check was a problem for them, as bank personnel create problems.

Another man who was sitting with us during the interview half-jokingly half-seriously asked AKRSP for help. He said he wanted Rs 10K as pure aid; he wouldn’t repay it at all but would “eat” it all up!

*26 Fida Ali  VO: Mamushthang
{Fida is a clever middle-aged man. He is one of the oldest ECP defaulters (since 1993) in the Kharmang area. He was interviewed (in very dim lantern light) in his house. We had a very hard time getting him to answer questions and towards the end he said he couldn’t take it anymore and begged us to stop! As such some of the responses remained incomplete, which we indicate by “Not asked”. Moreover, Fida digressed into arguments with the FMU accountant at various points during the interview}

(A) 
Fida was trained by AKRSP as a apricot specialist and he took his first (and only) ECP loan of Rs 10K in 1993 in order to buy apricots and sulphur. He then subsequently sold his apricots to BAMA who used to pay him a commission of Rs 2/kg. Fida claims that BAMA didn’t buy all his apricots and so he had to suffer a loss and leave work {he is very unclear on this and even though we tried to probe the matter further he couldn’t explain}. He returned Rs 9K of the loan but still remains in default of the remaining amount and service charge {AKRSP records show otherwise as his loan was repaid by someone else, although it seems he is himself unaware of this}. Fida claims that he took the loan and started the apricot drying business primarily in order to encourage others to do so {he views himself as the pioneer}. In fact he kept on emphasising the fact that he had basically started the apricot drying business in his area. He also claims to have taught 35 households in his VO, around 55 households in the surrounding “nalas” (gulleys) and even some households in nearby villages. After his training a lot of his villagers (including himself) are in this line of work. He told us of how AKRSP had given them so much benefit;
before they used to sell apricots for Rs 7/kg but after they got trained they sold it for Rs 40/kg. Now he claims that his villagers earn up-to Rs 200-300K from apricot sales each year.

(B)
1. Wazir (FMU accountant) told us all (about it) during a VO meeting. He told the members that if one suffers a loss in the ECP loan then only the loanee needs to cover it and the rest of the VO need not worry. There isn’t much unity in our VO since, despite having a savings of Rs 100K, we still haven’t given out any VOCP loans (because of envy). AKRSP people don’t come here as often as they used to; maybe they’re not happy with us. Also what happens if one person loses money? [i.e. how is he to repay].
2. I was the first guy to take an ECP loan in the village. [He also thinks that no one else has taken an ECP loan in his VO although AKRSP records show four others, although all four are in Skardu].

(C)
1. They told me that I had to repay in 6 months. I had to get the president and manager’s signatures and was asked about my business {he doesn’t seem to remember very well}.
2. NA
4. Some use it to buy vegetables, land, poultry and to buy and sell cloth. I only advise that one should get a loan for activities that generate money.

(D)
1. I have no idea.
2. I thought that the loan was a good thing at first but now that I haven’t repaid it I think it’s bad. I get a cold fever when anyone mentions the word loan now.
3. Yes, because otherwise it would be a danger to the VO if a person defaults. {Despite our concerted efforts to explain otherwise he still thought that the whole VO’s savings were at risk even though when he defaulted the VO’s savings were left untouched, a fact which he was unable to explain/reconcile with his belief}.
4. People are more educated now. There used to be lots of poverty here but people send their children to schools to get educated. Now that they see the profits in it, they are several educated people here and earlier on they nominee (for training) was myself, a completely illiterate man. Co-operation amongst us is a lot less now, maybe due to education and progress.
5. Skipped.

(E)
1. NA
2. It (this new ECP) is better because then all the VO knows (about the loanees). For example if these four people who have ECPs from my VO {which he didn’t know about but we told him} don’t repay then the VO should know about it otherwise it will be in trouble {see D3 above}.
3. Not asked.
4. Not asked.
5. Not asked {he simply refused to answer any further questions on loans}.
6. No but they should have a branch (here) in Olding.

(F)
1. They said they would cut (the default amount) from our VO savings and they are still saying this. I don’t even have enough money to eat (my wife is dead). I have told Wazir (FMU accountant) several times not to embarrass me in front of others. In 1993 (after I took the loan)
I suffered a loss of Rs 70K due to a theft as well; I had Rs 200K of the villagers’ money (for the apricot business) and I had put it inside my trunk but someone stole Rs 70K from it. I haven’t ever told the villagers about it (as I had no proof of it) and so I am still covering up the loss (I have paid Rs 35K out of it). In fact that is why I was unable to take the next ECP loan of Rs 20K that I was thinking off earlier (I had big plans). I don’t think they will ever forgive me as loans can never be forgiven. {Here we asked him why he had not even tried to write a request for clemency if his was such an unfortunate case but he was unable to explain why}. I am expecting Rs 30K (from the sale of my land to the government as a road is being made through it) and another Rs 10K (for damage done to my house during the road building).

2. It doesn’t make any difference, as I’ll have to repay regardless of who comes. Wazir (FMU accountant) keeps on my case.

3. Once a year! They should come more often. {See B1 above; he thinks AKRSP no longer visits his VO due to his default}.

4. One has to repay. I wanted to get another loan quickly but then all these troubles came.

5. No because if he hasn’t returned (the loan) what’s the point of telling the VO?

6. NA

7. Not asked.

8. I solve the problems myself or else we go to the police station.


10. Skipped.

(G)

1. I don’t have any savings.

2. I used to save in the VO. However, we were told that the money would be returned to us in 5 years {not clear what he means here but there might have been something said about AKRSP only having guaranteed funding for 5 years and thus a possibility that it would end thereafter} but then it wasn’t. As a result, many people think it (the VO savings) is a fraud. I save for wedding and (precautionary reasons).

3. Not asked.

(H)

1. Mostly udhar (is prevalent here).

2. It would make things difficult {he was unable to explain beyond “high prices cause a loss”}.

3. Not asked.

(I)

1. The VO is almost dead now {although the FMU accountant told us that it wasn’t except that Fida was no longer interested in it}. I can’t keep it alive alone. Before AKRSP there was no VO but then the SO came here over and over again will we finally set-up a VO. However, it subsequently died out despite my efforts otherwise. Now no one comes to our VO anymore. They come to me individually but they should come to our VO {he seemed to display a high degree of dependency/reliance on AKRSP}.

(J)

1. {See A and F1 above; due to two different losses: BAMA and a theft}.

2. I paid the Rs 9K as a lump-sum.

3. Yes, the VO knows that I have defaulted. I told them that I am the one who has to repay so what’s their problem. They can take the money from my VO savings {at this stage an argument ensued between him and the FMU accountant most of which we were unable to decipher, it being partly in Balti. The gist of it was that the accountant told him that they couldn’t do so, to which he replied he would give them authority to take his VO savings.
There was also some mention of some shares in BAMA that he had given to AKRSP as a means of repayment. The VO didn’t say anything to me (after I defaulted) and I have faced no reputation problems (the FMU accountant joked that people were too afraid of him to say anything).

(K) NA

*A27 Mohammad Hussain s/o Ghulam Rahim VO: Bilargo
{A friendly young man. He is the only ECP loanee of his VO. We interviewed him at the AKRSP field unit in Olding.}

(A)
Hussain started his general store in 1993 in his village with a VOCP loan of Rs 90K. This loan was split equally between three friends, with the other two opening a hotel and poultry business. Later on the friends separated and Hussain continued with his general store. At the end of 1996 he took his first ECP loan (Rs 10K) to buy merchandise for his store from Skardu. He repaid this loan in a lump-sum within three months and a couple of months ago he took a second ECP loan of Rs 10K.

(B)
1. Wazir (FMU accountant) told me about it in Tolti. I heard about the VOCP loan from my president and manager.
2. No. There is now (other) work here.

(C)
1. They needed my ID card copy, signatures etc. They didn’t ask me about business details, as the accountant already knew.
2. They give (the loan) based upon profitability (of the enterprise); for business or for buying livestock (dairy and load animals).
3. (i) A small loan is easier the first time, a large loan would be hard to repay. (ii) Yes, as one gains experience (on how to use the loan properly).
4. One can use it for one’s shop, for land development and also for consumption purposes (making a house, for a weddings etc.); (the latter) is fine as one can work and repay the loan.

(D)
1. We didn’t know (about the loan) earlier on. Now people have seen the world and realised that one cannot survive w/o a loan.
2. It’s bad but is a necessity. A few businessmen are (still) afraid (no one knows that I have taken loans). I don’t want to tell people because it doesn’t look nice; it’s much better to get a loan on time and to repay it on time as well.
3. No, because it looks bad in front of non-VO people (it’s fine if you tell the VO members).
4. There is more education now otherwise the level of co-operation is the same as before.
5. The city has more educated people but it has less co-operation than the village because they are people from all over (in the city).
(E)
1. I prefer the ECP, as I don’t like taking the VO’s money.
2. The ECP is better as it is now. Going through the VO is not good as it involves incurring other peoples’ favour: they (the VO members) will say this (loan) is our money.
3. Not asked.
4. Not asked.
5. (i) The ADB give loans but it requires lots of paperwork and time, so they are of no benefit (to us). (ii) Yes, I do take trader-credit (for 2-3 months and at no extra charge). (iii) No.
6. No. (All I need is to) just be able to open an account (in the bank).

(F)
1. They won’t give us anymore loans and will take money out of my (not the entire) VO’s savings (Rs 2K).
2. Yes, it will make a difference because a stranger won’t give (us) a loan right then. I trust good people.
3. Twelve times/year. They ask about the VO and if we need anything. In fact they came yesterday about the kool and also asked about my business.
4. One has to repay because it’s a problem otherwise. If one doesn’t repay then it (the money) is not like a loan but like one’s own money. (If we default) they’ll hand us over to the police and those who guaranteed (our loan) would get into trouble (as well).
5. Yes, because then the VO president and manager will put pressure on the defaulter to repay.
6. The VO will sell his land/livestock if (the loan) is not repaid; we will give him 2-3 years to slowly repay (thereafter).
7. I will pay the ECP loan first, as the VOCP loan is our own people’s money so it can be repaid later.
8. The ulema, numbardar and then lastly the police.
9. I don’t know; I don’t think that there is any real reason (for this).
10. The VO doesn’t know of the ECP loanees.

(G)
1. (We save) in mostly land, plantations, trees (safeeda), fruits and less in cash. Not just because there is no bank here but also because it’s better to save in land (it’ll produce fruits).
2. (I save) because one day I may have to face poverty.
3. Yes, I had life insurance but a dishonest clerk took (stole) my money so I ended it. {He was unable to answer the question regarding business insurance}.

(H)
1. I give udhar (but it’s no problem), as the udhar is repaid monthly.
2. It is better because I can sell my merchandise at a higher price (but not if my stock’s prices don’t rise).
3. When there was poverty people mostly used cash but now (that that they are better off) they are able to pay with goods etc.

(I)
1. I will (then) put my savings in the bank/post-office. If people want to separate their savings, then the VO will end otherwise we will try and keep our savings collectively (in a bank) and in that case the VO will survive. The VO will be hard (put) to survive without AKRSP; it (the VO) started and was kept going on account of AKRSP: They give us PPIs and plants etc.

(J) NA
(K) During the conversation Hussain used the word “sood” w/o any problems. {See section K for interviewee *16}. He also mentioned (regarding VOCP and ECP differences) that it was easier to repay interest (sood) to one person (AKRSP) then to several people (VO members).

*28 Mohammad Ali s/o Fida Hussain      VO: Ghasing
{A young and educated (B.A.) man. He was interviewed at his house (after having dragged him from fieldwork!).}

(A) In 1990 Ali started off with a small general store. In 1995 he took his first ECP loan (Rs 10K) for a poultry farm (broilers). He bought chicken from Mansera and subsequently sold them locally. He returned the money as a lump-sum by the year end as he was using the money to reinvest in his business; during the season he sold 200-300 kg worth of chicken (at Rs 7/kg for a net monthly profit of around Rs 8-10K).
He next took a loan (ECP) of Rs 30K to buy merchandise for the general store (flour etc.) from Skardu and (once a year) Pindi. This amount was also returned as a lump-sum. Recently, Ali took his third ECP loan of Rs 80K in order to open his own brooding centre. Apart from his poultry business and the general store, Ali also has a partnership with two other Ghasing people (Haji Ali and Raza) in a butchery. He hasn’t taken any loans for this purpose (while Haji Ali has under his son, Taqi’s name) and the work is seasonal (it’s only in the winter). Ali contends that the general store doesn’t generate a lot of profit and is barely able to cover his household expenditures. (He keeps written records).

(B) 1. I heard about it (ECP) during a VO meeting. I don’t know much about the VOCP loan.
2. Yes, I looked/talked to some other general store loanees.

(C) 1. I filled out a form and they required a copy of my ID card. They (also) asked about my business and any losses etc.
2. They (VO) look at the person’s business and savings (the big savers get the loan).
3. (i) It makes no difference because a larger loan also generates larger profits (it depends more on the season; I sold Rs 100K worth of chicken in 15 days during Moharram). (ii) Yes, repetition/experience (of loans) does help.
4. It can be used for merchandise (stock), poultry etc.; it should only be used for business (needs).

(D) 1. People didn’t know about loans before. I took the loan a few times and (so) a lot of other people do the same. It’s a lot easier to get loans here (AKRSP).
2. A loan is a pain if it is not used correctly but if it’s used in business then there is nothing better.
3. Yes, (so that we can) tell them (other VO members) that it (loan) is no problem and is nothing to be ashamed of.
4. Earlier on no one took maize seeds; now I sold two sacks of it; people are trying new things. Due to politics co-operation is not as much during election time but is fine otherwise.
5. Yes, (Ghasing) is becoming like Skardu. It has a lot more schools now. {When we prompted a bit, he told us that there was greater co-operation in the village}.

(E)
1. The ECP loan is better because it is easier to get. (One needs large VO savings to get the VOCP loan).
2. The ECP is better (the way it is) because by going through the VO, people may delay in repaying the loan; one is quick to repay to an outsider.
4. AKRSP should give it (loan) carefully to people. Even if the person is rich but is unable to do business then they should not give him the loan. The service charge should be decreased (to 15%; equal to other banks). One shouldn’t make it (the loan) too easy to get. The one-year period is good as otherwise people will forget about the loan. The loan limit should be increased in accordance with the person’s capacity (a good business can take up-to Rs 500-1,000K although in this case the loan period should be 2-3 years).
5. (i) HBFC, SBFC and ADB etc. One needs to have property, get 17-18 people to sign and give their guarantee and have large bank balances. I took a 15-year HBFC loan of Rs 150K in 1990. The service charge is 15% and it has monthly instalments. I constructed a house for Rs 50-60K and used about the same amount to buy 8 kanals of land in Skardu. I’ve already paid Rs 80K of the loan and the rest will be repaid within 2-3 years by the monthly rent of Rs 1.5K (from the house) and an additional Rs 500 from my own pocket. (ii) Yes (I got my chickens on credit), I can get credit for my general store purchases for up-to a month at no interest. (iii) No.
   I will reinvest my earnings (and not take any more loans if AKRSP leaves).
6. Yes. One should be able to put VO savings and get/repay loans in the bank. I (expect) it will be part of the AKRSP (network).

(F)
1. They didn’t say anything as they give the loan based on trust and they look at the person’s shop/financial status. Yes, they can take my VO savings (but not the whole VO’s).
2. It won’t be good since these guys (current FMU staff) are local and always in touch with us. I trust Wazir (FMU accountant) more than the organisation.
3. Three-four times/month. They talk about loans at the VO meetings. They also see if the loan is being used appropriately and ask about (the loanee’s) business.
4. It (default) means breaking the law. Also one won’t be able to get the next loan and moreover AKRSP will not want to work with the VO.
5. Yes, because the VO should know (of the loanee) (otherwise AKRSP cannot come to them afterwards).
6. I don’t know about the VOCP loan. The VO meets only 1-2 times a year. {One person always gets the VOCP loan in Ghasing. See B1, interviewee *16 above}
7. I would first return the VOCP loan, as one has to live in the village.
8. The members of the council solve it. We don’t have a Jirga/elders etc. nor do we use the VO for this purpose.
9. Other banks are thought of as the government’s property {a public good} so they (their loans) are not returned, but AKRSP is not like this (it is a welfare organisation).
10. This isn’t the case over here (Ghasing) because most people don’t know who is taking a loan.

(G)
1. (Don’t laugh at me but in all seriousness) I set aside Rs 25K once every year or two to buy land or to decorate/improve my house in Skardu.
2. For my future, for the kids etc.
3. I have (State) life insurance. Yes, I think big businesses would need insurance; insurance is a must.

(H)
1. Yes, I give udhar but only at my general store. A loanee does try to give udhar.
2. Good but only if I can sell at higher prices.
3. There is more cash usage now.

(I)
1. If they return it I’ll accept but otherwise I won’t ask for my VO savings back. The VO will end if AKRSP ends; AKRSP is supporting the VO and that is why it exists. Making the VO has a lot of benefits: One gets medicines for poultry, plants, sheep from Deosai and other such benefits.

(J) NA

(K)
Ali spent another 15 minutes or so at the end of the interview asking about what sort of loans were available and how he could get bigger loans (since he has plans of expanding and also going into new ventures). He has several brothers and he wants to start a joint business with them all (they are all pretty well educated). We suggested that he talk to the FMU and ask them about getting a CVOCP loan as that would suit his needs best. He seemed very interested in all this, since as he said he is tired of the small-time village life and he wants to start a successful business in the city. {He struck us as a very capable and genuine person}.

*A29 Ghulam Mohammad s/o Raza VO: Tolti I
{An jovial though cranky old man. It was very hard to interview Ghulam as he tended not to listen to the question but instead ramble on about what he considered relevant. Moreover, he was not fluent in Urdu and we were assisted in the interview by the ex-manager of the VO and the FMU accountant. Since Ghulam is a defaulter he was fairly sensitive about several questions and at several stages he more or less refused to answer anymore, simply because he was tired {primarily because most of what he said was not pertinent to the question and very repetitious!}.

(A)
Ghulam took a VOCP loan of Rs 6K in 1995 in order to partly pay for the education of two of his kids (one of whom is in medical school in Larkana and the other is doing his B.A. in Skardu, the former needing Rs 2.5K/month to cover his expenses). He took the loan because he was desperate and in extreme need {at this stage and at various points during the interview, he stressed that everything including cooking oil, flour etc. had become so expensive over the last few years}. Ghulam has three other (older) sons; the eldest works on their family land, the second works in the army and the third works at an electric store. Ghulam was unable to repay the loan when the due date arrived and the manger suggested that he take out an ECP loan instead. So August 1996, Ghulam took his first (6-month) ECP loan of Rs 10K and listed the loan for “fruit market” purposes {actually his manager filled in his forms}. With his Rs 10K Ghulam paid off his VOCP loan and used the remaining amount to partly repay (Rs 3.6K) his ECP loan.
Ghulam has been in default for the last few months now and it seems unlikely he will pay anytime soon. {See E5; he also has an ADB loan which he has been repaying on time}. He has 30 acres of cultivable land and some livestock but he has 18 household members, apart from the fact that he is still paying for his two youngest son’s education.

(B)
1. I am a VO member (so), I was told by the FMU people.
2. I heard other people talking about it (the loan).

(C)
1. I needed a copy of my ID card; the manager filled in my form but I don’t remember what the manager filled.
2. They give (VOCP loans) based on the individual’s faith and to one who has a good reputation and the capacity to repay (the loan).
3. NA
4. For one’s children’s needs; for their education. They’ll repay (if I can’t). {See K below.}

(D)
1. People stress education a lot more now and also there is a lot of inflation. (So they all have the same problem as I faced and therefore take loans).
2. Yes, it (a loan) is bad; it’s only due to extreme need (that I have taken it). {At this stage he told us an extremely lewd joke involving a pathan the relevance of which was somewhat slim to the question asked other than indicating that one would do anything in desperation}. I am afraid of loans but I had to take it. I will try to repay the loan or else my kids will; one cannot escape a loan in this life or the next.
3. Yes, because the loan witnesses should know, as should all the VO members in case the person denies tomorrow that he ever took a loan.
4. Earlier on there used to be little education and people believed nature (things) was god given and not manipulable; I used to carry loads (up mountains etc.) myself but people no longer do so. There is more co-operation (in the village), as they are less people here. In Skardu there are all sorts of people so there is no unity.
5. Skipped.

(E)
1. They (manager and accountant) are both like my kids; both {loans?} are the same {we are not clear on what he meant here despite trying to probe further}.
2. Going through the VO is better (as there is no difference in interest) and the villagers are easier to find whenever one needs a loan.
4. It is best to give the loan through the VO (i.e. only a few people will need to go and get the loan amount from AKRSP and then all the others will just have to go to these few people rather than AKRSP). The service charge should be decreased and the first loan should be for 1 year and then for 1.5 years.
5. (i) ADB. They charge less but they take our land (as collateral). I took a 5-year ADB loan of Rs 25K 3 years ago in order to make a house in Skardu and have been repaying it on time (about Rs 6K annually). (ii) Yes, one can get udhar equal to the same amount that you pay up-front.(iii) Yes (but) the numbardar charges a lot.
6. No (but) I would like if there were branch (of the bank) here.

(F)
1. AKRSP is not as strict as the government {which is why he may be repaying them while defaulting on the ECP loan; See E5 above}; they send the police. (The AKRSP loan is like a “qarz-e-hasna”- a free/goodwill loan) The government puts handcuffs (on defaulters) They (AKRSP) don’t cut our throats like the government does so we thank them; I will repay (AKRSP) whenever I can and with what little I have. If I can’t repay then my kids will. {Ghulam didn’t know how much his VO savings were. His ex-manager said they were around Rs 3-4K. Also see F6.}

2. It’s all the same; they are all Muslim brothers. People make up an organisation so they are both the same.

3. Twelve times/month. They come to the VO meetings and lecture us but I don’t really understand. Wazir (FMU accountant) tells us to pay together.

4. (Religious reasons) A loan is never forgiven, in life or in death. For a person with “sharm” (dignity) all one needs to do, is to tell him to repay and he will.

5. {Was unable to understand question despite several attempts by us all}.

6. What can they (the VO) do? They can take my savings {he was prompted by his ex-manager} but they can even do this with the ECP loan as they can force the manager to hand over my VO savings {although this has not been done in his case}.

7. I will repay both half-half; I have to make both happy.

8. First the village elders, then the ulema, and lastly the police.

9. {This question was a bit moot since Ghulam did the opposite personally; he defaulted on an AKRSP but not an ADB loan but we asked it anyway}. They (ADB) have the advantage that the loan has to be repaid in 5 years (even though it ends up being more expensive). (Also) with AKRSP there is less “zulm” (hardship/harsh treatment).

10. No one (VO members) is after me. {See J3 below}.

(G)
1. Nowadays no one can save however, I would prefer to save in land and not in the bank.
3. I’ve heard about insurance but don’t know much about it.

(H)
1. Not asked.
2. Not asked.
3. Not asked.

(I)
1. We will keep our collective savings. (Even if AKRSP leaves) some other donor agency may come (some other door/avenue will open up). {He seems convinced that such an organisation will come and will give loans}. If no one else comes then the VO will end. {But then contradicting himself he adds} the VO will continue (it will make roads) as we will use the VO savings for productive purposes and so will be able earn (on our money) and attract more members.

(J)
1. I haven’t got any income {see A above}. The ADB are the strictest (and so I) have to repay them (first) (Rs 6.5K each year) otherwise they will ruin my name and I will have no “izzat” (respect) left. (I have used up their loan) but there is still no water and electricity in my house.
2. {See A above; Rs 3.6K has been repaid out of the total Rs 10K.}
3. No one said anything; I am 80 years old, what can these young guys do.

(K)
Ghulam added that it was not good to take loans for consumption use and he then clarified that he
had taken the loan for educational purposes.
{We asked him if had any wish and he replied} that his loan be forgiven.

*30 Syeda Fatima w/o Syed Mustafa Shah WO: Gahori

{Fatima is an old but very confident and articulate woman. She answered the questions asked
almost immediately and was very sure of herself. She spoke in Balti. The interview was translated
by her husband, a schoolteacher and the president of the VO and WO. The latter was surprisingly
good and seemed fairly unbiased/faithful in his translations. She was interviewed in her house.
Near the end of the interview we were joined by a younger woman, Syeda Batool, also of the
same WO and a recent ECP loanee of Rs 10K for her general store. She was quieter but did add
her input in places.}

(A)
Fatima is a WO activist and has had a 3-day (AKRSP) training course for (vegetable) nurseries
and apricot drying. She took her first ECP loan (June 1996) of Rs 5K in order to open a general
store (in her house) {although in AKRSP records it is listed for livestock usage}. She repaid her
loan quickly (in instalments of Rs 1K, 1.5K, 2K etc. based on her sale proceeds) as she had learnt
how to use her money in the best way (i.e. not to hang onto it unnecessarily).
She next took a Rs 10K loan for fertiliser (urea and nitro-phosphate){AKRSP records list it for a
general store} and has returned Rs 4K of this loan already. She grows barley and “kangani” on
her land. Fatima’s husband buys the general store merchandise and fertiliser etc. for her from
Skardu.
Fatima also runs a poultry business (this year she had got 500 chickens out of which 40 had dies
and 220 had been sold}{there were chickens running around the courtyard} and though she hasn’t
taken a loan for it, she intends to do so in the future.

(B)
1. In the beginning I heard from nearby villagers (Sakina from a WO in Hussainabad) and then I
asked the WSO about it (ECP loan). Then afterwards I decided to take the loan. {Their WO
savings are Rs 25K, although no one has received a WOCP as yet} I had heard about that loan
(VOCP) but I didn’t really understand it. {Her husband added that there had recently been a
WO meeting in which the WSO had tried to explain the WOCP loan to the women but with
limited success}.
2. See B1 above. {During the interview she also added, that} in the beginning I was the only
person taking loans from AKRSP {AKRSP records confirm she was the first woman in her
WO to take an ECP loan although there was one man before her}. Then other women saw me
profit from the loans and so they followed (and took loans too).

(C)
1. {Her husband answered.} AKRSP asked what she would do with the loan and they needed a
copy of her ID card etc.
2. NA
3. One can increase the loan step by step because that way one can learn (from experience) and
also be able to use the profits obtained from previous loans.
4. I can buy items for my shop {here she gave lots of details on what she bought for her shop as
she had thought that is what was being asked}. We stock our shop according to what people
demand and what the season is.
(D)
1. People didn’t know about this (loan) and they didn’t have progressive and profit oriented thinking. AKRSP gave us poultry training and we got benefits/profits. We learnt that if we follow AKRSP advice we get nurseries and other advantages; we took loans so as to get more benefits.
2. A loan is very good because it gives one profits/benefits and one learns how to earn money and save. How long can I rely on my husband’s salary?
3. Say it, as it is not a problem since the women support it (taking a loan). Even if anyone says anything (bad/mean) I don’t listen as I have got my own independence.
4. AKRSP said that they would have adult education (programs) so that you wouldn’t seem deaf and dumb to me and I to you (because, if educated, I would be able to speak Urdu). Also we would like to have mid-wife and sewing training. If we are educated then we can do things ourselves.
5. Transport services are easier for women in the city (and they have colleges/education). City women are more unified; since there is more interaction amongst women in cities they have greater co-operation; we village women work in the fields and have little time to get together.

(E)
1. NA
2. The ECP loan is better (the way it is) - it is easier since there is less responsibility on us to recover the loan etc. {Her husband added that it was harder to get money out of someone you know}.
3. See E4 below.
4. {Her husband said} we want a longer loan period (3-5 years) because then we can re-circulate the loan money several times. The interest should be lowered to 10% and if the loan is for a longer period then the loan limit should go up to Rs 150-300K. {She added} AKRSP should open a sewing training school etc. and should have ease in both the loan and training {accompanying the loan}.
5. (i) ADB but it’s not easy because we have to go to the police and we (women) don’t like that. (ii) No udhar. (iii) Yes but they mostly give only small (interest-free) loans. We don’t like getting loans from other places. We like AKRSP because of the easier method and since we don’t have to go anywhere to get the loan.
6. No. If they open a bank, they should have all women there (at a branch) and it would be good if they speak Balti. It is fine if the branch is in Mehdiabad; it’ll be a bit of a problem if it’s in Skardu.

(F)
1. I take the loan according to my capacity and am careful in what I use it for. I don’t know about my VO savings (being affected if I default) {but also see F10 below}. {Her husband/WO president added that they had no ideas what would happen in case of default}.
2. It’s all the same regardless of who comes; I trust whoever does good work.
3. {Husband answered} They come all the time (8 times a month). They have meetings and stress on increasing savings and taking loans.
4. We take loans to earn profits and we return them (earlier) so that there is a lesser service charge (on the loan). Since we take loans to earn profits we have to repay them. If I don’t repay the loan then there will be “dant dapat” (scolding) from AKRSP.
5. Yes, because if someone doesn’t repay then our members ask the person (why) and tell her to repay.
6. NA
7. Skipped. {The women seem afraid of losing their own money if they give a WOCP loan and don’t quite understand the loan. The president said that they had a meeting on this but still weren’t clear on the details.}
8. We solve the problems ourselves when we meet in “mehfils” (gatherings). The WO also solves some problems.
9. The ADB (do) have (the loanee’s) land, but when the government changes people hope that they can get the loan forgiven. AKRSP is straightforward and good so we are straightforward and good with them.
10. Since (in case of default) AKRSP will take our savings so we force the women to repay.

(G)
1. We get (household) machines (blender/juicer) and jewellery etc.
2. To save for weddings etc.
3. {Her husband replied that his wife didn’t know about insurance but that he himself had (State)
   life insurance and he subsequently went and got a copy if his insurance to show us and ask what we thought of it. The insurance document was all in English}.

(H)
1. We give very little udhar; only to a few salaried people.
2. (Inflation) will result in a loss because with inflation we earn fewer profits; there are larger profits on items that have lower prices.
3. Mostly cash sales (we don’t accept ghee or wood etc.).

(I)
1. Even if AKRSP leaves, we have our savings so we will run our business from that. If co-
   operation exists between (even two) women then we will work altogether and if not, then we
   will (work) alone. It is more likely though, that there won’t be any co-operation. In that case we will just use our own money (separately) to buy jewellery, clothes etc. and the WO will end.

(J) NA

(K)
During the interview, Fatima added that since they got benefits from their loan (they earnt Rs 5
from Rs 2) they were no longer dependent on their husbands. She told us that she got her 
Household items herself and kept her on earnings separate. She also intends to buy a 
juicer/blender from her poultry earnings.
{When asked at the end, if she had any concerns/problems she replied they were so many that 
where would she start. She did mention some however:} Our drinking water problems are severe as the water (here) is polluted and we get diseases. If we could get a (drinking) water pipe it would help. Also we would like to have a health dispensary for women, get midwifery and embroidery training etc.
On a slightly lighter note we asked her about our observation that women seemed to work a lot more than men in her area to which she jokingly replied “all these men are ‘bayghairats’ (shameless) !”

164
Skardu Interviewees:

*31 Nisar Hussain s/o Ghulam Mehdi     VO: Khamatpa Thowar

{A young teacher (F.A.) and manager of his VO. He was interviewed in the FMU office in Skardu}

(A)
Having received his training in Skardu (Nasim Bhutto studio), Nisar rented a shop and opened the only photo studio in Dambudas (Rondu) in 1990. Apart from the studio Nisar also caters to weddings by providing tents, dinner-plates, speakers, lighting etc.
In 1996 he took his first VOCP loan {he has actually taken a few short term fertiliser loans from AKRSP earlier on} of Rs 10K (the first VOCP loan; although the VO had put its savings as a TDR previously they had not taken out a loan.) at 12%. From 1996 onwards Nisar also started taking the ECP loans and so far has taken loans valuing Rs 10K, Rs 15K and Rs 30K. All these loans have been used to get various materials (chemicals, fixer, developer, films, paper etc.) for his photo-shop {although his first loan was listed under the general store category). The first loan he had repaid in two instalments while the latter two as a lump-sum (in fact he had just repaid the Rs 30K the day w interviewed him). He was currently in the process of getting a loan of Rs 50K since he was on his way to Pindi in order to buy more material for his shop.
Nisar makes a monthly profit of Rs 1.5K although in the peak season this can go up to Rs 2K in two days (i.e. during the matriculation exam days when all the students need pictures taken etc.).
He does have a fairly high profit margin; an ID photo costs him around Rs 15-20 and he then sells it for Rs 50 {over a 150% profit margin!}. He keeps all his earnings in the co-operative bank next to his shop. Nisar also has a partner, Mohammad Ilyas (who hasn’t taken any loans) and till a while ago they had employed an apprentice. His shop is still the only photo studio in the area, serving up-to forty thousand people.

(B)
1. AKRSP had a conference in Dambudas where they told us about the ECP and VOCP loans.
2. No as I knew how much profit (I could make) in my work.

(C)
1. I filled in a form, had to give a copy of my ID card and information about my business. There was more to fill this {his fourth time. he had just filled in the form before being interviewed} time; it (the process) should be easier.
2. We look at the business and expected gain. We only give it (VOCP loan) to businesses or to people who can repay it (i.e. during the matriculation exam days when all the students need pictures taken etc.).
3. (i) It makes no difference; profits are higher with a larger loan amount. (ii) If one’s business is good then one’s confidence increases with the number of loans taken.
4. One can buy and sell livestock etc., use it for poultry farms. It isn’t good for consumption as (in that case) it can’t be repaid.

(D)
1. {He thinks the ECP loan started from 1996}. Now the business community has started using this loan.
2. Yes the older people are afraid (of loans) and also those with little income and resources. The business people don’t feel (this way) as they realise that profits can be made (of loans).
3. Yes. In fact the loan is given publicly already (at least in the beginning). (It’s good as) it helps develop other people’s confidence (to take loans).

4. There has been a lot of change. Earlier on people were only into agriculture but now they are more (inclined) towards education. People are doing business and are interested in increasing their incomes (they are even planting potatoes and onions to sell in the market). The only bad aspect is that some people are still sticking to the old ways.

5. Skipped.

(E)
1. The VOCP loan is better as it has a lower charge. If the interest were the same, then the ECP is better since it is an individual loan and so it’s easier to get/use (there is no need to please all the VO or to have to divide up the profits amongst the VO members).

2. (We have a credit committee) and this loan would be better as we would be able to get larger starting loans (Rs 200K) as some shopkeepers in my village say that they can’t do anything with Rs 10K.

3. See E4 below.

4. It should be given in a person’s time of need. At the moment I need to get an ECP loan and even though I have repaid the old one, they (FMU) say that I have to have a 6-month gap between any two loans. I have a brief vacation from teaching these days and so I have to go to Pindi to buy materials for my shop so why should I have to wait? In business one needs to have money whenever one needs it. The one-year period is fine though. The loan limit should be increased (as we have large businessmen) to Rs 200-250K and the first loan should start at (up-to) Rs 50K since these days money has little value. The service charge should be lowered to 10%.

5. (i) ADB, co-operative bank etc. They (ADB) keep one’s land as collateral and if one is a few months late, they hand one over to the police. (ii) Yes, but only if you know them (the suppliers). As I don’t, I can’t get any credit. We do have a few shopkeepers who get stock on udhar though. (iii) No, although one’s relatives do give (loans) at times.

6. Yes. It’s a good idea as our VO savings (in Habib bank) would be moved to the new bank, it will create employment for the locals and it would be good for business, as one would be able to get larger loans. Yes, it would be related to the non-credit AKRSP activities.

(F)
1. They (AKRSP) will wait till 1-2 months (after default). Then they will gather all the people and tell them. If still nothing happens (i.e. loan is not repaid) then they will hand the person over to the tehsil (court). It will have no affect on the person’s VO savings. Also no more VOCP or ECP loans will be given to the VO and all other help/benefits given to the VO will end.

2. Yes, it makes a difference. The earlier (AKRSP) people had more dialogues and knew our village (better). I trust AKRSP more because they do what they say.

3. Two-three times a month. They meet me, see my shop, talk about the service charge and also meet new people. Yes, they do remind us of (our) loans.

4. We have to repay because it’s a loan. {Here he told a joke/pun about how the loan is not a “qarz-e-hasna” where one simply takes the loan and then just laughs (“hasna”)}. Also we have to maintain relations with AKRSP as we get a lot of things from them and to avoid a loss of name for my VO and me.

5. Yes, as then the guy will repay out of shame.

6. We will call the person (defaulter) in the (VO) meeting and will ask/explain to him. If he doesn’t have any cash, we will try to sell his tree etc. Also, we can take his VO savings (we simply put them in another person’s account).
7. I will pay the VOCP first as it (includes) other people’s money as well.
8. The VO tries to solve first and next the ulema do. It (dispute) doesn’t reach the police and even if it does, we try and bring it back.
9. “Ehteqad” (faith/belief). These (AKRSP) people treat us well so we should be nice to them. You (AKRSP give on (the basis of) trust, so we return on trust.
10. Because the VO loses name. AKRSP will no longer deal with them (the VO) as they no longer repay their loans.

(G)
1. I save in the co-operative bank and in Habib bank. My VO savings are around Rs 7K.
2. (I save) for my future.
3. Yes, I have life insurance myself. Also the VO provides food, the “maulvi” (cleric) for three days if there is some disaster (i.e. death) in one’s family. We (the VO members) have a separate fund for this purpose.

(H)
1. Yes, I give udhar (but) it is of different types. Salaried people pay monthly whereas the landed repay after years (and as such) I give mostly to the former.
2. It (inflation) (makes things) easier as one can sell at higher prices.
3. Maybe earlier on (people used) non-cash but not nowadays.

(I)
1. I’ll keep (my savings) in the VO, as it will keep on earning profits. If I withdraw my savings they will be finished in two days (i.e. I will consume them). The VO will stay even after AKRSP as we enact public grazing laws and moreover we built an Imam Bara (religious place) and charged Rs 1K {each member?}.

(J) NA

(K) NA

*32 Ahmed Ali s/o Mehboob Ali VO: Toq Ranga
{A young man. Seems like his business is going really well although it started from nothing. He was interviewed in the FMU office}
Ahmed estimates a monthly profit of Rs 10-12K (during the wedding season he estimates stock worth Rs 20K sells for Rs 30-32K; greater than 50% returns). Ahmed also owns a nursery (tree saplings) and expects to make a decent profit on them as long as AKRSP helps (i.e. they buy from him as promised). He claimed that he had very little below but now is well-off thanks to AKRSP help.

(B)
1. The VA told us about it (ECP loan). They also put up a small poster in the bazaar and I saw it and so went and talked to the RPO.
2. I know someone in the VO Kachura so I consulted him; he told me that the AKRSP loan was much easier (as compared to other bank loans).

(C)
1. It (the ECP) requires all VO members to sign it and this takes a lot of time. I wanted to take my next loan today but was unable to as I was missing one member’s signature. This sign requirement was started in 1996; before that only the manager and president’s signature was needed {Apparently his VO has a slightly different rule of their own when permitting an ECP to be given. See interviewee *33 for more}. Moreover, they give a loan for 3 months and if one goes beyond that, one is charged double (25% instead of 20%) {we are not sure what he means here --- possibly it is some internal VO policy}. I also filled in (details) about my business and they came and checked my shop as well.
2. (For someone w/o enough savings) we see whether he has land, the capacity to repay, (if his loan is for consumption use) or has a business/job. If he has none of these, then we give him a loan only if the whole VO gives permission. {He also mentioned elsewhere that their VO has savings of Rs 220K and that they give loans mainly to small businesses}.
3. (i) Yes, a large amount is necessarily harder to repay although one does earn more with a larger loan. (ii) Yes, because (my) business experience was limited at the time of the first loan but now that my business has expanded (and so) the loan is easier to return.
4. I have major plans. In September I intend to get an agency (for cement or milkpack; the agency fee is around Rs 100K which is returnable if the agency is terminated) and for that purpose I would need a loan of Rs 550K (I have already registered my shop). Also see D2 below.

(D)
1. People didn’t know (about) this (loan). I was the second person (after one in Kachura) to take this loan. AKRSP has (transferred) our property in their name, which they can (legally) take so a lot of people with good businesses are afraid of taking loans. My whole shop is in their name and (only) once I return money (the loan) do I get it back; they have the deed of my shop {it is not clear why this man thinks so since this is definitely not the rule. He also had some other unusual notions about the ECP rules --- see C1 above}.
2. Everyone has returned their loans so far, so it (the loan) has been good for all. One can also take a loan for consumption but then it (would be) returned slowly (from one’s salary).
3. It isn’t relevant for us, as we already need to have all the member’s signatures; it’s better if one only needed the credit committee’s.
4. The VO was started, loans given, we had AKRSP co-operation and this year we started a nursery as well.
5. Skipped.

(E)
1. The ECP loan is better as one can take it according to one’s need. With the VOCP loan one can only get up-to one’s own savings. The VOCP is also a problem to fill (the form) and it takes more time.
2. This (new loan) could face some problems in (loan) collection (within the VO) as AKRSP rules are stricter.
4. One shouldn’t need to have the whole VO’s signature. Also the 6 months duration is not good; 1 year is better. The government’s 5 year loan is much better; AKRSP should try and do the same even if (it means) increasing the service charge.
5. (i) SBFC and ADB. They don’t give loans (right) after one has repaid the previous ones. With AKRSP one can get the next loan right after repaying the earlier one. (ii) Yes, because I am in touch with one or two shops that give credit for 1-2 months at no charge. (iii) Yes, but they charge high sood and end up possessing one’s land (this happened to one person and he was forced to leave for Karachi). There is a person “thag” (robber) Qasim who gives such loans (he had money since the Sikh days).
6. All our VOs wish that AKRSP would make a bank. Then we would no longer have to come to the (FMU) office and the paperwork would be easier. I’ve heard about it since the last 2-3 years. We would also be able to get cash straight out of the bank (when we get a loan). The non-credit work of AKRSP (will probably be) separate.

(F)
1. They will increase the interest charge. All VO members are responsible (at least for now) and so each member will be caught as a result of which they will put pressure (on the defaulter). They can also sell my shop (it’s in their rules but they haven’t done so as yet). Only if the VO members allow it can they (AKRSP) withdraw my savings (or my whole VO’s).
2. It makes things very difficult because I know all these people. Our whole system will be ruined as the president and manager will have to be introduced (to the new people) again and the business will have to be shown once more. Still I trust AKRSP more as they do good (welfare) work.
3. I come over and meet them once every fortnight; they (in turn) ask me if I am going to Pindi and I need any loans.
4. If I don’t repay they will take my shop. One’s business is a life-long thing so it’s too risky not to repay.
5. Yes because they don’t give loans to others (in case of default). In the past there was a guy, Riaz, (from another VO but our village) who didn’t repay Rs 10K (His wife died and medical store was neglected as he had to take care of his children) so we gathered money and repaid his loan (though he still hasn’t repaid us).
6. We give loans only equal to a person’s savings, so we take those if he defaults.
7. (I would repay) the ECP loan first as their conditions are stricter (they charge double if late) {see C1 above}.
8. The village elders have a committee (just like our VO committee). Then the police.
9. With AKRSP when one returns money (quickly) one gets charged a lower percentage and also can get the next loan quickly. With other banks this isn’t the case. A guy in our village (an ADB defaulter) was handcuffed and his house locked around two weeks ago (his children are now staying at someone else’s house). Our villagers are now gathering to repay his loan (Rs 160K) (as we are more scared of them). AKRSP is not as severe as these other banks send the police even if one is a day late.
10. See F5 above.

(G)
1. I have bought some land (10-15 kanal at Rs 25K/kanal), have made a house and have 2-3 shops.
2. I have seven brothers but little land so I am thinking of buying land for all of them. Also I can sell my land and get money if there is a sudden need for it (to repay the loan).
3. Yes, I have (life) insurance. One can get business insurance but it’s better to invest that money in one’s business.

(H)
1. Yes, there is a lot of udhar and it is a big problem for me in repaying the loan. {Here he pulled out a whole list of people who owe him money. He always keeps it in his pocket}. In 1996 I had Rs 59.5K of udhar for the year so this year I have given no udhar. It’s easier to get repayment from salaried people.
2. (Inflation) would make it harder as the money (loan) is the same but prices higher.
3. Now people use a lot more cash. Earlier on people even sold their parent’s slippers.

(I)
1. I have Rs 13K in my VO (we have to deposit at least ten rupees each time we meet and we have weekly meetings) because it earns me profits and the VO will keep working even if AKRSP leaves {unlike everyone else he was not prompted for the latter but actually added the AKRSP leaving scenario of his own accord}. {However he was unclear on what the VO would then be doing; when asked he said yes, they would be doing welfare work and would give loans according to the individual’s savings}.

(J) NA

(K)
Throughout the interview, Ahmed kept praising AKRSP and said they were doing more work than the government. However, he had a few complaints:
Several projects in our village weren’t completed as they ran over the estimated cost (a boundary wall, a pipe which was only made up-to 15 feet and then our VO had to make the last 10 feet itself).
He was also worried about the tree saplings (popular) that he had planted on the assurance that AKRSP would buy them but now he had seen a poster in the bazaar that said that AKRSP would no longer guarantee buying such saplings.
Lastly he complained about the traffic jams created by AKRSP vehicles all over the bazaar. He said that they (staff) shouldn’t allow their friends to drive around the staff cars (particularly during office times).

*33 Mohammad Ilyas s/o Mohammad Ismail  VO: Toq Ranga
{Ilyas is the VA, manager of his VO, master trainer for livestock and a poultry specialist. He is a young an extremely active guy, almost part of AKRSP itself. In fact he took us around for the first few days of interviewing in Skardu. He was interviewed in the FMU office.}

(A)
Ilyas took his first loan from the ADB in 1985 in order to buy a tractor. He repaid this loan on time and so was able to get a second 5 year loan from them in 1992 (Rs 144K of which Rs 90K still hasn’t been repaid) which he then used for buying poultry. He had started his poultry business in 1991 (before which he used to work as a clerk). He started taking ECP loans from the
start of 1994 and has taken loans of Rs 10K, 20K, 30K, 30K, 40K and 60K - all for his brooding
centre. He used to supply one day to four-week old chicks in all the Baltistan area and this year he
has moved on to broilers in order to earn higher profits. Most of the loans were repaid as a lump-
sum but at times, in a few instalments. He was a defaulter on one of his Rs 30K loans but simply
because he had been away training for two months and had forgotten about his loan altogether!
He also took a VOCP loan of Rs 77.7K in 1996 and now has a VOCP loan of Rs 70K and a
WOCP loan of Rs 20K (he is also one of the managers of the WO Toq Ranga; he does all the
outside bank-work for them).

(B)
1. Earlier on I used to take poultry loans (Rs 30K) and udhar (Rs 55K0 from Gilgit in order to
buy the chicks. In 1993 AKRSP people came and told us about the ECP loan. I knew about the
VOCP loan since AKRSP (started work here) but we had less than Rs 30K savings before and
only in 1995 did we get a TDR made. Now our VO savings are around Rs 350K.
2. I was the first in my VO but I looked at the VO Katpana II people before taking my loan.

(C)
1. In the beginning they used to require the whole VO’s approval and the form was in English. I
represented my people in the loan meeting and suggested they should have fewer requirements
(only president and manager’s signatures) and that the forms be in Urdu. Also our credit
committee is responsible for the recovery of both VOCP and ECP loans.
2. See F6 below.
3. (i) It depends on the business size and whether the loan is bigger than one’s own contribution
(in that case there could be a problem). (ii) Repetition of the loan makes no difference as
(repayment) depends on the person.
4. In the beginning people’s business was not verified and so people took loans for consumption
use. This isn’t the case anymore (as one’s business is checked). It is best for shopkeepers
(general store etc.) as they can use the loan to get merchandise from Pindi (particularly if they
take Rs 20K on say Rs 100K of their own so that the former can cover their transportation
costs). With the VOCP loan one is stuck for the whole year.

(D)
1. Earlier on, the ECP conditions were very strict (needed all the VO’s permission) and now the
conditions are easier and AKRSP is more generous (in giving loans). Before people could
even come to my house and get a loan {he’s a VA} but now they have to go to the FMU. As a
VA I work on spreading loans in the villages; I fill all their forms, do all their work (getting
revenue stamps etc.) so the loan is a lot more convenient now.
2. That was the old thought but now people are more progressive and educated. Now the market
has spread so that one can make a loan succeed whereas previously people took loans only for
consumption usage. When I was a kid I remember people used to put money in their
“shalwars” (pants) for safe-keeping.
3. No, as some people are ashamed of taking loans. Also if the president and manager (who are
the representatives of the VO) give their guarantee, there is no need to go to the VO.
4. The villagers used to lag in business and education but this is no longer the case (people now
are not just satisfied with education but look for the best schools). Earlier on, people used to
live in ordinary houses but now they want good, white-washed, carpeted homes and better
food. I remember not wearing shalwars even up-to the age of 12 and now my 2 year old son
wants pants. In terms of bad things it’s basically the old customs and not enough planning.
Also there is a lot more obscenity now especially with regards to women; every woman used
to wear a “dupatta” (head scarf) but now even the village women don’t. Kids are a lot more
independent now and don’t listen to their parents.

171
5. Skipped.

(E)

1. I prefer the VOCP loan due to its lower service charge. If both loans have the same charge then the ECP loan is better as one doesn’t require the whole VO’s approval (and there are always conflicts in villages).
2. When Darjaat (previous RPM) was here this (suggestion) came up but I had the problem of having to hold on to the (loan) money for the whole year. If there were no such problem (i.e. one could return the loan at anytime) then this system is better although it does put more responsibility on the president and manager.
3. See E4 below.
4. {He talked about the bank too}. Starting the loan from Rs 10K is good as it develops confidence in the person. The on-year period is good as one can get loan right after (repaying). If the period is increased then the charge should be increased too so that there is a greater burden (to repay) on the person. The limit should be increased according to the person’s need and even then only given an amount equal to his own (capital investment).
5. (i) ADB and SBFC. They ask for security, land etc. so one has to run after the patwari, tehsildar and so on and one has to bribe them and there is quite a delay (in getting the loan). Even if there is a slight delay, they send the police over to our homes and that looks bad. Also they have a 3-5% fine if one delays repayment. AKRSP is not like that; they have a (loan) recovery without harming the person’s reputation. (ii) I get my chicks from AKRSP-Gilgit on credit so they trust me and do give credit. (iii) Yes, in the city but they victimise the people and they lend to those with extreme needs and then (when they are unable to repay) take their property.
6. Yes, I have heard rumours but don’t know any details. The VO savings will be put in the AKRSP bank; it will be a VO bank. It will be the people’s bank and so they will be listened to and it will provide employment for them. Actually it’s just a name change, as the same credit/accounts (section) would be moved into the bank. It will also become convenient for us to get (the loan) money.

(F)

1. AKRSP sends a notice to the person and the president and manager. AKRSP then says in a VO meeting that the loan must be returned, otherwise their friendship (with the VO) is at risk (including that in non-credit areas). A default committee is formed and next 5-6 cars pull up in front of the defaulter’s house (so he suffers a lot of shame). AKRSP cuts off any contact with the defaulter’s VO (no PPIs or loans given) and so the whole VO puts pressure on the defaulter (to repay). Yes they can use the VO savings but that won’t be enough to cover the ECP loan amount. {Even the VA, one of the best activist, seems to think the ECP loan has some financial collateral to it!}. Our VO’s rule are somewhat different (from other VOs); if a person defaults, the whole village ostracises him. {Here he mentioned the case of a man, Riaz, who had defaulted and so no PPIs and loans were given to his VO. The VO however did not put too much pressure on him as his wife had died recently. Also see F5 for interviewee *32 above.}
2. These people know whether the VO is good, bad, honest etc. and so they give loans according to that. A new person would be more lax because he doesn’t know who is and who isn’t a cheater. I trust AKRSP more because people come and go.
3. Whenever any guests come they bring them over to me {since he is a model activist etc.}. When there is default (anywhere) they come a lot. In 1995 they used to come monthly to us but now that there are so many more VOs, that is no longer possible. As such, a lot of times I handle the default recovery for them myself.
4. The word loan means “to repay”; it’s not my own money. If I don’t repay AKRSP will get the money out of me anyway so why wait and lose face, why not repay earlier.
5. Yes, since the VO (through the president and manager) approved the loan, they’ll put pressure on the defaulter to repay.
6. First of all I know all the villagers’ nature. Secondly I get a guarantee from a family elder or otherwise get some land, livestock etc. and transfer it under the VO’s name. Once a guy (Mohammad Taqi) was in default and, as he was in trouble, we sold his land (to cover the loan). I know the people in my village who are “badmash” (ruffians) and if they ask me for a loan I refuse and get the VO to back me up.
7. The ECP first as it has a higher service charge. Even if the charges were equal I would repay the ECP (first) as it puts individual pressure (on one). The VOCP is a collective loan so it’s our own people who are nicer. Moreover (if I return) the ECP loan I can get another one and use it to repay the VOCP loan!
8. The village elders. Inside the VO we have a committee of elders. If they can’t solve it then one goes to the shariat court. Only an ignorant brute would go to the police/court.
9. AKRSP has social pressure; they get hold of the VO, which in turn ostracises the person and that puts the pressure (to repay) on him (and there is also the shame factor). Also a lot of government loans have been forgiven in the past so some people delay in the hopes of that happening (some people also have influential relatives and so can hope to escape the government loans).
10. Skipped.

(G)
1. I grow gardens (fruits, nurseries etc.) if I have any spare money otherwise it gets spent or someone borrows it. I don’t keep money because the return is not as high on it as on an asset.
2. For the future, my children, old age and for bad times.
3. I am an insurance agent myself. There is life insurance here but not much for businesses. I had insurance for my tractor but since nothing happened I decided not to keep it. {He hinted at some moral hazard problems here.} I would like insurance for my chickens though and not the poultry house (the ADB offers me insurance for the latter only).

(H)
1. Yes, in fact I have money (due to credit sales) in 1990 that I still haven’t received (in fact the person in question is a Mrs Ghulam Abbas, who was also an old AKRSP defaulter).
2. {He misunderstood the question somewhat.} It is hard to repay due (primarily) to losses in business (and chicks are a lot more expensive now). Once I had to sell my land to cover a loss due to the death of 1,000 chicks.
3. Mostly cash is used now (maybe in the gullies they give non-cash but even that would be hardly 5%).

(I)
1. This issue was mentioned earlier on as well. Whether or not AKRSP stays, we’ll keep our savings (in the VO) for welfare work (helping people get married etc.). Some people would want to leave the VO but they are not in the majority. We had “VOs” even before AKRSP except that we didn’t save then. Now we will keep up the collective savings and also give loans (just like the VO Ghaziabad).

(J) NA

(K) NA
Fida Hussain s/o Qamber Ali  VO: Toq Ranga
{A young and fairly smart man. Has done his B.A. economics.}

(A)
Fida started his shoe shop with an SBFC loan of Rs 125K (at 8%) in 1994. (He liked to do business because of the greater freedom and had asked his brothers and a few friends for advice). He paid Rs 35K annually to repay this loan and now has only Rs 18K left. From 1996 onwards he also took ECP loans (he didn’t take a VOCP loan because he felt that people complain to the manager about why any one person got the loan) of Rs 10K, 20K, 30K and 40K. He used the loans to buy stock for his shop (with the last loan he added Rs 125K of his own and went to Pindi to buy shoes) and repaid most of them fairly quickly (2-4 months) and as a lump-sum. He estimated that he made a profit of Rs 2-3K on his first Rs 10K loan (which he had repaid in under a month).

(B)
1. I asked the VO (as they knew before) and then took the ECP loan.
2. I asked my father about taking the loan (and no one else) and he told me that he would repay the loan (if I were unable to).

(C)
1. I gave information (in the form) about how much profit I earnt from my business and they also came to see my shop. For an ordinary (illiterate) man the form is a big problem (to fill).
2. I haven’t taken a VOCP loan but I know that they don’t give loans to people without any guarantors. Yes, they do give loans to people for consumption usage if they trust the person.
3. (i) It depends on the business/season (I can repay Rs 100K during the wedding season). (ii) In the beginning I was afraid but since I started doing business on loans I realised I could increase the size of my business by getting larger loans.
4. I’m thinking that if I have some money leftover I will open a fertiliser agency; there is a lot of profit in it. It is a complete waste to take loans for consumption use.

(D)
1. People didn’t know about the ease of AKRSP loans before; one can get (the loan) in 2-3 days.
2. (This) is an outdated view. Especially those people who don’t have businesses think that how can they repay the loan. For businessmen a loan increases their business.
3. Yes, so that everyone may know that he’s taken a loan. One can’t do business secretly. Besides it would be good advertisement for AKRSP (in fact I was thinking of putting up a small board in front of my shop saying “(this shop has been made possible) with the co-operation of AKRSP”.
4. There has been a lot of change. People didn’t know how to do business before. (But now) I have planted popular, people are growing potatoes, apricots etc.; we didn’t have this know-how before. People used to only work as labourers but now they all do business since it gives higher profits. There is greater co-operation now (we made a large collective garden) and have done several collective projects.
5. Skipped.

(E)
1. I prefer the ECP loan. With the VOCP loans, the VO members get jealous as they complain why so and so got a loan but they didn’t; this creates disunity within the VO.
2. For us the ECP loans is better (the way it is) as, if you give money to the VO, all the members will try and get it (the manager is stuck as it’s hard for him to refuse) and then it would be hard to recover the loan.

3. See E4 below.

4. The service charge should be decreased (to 12%) and the loan length increased to at least 4 years with yearly (or even monthly) instalments. I would even be willing to accept an extra 3-4% charge in lieu of the longer loan length. If the loan period were four years, then Rs 150K would be a good loan limit.

5. (i) SBFC. This loan is actually better (than AKRSP loans) because it has a longer length but the problem is that it is very hard to get (it takes 20-25 days). (ii) Yes, but one can only get a bit of credit. (iii) Yes, a few people do give loans but they charge a lot. Business people (who probably don’t have any contact with AKRSP) take say a loan of Rs 50K and have to repay up-to Rs 5-10K in 6 months.

6. Yes, I heard about it last year. I was happy then but I am not so sure now. The bank should have individual accounts (I’ll put my savings there). It should be separate from the other (non-credit) AKRSP work and should have the same (FMU) staff.

(F)
1. In our VO we have arranged things so that the credit committee’s signature is also required (for an ECP loan). If the person doesn’t repay then the credit committee is responsible. Also AKRSP already has the VO savings so they can take the money from there.

2. Yes, it makes a difference because they will have to get to know us. I trust AKRSP more.

3. Two-three times a month. They come to my shop and ask about business.

4. It is a “farz” (religious obligation) to repay. Also if I don’t repay they (AKRSP) will keep on coming to my shop and so I will lose face in front of others. If I repay I can get another loan and won’t have to pay the extra charge.

5. Yes, because if he cannot repay then the VO will help and if he is able to repay, the VO will pressurise him to do so.

6. One needs the credit committee’s approval and three people take responsibility to repay (the loan) if the loanee doesn’t.

7. Both are important but I will repay the ECP loan first as the VO is our own and one can therefore delay repayment a few days (as they know us better).


9. A few people didn’t return the ADB loans and their houses were sold off. Only businessmen come to AKRSP but with the other banks non-business people can get loans as well.

10. The VO and loan guarantors put pressure (on the defaulter) because if he doesn’t repay then the guarantors will have to. {He holds that AKRSP never mentioned breaking off from the VO in case of default}.

(G)
1. I put a little in the bank but (mostly) reinvest in my business, as I don’t like keeping money.

2. I put my savings in a bank so that they may accumulate there and then I can invest them in my business.

3. Yes, they have insurance (business too) but people mostly take life insurance. I consider it better to invest in my business than to take life insurance.

(H)
1. In the beginning I used to give lots of udhar but now hardly give any at all (except on a weekly basis). {He added that he realised that if one gives credit one loses the profit that could have been earnt on that money}.
2. The price rise isn’t all that advantageous to us as we keep getting new merchandise. {We tried to create a situation when the price doubled only at the year’s end, but he failed to understand}.

3. The use of non-cash (payments) has ended now.

(I)
1. If AKRSP doesn’t help then the VO is totally useless. It would be hard (for the VO) to continue without AKRSP.

(J) NA

(K)
Fida seemed very interested in his idea of getting an agency (fertiliser) and how he needed Rs 100K for this purpose. We suggested that he could employ one of two ways; either try and get a higher ECP loan (since he only required Rs 100K) or (if he thought he would or might need more capital) register his business and then apply for a CVOC loan.

35 Bashir Ahmed s/o Ali VO: Braqchan Giayou
{A young and shy/respectful man. He was interviewed in his workshop in Skardu.}

(A)
Bashir’s family has been in the carpentry business for ages; he himself has been in the business for the last 6 years. He was trained by AKRSP in furniture making for around four-and-a-half months in 1993. He took his first ECP loan of Rs 10K in 1994 and bought a planer tool. After repaying this loan lump-sum he then took his next ECP loan of Rs 20K in order to buy a larger planer-saw-drill machine. Unfortunately his machine’s motor burnt and, at the same time, his village suffered a disastrous flood and he was unable to repay his loan. To get out of this predicament he borrowed Rs 25K from a relative, repaid his loan, took another ECP loan of Rs 30K and then paid his relative back (according to him, he was able to do all this on the same day). However, he now stands in default of Rs 30K (which should have been repaid by December 1996) and (with the second motor in his machine also having burnt out) he is simply unable to repay the loan (as a lot of his property was destroyed in the flood). {See J1 for more details}.

(B)
1. I was told about the loan by Nazir (the SO) who had also sent me on the AKRSP training program.
2. I asked my father and also had trust in myself.

(C)
1. I filled in the form myself (I have had 7 years of schooling). They needed information on my VO savings and also about my business; it’s easy to fill the form.
2. They give the loan to their friends or to the village scoundrel (Taqi {see J1 below. he complained about how no one was after Taqi}).
3. (i) Yes, it’s harder if one takes a larger loan. (ii) It’s easier.
4. To get a woodworking machine.

(D)
1. People didn’t know about the loans earlier on. Amongst the four oldest VOs, almost all the members have taken loans.
2. Not asked.
3. Yes, because then others will know that loans can work in business. But it is hard to run businesses with the AKRSP loan due to the high charge and short loan period.
4. People in our village are very poor. The co-operation was (adversely) affected due to the flood and “bund” (flood-wall) issue but it’s back to normal now. {See J3 below}.
5. Skipped.

(E)
1. I prefer the ECP loan, as it is easier to get since everyone wants to get the VOCP loan.
2. It will be better as it will put more pressure on the person to repay.
3. See E4 below.
4. The period should be increased to up-to 5 years (even if it means having a 3-4% higher interest, since profits will be higher too) with biannual or yearly (but not monthly) instalments. (If the length is unchanged) the service charge should be lower (10%).
5. (i) SBFC, ADB etc. There are lots of problems with these loans as they involve lots of paperwork (I have been waiting for 6 months since my loan request to ADB). (ii) Yes, one can get wood on udhar but not for more than 15 days. (iii) Yes, thag Qasim gives loans, but he has ruined a lot of people.
6. I haven’t heard (about the bank) but it would be good to have it. It should just be like the ADB except without all the paperwork. The non-credit work would be separate but still part of the AKRSP network.

(F)
1. They told me to repay otherwise they would not give me any new loans. They also said they would hand me over to the police in order to scare me and it worked! {He’s scared but still hasn’t repaid}. We can no longer get our savings in Habib bank (due to the default) but AKRSP does not know about our VO’s savings in the post-office so they are safe.
2. It makes no difference. I trust AKRSP more as it is the organisation that gives the loan.
3. They no longer come here since I am in default. Someone also told me that I wouldn’t be able to get a loan again (even if I repaid the current one) and so I am not repaying!
4. {We reworded the question a bit}. They’ll hand me over to the police. If I get the Rs 50K loan I’m trying for (from the ADB) then the problem is solved. Wazir (the SO) said that he would hand me over to the tehsildar. If they hand me over to the police then I will repay the loan!
5. Yes, (but only if the VO is not in default) as that will put a pressure on him to repay as the other members won’t be able to get loans.
6. Not answered {he mentioned Taqi, the major VO defaulter and then digressed}. He did add though that the village elders were with this man, as they had been bribed.
7. Will give the VOCP loan first as the VO puts more pressure (on the person) than AKRSP. Also a problem with the villagers is different (more important) because one has to live with them day and night.
8. The village elders (but they support those who feed them {see F6 above}).
9. There isn’t a lot of default in the ADB. One has to return a loan due to the VO; if the VO is good then the loan is recovered. Also AKRSP comes to the defaulters often but are soft and kind so people like that. Also they advised me to repay my loan by taking another ECP loan {see A above for more on this “scheme”).
10. The VO probably puts pressure because the other members can’t get loans.

(G)
1. I have very little savings as we have a lot of mouths to feed; my income from selling apricot kernels is barely enough. Even if I could save I would invest in a garden, as it is better than saving in a bank.
2. For my kids and for times of ill health etc.
3. Yes, my brother has life insurance. I haven’t heard about business insurance. It would be very good to get collective insurance {like for the flood in his village}. The custom in our village is to help in weddings/death but they can’t do this on a larger scale. However, (in our flood) nearby villages did help us.

(H)
1. Yes, a lot. I tried to decrease the amount of credit but even if they (my relatives included) know (that I am in default) they still take a lot of udhar.
2. Harder, because the prices have increased. {He seemed to have misunderstood the question and while he did mention input prices increasing that did not seem as relevant as his customers mostly supply their own wood}.
3. Mostly cash (as was even the case earlier on).

(I)
1. Even if AKRSP goes, the VO will stay; these days we have very little co-operation with AKRSP (due to the default problems) but we still have our savings in the post-office. When the ten years (of the postal savings certificate) end we will divide up the profit amongst ourselves. Also the VO makes collective decisions like grazing limits on public pastures etc.

(J)
1. There was a flood in 1994. I lost two shops, two gardens and 5-6 kanals of land, 500 apple trees and 200 almond trees {the VA with us confirmed this and estimated Bashir’s loss around Rs 450K}. The RPM said that loans can’t be forgiven and that I should go to the government officials and ask for money, but the commissioner from Gilgit only gave us Rs 5K each. My brother, who was also a borrower, took a request to the RPM but to no avail. I am the eldest of 6 brothers. One of my brothers is doing his MA (geography) in Karachi and I send him whatever I save (Rs 2-3K). At home there is only my father and I who earn and we have to support a household of 16 members. (Besides my whole VO is in default as) one of our members (“Khee”[dog] Taqi) took several loans using other member’s ID cards and is now in default. He is also in default of Rs 25K of a VOCP loan and probably is a total defaulter of about Rs 250K! (Apart from his own AKRSP default and those of the seven members whose name he used, he has also defaulted on ADB, Co-operative bank and other private loans).
2. The first time, Wazir (SO) told me to repay the loan within three months but I didn’t; I have been trying to get a loan from the ADB. I have to repay AKRSP because otherwise they will hand me over to the police. The VO itself is in default but they (AKRSP) haven’t said anything to them. {Bashir asked the VA accompanying us why AKRSP hadn’t asked for the fertiliser loan to their VO that has been in default for the last two years and why there were instead bothering him}. They are seven other people in my VO who are in default but AKRSP hasn’t said anything to them because the FMU staff knows me. Also I am the one most affected by the flood and the other defaulters have given a petition (although nothing came of it) while I haven’t even done that.
3. They (VO members) talk nastily about us defaulters {see K below}, I don’t understand why though. There was a breakdown in VO co-operation when we were making the bund; some people were getting more benefit than others. Specifically, there were two areas affected and mine was the smaller one (i.e. there were only four other affectees in that area), so we had to make our part of the bund alone. My three brothers helped in making the bund and that caused
a loss in our business as well. Now that the bund has been made, village co-operation is back to normal.

My VO savings are Rs 7K though most of them are out of the VO now (they are in the post-office). My father is president of the VO but there have been no meetings. I was called for AKRSP training even after my VO had gone into default but I haven’t been called this year. Also I have Rs 3-4K in another VO which initially split up but now has joined back; at that stage 25 people joined our VO.

(K)
During the interview Bashir told us that a lot of loanees actually do what he did i.e. they borrow money from someone briefly, repay their loan, and then repay the person from the new ECP loan that they get.

Bashir mentioned how all the villagers looked at him and said “look at all these defaulters, they have sinned and have a (punishment) from Allah.” He then said that he really wanted to repay the loan, but his brother’s were studying.

He also complained that AKRSP gave him all this training but didn’t even give him a planer afterwards so what would he have done if it hadn’t been for his dad’s (already established) workshop.

He also mentioned how the PPI that AKRSP gave them, a pipeline, was half-destroyed in the flood but AKRSP didn’t help and finally, some parts of it had been repaired by the villagers themselves. But now they had to weld the remaining parts and that they were unable to do themselves.

(We asked Bashir how he would solve his situation if he were the RPM, given that to forgive someone means others will expect the same and he said:) I would be lenient with the repayment date and also forgive some part of the loan.

At the end of the interview Bashir added that he should be forgiven the loan and that only those should be forgiven who had suffered a huge loss.

*36 Mohammad Hussain s/o Haji G. Haider VO: G. Grong Gangupi
{A middle aged and pleasant (though shrewd) man who talked a lot. He is a schoolteacher. Hussain was interviewed in his shop and the manager of his VO also happened to be there and often added his comments during the interview as well.}

(A)
Hussain and his brothers were the first photographers in Baltistan (30-35 years ago). He used to own a general store and then got a Photostat machine in 1980 and currently he has three such machines (with two in the district court). He has taken only one ECP loan of Rs 10K (Dec. 1996) to buy a coating machine for his Photostat and this loan was repaid within its 6 months period as a lump-sum. His brother took a 5 years loan of Rs 30K from the ADB to buy a Photostat machine.

(B)
1. Naqi (FMU accountant) came in a VO meeting and told us about the loan. All the people in our VO are businessmen and are educated.
2. No, I trusted myself. I couldn’t flatter the accountant so they only gave me a loan when our VO got interested in AKRSP (which it wasn’t in the beginning); our VO is only 1.5 years old.

(C)
1. I filled the form myself. They asked about my business and looked at my work etc. I went a second time but they asked me to list my loans so I asked for a Rs 10K loan {not clear what he was saying here}. {The manger added that they had a condition of not giving an ECP loan unless the VO had a TDR. He also mentioned that the FMU accountant had been very rude to 2-3 of his VO’s members; one of the members had been told by the accountant to pick up his loan check the following day. The next day he refused to give it to him, as another jealous shopkeeper had complained about the loanee. So our member ripped up the form and threw it at the accountant upon which they had a heated altercation.}

2. We only give loans to businessmen and not to people that want to make houses or have weddings because then repayment is a problem.

3. (i) One should take a loan according to the size of one’s business. (ii) Repetition of the loan creates no problems.

4. Depends on the nature of the business; it should not be given for consumption use as repayment would be a problem.

4. Earlier on we only had 10% literacy but now it’s 100%. Now all are progressing so that almost all are doing business in our village {the manager added that people cared about business now}. However more people are staying away from their homes.

5. Skipped.

(E)
1. I prefer the VOCP loan as one can get it at anytime (since the VO people are right there) and one can repay it easily too.

2. It would be much better {the manager agreed as it would then be very convenient to give especially since their VO was all educated}.


4. The service charge should be decreased (1-2% less than comparable banks) and the length should be at least 5 years. Monthly instalments would be good {at this point a ADB officer added that monthly repayments were good for businessmen but not for villagers}. A loan limit of Rs 500K would be fine.

5. (i) ADB, SBFC etc. It is hard for people w/o any property to get these loans as one needs to transfer one’s land in the bank’s name. {The ADB officer present admitting that taking loans was a problem from his bank due to the paperwork and delays}. (ii) No udhar. (iii) {We mentioned thug Qasim, a local moneylender and Husain knew about him}. The Mohammadia trust gives “qarz-e-hasna” loans for businesses (besides all the Pari people here are such loanees).

6. Yes, it’s a good thing. {The manager added that the bank should give large loans like ADB etc. and it should have the convenience of not having to go to the tehsil. he also mentioned that the co-operative bank was fairly good}.

(F)
1. If a person doesn’t repay he is shown as a defaulter in the VO and so he loses face etc. Yes as we will repay the loan from his VO savings {the manger told us that in their VO they had a policy of keeping a financial warranty even for the ECP loan}.

2. It makes no difference because we (only) care about work; we work according to rules.

3. Once every 2-3 months; they come and see our business.
4. To keep our record (i.e. credit history) straight so that we can get the next loan whenever we want to. {The manager said that they mentioned the defaulter’s name in the VO and so he would lose name if he didn’t repay}.

5. Yes, we do this ourselves (in our VO). In fact we warn the person a bit before the loan is due. {The manager told us of a case where one of their members had taken a loan of Rs 20K for his welding plant but that failed so they forced him to sell his plant and repay the loan}.

6. {Manager:} We haven’t given any VOCP loan although we have a credit committee that decides who to give the loan too. Our loans are of Rs 20K and we get guarantees for them (even stricter than the ones for the ECP loan).

7. I will pay the ECP loan before so that the VO’s name is not ruined. {The manager seemed very emphatic on this point and while we did try to explain to him that a VOCP default would probably besmirch his VO’s name even faster he didn’t seem/want to understand and stuck to what he had said earlier}.

8. We have village elders. Our VO has increased co-operation; we used to have two factions in the village but now both are together because of the VO.

9. Because other (banks) don’t get the VO involved in the loan and so the VO reputation isn’t at stake. {The ADB officer added that their default rate was around 19%}.

10. Skipped.

(G)

1. I do save in the bank but I mostly make property (I am just constructing two shops) as there is more profit in that.
2. For my future and my children.
3. I have life insurance for my wife and myself. Maybe there is some business insurance (SBFC) but probably only for a year.

(H)

1. I don’t give any udhar in my photocopy business. I got so sick of udhar that I started a line of work where there is no udhar {since copies cost only a few rupees each?}.
2. It is good but only if I can sell my goods at a higher price.
3. Mostly cash.

(I)

1. I will put my savings in my bank. {The manager said that they will try and use the savings collectively for some business but if anyone in the VO disagrees then they will divide the savings up. We asked whether the VO would then survive and the manager said, somewhat vaguely, that VO type activities have existed before and so will continue w/o AKRSP. Moreover, they had salaried people who would save as well. Nevertheless we were not very convinced}.

(J) NA

(K)

Hussain and his manager complained that AKRSP had given them no PPI so far even though they had asked about repairing their kool. They had been told by AKRSP that only cluster projects would be given. Hussain mentioned how he had volunteered to give up his land to make a link road but AKRSP didn’t do anything. Now he had grown a garden on it so that opportunity had been lost (by AKRSP). At the end of the interview they both suggested that AKRSP should help them in their collective projects {and that is something we would strongly advise against! These people seem very well off, particularly given that they keep on saying how well educated and business oriented their members are. Their VO is basically in Skardu city and AKRSP has a
policy of giving PPIs to the poorer rural areas first, definitely not to apparently wealthy city-folk!}

*37 Ali Noor s/o Ghulam Hussain                         VO: Thorgu Bala
{A middle-aged man. The only ECP holder in his (dead) VO. He was interviewed in a hotel near his workplace. He got a bit tired after the first half on the interview.}

(A)
Ali was the first AKRSP livestock specialist in Baltistan; he received training in 1985 from Gilgit: In 1991 the livestock manager in AKRSP (Pervaiz) told me to start doing poultry work and so I started work on udhar and made a brooding centre (although I made no profit the first time). The second year I got Rs 5K and bought 300 chicks which resulted in a profit of Rs 2-3K {40-60% return}. 1993 onwards, I started taking ECP loans (Rs 20K, 30K and 50K in 1997) with the exception of one year when the manager of the FMU (Shaban) said that a person from a dead VO couldn’t get a loan and so that year I borrowed from elsewhere. {AKRSP records show that he borrowed in 1994, 1996 and 1997 and so it was actually in 1995 when he didn’t the ECP loan}.
The loan money was used in buying chicks and for his shop where he sells poultry (broilers). He repaid his Rs 30K loan, lump-sum and is thinking of repaying his latest loan in two instalments.
Ali mentioned how his VO had no meetings (it was created in 1985 but has been dead since 1988-90). The reason is that no one likes the manager as he does no work. Despite having savings they still don’t have a TDR made and no VOCP given. He said they have been trying to replace the manager but haven’t been successful, as he is a “trampa” (local chief).
Ali also mentioned how AKRSP had been unfair to him, as he hadn’t been selected to become a master trainer (the Ranmoshe people and others much more junior to him did), probably because his VO has been dead.

(B)
1. Nazir (the SO) told me about the loan as I was a specialist. There is no VOCP here.
2. No. I trusted myself; in fact others saw me and followed.

(C)
1. It is no problem; the manager filled my form and they needed a copy of my ID card. They asked about my business (just like you asked me); in any case they know me.
2. NA {See E2 below}.
3. (i) If one’s work isn’t a success then it’s is hard otherwise it isn’t. (ii) The first time I took the loan, I was afraid but am no longer.
4. Every type of business. If it’s not used for businesses then it will end in a month.

(D)
1. Earlier on people didn’t know about AKRSP rules but now they do. Moreover they saw the possibility of making profits (e.g. the Shigar people growing potatoes).
2. Yes our people/region thinks like this so they take fewer loans. The villagers are illiterate so it’s hard (for them) to run a business. I had an idea of opening a wholesale store but I’m not getting (large enough) loans {see F3 below}. I had big ideas but am restricted by money.
3. Yes, it makes no difference as I don’t mind and there is no harm done to the VO. In fact it’s good as then other people can follow my work.
4. Now people think about business and of getting loans but they don’t have contacts. When we first made our VO they said these guys are Ismailis but now we’ve been left behind. There is co-operation within the VO but not with the manager. {Ali is very aware of how much his VO is losing out e.g. not getting maize at half-price, free tree saplings etc. He requested that AKRSP should come and change the president and manager}.
5. Skipped.

(E)
1. I prefer the VOCP loan as it has a lower service charge. If the service charges are equal then the ECP is better as we don’t need the other (VO members) permission.
2. No, because the VO’s idea is that if they give a loan they must give it to all members; they are not willing to have one member take it (they’re illiterate).
3. See E4 below.
4. The service charge should be decreased while the 1-year length is fine (even 6 months is good). I can take up-to Rs 300-400K {and he was willing to accept a 2-3% higher charge for a longer loan length}.
5. (i) These banks have lots of problems as they involve a lot of paperwork. (ii) Yes, I can get chicks on udhar (and once got feed on a loan) but since taking AKRSP loans I no longer do so. (iii) No, there are no such rich lenders now. {Also see H1 below}.
6. Yes, I’ve been hearing about it for 2-3 years. We’ll be proud of an AKRSP bank. It would be easy to get a loan and there would be (other) conveniences. Today’s (AKRSP) staff is lazy; they encourage people at first but then back off later on.

(F)
1. They didn’t say anything to me but to other people they said they would cut money out of their VO savings. I know of one person who had his whole VO savings cut (they have this written in their forms and that is why they get the president and managers signatures).
2. It makes a big difference. I used to know the AKRSP people before and so they used to call me for all their meetings but I don’t know them now so I didn’t even get a refresher course this year. I trust people more as they do the actual work while the organisation just makes rules.
3. They used to come a lot but now no one comes to my farm, not even the doctor (vet). I get and repay the loan myself (i.e. I go to the office myself). They told me this time that if the VO stays dead I won’t be able to get another loan.
4. If we don’t repay then how can AKRSP work. I gained a lot of advantage from AKRSP. I was illiterate and used to break rocks but now I have been fully trained by AKRSP.
5. Yes, because either the VO will put pressure on the defaulter or repay his loan itself.
6. NA
7. First the ECP loan, as the VO members are our own people so can be repaid at leisure (unlike AKRSP).
8. Our religious leaders. We don’t go to the police.
9. Big (rich/influential) people take (loans) from ADB etc. so they don’t repay. AKRSP loanees are poor people with simple and weak hearts so they repay. {The VA there added that AKRSP can use social pressure through the VO and the interviewee agreed with him}.
10. No such problem in our village as all returned their loans (there are no other loanees except me). I can get the loan because I am an AKRSP trainee but the others in my VO cannot, as our VO is dead.

(G)
1. What little I have (I have 8 kids) I put in the bank.
2. One should save. For one’s children’s wedding etc.
3. I don’t have it but there is no doubt about it that insurance is an “andha khata” (blind deal) because so far no one has received any money. I realise the need for insurance but I don’t like it since I don’t trust the insurance companies.

(H)
1. Yes, I do give udhar (upto Rs 20-40K) and it can’t be avoided. One can get it back.
2. If one’s business works it’s east but not so otherwise {he was getting tired so we didn’t belabour the point}.
3. Mostly cash.

(I)
1. My VO savings are Rs 2K (total is Rs 35K). If AKRSP leaves I will take loans from elsewhere and will put the Rs 2K in my business since the VO is dead anyway (so what’s the point of keeping it there).

(J) NA

(K)
The VA who was present during the interview told us a lengthy story of why the VO was dead; the president and manager were “trampas” and so they weren’t doing any work. He claimed that they themselves couldn’t remove these people and AKRSP would have to give them legitimacy (by doing it instead). Ali said he tried to do so once but the manager accused him of wanting to take his place. {We tried explaining the idea that AKRSP probably didn’t want to interfere in an internal matter and they had to resolve it themselves but they persisted in their request}.

**38 Hassan s/o Ali Naqi VO: Wagrong

{A young enthusiastic and quite witty man. He was interviewed in his own beautiful flower/vegetable garden, out in the open and in what turned out to be the best interviewing spot! Hassan is the only ECP taker in his VO}.

(A)
Hassan got training from AKRSP 5-6 years ago and before that he “didn’t even know the names of the seeds”. He started planting vegetables in one small patch of his land around the time that his VO was formed and now he has planted vegetables, flowers etc. in all the land that he owns (16 kanals).
Hassan has taken four ECP loans so far starting in 1993 all of Rs 10K. He says he doesn’t take any more as he is afraid to do so! He used his loans to get different seeds and fertilisers and to even make a boundary wall for his garden. His first loan, he delayed by several months because he had bought land that year so he had a shortage of cash. Since he is illiterate he said he didn’t know the rules then i.e. that if he repaid early he would have a smaller charge on the loan. Now he repays his loans in instalments although currently has no loans - he only needs them during the season. He also said that he thinks of AKRSP as his friend so that whenever they ask him to repay the loan, he does so.
He recalls that he earned Rs 12K for just two months of work. He used to own a vegetable shop some time ago but now he has so much work in his garden that he has left his shop and simply supplies vegetables to the market.
1. The people in the agricultural section told me about the loan. I didn’t know about TDR’s etc. so we didn’t have a VOCP loan but now Mukhtar (the FMU accountant) has told us about it (we have savings of Rs 25K of which I have Rs 5-6K).
2. No.

1. The president filled my form so I don’t remember what was in it.
2. NA
3. (i) Yes, I believe the larger the amount the harder it is to repay it and then the FMU accountant will come and ask me for the money.
4. I only use the loans for my vegetables. What else could I use it for except for fertiliser and seeds etc.

1. People didn’t know earlier (just like) I didn’t know about vegetables. Also without money one can’t do much so one needs to take a loan.
2. Yes, our folk are afraid of loans. Look at me, I don’t go above Rs 10K.
3. If the man is a fraud then (they will) announce it in the VO.
4. Earlier on, everyone used to grow wheat etc.; now they plant vegetables and fruits. Who knows what will happen next. People follow anything and so (yes) they’ll follow me if I jump off this wall!
5. Skipped.

1. The VOCP is better {even though the VO hasn’t given one as yet} because one has to speak Urdu to be able to get the ECP loan and so it takes time. I prefer the VOCP loan as it is quicker.
2. If (the VO has) educated men then this will work fine, otherwise the ECP loan is better (the way it is).
3. See E4 below.
4. Decrease the service charge (to 5%) but don’t make the loan free, as then people won’t appreciate it. For me the 6 months-1 year length is fine and since I like Rs 10K loans, so is the loan limit. If one gives a larger loan, people will drive taxis/tractors etc. and will leave their land and that will ruin everything!
5. (i) ADB etc. I didn’t bother to ask them about their loans. (ii) Yes, but since I get good quality (seeds) I go in person and pay in cash. (iii) Yes but they’ll give Rs 500 to Rs 1K only.
6. No but it (the bank) will make things light and easy for us. The agricultural section talks a lot (of theory) but doesn’t do much; we do all the practical work. I don’t know if the bank will be separate from the agricultural section or not.

1. They trust me so they didn’t say anything. The first time that I was late in my repayment they didn’t say anything as they knew I would lean the lesson the hard way i.e. by paying a large service charge! Yes, AKRSP can take our VO savings; that’s why they give the loan so meekly/quietly in the first place!
2. It will make a big difference; time will be wasted as the (new people) won’t trust us in the beginning; it will take 4 instead of 1 hour. I trust people more.
3. I go there (to the FMU office) myself and talk about business. I go to the agricultural section each month.
4. If I don’t repay then I get charged a high interest payment. If the loan could be forgiven it’s fine (not to repay) but it can’t be forgiven.
5. Yes, because then they will cut (the due amount) from his savings or put pressure on him.
6. NA
7. Will give Rs 5K (half-half) to both.
8. Village elders though now the VO solves (problems) too.
9. AKRSP doesn’t give loans without trust. They (other banks) give simply on the basis of paperwork but ignore trust.
10. Because the VO is worried about its savings with AKRSP; why should they ruin their name due to one man.

(G)
1. I invest my savings in my garden, in making my house and a bit in the bank as well.
2. I invest in the garden to generate more income. I save in case of a sudden need (like the flour prices suddenly increasing or my having to go elsewhere in case I am unable to find seed here).
3. No, I don’t know about insurance. Yes I do face risks as my fields were flooded once and now there is too little water. Yes, I would like to have insurance for my vegetables but I don’t trust the other organisations since they are frauds (unlike AKRSP).

(H)
1. Yes I give mostly udhar. I keep monthly accounts; now I got Rs 60-70K back. I have to give udhar to the army people. I still have Rs 40K stuck for the last five years.
2. It makes no difference, as I will still have to repay the same loan amount.
3. They give cash; there is no non-cash.

(I)
1. {His answer was unclear although it seemed as if he meant he would ask the VO people what they wanted to do}. If AKRSP ends I’ll just say goodbye to the VO and will continue my work. AKRSP taught me that wherever there is profit I should head there and so that’s what I will do. Even if the VO ends (in name) the people are still there and so we will work on collective projects.

(J)
1. See A above.
2. ,, 3. ,,  

(K) NA

***39 Zamin Ali s/o Mohammad Yousaf VO: Khalangranga
{A young/pleasant and fairly smart man. He was interviewed in his house. Around the end of the interview his elder brother, a college professor came in, and after that Zamin was very quiet, probably out of respect of his brother. Zamin has started making “apricot candy” and is a very successful entrepreneur and as such we had a long discussion with him in the beginning}. 

(A)
In 1974 Zamin left school (after completing 8 years) as his mother died and he came to help his father in his livestock work. (His elder brother was studying in Karachi at the time). One of his relatives took him to work as a clerk in his transport service at Rs 150/month, which was later increased to Rs 1K. He worked for the next 18-20 years at this place (in between he went to Karachi in 1991 and finished his matriculations) and was being Rs 2K by the time he ended. At that time he was told that he owed the service Rs 54K of which he has paid off Rs 12K (he occasionally works for them even now).

In 1989, the VO was started (with his brother as president), as they learnt that AKRSP gave PPIs etc. (the SO Nazir is his relative) and they eventually got a boundary wall as their PPI (in 1994 Zamin became the manager of the VO after his brother retired form the presidency).

In 1993, Zamin participated in a 21-day forestry training course (AKRSP) (he was the first trainee in Baltistan) as he has always liked working in horti/agriculture etc. At that time he planted around 400-500 saplings of popular and while some of them failed, most of them have matured now. He got another 200-300 saplings from AKRSP and then in 1996 AKRSP gave more saplings to their VO. Since he kept on planting more (he now has 1,000 saplings) and in the proscribed manner, he was awarded Rs 500 as a prize for his plantation.

In 1992 someone told him that AKRSP was making candy from apricots; they would put them in a mincing machine and add sugar and chemicals. While he didn’t ask AKRSP to be trained, he tasted some of the candy and tried to replicate it by drying the apricots on his roof. Unfortunately that meant there were covered in dust and so he was upset. Nevertheless he decided to take them to the market; at that time fresh apricots sold for Rs 10-15/kg but he got Rs 35/kg for his dried ones so he gained confidence.

In 1993 Zamin decided to make a “solar house” and using his own ideas he first made it using plastic sheets. As he learnt from experience, he decided to make a glass structure. He took a Rs 125K SBFC loan for this purpose (and to invest in his poultry farm) in 1993 (of which he has only Rs 13K left now). As a result of the solar-house, his apricot candy was almost entirely dust free and since 1994 he started selling it for Rs 100/kg.

“In 1996 Nadeem (then the SO and now a local entrepreneur) and Zaheer (AKRSP enterprise development) came to see me and Nadeem asked me to supply him with the candy as he was going off to a festival in Islamabad. I didn’t take any money from his and gave him the candy since I wanted to see the results. It turned out that the candy was a huge success so I gained more confidence. Nadeem had already designed a package and he asked me only to supply the candy to him and since then I have primarily been selling only to him. (I give him the candy at Rs 5/packet and he sells it at Rs 7-10/packet).”

Zamin has also increased the size of his solar-house from 10 feet to 15 feet. “At the same time I experimented with making candy from dry apricots as well (before I only used fresh apricots); I simply boiled it in water first and it worked although the colour was a bit darker (Nadeem suggested that I use food colouring). So far I have spent Rs 60K on the plant (I got the glass form Pindi) and, as I ran short of money this year, I used plastic sheets in the new extension.
In the exhibition last September I made “laddos”, “jalaibis”, cream-rolls, biscuits shapes, toffee etc. with my apricot candy and managed to sell at (what amounted to) Rs 150/kg. In fact I actually had to prevent people from buying all my candy before the exhibition was over!”  

{He also talked in detail about how he had decorated his stall with his candy etc.}. He got the first prize in the exhibition and now AKRSP brings all their guests to meet him.

Zamin said he invited all to come and learn how he makes his candy (free of cost) because he can’t cover all of the Baltistan area. Everyone else can do this and earn a lot of money. Some people visited him from Gilgit and said they wanted him to come over and teach them but he still hasn’t had any trainees so far. Zamin says that others are making this candy but they dry it on their roofs and so it is not clean whereas he stresses cleanliness a lot.

Zamin also explained us his whole candy making process. The first is getting the apricots. He spreads a clean sheet under the trees and then they use a stick and shake the apricots off. These
apricots are put in large baskets and taken to clean water where they are thoroughly rinsed. Next all the family members separate the flesh from the kernel (this is a very labour intensive project). Finally the apricots are weighed and put through the mincer and they come out looking like “kheer” (rice pudding). AKRSP used 4 gms of Potassium meta-bisulphate and 100 gms of sugar (per 1 kg of apricots) but he has changed the recipe to 2 gms of the former and 150 gms of sugar. These two ingredients are mixed in with the apricot paste in large tubs. Finally Zamin takes the mixture and spreads it over plastic sheets in wooded trays (which he had specially made) and these trays are put on shelves in the solar-house. After the first four days of drying, the mixture is turned over and carefully cleaned again. This process of turning over is repeated for another few days. Finally when the mixture is still slightly moist he uses Nadeem’s mould and the candy is cut in little pieces and then put in plastic and packed using a (small) machine.

With regards to his ECP loans, Zamin has taken two so far. The first one (1996) he took was for Rs 20K and he used it to buy some land and then repaid it as a lump-sum. He next took a Rs 50K ECP loan. Out of that Rs 22K was used to repay his SBFC loan and the rest invested in his fruit marketing business, solar-house and in his tree plantation.

Zamin also mentioned that he had heard of the government setting up a fruit (juices, jam candy) plant and although he went to meet them once he didn’t find anyone around. He left a message with them but hasn’t heard from since then.

(B)
1. I took the loan right at the end. I had heard about it ages ago and a lot of people had taken loans before me (the big contractors had loans of upto Rs 500K) but I was afraid to do so (I had taken a Rs 10K poultry loan much before that). I took my first loan because I needed the money.
2. I was afraid of what AKRSP would do (take my land etc.) but then when I went to their office I realised that they would do no such thing. We also have given a VOCP loan to one person in our VO.

(C)
1. I had to fill in a form. A man, Riaz, didn’t return the loan in our VO and as a result of that all three VOs in our village were refused loans. They (VO) tried a lot and begged Riaz (to repay); people were angry with me for having signed his form but the person was rich (Rs 18K is nothing for him). I gave him the loan as his business {medical store} was working fine. The VO accused me of not asking them but I told them that they had given me the authority and so I needn’t go from door-to-door. Then 3-4 of our large loanees repaid Riaz’s loan so that AKRSP would start loaning to them again. Riaz has repaid Rs 3-4K to one person so far. After this incident our VO is a lot stricter now (since our name was ruined). Now we have a 4 member credit committee and we have two extra forms (apart from the ECP one) for the person’s warranty. One person gives guarantee for the loanee and the member takes that form to the credit committee which then issues a second (release) form without which the person wouldn’t be given the ECP loan.
2. See F6 below.
3. (i) It would be a problem, as I don’t have a store. I have the candy so it’s not that bad but the loan is a problem for someone without a business. It poses no problem if one has money equal to the loan amount. For a businessman it is no problem; in fact many shopkeepers give credit and so when they have to go and buy their stock they take loans. (ii) I took my second loan since I had to (in order to repay the SBFC people). I will repay AKRSP w/o any problem as I have money (at the moment).
4. See C4 above.

(D)
1. I have heard that our people used to give loans secretly (on sood). Now with AKRSP our elders asked the religious leaders whether these loans and the bank TDRs were “jaiz” (permissible). The ulema said it was jaiz as it was a PLS account. After that a lot of people were encouraged (especially as they saw others progress); a lot of people had talent but not the money but now these people (can) happily take loans.

2. See D1 above.

3. People know already as this is not something that can be hidden (as AKRSP will tell them anyway).

4. Things are a lot better now. {His brother added that people had learnt how to use their time effectively. Politically, people (esp. the youth) were a lot more aware now and they were interested in doing new businesses. In fact the youth were more religiously inclined. There was more co-operation as previously there had often been water problems (frequent fights) but now, despite having less land and water, such disputes were rare. The negative influences were due to the city-life. People fought more over land, trees and property. Due to the foreign influence, the youth were affected the most; drugs, watching films and a lot more crime (probably due to the drugs)}. 

5. Skipped.

(E)  
1. They (VO) didn’t have a VOCP loan when I took my ECP. People didn’t want it, as they didn’t trust (others) to loan out their money. Afterwards people realised and even if the charges were the same, the VOCP loan is better as it involves our own people.

2. This would be good but it would cause conflicts within the village because if I don’t lend to a (unworthy) person he will become my enemy.

3. See E4 below.

4. There is a problem with cross-checks, as a lot of people don’t have bank accounts so that at times one has to go around the bank for a week to ten days. The service charge should be decreased to 14% (people won’t go to the SBFC as they require 3-4 months to process the loan).

5. (i) Yes I’ve taken an SBFC loan. {See A and E4 above}. (ii) 1-3 months and it has no service charge. (iii) Yes, they do so even now (secretly).

6. Yes. It’s a good thing as it will be more convenient. Other banks keep us waiting etc. (but) only the VO members will go to this bank and so it will be more useful. It (the bank) should be together and through AKRSP (as it would be easier for people).

(F)  
1. When Riaz defaulted AKRSP came up with a new rule; 3-4 cars would come (after giving the defaulter a few notices) and park in front of the person’s house so that he would lose face. They spread a rumour (although they never actually did anything): They also told us of an example of someone in Shigar who had refused to repay. (As a result) AKRSP went and complained to the Head office and a minister came in from Islamabad. Within a few days the SP called the person and recovered the money. AKRSP told us they could do the same (again). So why lose one’s reputation, as they would get the money in any case. For the VOCP loan AKRSP can take the VO’s savings (as they have the TDR) but they cannot do so for the ECP loan.

2. It is a bit of a problem even though they all follow the (full) paperwork. With Mukhtar (the new FMU accountant) I would only get Rs 40K whereas with Ilyas’ (VA) “sifarish” (good word) I could get Rs 50K w/o any problem. I trust AKRSP more as the real thing is the organisation since people can get transferred.

3. I go to them often (as I am the VO manager). We often in the bazaar as well. A few days ago there was a default and so Taj (FMU accountant) met me and said he had wanted to come over
to my house as their had been a default in my VO. I was surprised as the loanee wasn’t that sort of a person. I asked the defaulter’s father, who was equally surprised. When we went to the person’s shop he showed us his records. It turned out that the loan was under his brother’s name and so it had escaped his mind. He repaid the loan that very evening.

4. We repay because the people in Baltistan are “sharif” (decent) and weak-hearted. (The loanee) can’t even sleep at night. If one takes an AKRSP loan everyone knows about it and also about the repayment so one has to repay to avoid a bad reputation. Riaz is a quarrelsome person and he isn’t “sharif”. He says that since AKRSP is working for the poor, there is no need to repay them. Some people actually think that AKRSP will use their money to convert people into Ismailis; this concern is not amongst the youth but is prevalent in the old.

5. Yes, because then the others will put pressure on the person. They should first go to the person though.

6. A man took out Rs 3K last December. If he repays early we will give him another loan and charge him less. If he doesn’t repay then our credit committee takes his loan (savings?) back. Besides we don’t lend to untrustworthy people and we only give for business use, unless a person has some urgent need.

7. I will try to get money from some person, repay AKRSP and then get another ECP and repay the person. (In which case he probably has repaid the VOCP loan using his own money).

8. In Baltistan we try to solve the problem in the village (elders) and sometimes we also go to the police.

9. (As far as I know) the AKRSP loan is easier to get whereas with other (banks) more time is wasted. Also with AKRSP one repays quickly in order to get the next loan. Other banks go to the police (and one risks) losing property but with AKRSP there is no such problem. The VO explains to the people that they need to repay the loan and so they do so.

10. Skipped.

(G)
1. People no longer have meetings (and save) as happily. Our VO hasn’t met for a year (all VO’s are like this). Now people buy land and save in the bank. Since they have obtained the real benefit (the PPI) they are no longer interested. Now only 8-10 members (out of 35) come and they are the ones who want to take loans.

2. It’s good to save. One saves for one’s children, education and future.

3. Yes, I had life insurance but no longer do. There is need for business insurance but there isn’t much available here.

(H)
1. Yes, I do give udhar (I get money at the end of the season from Nadeem). I look at my situation; if I have to repay a loan then I even ask for an advance (from Nadeem; I once asked him for Rs 20K advance to repay AKRSP).

2. It will be hard as prices have increased (he is not a shopkeeper and he has been selling his candy at the same price for the last few years).

3. People usually use cash but those with land pay with vegetables etc.

(I)
1. We have other welfare organisations which people are interested in; this VO is only to keep a contact established with AKRSP. Yes. It will end with AKRSP.

(J) NA

(K) NA
Hassan s/o Haji Ahmed Ali  VO: Kharpito Bala
{A young man who works in the vegetable market in the main Skardu bazaar.}

(A)
Hassan’s father owned a general store and in 1988 Hassan decided to get vegetables from Pindi and start selling them in Skardu. He started taking the ECP loans from 1995 onwards. He took loans of Rs 10K, 20K, 30K and recently Rs 50K (he added Rs 40K of his own for the last loan and got Rs 25K worth of watermelons etc.). He uses the money to get vegetables from Pindi and he returns the loans as a lump-sum in six months to a year (his business runs mostly on udhar). He said he earnt a profit of around Rs 2-3K on his first Rs 10K loan {which he returned in around 5 months}.

(B)
1. When the VO established contact with AKRSP (at the time the PPI, a pipeline, was given) we were told by their staff about the business (ECP) loan. I knew about the VOCP loan as well but as the other (more needy) people get the VOCP loan I instead take the direct one (ECP).
2. Yes, I asked the FMU staff. I trust the staff as they are clean in their dealings. The government loan has a higher sood and is hard to get. If there is a loss I’ll ask AKRSP for help {he thinks that he is the only ECP holder in his VO but AKRSP records show there is one more person}.

(C)
1. The president and manager filled the loan form and put their signatures. I had to give a copy of my ID card. They knew my work from before and so they gave me the loan on trust w/o asking {about the business}. It did take some time to fill in the forms (2-3 days).
2. We only give loans to business people. We don’t even lend for agricultural use as in that case the money may get stuck.
3. (i) It depends if you have cash on hand. (ii) At first I was very scared about taking the loan but afterwards it got a lot easier as I got used to it and my business went well.
4. If I have money what can’t I do? It’s not for consumption use since one should use one’s savings to buy land, for weddings etc.

(D)
1. {He misunderstood the question and thought I was asking the opposite} people were taking more loans earlier on as the service charge was lower then. {When we explained what we were really asking about the opposite fact he couldn’t really explain; maybe people were compelled to take the loan after all taking a loan is a “majburi”}.
2. Some people say the loan is bad (due to sood) whereas others say it is fine and yet others say it’s (based) on profit and loss. I just think that I am using it for business. Besides AKRSP reinvest money in us by loaning the money (I repay) again.
3. Yes, they should tell the VO as then the person will work carefully in front of them and the VO will also be conscious of AKRSP help.
4. There has been a big difference. Earlier on people only grew wheat but now they also grow vegetables (once can earn up-to Rs 30-40K). Also apricots and other fruit is more prevalent
now. People didn’t know about these things earlier on and now they are hooked (they give seeds etc., cheaper in the beginning but now we buy them ourselves). There has been no change in co-operation within the village.

5. Skipped.

(E)
1. I let the other’s take the VOCP loan {see B1 above}. I prefer the VOCP loan due to its lower charge. If the charges on the two loans are equal, then the ECP loan is better as it is easier (to get) since the other requires all the members’ signatures.
2. The VO can’t run the loan collectively; there is lesser co-operation (within them) because 3-4 people will all try to run it together. The ECP is better the way it is.
3. See E4 below.
4. The service charge should be decreased. It shouldn’t be made free, as then people will no longer appreciate the loan (maybe 7-8% or at most 10%). The one-year period is all right as otherwise people will think the loan is free and will forget about it. There is no need to give loans above Rs 100K (that’s enough for a business). For larger businesses they don’t need such loans anyway; these loans should be used to help up and coming people. The paperwork needed is fine.
5. (i) ADB, SBFC. There is a lot of expensive paperwork; people who took tractor loans ended up paying a lot. {He keeps on mentioning trust in AKRSP}. (ii) One can get udhar too (On Rs 30K, Rs 20K worth of udhar) for around a month and at no service charge. (iii) Yes but they charge a lot of sood so I don’t take loans from them.

(F)
1. They will probably cut (the default) from my VO savings (Rs 2K).
2. Yes, it does make a lot of difference. A stranger has lesser relations and so will take less. AKRSP has very clear and open dealings; no fraud etc. {He answered the question hurriedly and w/o properly listening to it either}.
3. Once every 6 months. They sometimes come to the bazaar and ask about business and what is profitable etc. They also buy goods (vegetables) from me.
4. One has to repay (religious reasons). One cannot get out of the Judgement day. One cannot escape. Yes, it’s a different matter if a person is desperate and cannot repay. If he has some property that should be sold otherwise he should be given more time to repay. {We pressed him for other reasons but to no avail}.
5. Yes, as the VO will solve the problem in order to safeguard their VO savings. Also the VO will bear the repayment burden if the person is desperate. First one should go to the person but if that fails then go to the VO.
6. The VO will get (the loan) out of the person’s property.
7. Repay the ECP loan first, as the VO members are our own so they will be more lenient.
8. Village elders and ulema etc. If a person is “shaitani” (devilish) he will go to the police.
9. Due to the contact with AKRSP. They have good relations with people so people repay them with good. The loan money comes from outside so people are more careful; people are not as careful with the government’s money. I don’t know why the rich don’t repay.
10. Because the VO’s savings will be lost otherwise. Also if we lose name then we can’t get any benefits out of AKRSP; we’ll be cut-off from them.

(G)
1. I put my savings in the National bank and I reinvest them in my business as soon as they reache a sizeable amount.
2. I profit of my savings so it’s better to put them in a bank otherwise people may ask for it.  
   {When we prompted about the future:} I save for weddings, kids etc.  
3. I don’t know much about insurance (business or otherwise). There isn’t much risk in my line of work.

(H)  
1. Yes, I give some udhar to salaried people and those with land; some of it I get and some I don’t. I can’t do business without udhar and it can’t be decreased either (people don’t listen).  
2. It will be harder because my savings and money will be (worth) less.  
3. All cash.

(I)  
1. If there is co-operation (within the VO) then we can run businesses. If there is no co-operation then I will use the money on my own. We can stay together; we’re used to collective work now so the VO might work even if AKRSP leaves (and it may loan out its savings as well).  
   {He talked about how such small individual amounts had lead to a large savings pool}.

(J) NA

(K) NA

*41 Tahir Hussain s/o Ghulam Mohammad VO: G. Grong Gangupi  
{A young and fairly clever man. He gave very roundabout answers and never really replied in a straightforward manner. He was interviewed at his shop. His brother has also taken ECP loans and together they run an electric store and a book binding facility.}

(A)  
Tahir started his business four years ago. His VO is around a year old and they are mostly businessmen in the VO. He told us that earlier on they weren’t doing a lot of collective work. He said that the 20% charge on the loans was too much and the year length too little. He has taken three ECP loans since late 1996 worth Rs 10K, 20K and 40K. He uses the loan to buy merchandise from Lahore and Pindi and mostly as a means of generating timely liquidity since a lot of his money is usually stuck in udhar). With the last loan he added Rs 80K of his own capital. He says he keeps the loan for very little time {the first two were returned in two months} as the interest on them is too much and moreover businesses goes slowly in Skardu. {He kept on suggesting that AKRSP should lower its interest rates}.

(B)  
1. We didn’t make the VO for loaning. Our village had kool and road problems and we had heard that AKRSP helps people (in this regards) and so that’s why we made the VO. Ali Naqi (FMU accountant) had a dialogue with us and told us that we could get loans as well and so I took it. Moreover they wanted to start their loans.  
2. No. I think it’s foolish to follow others blindly.

(C)  
1. They asked about business details (when I started etc.) and the president and manager’s signatures (they’ve been given all the power). Our president/manager also give the loan (i.e. sign) very carefully. They also asked about how much of my own capital I was investing.
2. See F6 below.
3. (i) It depends on the person. (ii) In the beginning I felt a bit worried but then it got better.
4. I hope to expand my business to also include water-tanks and water-pipes as no one carries them here in Skardu. {He also showed us a detailed brochure of such tanks from some company that he was thinking of contacting}.

(D)
1. There were a large numbers of loans given in the last 2-3 years due to a lot of AKRSP propaganda.
2. We erased this idea from our minds; people thought it (the loan) was bad. We, the youth, said that a loan was good if it was used for business purposes. People used to be afraid of (taking) loans not any more.
3. There is no need to do this for small loan amounts. One should only mention it for large loans, as then the person would be more careful (as others know about his loan as well).
4. People didn’t give too much thought to education before and there was little health (care). Then NGOs came and gave the awareness to people; they realised the importance of education. AKRSP improved the agricultural thinking a lot; there used to be no crop experimentation but now people are growing potatoes. The negative aspect is greater jealousy. The “rajas” (local chieftains) used to be saluted earlier on and though they still have lot’s of land, they are no longer as rich {and in fact are at times less well off then the business-folk} and so they (look at us) and get envious.
5. Skipped.

(E)
1. The VOCP is limited; it barely satisfies one loanees large need so what about the others? Therefore the ECP loan is better.
2. I think that this probably isn’t a good idea as the AKRSP people are more experienced. In our VO people may be unable to do this. Moreover, it (loaning process) might get a bit unfair, as there always is conflict within the VO.
3. See E4 below.
4. Decrease the service charge (so it’s comparable to other banks, say 14%) as AKRSP is also already a bank. Also AKRSP should co-operate more with us. {He mentioned that it was clear that AKRSP was making clients for it’s bank and that these clients should be helped on}. The loan should be 5 years long and definitely be payable in instalments because otherwise it would be hard to repay it. The instalment (frequency) depends on the nature of the loan (loan size, charge etc.). The limit should be kept at Rs 500K.
5. (i) ADB, co-operative bank etc. We don’t want to take loans from them. In any case the co-operative bank gives small loans and people are not aware, so they don’t take ADB loans. (ii) No, I don’t take too much on credit even though I could get it. (iii) No there isn’t much of a (informal credit) system, at least not one that I know of.
6. Yes, I’ve heard about it. {One of his neighbours, Asia Naz, was sent on training for it}. Besides, when they started loaning it was obvious (that they wanted to make a bank) {see E4 above}. I think people will co-operate with the AKRSP bank. In other banks one can also deposit Rs 100-500; if they (AKRSP) provide conveniences then people will slowly come (to their bank) anyway. I think it would be better to have a separate bank as otherwise it would be hard to manage.

(F)
1. They said a lot. Even if a person is in default for a day they would close all the VO; the other members would be unable to get loans. Maybe ECP default will affect our VO savings as we just recently got a TDR {the FMU accountant forced the VO to do so, as they had been taking
a lot of ECPs and, despite having large savings, were refusing to give VOCPs. The accountant decided that they would no longer get any ECP loans w/o first giving out VOCP ones}. The VOCP loan is a different problem as the loan is equal to one’s savings.

2. It doesn’t make any difference to us as the president and manger are given a lot of responsibility and due to trust in AKRSP there is so little default. {Tahir talked about how AKRSP had a plan while they (the people) were doing the work;} they start loaning in small steps so that people can build up a reputation (credibility).

3. Once a month. They come and see my shop. (The staff) is responsible and good with following up.

4. One has to get the next loan. Also a person has izzat (so he’ll repay). (If not repaid) one’s name is ruined and since one has to life here that’s not good. In the city (it’s different) as one doesn’t even know the next door neighbour.

5. No as we have a credit committee (of which I am a member). Since the committee knows there is no need to tell anyone else.

6. We look at a person’s business and whether he is well-off (so that he is able to repay the loan). Trust is foremost {he seemed very unwilling to admit there could be a default}. If there is a need for consumption use we will try to use other means to help the person (maybe we’ll lend at most Rs 10K to him). We don’t want to involve the VO in such issues as they can cause problems.

7. The ECP loan first. The VOCP loan has my own money, is cheaper and even if I delay (repayment) our VO earns profits. Moreover our own people are (more) lenient.

8. We have few disputes; they are only minor and solved within the household. There is co-operation amongst people. We don’t have a Jirga; big/serious cases go to the police.

9. Due to the VO (i.e. they lend through the VO). Other banks have a weaker staff and more paperwork. AKRSP has no such system; friendship is there but the rules are fixed. Plus all the VO is like a guarantor. AKRSP loans are open/clear. {See above}.

10. Because otherwise AKRSP stops giving benefits to the VO.

(G)

1. I usually buy land; business people put less in banks (only about Rs 50-60K). I mostly reinvest in my business.

2. I save in banks to send drafts (payments) to my suppliers. Also for one’s progress. I know that the value of land increases a lot (over time).

3. I have life insurance but no business insurance; maybe there is a need for it (the latter).

(H)

1. Yes I give up-to 50% udhar. Some customers are like this that one just has to give them udhar. In fact I use the loans for re-circulating money and restocking {increasing his business liquidity}.

2. We sell old stock at new prices. {When asked more, he was unclear/circumspect}.

3. Mostly cash.

(I)

1. No, it (saving) is not an (AKRSP) condition. We would save (anyway) in the VO because when we’ve collected a large amount we’re thinking of buying plots of land for popular plantations and growing potatoes etc. Even w/o AKRSP we still have our savings and hopefully we have developed enough thinking to be able to do collective projects. Our weekly VO meetings (are to) discuss collective issues anyway; there is no disunity in such work.

(J) NA
Tahir talked about how AKRSP no longer gives barbed wire as part of its PPI but that they should now have an alternative plan and how the water tanks in his area were not enough {and coincidentally he’s also thinking of selling water-tanks at his shop}. {Basically it seems that this VO is fairly well-off so we wonder whether they are in need of any help. See section K for interviewee *36, also from the same VO}.

**42 Syed Mohammad Abbas s/o Syed Akbar Shah         VO: Hangupa Kachura
{A talkative middle-aged man. He was also accompanied by his brother, Syed Hussain, also a loanee. The interview was conducted in their house. In essence, they were both interviewed together as we got joint responses on several occasions.}

Both Abbas and his brother are school teachers. Abbas took his first loan worth Rs 10K (Feb. 1995) and repaid it after a period of over two years. He had taken the loan for woodwork (although AKRSP records show “nursery”); sending labourers to cut wood from the forest and then selling it in the local market. While this business worked fine for the first 2-4 times (and he earned a bit of profit on it), he got a bit lazy. The business was never really successful as he started teaching and his son went to school (so all of a sudden there was no one left to mind the work). As he was unable to earn any significant profit from his loan he had considerable problems in returning it. He repaid the first Rs 3.3K instalment within the due date {AKRSP records show he was a few days late} from his business earnings and then recently (May 1997) he repaid the remaining Rs 9K from his salary. Despite all this he told us that AKRSP provides good opportunities to people.

His younger brother, Hussain’s case, is also very interesting: Hussain (who used to own a general store but now drives a car/taxi and also employs a driver), along with four other members of his VO, all took first time ECP loans of Rs 20K (all for general stores) on 5th May 1997 and then all of them returned their loans on the very same day. It turned out the their VO had given out a VOCP loan worth Rs 168K and due to some misunderstanding some of the VOCP loanees (Rs 85K worth) had been given the loan for a 3 year period. (Hussain said the borrowers had been told so by the AKRSP people). As such, these people were in default {and apparently so were some others}. To solve this problem, 5 members of his VO, including Hussain, made “sacrifices”, and took a total of Rs 100K of ECP loans. This money (together with their own/loanees funds) was used to cover up the deficit in the VOCP loan {afterwards the FMU accountant checked the VO’s records and it turned out that a short-term agriculture loan may also have been repaid with this money}. On the same day a VOCP loan of Rs 212K was taken out by the VO. Rs 100K from this loan was used by the five ECP loanees to return their loans (on the same day as they had taken them, so there was no service charge on the loans). Moreover, the VOCP loanees who had been given “3-year” loans were now told they had to repay them in two years and those with the usual one year VOCP loans were told to pay them back in two years. In this way the problem was solved {and through financial wizardry a one-year loan was converted into a two year one!}

Both brothers have (jointly) taken several VOCP loans (Rs 10K, 15K, 30K; although they don’t remember clearly) for land/livestock and they were returned in a few months time (their VO only charges a few percent above the rate at which AKRSP gives them the loan in order to cover paperwork costs etc.).
1. I heard from the SO about the ECP loan. We started the VOCP in 1995 even though we knew of it before (as then we had) less savings.
2. Yes, I saw other (loanees) from Ghaziabad.

(C)
1. I filled in the form myself. They asked about VO savings and (yes) also about my business. I told them that it was new work.
2. See F6 below.
3. (i) If a person is sensible then (a larger loan) is not a problem as it earns more profits as well. (ii) Yes, because one (gains) experience.
4. In one wants the loan to be recovered it should given to a business (i.e. anything that earns profits). (It’s fine) even for hotelling purposes but in that case a large amount is required. It’s easiest to use for general stores (and only small amounts are required).

(D)
1. People didn’t know much before and also there isn’t a lot of education (here). Someone has to take the initiative; people copy others and are afraid themselves. When they saw people making profits (on loans) they followed.
2. Yes, as a Muslim, one shouldn’t ask from anyone but (on the other hand) to give (freely) is a Muslim tradition as well. There is a hesitation in taking loans {very few people in his VO have taken ECP loans} as people are afraid of not (being able to) repay. Also there is a lot of discussion on whether the service charge is permissible in Islam or not (soud or not). There is an active ongoing tussle on this issue and we have to talk/argue with the local ulema. This is a very big problem here and can break the co-operation within our VO (by splitting it into two opposing groups). {We had a lengthy discussion on this with the two brothers. They suggested that there should be some aspect of profit and loss in the loan. One suggestion they had was to pay the loan in some commodity quantity rather than cash so that the price variations would create a profit and loss situation. We explained that such a system suffered due to several aspects akin to any semi-barter/gold-exchange sort of system. We then asked their views on cash payments on loans but with some PLS aspect. For instance tying the service charge to some random variable so that the charge fluctuates within some predefined range. They both seemed very enthusiastic about this as they explained this would solve a lot of problems. They also told us that this was not a problem only in their VO but in all of Baltistan, and one of the AKRSP drivers strongly agreed on this. Even though loans were fine at the moment a storm was brewing and as such AKRSP was running a lot of risks. Interestingly enough, a few days after this interview, an a’lim (religious scholar) started making speeches along these lines and against AKRSP and the current situation does seem fairly delicate.}
3. The advantage (of doing so) would be that others would be a witness to the loan but the flip-side is that people will say that if the loan has already been given (individually) then what is the point of telling the VO.
4. The thought of (achieving) economic progress has developed; we can’t succeed by sleeping but have to work. People didn’t have any hope earlier on, but now we can attach ourselves to various organisations and improve ourselves. The negative (Islamic) aspect is that before we were a religion-worshipping nation but now we worship wealth. Yes, it is making a difference in unity as everyone is now running after money.
5. Skipped.

(E)
1. So far the VOCP loan is better as one can get larger amounts (as we don’t have to wait for the loan to increase in increments like in the ECP loan).
2. In the ECP loan (as it is now) AKRSP faces the problem that it has contact with the individual and not the VO. (By going through the VO) the VO would (possibly) repay one person’s loan collectively. However, without doing so, AKRSP will have to resort to the law etc. (instead). For example, in my case the VO helped repay my ECP loan and so it got the benefit of gaining people’s confidence.

3. See E4 below.

4. {See D2 above}. The service charge keeps on increasing so a stop should be put to that. The loan length should be increased and the loan be made payable in instalments (monthly ones are not good for small businesses; they should be yearly/6 monthly). I don’t like the policy of gradually increasing loan amounts (see E1 above) and one should give a loan up-to Rs 400K (as Rs 100K is nothing).

5. (i) ADB, Education department. I got an (interest-free) 10-year loan of Rs 136K from the Education department. Some of the money was used in making a house (for which the loan was intended) and the rest was invested in business (I bought a datsun pick-up for transporting local passengers/loads). The ADB charges interest-upon-interest (i.e. it charges compound interest and this is fine in cities but not in villages) they have too much paperwork and too many conditions. Getting a loan depends on the manager’s whims and on one having contacts. (ii) No, people get merchandise from Skardu and they don’t give any credit. (iii) Yes, but they give to friends and only if there is a pressing need at no charge and even up-to 5-10 years).

6. Yes it was advertised about two years ago. In fact I think this VO banking system is their bank as well; it’s just a matter of renaming what they’re (already) doing. All that needs to be done is to transfer the VO savings to their bank. So far people don’t have (a sense) of ownership. They would think of it as “AKRSP’s bank”, unless we have a share in the profits/losses and workings of the bank (and also get detailed accounts of the bank’s performance). {We had another long discussion on this ownership issue and the brothers said that it was not enough to have someone from the village working in the bank to instil the sense of ownership. In fact each VO should have it’s own official nominees in the bank. When we mentioned the merit problem they said that it didn’t necessarily have to have each VO represented as long as someone from the VO cluster was and in that case, finding a qualified person wouldn’t be a problem}. 

(F)

1. AKRSP send us a notice and then (if there is no response) they put us in (the) “default” (category). There isn’t much legal pressure but they put social pressure. They talk (about it) in the VO so (that) people put pressure. Social pressure is more powerful than legal pressure; in court one just has to go once and it’s over whereas here (in the village) everyone is a judge and one has 24 hours of pressure. My VO savings are at stake but in (the case of my default) we didn’t have a TDR then. Also AKRSP didn’t say anything to me in public; only individually, in letters and explained to me at the (FMU) office.

2. Not much of a difference, as long as the law (rules) doesn’t change. Maybe (having a new person) causes only a few days delay. Organisations depend on people so I trust the latter more.

3. There is no limit. If there is a PPI they come often but if there isn’t any project they don’t come as frequently. In Ghaziabad {the model VO} they come a lot.

4. Religious reasons {he quoted a religious saying that one should leave one’s prayer to repay a creditor}. Every man has “izzat-e-nafs” (self-respect) and if he doesn’t repay he loses it. A man has to live in society and to show his superiority. If his doesn’t repay he loses his means of (asserting) dominance; he is forced to repay.

5. Yes, definitely. It’s a right to get a loan back so (AKRSP) should not only say this in the VO but outside as well (although they should first go to the creditor).
6. We have our own trust (i.e. we know the people). If the loan still fails then it can be recovered through his relatives/friends. So far we have given loans only to shopkeepers. They have to show their business and also need to have some collateral (land, shop, car etc.) as his VO savings are not enough to cover the loan amount. Also we give/take the loan in front of the entire VO. An outsider can get a loan but then he needs witnesses (from within the VO). We haven’t given any consumption loans so far but there should be such loans as there is a need for it (but the person and the VO needs to be rich/stable enough to be able to bear the burden of a delay in repayment).

7. I will repay the VOCP first as that way I will be the only person who loses face.

8. We have the Jirga and shariat. In fact there are three categories. For small fights, the elders solve them. For land disputes it is the shariat and if that fails then the courts (and the stick). People used to be afraid of the police but now it’s the other way round \{here he mentioned an incident where a policeman got shot by a criminal\}.

9. Their (other bank’s) customers are not so good. The ADB conditions are very strict (they compound interest) so that’s why they have (high) default. If AKRSP opens a bank without the VO’s, then it will (also) have high default, as it (default) would no longer be the VO’s responsibility.

10. Because the person is a VO member. It’s like a household with ten children. If one of the kids makes a mistake then the parents/siblings/whole household is responsible for it. Also this (sense of unity) is needed for the VO’s own survival as otherwise people (who are not helped) will keep on breaking off from the VO.

(G)

1. In our area most people save in land (as it increases in value and earns us profits). At a smaller level people save in plants etc. Few people save in banks (not even 5% of their wealth is put in banks).

2. For kid’s education; I believe that such education is the best bank (possible). (The reasons to save) depend on the person’s stage (of thinking); at the most advanced stage one saves in one’s children’s education.

3. Yes, there is life and car/tractor insurance here but very few people have taken it for shops, as there is very little need for it (since there are only small losses). Also one needs to (go through) lots of paperwork to get insurance. In our area on the occasion of a death, all the villagers get together. Earlier on they used to give flour (to the mourning family) but now they give money. In fact we have an elaborate system for all things (ranging from giving a chicken to a goat). The villagers help in the form of labour and monetary (small) help. There is brotherhood as all know that tomorrow they might face the same problem.

(H)

1. Yes, there is a lot of udhar here. It depends on the person’s wealth (about one-third of it is on credit). Yes, shopkeepers do try and give less credit but they just have to (give udhar).

2. It makes things very easy as one can sell the same Rs 100 stuff now at Rs 150 (due to inflation). \{While a lot of people spoke in terms of being able to sell at higher prices, the two brothers were the only people of those interviewed who actually got the concept of real vs. nominal interests. They explained it to us in further detail and through examples; the explanation basically amounted to a decrease in purchasing power of money due to inflation. They went on to say that a lender would lose due to inflation whereas a borrower would gain\}.

3. Mostly cash is used now (the ghee-system is ending).

(I)

1. Now that we know the way, the VO will lend on it’s own (even without AKRSP). AKRSP is not our god, there are only a means (that has shown us the way). Earlier on, we called this a
“sharba” and now it’s called a VO. The sharba was only local but now due to AKRSP we have “cross-sharba” interactions and we have developed awareness.

(J)
1. There are two reasons for the failure (and hence default). Firstly, I needed wood for my own house (which was being constructed then) and so (I sold less of it) {i.e. his loan became a consumption loan}. Secondly, neither my son nor I was able to devote time to the business (as I started teaching and he went off to school).
2. See A above.
3. {See F1 above}. Someone came to me 1-2 times and they also sent a letter. I had a “majburi” (despite which) I tried my best to repay the loan {which he eventually did} so that I wouldn’t have to lose face in front of you. I am more ashamed (to face) people who I meet frequently.

(K)
The brothers mentioned that the government had 15-year loans. AKRSP only had a one-year loan and so they needed to extend their loan length depending on the type of the business etc. Hussain suggested that AKRSP should have a condition that a loanee should also get training on how to use a loan (management/technical) and that this training should be given to the younger (18-25 years) people.

NOTE: All subsequent interviews were conducted after one of the religious leaders had started talking against a lot of AKRSP’s activities (including) loaning. The effects of this are apparent in the interviews.

**43 Haji Shamsher s/o Haji Hussain  _ VO: Gapstrang
{A middle-aged man. Fairly pleasant and simple. He was interviewed in the FMU Skardu and the interview had to be translated (Urdu-Balti) as Shamsher didn’t speak Urdu all too well. The FMU accountant, Mukhtar and the FMU peon helped us in this regard.}

(A)
Shamsher used to work as a “kabaria” (trash-collector/recycler) earlier on and he used to go around nearby areas collecting plastic etc. About 4-5 years ago he and his brother jointly started running a general store for his village (his brother had been already doing so). When the two brothers split Shamsher got in his share Rs 50-60K but since his brother got the house, Shamsher used the money in order to make his home. As a result he was short of cash for his general store and so he started taking AKRSP loans (April 1994 onwards).
Shamsher has taken six ECP loans so far, of Rs 10K, 10K, 20K, 30K, 20K and 30K. He uses the loan money to buy stock (tea, sugar etc.) for his shop from Skardu. He doesn’t use any personal capital (as he says he doesn’t have any) but also gets credit from his suppliers; in his recent Rs 30K loan he got another Rs 30K worth of merchandise on credit. Shamsher was unable to estimate his monthly returns (as he doesn’t keep any written records) but he said that Rs 30K worth of merchandise was sold off in 1-2 months and he got an average profit of around Rs 9-10 for Rs 100 {9-10%}. (He earns Rs 50-60 on Rs 1K worth of sugar). Shamsher repays the loans in around 4-6 months and pays it back in instalments every two months.
He told us that before taking these loans he had no way of running his general store (as he had little cash on hand and his two sons study in classes 7 and 9 and so have reasonable expenditures etc.). He also mentioned that he probably wasn’t going to take the next loan, even though he needed it, due to the recent proclamations by a religious leader who had declared that charging money upon money was sood, and therefore not permissible in Islam {see E4 below}.

(B)
1. My neighbour, Akhond {who works in the AKRSP accounts section} told me about the (ECP) loan. {He doesn’t know anything about the VOCP loan and claims to have never heard about it even though his VO has given out VOCPs}.
2. No, because the other people who took the loan didn’t spend it for business usage but on their household needs. {See D1 below}.

(C)
1. My president and manager filled and signed the form. They also told me about the charge for 3 and 6 months. They filled the business {type/details} on their own {which could be why three of the loans are wrongly listed in the fertiliser and timber market categories}. I had no problems.
2. NA
3. (i) Yes it is a problem; as I give udhar it becomes harder to repay larger amounts. (ii) It got easier with repetition due to the experience I gained in work; I learnt my customer’s demands better and so sales improved.
4. I only use it for business needs. I don’t know about other though {see D1 below}. No. I don’t think loans should be used for consumption purposes, as one has to repay the loan.

(D)
1. These days there is a lot of inflation (so one needs large amounts of money) and one can get loans easily at AKRSP. Those people who don’t do business have trouble in recovering the loans. {Here he mentioned several names including Ismail, who used to own a general store, Mohammad s/o Mehdi, Qasim etc. In fact AKRSP records show that Ismail has been in default for over a year now}. Moreover people’s needs/demands have increased (as compared to what they used to be).
2. A loan (places) a heavy burden but unless one has money (of one’s own) or a good skill, one cannot avoid taking it. One needs to raise one’s children and since it is a form of worship to do so, in this case it is all right to take loans.
3. It is all right if one does so as then those (customers) who take udhar from me will quickly repay me (as they now officially know that I have taken a loan). {Also see E4 below}.
4. The positive aspect is that people have developed progressive thought; they are selling apricots through the help of AKRSP etc. Earlier on, everyone was uneducated but now they are all educated. As I sit at home and sell, I don’t know much about the rest of the world, besides it isn’t good to talk badly of things/others.
5. The city-folk are more business minded while the villagers are agriculturally oriented. There is greater co-operation in the village; in the city there are thousands of different types of people while in the village almost everyone is related (to one another). As the metalled road is being made, (our villagers) will set-up more shops and our village will start becoming more like the city.

(E)
1. I don’t know about the VOCP loan; no one ever told us. The president just told us about our savings in the bank.

2. (Going through) AKRSP is easier. The president/manager will just lend to their favourites and that will cause a conflict (within the VO). AKRSP lends after properly looking at the person’s needs.


4. \{We had a lot of problem in this question since he didn’t seem to realise that we were asking his opinion on how to change the ECP loan\}. I am afraid of taking large loans because what if I can’t return them? Even if I can’t return Rs 20K I can repay the loan by selling my cattle/apricot trees etc. \{We then resorted to asking directly about some ECP features\}. The loan length shouldn’t be more than 6 months - 1 year as there is no need to keep the burden for so long. Also once one repays, one can re-evaluate one’s situation and see if there is need for another loan. It is best to have no service charge on the loans (I take loans to keep my business going and because people take udhar from me). The limit is fine. If I go to Pindi I might need up-to Rs 60K. It’s also to have some other way than sood. I used to take loans earlier on as I didn’t know. Now Agha sahib (the religious leader) told us not to take sood (i.e. money charged upon money) and so now I won’t take any loans. I will try to get udhar from shopkeepers.

5. (i) ADB etc. but it is easier to get loans from AKRSP as other places need land titles etc. (ii) Shopkeepers give both merchandise and money on loan for 15 days to a month and at no service charge. (iii) No.

6. (If AKRSP stops lending) then, God willing, I will try to find some alternate way. I (definitely) won’t go to other banks though; that is too much of a problem.

6. No. I don’t have any suggestions.

(F)

1. My VO savings (Rs 3-4K) and the whole of the VO’s savings will be cut. This has not been done so far, but the president and manager threaten us by saying so.

2. It depends on the person’s thought and manners. I trust the staff more as they are the ones who help us (I don’t know much about AKRSP).

3. They have only come twice so far since I have started taking loan (1994)! I come to the office every two months to pay my loan instalment.

4. One has to repay otherwise one is not even forgiven in the Day of Judgement and one loses name in the world. Besides if on returns then no one talks but if one doesn’t then “shoor hota hay” (everyone raises a hue and cry about it). I take and repay loans on trust. Apart from that I can’t think of any other reason.

5. It is not good for the defaulter (it’s not good not to repay but even worse when others are told about it). (AKRSP) should say so since then the person will probably not default.

6. NA

7. NA

8. We have a VO meeting and try to solve the problem. If that fails, we go to the police (they don’t look at the truth but care about making money i.e. bribes).

9. Other banks forget about their loans; they have no follow-ups or meetings and so the loanee forget about their loans. With AKRSP there are frequent meetings and other people remind the loanees to repay because if they won’t repay then they will no longer get any benefits (PPIs, agriculture training/help etc.) from AKRSP.

10. See F9 above.

(G)

1. I save a bit in the bank but mostly in land and trees, as that is safer (one can resell them at a good price).
2. For my children’s upbringing (I have two sons) and in case of an emergency.
3. I’ve only heard the name. In our village at someone’s death we bear a whole week’s expenditure for the bereaved family. In a flood people help by building protective walls etc. There is nothing (of this sort) for business though.

(H)
1. Yes people take udhar (1-2 months) and that causes problems for me. So I have to borrow from others, to repay the loan. I try and decrease the amount of udhar but my customer’s don’t listen to me (besides they don’t have any choice, as they simply can’t pay with cash).
2. It would be bad for me as increased prices mean I would have less cash on hand and so it would be hard to repay the loan.
3. Most pay in cash. In this season some give apricots and apricot kernels (that is better for us as we get them cheap and sell at a higher price).

(I)
1. We will ask the members and see what they want to do with their savings. It (VO savings) is a good thing as it is collective (in nature) and causes people to meet often and moreover one can use it to do a collective project. AKRSP gives us advice and guidance and so we have the VO. If AKRSP leaves the VO will go (as well).

(J) NA

(K)
Shamsher said that if his president or manager were here they might have asked us something but he (a small general store owner) had nothing to ask. We questioned him about the service charge on his loans and he said it was probably around 9-10% for six months. He realised if he repaid the loan earlier it would mean a lower charge but he said he didn’t calculate the charge himself and simply trusted the FMU staff to do so (although he estimated it would be around Rs 1.6-1.7K on a Rs 30K loan).
Annex 2: miscellaneous responses

During the course of our visit we talked to a few people fairly informally. This annex details any such conversations we had.

Kharmang:

1. Zenab Bi  WO: Soq

{Ashe Zenab Bi is an activist in the Kharmang area. We had initially intended to ask the questionnaire of her as well but since the initial discussion took around two hours we decided not to do so. Besides a lot of what we intended to ask was mentioned during the informal discussion. Zenab Bi is a middle-aged, active and fairly talkative woman. She was interviewed in her house (and during the course of the interview we were treated with local tea, eggs and lassi). The interview was conducted through Wazir and Zakia (the FMU accountant and WSO), as Zenab Bi did not speak any Urdu.}

Zenab Bi’s father died when she was young and, as her mother used to work as a seamstress, she too was taught sewing. They used to sew clothes for others and get fodder, ghee and chicken in return (as there was no man around to do so for them). They had one sewing machine (24 years old) but that developed some faults and was sent off to Skardu (with Zenab’s brother) to be repaired. Unfortunately, that machine was stolen and so eight years ago they bought a second machine be selling their “Zummo (cow-yak hybrid)”. They also owned 2-4 “desi” (local) chicken and used to sell the chicks and eggs but all the chicken died (due to the “rani khait” disease).

At the time Zenab had heard about AKRSP and her WO had existed; four years ago her WO asked her to join. Subsequently she received poultry training from AKRSP (8 days in Tolti and 1 in Skardu) and she stood second in the course (she got a prize of Rs 100). Next she bought 10 chickens (at Rs 40/chicken) and since she didn’t have any place to keep them she put them in her house. She sold the eggs and some of the chicken (seven were sold and three kept for guests) for Rs 150 each.

In 1995 she took her first ECP loan of Rs 7K and used it to buy 200 one-month old chicks, 40 of which died during a rainstorm. She also invested personal funds and of her relatives to make a shed for the chicken. She spent less on feed and fed the chicken on local grain. Her husband sold the chicken in nearby villages (Rs 150/rooster and Rs 100/hens) and she earnt a total profit of Rs 3.4K, repaying the loan in three instalments.

In 1996 she took a second ECP loan worth Rs 8K and bought 500 day-old chicks. This time she spent Rs 2K for feed as day-old chicks required more feed. She had taken a refresher course in Skardu and so she realised there was more benefit to be made in younger chicks and though that involved more risk she was willing to take it (besides Zenab said that she preferred one-day old chicks anyway). Moreover she hadn’t known that one could get day-old chicks and that they would result in a greater profit till she actually saw a nearby brooding farm. She bought the chicks through AKRSP at Rs 12/chick and sold them after a month for Rs 36 each (also with the help of AKRSP). She kept 60 chicks for herself (eggs) and sold them later. She estimates that her net profit was about Rs 5K, which she used to buy a new sewing machine. She returned the AKRSP loan in a lump-sum since she had sold all the chicks together.

Currently Zenab has an ECP of Rs 10K that she used to buy 130 month-old chicks and to buy (popular) wood and pay for the labour so that she could build a shop on her brother’s land. (Her brother had previously learnt tailoring in Skardu and had been running a shop in Ghasing. Since he was making his house back in the village, Zenab suggested that he make his own shop as that

204
way he could make more profits then just by sewing at home). She also used some of the money to buy merchandise and started a small grocery shop in her house. Another sewing machine was placed in her brother’s tailoring shop. Zenab has also taught her three sisters to sew and she rents out her own machine to her sisters (while their brother sits at the shop). They divide all the sewing work amongst themselves although she will return the loan by herself. She has already paid back Rs 3K and she expects another Rs 4K from her poultry sales. She claims to have made a net profit of Rs 6-7K (after taking out the annual 20% “khums”) and has reinvested the money in her shop.

Zenab wants to get an embroidery machine and to buy her own cloth (rather than take orders and cloth from customers) and sell (ready-made) clothes. Of her three businesses poultry is the most profitable followed by sewing and then the general store. She does not invest solely in poultry as she is afraid of (a lack of) demand (though she is thinking of making separate rooms for broiler and layer chicken). She mostly does sewing and the grocery business is basically for the sake of convenience both to herself (she doesn’t need to buy groceries) and to her neighbours, as hers is the only grocery store nearby and she sells from her home.

Zenab’s sister-in-law also works with her in the poultry business and she recently took an ECP loan of Rs 20K (her brother didn’t know that he could get an ECP loan in his name, so he got his wife to take it) and bought 1,000 chicks and feed (at a total cost of Rs 37K). She didn’t know anything about the VOCP loan and in her WO she was unable to get a loan as the members weren’t in agreement. She didn’t know the WO’s savings but said hers was Rs 1.2K (they save ten-twenty rupees at each meeting).

Zenab intends to take her next loan of Rs 50K to buy cloth and merchandise for her grocery store. She would prefer to get as much of this loan as a WOCP {her WO’s savings are Rs 12K}, as she expects it will be given at a lower (than ECP) charge, and the remaining as an ECP loan.

Zenab told us that after looking at her two other women have taken an ECP loan, one is contemplating taking it and another three are thinking of taking it next year. Since it’s a small village “they even know if one of my chicks dies!” She intends to set-up her own brooding centre and sell month-old chicks to all these women. When we asked her about possible competition problems she told us that it wasn’t an issue as these women would buy from her {she was creating her own market, a fact that she seemed well aware of} and even when they were able to brood day-old chicks and would sell their own eggs, those very eggs would eventually come back to her when these women came to buy groceries from her general store. Most of her chicks are sold for cash as are her general store items though she still does get paid in (non-cash) commodities. In fact she prefers this method of payment as it is more profitable. Zenab told us that people think that (taking loans) is bad but she had confidence in herself that she could invest (the loan properly) and earn (from it). “Some people say that I’m greedy and others say that we need more people like me to make a change”.

She also mentioned the benefits that she had received from AKRSP the foremost being training for poultry, veterinary help with her chicks and people receiving seeds and loans from AKRSP. On being questioned on what other help AKRSP could provide her she mentioned it would help if they gave her an embroidery machine. When asked about the negative aspects of AKRSP she didn’t say much at first but when pushed finally talked about how the local poultry had been replaced by “Aga Khan’s chickens” and not only that but how many things around were now being replaced by “Aga Khani” things. {The FMU accountant told us that it was very common for people to refer to all that AKRSP gave as belonging to the Aga Khan; potatoes from Shigar were still the Aga Khan’s potatoes even though people knew they were from Shigar, chicken brought over from France were the Aga Khani chicken. Even the AKRSP staff was referred to as the Aga Khan’s men and women despite almost all of them being locals}. She also said that if AKRSP were to no longer exist she would take loans from other places {although she was unable to name any} since her business was good enough to keep it going. If
the service charge were increased she would still take loans if it remained profitable for her to do so.

Due to Zenab Bi’s work and entrepreneurial spirit she has provided employment for her brother and three sister’s household. Moreover she supports her family as her husband doesn’t appear to do much work. He told us that he had some land he cultivated and that he had been trained as a plumber. He had spent three years in Kuwait earning money, though it seems that he spent all that money on himself. This year he had gone to Karachi for five-and-a-half months of which he worked only 25 days. It seems that he is supported by Zenab Bi. As far as the indirect effects of her work are concerned, Zenab sells all the way up to Ghasing as well as to the 16 local households and around 50 households up in the “nalagat” (gullies). There is no other seamstress around and as mentioned above, her general store is the only one in her “mohallah” (locality).

At the end we asked Ashe Zenab Bi what her main reasons for success were. She told us that it was her desire and ambition to get money: “Ab (paisay ka) chaska lag giya hay” (I’m hooked onto [money] now). Also since she didn’t have any kids she had no restrictions/constraints at home so she was able to do work.

Regarding what advice she would give to others, Zenab Bi replied: “Co-operation and trust with one’s husband, one should share one’s income within the household and there needs to be an environment (which is conducive) for work in the household”.

She ended on a somewhat humorous note regarding people taunting her husband about how his wife was never at home and always running about outside. He simply replied, “If a woman (Benazir) can rule our country then why can’t my wife rule me?”

2. Ghulam Mohammad s/o Mohammad Raza VO: Kharpito Bala

{During our stay in the Kharmang FMU, a young man, Ghulam, dropped by the office. Having no one else to talk to he decided to have a chat with me, especially when he learnt I was writing a report on the ECP loan. It turned out that he was fairly bitter since he had been refused the loan. While we didn’t make him go through the questionnaire we did ask several questions from it.}

Ghulam is a taxi driver (he owns his own car) in Skardu. He bought it for Rs 114K two-and-a-half years ago and is now thinking of selling it and buying a wagon since a metalled road is being made (from Skardu to Kharmang).

He had taken a 5-year ADB loan of Rs 100K and he repaid it two-and-half years ago in three instalments of Rs 28K (how this adds up to Rs 100K plus service charge, we are at a loss to understand). He says that he makes around Rs 4-5K per month.

Ghulam complained about how he had once come to Wazir (the FMU accountant) to get a loan of Rs 10K but the latter refused saying that he needed his father to come as well. (He added later on that Wazir simply didn’t want to lend to him as he could have asked me to bring my father over). On asking Wazir later on, he told us that Ghulam’s father hadn’t wanted him to take a loan as he knew he wouldn’t return it since it was to be used to repay another loan. Ghulam said he had needed the loan urgently (to repay his ADB loan’s instalment) and so he didn’t need the loan anymore. He also complained about how all the people from Pari (the FMU accountant and manager’s village) are getting loans and how the rules were bent for them. He gave an example of how a person (Haji Kazim’s son) had taken a loan under his brother’s ID (without him being aware of it) and had then defaulted.

When asked about the recent increase in the ECP loans he said that people didn’t have access to money before but now they were getting it (through loans); also a place like Tolti was becoming more like a city. Still he said that a lot of people say don’t take loans.

Ghulam mentioned that the staff didn’t really come to their VO (but then he had only been around for the last 2-3 years) and that the previous FMU manager was much better as he gave loans
easily and, unlike Wazir, he was willing to lend to him. He said, the FMU staff visited them 1-2 times every 6 months; they called on them whenever they wanted to but didn’t come to their VO. He also said that there were no VOCP loans in his VO (their savings are around Rs 40K) and that he had no idea about it as the FMU people didn’t tell them. {He basically has no idea about the VOCP loan}.

Ghulam mentioned that he encountered no problems in getting the ADB loan as he got it within 5 days and without any contacts (he actually got 4 separate ADB loans of Rs 25K each using different people’s names). With regards to informal lending he told us of a case of a person who took a loan of Rs 20K (to repay another loan) and ten days later had to repay this loan with an interest charge of Rs 5K {Around an 900% annual interest rate!}. He was forced to do so as it was a matter of his reputation (he had to repay his earlier loan).
Annex 3: FMU questionnaire and responses

At each FMU we asked the FMU accountants/manager a series of questions regarding loan practice/usage. In particular we were trying to elicit how their ECP procedural practice differed from (strictly) the book and what their own views regarding ECP impact/usage/performance were.

(A) ECP in practice
(where appropriate, follow each question by “should there be?”)

I. Are there any variations in the interest rate?

II. Is the loan not given if the person already has any AKRSP or non-AKRSP loan or is in default on some AKRSP loan or non-AKRSP loan?

III. Is there any flexibility in the length of the loan (apart from the official 6 month and 1 year max. periods) and/or in the loan size?

IV. Is loan ever given to a new male business? If not, is this solved by a man getting a woman to take the loan for him?

V. Is a dialogue with the whole VO done when an ECP is first given? What about repeat ECP borrowers?

VI. Does the applicant need the entire VO’s approval? Is the manager’s signature enough? Does any of this represent any problems for the loanee or are they only a formality?

VII. Is the late payment 1% surcharge ever enforced?

VIII. What are the list of criterion used in determining loan eligibility:
    (i) VO approval
    (ii) Credit history
    (iii) Profitability of existing business
    (iv) Loan usage
    (v) Debt capacity calculations
    (vi) President’s/Manager's trust
    (vii) Individual’s/families’ wealth/position

IX. What is the criterion for repeat borrowers? The above or are they less? How about paperwork i.e. is the form of the same length/does more or less information need to be provided?

X. Is ECP only given for working capital needs?

(B) FMU observations

I. Is the ECP used for the specified productive purposes only? If not, How frequent and in what form is consumption use?
II. What is the preferred method of payment? Do people pay in instalments or in lump-sum? What is the average repayment length? Does it vary a lot by type of business? Give some examples.

III. What is the procedure followed when default occurs? notification, action etc.

IV. Is the any evidence of financial innovations using ECP:
   (i) Several people taking ECP for one person/business
   (ii) People rolling over debt to reach larger amounts
   (iii) Taking ECP in the village but the business is set up somewhere else
   (iv) Same person taking two different ECPs from different places (is there anything to stop a person from being a member of two different VO's)
   (v) Borrower sub-lending to another VO/non-VO individual.
   (vi) Lump-sum fixed deposits investment
   (vii) Human Investment (son sent to gulf, for education etc.)

V. Possibility of using joint liability ideas? i.e. would things work better if loans were paired with two people responsible for each other? Is it easy to identify true project failures from lack of effort/mismanagement failures?

VI. What type of people (rich, VO President/Managers etc.) generally take ECP?

VII. Is there a particular type of business that faces higher default risks?

VIII. How long do people remain in default? Do they all eventually pay off the loan? Do they pay off both principal and the accrued interest?

IX. Why has there been a sudden increase in ECP?

X. Do you think that people view AKRSP as their own organization? Do you believe the set up is sustainable? For e.g. will the VO's survive/save if AKRSP leaves?

XI. Is it easier/harder to repay larger amounts? Easier/harder the 2nd time around?

XII. Do people think that their/whole VO’s savings are affected in they default (on the ECP loan)?

XIII. Should ECP be instead given directly to the VO so they can distribute/collect it?

XIV. Do people give “udhar”. Is it affected by whether or not you have taken a loan?

(C) Default details

I. What reason do people give most often for defaulting?
   (i) Failure of enterprise (unexpected or expected) so need time. Why failure?
   (ii) Non-productive usage
   (iii) Failure to monitor on the part of FMU (physical verification of business not done)
   (iv) Weak enforcement by FMU
   (v) Unwillingness to pay
(vi) FMU staff made loans to bad individuals (i.e. business feasibility error).

II. What is the “real” reason for most defaults.

III. Do others view the defaulter differently? Is his reputation at stake? i.e. Does default affect business dealings/credit purchases? Give specific examples? Are there any pressures on the defaulter? What?

(D) Enforcement:

I. Why do people repay?

II. ECP is an individual loan. Do/Should we announce/show:
(i) A person has taken a loan (in front of his entire VO)
(ii) One is a defaulter at VO meetings till the loan has been paid back. In this case should one approach the defaulter first?

III. Which loan (ECP or VOCP) puts more pressure on one to repay it? (Imagine one had to repay both Rs 10,000 for ECP and VOCP tomorrow but one only has Rs 10,000. Which one would he repay first?)

IV. Do you understand the difference between nominal and real rates? (explain question with example and try to separate the idea from the income effect)

V. If people have a legal dispute whom do they go to? How effective are the local courts/police? What are the problems with them?

VI. Is money more commonly used now? Can one still buy/sell for credit as much.

(F) Savings

I. What form do people save in (cash or o/w)? Do you save mostly in non-VO savings. If so, Why? If not, why do they save in the VO?

II. What are the reasons people save:
(i) Precautionary/insurance motives?
(ii) VOCP collateral?
(iii) To get return on deposits?
(iv) To enter VO?

III. Do people have any means of informal insurance? i.e. what happens when they have to undertake unexpected (or even expected) large expenditures like marriages, other celebrations, calamities etc. Do they have any formal insurance particularly for their business? Is there any need of it?
Actual Responses:
{Curly brackets indicate the interviewer’s comments whereas parenthesis signify paraphrasing or asides made by the interviewee}.

Kharmang:

1. Wazir Ghulam Abbas FMU Accountant

{A young, bright and energetic man. He’s been working for the last 8 years or so as the accountant and so he practically knows every loanee. In fact we were surprised by the fact that Wazir not only knew everyone and their account numbers but also their business, what loans they had taken etc. etc. Quite a veritable store of information. Wazir is a local of Kharmang (Pari) and he was interviewed at the FMU office and then a brief follow-up in the Skardu core office a few weeks later. He was very helpful and up-front not only during the interview but also during our stay at Kharmang}.

(A)
1. No. It is always 20% (and before 1996 had been 18%). There shouldn’t be any difference unless the loan is of a longer length.
2. If we learn that the person is also a loanee from another bank we try not to give him a loan unless his work is really good. If he is already a defaulter (from another bank) we never lend to him. If the person has taken some other AKRSP and needs money, we do give him an ECP loan.
3. There is no flexibility in the one year loan period (even though there is need for it). The first loan is at most Rs 20K and the second at most Rs 100K. It’s my suggestion that if the person’s work is good one should be able to lend him Rs 100K (as a first loan) and also that the loan limit should be increased up to Rs 300K.
4. There are several such cases/demands but the loan is not given to all of them. Where the activists look good and have potential we give them guidelines and then lend. Particularly in the transport business; one may have the abilities but not the money, so we lend to him. I (also) encourage VO presidents to give such people VOCP loans. I prefer to lend to such people as they truly undergo a big (economic) improvement. Even if 10 out of 50 (of such ventures) are successful, it’s good enough.
5. There are different ways: (i) If the need is big enough the person comes directly to the FMU. (ii) The VO president comes to us and asks (for the loan) on behalf of the loanee (and we trust the VO president even more that the loanees). (iii) We visit the VO and some people come there directly and ask for the loan. (iv) There is a desire to keep loans hidden from others (as loanees aren’t regarded as good people although since AKRSP has come things have become different) but we keep it completely open. With repeat borrowers it’s the same system as the same forms have to be filled. I suggest that the first time the lending should be strict but then onwards there should be less paperwork.
6. Not the whole VO (as some members may not like the loanees). The president and manager are important and it isn’t hard to get their approval. Some people do complain that the manager doesn’t like them and so there are examples of changing this rule {manager’s sign} for this reason (although we don’t lend).
7. No (we charge interest by the number of days loan is held).
8. (i) No. (ii) Not important as we trust the president. (iii) Yes (we look at the loanees merchandise in the shop and ask the president/manager how much credit he has taken already). (iv) Maybe. (v) No although we do look at cash flows. (vi) Yes. (vii) Yes.
9. The same as above. {See A5 above}.
10. No it’s also given for expanding one’s shop etc.
1. Not always. People (have used it) to buy land, make houses etc. One doesn’t know this at first but finds out afterwards. Some people have businesses but they put the loan in a fixed deposit in the bank and are still able to earn profits as they can repay the loan in say a few monthly instalments.

2. Both lump-sum and in instalments. Some people save/deposit in the FMU account at the bank (and some of them forget to get their deposit slips. It all depends on the work. General store people may pay back in a lump-sum and poultry (if they don’t need cash) in instalments. If money is in circulation in the business then it’s usually lump-sum.

3. 1 month before the due date we go frequently to the loanees (we can do other work at the same time). Once default occurs we send a notice (for 10 days) saying that AKRSP won’t do anything with you in future (i.e. lend money to the VO, we won’t give the ECP to any other member of your VO). If there is no result then we make a default recovery team. With the RMT (we use this as a threat: “Our big bosses are coming”). If the ECP loan is withdrawn there will be a lot of harm done and moreover we will see a large increase in default because there would be no future interaction {threat/bribe that can be used}.

4. (i) Yes, there are quite a lot of examples of this. (ii) Yes, there is the example of a man who wanted a tractor so he needed a large loan amount. He took a loan of Rs 20K and then returned it two weeks later and then took another loan of Rs 65K. (iii) Yes, this happens a lot in Kharmang (although the loanees family is here). Usually the father is a VO member and the son is doing business {in Skardu}. (iv) It could be two brothers but it’s usually not one person. In fact there should be only one member from each household but there could be more than that. (v) Yes, and they lend at the same rate. (vi) Yes {look at interviewee *18 in Annex 1}. (vii) Yes {a man in Mehdiabad sent his son to the Gulf for work. The ECP loan was used for his visa purposes}.

5. It will work and in fact it already exists (VO-wide).

6. Usually modest business people-- not too rich or poor. Probably around 10% of the loanees are presidents/manager and this percentage is about 50% for the VOCP loan.

7. Risky businesses are transport. There is a danger of accidents, the roads are bad, cars screw up and there isn’t too much profit to make. In particular loans for repairs of old cars {are riskier}. Also small general stores as compared to say general stores in Skardu. The least risky businesses are probably spare parts (cars), electric goods, cloth, cement and milkpack agencies and bigger businesses like wholesalers.

8. Defaulters usually pay back in 5-6 months. There are no cases with 1-2 year defaults. {Wazir said that as long as the individual hadn’t repaid he was, in a way, in “default”, whether or not the due date had come}. Those who deposit directly in our FMU account usually pay the principal amount only {at first} although at times they may over and above the principal plus service charge. If such people don’t give the service charge, we wait till they come for the second loan and only give the loan once the charge has been paid. If the person is a one-time borrower then we go to him to collect the service charge.

9. Earlier on ECP process was longer, needed more signatures (SO, accountant, section head, RPO etc. this is when there was no FMU). Since 1994 the process has become easier. The ECP loan didn’t increase in 1994 because we didn’t open (actively encourage) it. From 1995 onwards we had credit conferences (talked about ECP and other loans and about how to do business). Also before 1995 we didn’t lend to Kharmang people doing business in Skardu but started doing so afterwards.

10. People want to compete with their neighbours (by accumulating capital). The VO savings message is not clear to the villagers. The villagers did not care about the organization and savings as much as they cared about getting the PPIs. We should have said in the beginning that they should save for capital (generation). People still don’t save in the VO because they don’t really consider it their own and they don’t fully trust it. The VOCP message is clear.
(Also) AKRSP said (when they first came) that they were a 5-year program (as such) there was little idea of ownership of the VO. If AKRSP leaves (most of) the VOs will collapse since people will withdraw their savings. Collective savings are needed to develop collective though and not necessarily to (invest in) public projects.

11. (i) No, in fact there is more default in smaller loans. (ii) Yes (it’s easier).
12. No, they know that nothing will happen to their VO savings.
13. It would be hard to manage (and people already object to the president/manager). This will create a gap (conflict) between them (members) and the managers. {see D7 below which had been asked during the initial interview}.
14. Yes (they give less udhar) as it gives him an excuse to get money ("I have to repay my loan").

(C)
1. (i) Yes, but they don’t flatly refuse to repay. (ii) Yes. (iii) Yes (I wasn’t told on time by AKRSP). (iv) Not asked. (v) Not usually but there was one case of flat refusal. (vi) Not asked. (vii) I have given udhar so I am waiting to get it back.
2. The real reasons are: mostly bad use of loans, conflict between VO and individual (wants to ruin reputation), cases of wrong loan usage/work didn’t actually exist, a contractor took money to repair his tractor but then says the government hasn’t repaid him or just plain excuses.
3. When AKRSP comes, that often gives him a bad name. Also VO members come and put pressure on him. There is no loss in business dealings.

(D)
1. (i) Yes. The norm is that it is bad not to repay loans so one doesn’t really need to put group pressure. Being Muslims they stick to their promise. (ii) Yes (family reputation as well). (iii) Yes, but not as much as the social pressure. (vi) Yes. (vii) Higher interest rates and shorter loan periods make people more careful of how they use their loan money and any wastage (of the money) is controlled. They will give less credit in their shops and in fact use their loan as an excuse to get money back (from others). Social pressure and reputation are (the most) important.
2. (i) Yes, because then all VO members will know he’s taken loan. The benefit to a person is that people will take less udhar from him. Additionally, person will become more careful in using money. (ii) We should tell person first. If we go to VO at once then, by always using this VO pressure, its force would weaken. We should not use the last resort till the very end.
3. Social collateral is more important because in the VOCP loan people say it’s fine if they take our savings (and that leads to the VO collapsing). Maybe this will change with time as social pressures lessen. I have seen changes since I was a kid; there are a lot more cheaters around now. There is a lack of anonymity in villages but not in cities. There are less interactions now. The cities are more cosmopolitan but there are little negative externalities (of this on our lending and social pressures) as (while a loanee may try to run, his) whole family can’t.
4. Shopkeepers that sell at (the) higher prices will profit. There isn’t too much awareness of inflation (maybe also because a lot of prices are different across villages anyway). People sell their stock based on the price at which they bought it, even if current prices in the market are different. There is little differentiation between real and nominal interests, in fact they have a problem even conceptualizing a 20% (nominal) interest rate (and believe) it to be very high.
5. The village elders. If they fail then one goes to the Shariat court. The courts come last of all (because they involve all sorts of problems; bribes, courts are not nearby etc.).
6. Yes, more money is in usage now because people have greater demands. Earlier on people were mostly subsistence oriented but this isn’t the case any longer. Now people buy from
outside; there is a focus on the market and so one needs money for that. Also previously all households had ghee, eggs etc. to give but not anymore (now people are working, doing businesses, construction etc.). Yes, people grew mostly in barley and wheat before now they know they can buy wheat from outside so they grow more vegetables, fruits etc.)

7. Give the ECP loan to the VO itself. This would involve the VO more and therefore it will decrease default (because the villagers will participate more).

(E)
1. The majority of people’s savings are in the form of land and property (particularly in Skardu since the land value increases more there). VO savings are probably less than 1% of people’s total savings.
2. To increase their standard of living.
3. Not asked.

2. Nisar, FMU Manager.
{A smart and reserved young man. Nisar was very helpful and took us around for several interviews himself. He is a local of Kharmang (from Pari) although is relatively new both as a manager and in the field. He seems very enthusiastic about promoting the ECP loan. Nisar was interviewed in the Skardu core office.}

(A)
1. Impossible. In fact sometimes we take the service charge before (the principal amount).
2. Yes, (there have been instances when) an ECP loan was given to a VOCP loan holder (and also to an ADB loanee). We try not to give an ECP loan to a VOCP defaulter (if we find out). Also the president/manager tells us if the person has defaulted on a non-AKRSP loan.
3. Yes, we have given first time loans for up-to one year but no one has received a greater than one year loan. Nowadays first time loans are given for 6 months (in the earlier policy a first time loan of one year was allowed but this was later changed to 6 months).
4. Yes, we have given ECP for new businesses to men though it has mostly been given to existing businesses.
5. If we know the individual then we give the loan, if not then we ask the other (VO) members. In a few cases we have a VO meeting. The second time we give the loan individually (without any problem) as we have learnt about the recovery/business.
6. Officially only the president and manager’s approval is needed but in reality if some trustworthy VO member objects, we refuse (the loan). The president and manager feel responsible and so at times they don’t sign. Also the president and manager may sign but then tell us personally afterwards that the person is a defaulter or that he has no real business so (we should) refuse him.
7. Yes, we do.
8. The biggest thing is trust in the individual (and that is more important than trust in the president/manager). If he truly business (minded) we will give him the loan. We used to be loose about the (loan) format but now intend to be stricter. (i) No. (ii) Yes. We ask the other (villagers). In a village if someone cooks a chicken the night before, everyone knows about it. (iii) No. (iv) Yes. We can see what the person is doing and we trust him. Moreover we can tell if he is lying. (v) Not sure. (vi) Yes. There are a lot of cases where there is a personal conflict of the loanee with the president and/or manager and in those cases we get the form signed
from the president/manager ourselves. (vii) Yes, but if there is a capable poor person then we lend to him as well. However, most of our loanees are in a good financial condition. In fact there was a case (of our loanee) in Skardu who had a good business but lost money in a car-theft fraud and so he might default on us now.

9. By then we have learnt about the person’s performance. There are some cases where people repeat the loan in order to increase the loan size (we can find out such cases) but there is no case of anyone defaulting at Rs 100K although there are several people who are repeating Rs 100K loans. Repeat borrowers have to fill the same paperwork. One can also learn about business growth (by doing so). {Nisar thinks that the paperwork required is not bad and has no complaints about it. Maybe after the 2nd-3rd time the ID card condition could be dropped}.

10. No. Mostly (the loans are for) general stores (and therefore working capital) but that is due to (the nature of loan) demand. There are also loans for taxis, machines, butchers etc.

(B)

1. Seventy percent people probably use the loan for (productive purposes). Twenty percent use it for other purposes (sending son to Saudi Arabia, investing in a fixed deposit in the bank etc.). Probably around 4-5% have a shop but they use the loan for consumption (house/wedding/land) but we don’t find about such cases in time and these are the people who then default.

2. It’s probably half and half. Instalments are more common in villages and there are usually 4-5 such payments (even monthly) and the loan is repaid by the end of the year. The service charge is generally calculated at the last instalment and then the (accounts) adjusted. Lump-sum payments are more common in cities where the loanees buy their stock and then repay when it is sold (in about 3-4 months). They usually give the service charge in its entirety.

3. We try to meet the person 1-2 months before he actually goes into default (those who have problems avoid us /postpone). I such cases we start telling the other people (your VO will lose it’s name, we’ll work less with your VO etc.). We also tell our other units (agriculture etc.) to also threaten (them with breaking off relations). However there have been no cases of us breaking relations with a VO as yet. After the default we also talk (in more detail) to the VO. We say all this to the defaulter and then we’ll have to rethink about helping the VO.

4. (i) Yes. In Ghasing. (ii) Yes, probably around 30%. Only about 20-30 people (out of 600) do so in order to get to Rs 100K. The rest just do so to reach Rs 50K, 70K and 80K. (iii) Pari/Ghasing/Tolti/Olding/Mehdiabad etc. In fact most VOs have some members working in Skardu. Another example is in livestock where people get loans to buy cattle and then go all over Kharmang selling them. (iv) One can be a member of two VOs but I’m not sure of such loans given. It’s officially wrong but we can’t tell; people own land in two different areas. (v) Yes. This usually happens in the family (the son working with an ECP loan under his father’s name) and also as lending on to friends (non-VO members). This isn’t dome to earn profits though (i.e. the loan is on-lent on the same rate). (vi) There is one such person (the post-office example) {See B4 in interview 1 above}. (vii) Probably 5-6 such cases (mostly in Mehdiabad). {We mentioned a case of repaying a VOCP loan using the ECP loan but Nisar didn’t know of any such examples}.

5. Yes (it) can work and would put more pressure on people. Yes, we can tell (if the project failed due to personal failures or not).

6. Mostly general store people (with moderate wealth). Probably around 10-20% ECP holders are presidents/managers etc. I don’t have a clear idea about the VOCP loanees’ (background).

7. People who get loans for trade (cloth from China, blankets from Iran, Hong Kong etc.) can lose money due to theft etc. They have large profits but face greater risks. Usually a Rs 500-1,000K business make a safe ECP loanee as Rs 100K wouldn’t be too much for him (we have about 20-30 such people with businesses ranging from Rs 600-3,000K).
8. Usually around 1-4 months and not more than that. Yes, they eventually pay off the loan and they also pay the service charge (including the surcharge).

9. The main reason is that people didn't know of this before. Wazir (accountant) and I took a personal interest (in the ECP loan). We held credit workshops (in Mehdiaabad, Pari, Ghasing, Skardu core office, Olding) where we called all the businessmen and the village elders. Also some people are taking loans due to personal relationships (i.e. they had good businesses so we told them to take loans and once they learnt the benefits of loans they started coming to us of their own accord).

10. VO’s with savings over Rs 100K (the good ones; there are around 15-20% like these) think of the VO as their own and they will survive (even) after AKRSP leaves. These VO’s view AKRSP as a welfare organization and try to get as much benefit out of it as is possible. Low savings is an indication of not enough interest in the VO. Probably around 30-40% solve disputes and around 10-15% of them have non-AKRSP banks.

11. (i) and (ii). Default is more common on small loan sizes. First time borrowers have greater default rates.

12. Yes, villagers do think that (an ECP default) affects VO savings (not only their own but also the whole VO’s).

13. No it won’t work. Some people who are unable to repay will get loans. The president and manager are more lax and we will face default because we aren’t checking (the business) in the beginning (as we do in the ECP loan).

14. In Skardu udhar doesn’t work. In the village there is more udhar but the loanees (do) say that they cannot give udhar due to other loans (they have to repay).

(C)
1. Not asked.
2. Not asked.
3. Not asked.

(D)
1. The most important reason is that they need the next loan (to increase their business). Also due to the service charge accruing daily they (try to) repay early. Trust between them and AKRSP. The villagers are reluctant to involve in any transactions with the defaulter. At times we take the tehsildar with us (to see the defaulter) just to show (that we can use) pressure.

2. (i) No, as most businesses don’t like telling (others) about their loan. A lot of them say it affects their business (if they do so); villagers look at them and say that this guy’s business is running on AKRSP money. In fact once a man brought me his loan recovery amount at 6 in the morning (so as not to be seen by others)! (ii) Yes, because the people will put pressure on him. We first go to the defaulter but if he can’t give a good reason (for defaulting) or he didn’t fulfil his promise (to repay when we came previously) we then go to the VO. People also realize that all the AKRSP staff know the person is a defaulter (so that puts more pressure on him). Likewise the default recovery campaigns are quite successful as other (AKRSP staff from the core office) come too.

3. They will obviously return the ECP loan first as it has a higher service charge. Also the VOCP involves (only) indirect pressure (as we don’t know the loanee) through the president/manager.

4. {During our interviews where Nisar accompanied us we discovered that he too was unclear on the concept. He maintained that inflation would help if one could sell one’s goods at a higher price but not otherwise}.

5. Village elders and ulema. (There are) few cases in the police station.
6. More cash is used now. Earlier on one could give a kid an apricot kernel but now one has to give cash even to them {and this was duly demonstrated by Nisar once as he gave his year-old daughter some rupee notes to placate her!}.

7. Not asked.

(E)

1. Businessmen and salaried people usually save in the bank. The landowners save in vegetables, dried apples and also by buying more land. The VO savings (constitute) only about 1-2% of people’s total savings.

2. To improve one’s living standards and for the future (I’m in service now buy maybe won’t be in future). For children (their wedding, health etc.). To visit relatives in different (far-off) areas and in times of death etc. Also to buy say a T.V. for one’s home.

3. About 2-3% people know about it. Mostly salaried people take life insurance. Business insurance is non-existent and few businessmen/land owners get insurance. I myself have life insurance. {During our discussion with Nisar we discovered that insurance was somewhat different here. Apart from having an insurance component it also had a savings aspect to it. One buys insurance for say 20 years and pays regular instalments. In case of the eventuality one is paid a certain amount but even if the eventuality does not occur and the twenty years are at an end, one still receives the entire amount. In fact it appears that a lot of people buy insurance for this very reason}.

Nisar suggested to us that when we interview people/businesses we should ask them about their profits. He estimates them to be around 60-70%.
3. Aziz Wali Taj, FMU accountant

{A sprightly young fellow, Taj joined the FMU about a year and a half ago. He was quite willing/eager to talk}

(A)

1. None at all.

2. Yes one can take both ECP and VOCP (the latter is an indirect loan and even if we find out that an ECP holder has taken it, we don’t have problem). With loans from other banks we don’t know - if we find out then we check his business situation and if he is a fine loanee we give him the ECP but not if he is a defaulter. We also don’t lend if he wants to repay the other loan with ours. (We find out about this by asking about his business position, when the other loan is due etc.).

3. Till last year we used to say 6 months to first time loanees but recorded it as 12 months. But we no longer do so since 1997 (now if we say 6 months it is 6 months). As for the loan size it’s step-by-step Rs 10K increment. If a person’s business is good and we think he needs Rs 30K after Rs 10K we can do so (since 1997) but not Rs 10K to Rs 50K. By doing so the loanees learns how to use loan and we learn about his credit behaviour. When we followed the Rs 10K rule we had people repaying in one month (in order to increase the loan). As a result we now (since 1997) have a rule that if the loan was say given for 6 months, a person can return it before the 6 month period, but in that case loan he can only take same amount.

4. No. When someone with a new business comes we ask him how much capital he has and tell him to start his business with it and then, after a few months, lend to him. We want to avoid people taking for non-business needs. Yes, start-up loans are allowed for women but even for them we have the same rule (otherwise they might give the loan to their husbands etc.), so they too must start business with what little they have. We have never given loans to new female businesses.

5. Yes (mostly) for first time loanees. If that’s not possible then we at least go to the president/manager and ask about person’s situation and financial situation. It also depends on the VO. If we think that one needs a dialogue (For e.g. if the not good) then we do so. The benefit of having a dialogue is that if loan goes in default we can go to the VO and complain. (50% of the times we have a dialogue with the VO, and we always ask president/manager/active members/good loanees about the new loanees).

6. See A5 above (if majority members say yes during the dialogue then we lend). So the president and manager’s signature is not enough for a first-time loanee. For repeat loanees it depends on the person (need to see business again etc.).

7. No.

8. (i) Yes, see E5 above. We sometimes verify the president/manager’s signatures, especially since some of them are illiterate, so they sign w/o thinking. (ii) Yes, for repeat loanees (for first-time loanees we look at the VO; is it active or does it have a good credit history? (iii) The first time we do a site visit, we ask about daily sales and look at the merchandise in the shop so we can estimate his profit. We can also estimate using the location of shop etc. If we estimate only a 20% profit we tell him not to take loan since it’ll not benefit him. When I calculated the return of one guy from Dambudas I found he actually sold his stuff at less than cost! The other members said the guy was just hiding his profit. I delayed him for a while and then when he explained is situation more I gave loan.(I also saw his shop). (iv) Yes - it’s the most important thing. (v) Yes, we do so informally (vi) Some VOs have good presidents/managers so we know they can recover the loan and we are happy to lend. If the president/manager are bad, then we hesitate. In case the president is bad but the loanees good we were confused what to do so we asked Saleem Jiwani. By policy we shouldn’t lend but if
we are satisfied of loanee we do so although there have been no such cases as yet. (vii) Yes, if a person has more money than we trust him more as we know he can repay. If a person is poor we have to be more careful. Taj realized that we were asking about the loans being biased towards the poor. He said that if we talk of development then we needed to watch out for poor.

9. Yes, they have the same form but there is no need for the VO dialogue, site visit, asking the president/manager etc. so it takes him less time. There isn’t much time in paper work anyway since we help in filling the forms. If it take a first-time loanee a week, the second time it takes 2 days or so.

10. Yes, only for working capital. Some people have taken loans for buying drill machines (e.g. there is a project going on in Basho where we (AKRSP) are making a channel so the villagers decide to buy their own drill machines) but that was a special case (as the machine rent for the duration of the project would cover the cost, plus we only gave part of cost). It is possible that people use the loan for investment purposes although there doesn’t seem to be much demand for it. (People ask for loans to buy land, to make shops etc.). About 10% of the demands are not for working capital needs; they know we only give loans for working capital. In fact we even tell them not to put such merchandise in their shop which can’t be sold off within the year.

(B)

1. There is 10% unproductive use (social expenses like education, etc. If no direct product is obtained then it’s not a productive use). Land is a productive use but it’s long term. Probably even less than 10% use the loans for consumption (say about 5%).

2. We try to get the loan repaid in instalments since then there are less chances of default (instalments put less pressure as one doesn’t need a lot of money in one go). We had some defaulters who couldn’t repay in a lump-sum but did so slowly over 2 years. We also tell a person about the advantages of repaying in instalments i.e. less service charge and less pressure. However, about 20% repay in instalments and the rest in a lump-sum. According to our rules, for loans above Rs 50k they have to repay in instalments. We also look at a person’s capacity; if he has a small business and has less financial capacity we ask him to repay in instalments. But if a person is wealthy and has a big business then he can easily return Rs 20k, so lump-sum repayment is fine. We say people should repay in instalments but don’t follow it up so that’s why in practice fewer people repay in instalments. Earlier on people used to return loans quickly in order to increase the loan size. Now due to the new rules, when people ask for new forms (for their next loan) and we tell them they can’t increase the loan, they at times say they’ll keep their old loan. Last year only 20% people kept loans for the whole loan period and the rest only for a few months. This year we can’t tell as yet. Out of those who return loans in 2-3 months most do so for increasing the loan size. (Loan rollers usually will have no gap between taking loans whereas good loanees will).

3. Even before default happens we start following up; at the beginning of the quarter we find out all loans due by that quarter. We send a reminder (about a month before the due date). Once default occurs we then go after the person “bori tarah say”. We go to president/manager of the VO and tell them that their VO will lose out and not get any new loans. If any PPI instalments are left we get them stopped, we talk to forestry people etc.

4. (i) Yes, Khee Taqi is an example. Usually two brothers take loans for one business. Yes they are collective loans (and not case of fraud) because the person has to come and individually pick his check. (e.g. of Ghaziabad guy who took check from us himself and gave to another person who then who defaulted. When we went to him he said he didn’t remember that he took a loan but I told him exactly when he personally took the check from me and so he agreed; he couldn’t fool me). (ii) Yes see B2 above. People are not doing do from this year onwards. (iii) Yes. a guy in Shut had shop here in Skardu. A lot of Goltari people work in
Skardu too. (iv) Yes. The problem is that our FMUs are separate so a lot of times we can’t find out. A person can come here and become member of a Skardu VO. Also there are some VO’s (Qasimia, Anchan and 2-3 others) which have been made by non-local people. We did find out about one person who took a loan in Khaplu and here. (v) Yes there were such cases in Ghaziabad and even a non-member got a loan. I don’t know about the interest rate; it’s probably the same rate. (vi) No, I haven’t seen any. (vii) I don’t know of any.

. There are also cases where a person returns a VOCP loan using an ECP one (we don’t know of these usually since the person has a business).

5. Yes, we are thinking of such a system; like the Grameen group loans etc. (In a group of 5 people only two get a loan at one time). We need such a system. We also we have a personal guarantee system; in cases where we don’t know the loanee we use the credit committee or the president/managers as guarantors. Yes, as the loan size and numbers increase there is more risk so need to be more careful now. For e.g. with a new VO in the bazaar (made only for loan purposes) a man came to get a loan and we told him his VO was new (1 month old) so we didn’t know much about it and as such we would give the loan 5-6 months later. Then that guy brought his manager along and I told him same and he went to the SO. Finally we all decided that if the manager gives us a written guarantee of the loan then we would give it. (He hasn’t done so as yet).

6. Medium type people. We don’t have big businessmen as ECP is of no use (to them). Very poor people, we discourage ourselves. So we mostly have intermediate loanees (and some poor). The big people try to get CVOC loans. Probably around 30% of the loanees are specialists/managers etc. while in the VOCP loan there are more such people (e.g. in Haji Shamsher’s VO the president/manager have taken the VOCP loan themselves and are in default since 92. We are not lending to other members but we trust Shamsher and we face a problem as to whether he should he be affected by his VO or not. But if lend to him, who will solve VO problem? For e.g. a Ghaziabad person asked us to deal with him apart from his VO as it was in default but we refused to since we said we know him only through his VO. Then the president/manager also asked us to lend to such people but we still refused and explained that if all the activist’s problems are separate then they will never solve the VO’s problem). This used to happen a lot before when didn’t have dialogues etc.

7. A business is permanent or is “hawai” (in the air). Woodwork, Livestock resale only etc. are businesses where one can’t see (the business) and so they are not a permanent business. If tomorrow his business collapses there is a lot of risk. If a business is permanent then this won’t happen.

8. Usually 1-3 months; not more than one quarter as we get after them a hell of a lot. Yes, after 3 months default they become chronic. Officially we don’t show (only) service charge not repaid as default but we don’t tell the person that and we keep after him as a result most people do pay both {he named the handful people who still hadn’t repaid the service charge}.

9. Firstly it’s people need now. Also we have focused more on loans; we were told to move/encourage loans. People didn’t have experience with loans earlier. AKRSP is moving towards banking (10 loans are not enough for that) and so we pushed loans. Moreover we had targets to fulfil that so much loan had to be given by the year. Also there used to be an information problem; so in VOCP dialogues we also told people of the other loans we had. Yes, we also had loan conferences.

10. A lot of people prefer AKRSP. {Nazir, manager MER, told us how once a Sind Secretary was taken to Shagri Bala. There was an old guy making wall whom the Secretary asked what AKRSP had given them. The man replied said: “You are a big officer and I am speaking in front of you, this is what AKRSP has given us”}. The VO ownership depends on the VO; mature VO’s think of AKRSP as their own and they will survive. Those that do work other than with AKRSP etc. and yes, large and increasing savings is a sign of maturity. Also whether they are using VOCP etc. The level of awareness in the VO (of other organizations
than AKRSP). Probably around 10% VOs are like this (and only they will survive after AKRSP).

11. (i) It depends on one’s financial position; a big businessman can take a large loan too (ii) Yes it will make a difference since the experience of loan utilization increases. Also first time loanees don’t even know about loan charges etc.

12. There are only a few people like this (20%). However, we do tell all people informally that their business is at risk if they default. For e.g. there was a person from Harpo had no business but claimed he was in partnership with someone. When I went to the supposed partner and told him that his business would be at risk in case of default he immediately went back on his earlier claim and said that the loan requester was actually only his relative and not a partner. So I lied a bit but got the right information. Also when we see people’s businesses some think that therefore their business must be collateral for the loan.

13. In this then we won’t have enterprise development. The VO gives large loans to a few people and so by going through them we won’t get a good distribution of loans to enterprises. They will give the loans according to their own wishes and probably also lend to people without any business.

14. Yes, we check a person’s “khata” and explain that he gets no charge on his udhar but that we charge him on the loan and hence if he gives udhar he would lose out. They try to decrease udhar particularly since they can use the excuse of having to repay us.

(C)

1. Different people use different excuses. Today one guy came to me and returned the money after a 6 month default and said he had been sick before and had to use the money for his illness. A lot of people make such excuses; another defaulter said his brother was sick. (People use both personal and family sickness excuses). There are other cases like Braqchan where people mention natural calamities (floods etc.). A few people say their business failed. (Mrs. Ghulam Abbas said her chicks had died, Mohammad Ali said someone took his money etc.) Some say someone else took the money from them and yet others say that they don’t have money now (stuck in business) but will get it soon.

2. Firstly they don’t have a business and so those loans that are given by mistake to non-existent businesses default. Also as I mentioned before about hawai businesses. Apart from this, some people like Riaz default due to some problems in VO and then they become stubborn (Riaz has the money but says he won’t repay). Utilization of loans is a problem, for e.g. one took a loan for business but used it in consumption or in buying a fixed asset.

3. If the VO stands to benefit (some other people wanted loans or some other non-credit benefit) then they go and bother the defaulter. If there is only one loanee in the VO and the VO is not active then they don’t care too much (about the default).

(D)

1. People think that this is a loan and so it has to be repaid. We also keep on reminding them of it. {Nazir said some repay as they want to get the next loan and others to avoid the loss of name and yet others repay out of honesty. Taj also agrees with these reasons} There are also social status issues. {Nazir mentioned that people also care about the benefits that the VO will receive from AKRSP}.

2. (i) Yes, because since the VO is involved before and afterwards (in the recovery), they should be told. That’s why we ask them when we lend to a first time person. The second time we should also try to involve at least the president and manager. For e.g. what if a person’s business changes? (ii) My way is that I first go to the person and ask him when he will return the loan. Then if I feel the need I go to the VO itself and ask them to talk to the guy. If one only goes to the VO then they think that it’s only the VO who wants him to repay and not AKRSP. We need to apply pressure from both ends.

221
3. In the VOCP loan there is no direct pressure on the person; it’s on the VO. In the ECP we put direct pressure and through VO. If VO pressure comes before ours the loanee will return the VOCP loan first. If we put pressure first then he will return the ECP. There is the example of Mehdi from Gapstrang who defaulted on both ECP and VOCP. I first went to recover the ECP (as we have collateral for the VOCP Loan) and so we have recovered the ECP loan even though he defaulted on the VOCP loan first.

4. It’s easier because he can sell his stuff for more and moreover money has lost value (due to inflation); it’s real value is less. Also if there is a devaluation then he also benefits as money is worth less now.

5. Usually the court or arbitration in village. It depends on the people; some go to village elders others to the police.

6. Mostly cash now.

7. The most important thing is loan appraisal. If we do it right there it is very unlikely that one will default. Also one’s sixth sense when giving loan is very important (you feel a bit suspicious etc.) We try to get the recovery in instalments as there are a few benefits from doing so; if person fails to repay the first instalment we get an early warning so we can go after him 2 months before instead of one {for other benefits see B2 above}. Also the group system that you mentioned (sounds good). We also make a loan committee in the VO etc. and if we feel the need then we have a personal guarantor. Also instead of taking someone’s spoken guarantee we ask for it in writing. Trust is important (business is not the all and all). Though it is hard to find out credit worthiness we can get other VO members to tell us about the guy. If a person works in the bazaar we can just ask the next door shop or someone else whom we know in the market.

(E)

1. If we look at villagers or smaller level people then it’s probably VO’s savings. Bigger people buy land, building etc. In beginning there was a lot of saving but that is a lot less now. I don’t know why? {Nazir said the main reasons for high savings before were the PPIs. In fact the PPIs used to have extra incentives in the form of LDIs; people would get the LDI if some condition on increasing savings (doubling it in 3 months, increasing per member savings by Rs 200 etc.) was satisfied.} Also we used to focus a lot on savings. {Nazir added that they used to have fortnightly savings reports just like they do for credit now}. Also people say that when they save in the VO it’s hard to get their money out. {Nazir added that when he was an SO and the ECP started they put a condition that whoever comes for an ECP loan needs to save Rs 200 but the problem with this was that people stated thinking that this was suspicious; AKRSP may just be planning to take their savings. However when some VOs were deleted and took their savings back, people gained confidence. For example one village had 3 VOs and when one of them took their savings back the very next day the other’s saving increased by Rs 100K}. Taj said he misunderstood question and if one included land, livestock etc. as savings then the VO savings were relatively very small.

2. For children (education, bequest), sudden needs, death etc.

3. Yes, one can get business insurance but due to the little cash (that people) have, few get it (except the salaried). I don’t know if people need/have an awareness of insurance. There is informal insurance {Nazir said that there was a lot; for seven days the a mourning family would be given food. In fact in his village they gave one guy Rs 70K as he went bankrupt. Also the Sermik people repaid Rs 500K for one wholesaler who had suffered a big loss}.

4. Ali Naqi C&S Monitor
Ali is a serious and dedicated worker. He used to be the Skardu FMU accountant and was recently transferred to the regional office as a credit monitor.

(A)
1. No. I follow the policy.
2. Yes we have given ECP loans to VOCP holders (but not if the VOCP is in “default”). With other bank loans we don’t find out whether they have taken them or not. Yes, it is possible and does happen a lot that one defaulter from one bank gets a loan from another to repay the first. Also the bank itself hides the fact that the person is a defaulter as it wants to recover its own loans.
3. In the ECP loan we can’t lend for longer than 12 months but we do give 3, 6 month loans etc. According to our policy we can give Rs 20K the first time and the maximum loan amount is Rs 100K. We never give more than Rs 20K the first time. The second time it’s not necessary that I give him Rs 30-40K; I could give him more or less depending on his business situation. In fact we can even refuse to lend the second time even if he has repaid as some people return loans simply to get a larger loan. In 1993-4 the ECP loan was just meant to be Rs 10K and it wasn’t encouraged as much. Then in 1995 this policy to increase the loan started. (We got a policy manual in 1994) and at first started from Rs 5K and Rs 40K was the maximum amount (till 1995). Then in 1996 the maximum was increased to Rs 65K and now in 1997 it’s Rs 100K. I never crossed the (loan) limit.
4. No it’s not given to start-up businesses (but we have done so in WOs as that is according to policy). Yes, there are cases when a husband took a loan under his wife’s name (possibly to set-up a new business, but also in some places there are no VO’s but there is a WO, or it could also be that the person has taken another ECP loan himself). I think that loans should be given to new male businesses as well so that they no longer need to (cheat and) go through the women.
5. Yes, we have a dialogue (as much as we can) but we have also given loans w/o dialogue, after talking to the president/manager/other members. Also during this dialogue we usually have more than one loanee, so after the dialogue we ask for other loanees. In fact, usually the president/manager themselves ask the businessmen in the VO whether they need/want a loan. We used to make a list of people desiring ECP loans during the dialogue (so even though one guy came with a form the other forty loanees attended the dialogue as well). The advantage of making a list was that the president/manager sometimes actually raised objections later on (aside) with regards to some loanees. Now we no longer do so, as we don’t get that many new loanees and if they come they are usually from new VO’s. Yes, older VO’s are saturated now. Probably around 10-15% of the loanees are new. With repeat borrowers just the president/manager approval is enough and in fact we ask the loanees to have their president/manager accompany them to the FMU office.
6. Formally we just need the president/manager’s approval but when we go for the VO dialogue then we do ask for the VO’s approval. The second time, the president/manager’s support is enough. There are also other issues; how the loanees recovery was etc. I think personally that we should take the VO’s approval each time because we want to get social collateral. If we have a dialogue for Rs 10K then why not for Rs 50K? There has been no case so far where one person was a good loanee but had a conflict with the president/manager etc. In fact we discussed this earlier on and it was decided that we could lend in such cases but at our own risk.
7. No.
8. Firstly we verify his business. Secondly we have a dialogue and find out what type of person the loanee is. Also try to see in the loanee’s form what ideas he has about his business. We also ask him about his business to find out what plans he has. Sometimes we have a problem that all VO says he is fine (and we don’t think so). For e.g. some guy gets married so it’s the
whole VO’s problem and they all try to help (and so don’t raise any objections to the loan). In such cases we get the information from somewhere else (other VO’s or other members form his VO). We also ask to check if he has a business or not (since the loanees may show someone else’s shop and use the loan for a wedding). Yes, we fill forms ourselves at times but after asking the loanees. (i) See A6 above. (ii) Yes, but only AKRSP loan credit history (from VO loans the person has taken). (iii) Yes, we look at the cash flow in the form and so we can estimate the profit from that. (iv) Yes, that’s why we look at the person’s business. (v) No don’t go that deeply (into the appraisal). (vi) Yes, as we use them for recovery so need their trust. (vii) Yes. If we are giving Rs 10K loan then the loanees should have Rs 10K of his own. No, I won’t lend to a person w/o him investing an equal amount as our loan. The loanees say that they have an equal share but in practice their share is probably less (we tell them of the one-to-one share in VO dialogue).

9. They have the same paperwork. The first time it’s harder because people are illiterate so they find it hard to keep records/provide business information etc. When we ask questions the first time, they learn about what to expect the next time. I think we should have the same paperwork for repeated loanees too (in fact repeated loanees already fill more; they have a section about how the previous loan was used). Yes, we should ask for more details for larger loans. In lending we ask all these questions to reduce the risk, so the more you ask the more your confidence increases and you can decide whether to lend or not. It is not important to ask all these questions in the form (i.e. document it). For e.g. say I go to see someone’s shop. I just write in the forms that I visited the place but there are no details recorded about what I did in the visit; such details I should know myself.

10. Yes, only for working capital. I know of no examples of making a shop, buying machines etc. although it (probably) is used for such purposes.

(B)

1. Yes there are cases where the ECP loans are used for asset investment (making shop) but it is at most 5%. There are also consumption usage cases. Our default has primarily consists of such cases. If person has money he will repay regardless of what happened to his business. Default occurs where one has no other choice. In our area it is considered very bad to default. The percentage of people who use loans for consumption purposes is therefore probably the same as the default rate.

2. People mostly repay in a lump-sum. They do so as they want to get as much money as possible. Second, if they repay in a lump-sum then they can get the next loan; by repaying in installments their money is stuck because they can’t get next loan (till the whole loan is paid off). Usually the people who repay lump-sum do so earlier as they want to take the next (bigger) loan. This year with the new policy of not increasing loan size till the loan period is over, the recovery is slower. Some people were rolling loans over before (in fact most people did so in 1996) so we wanted to stop this. Once a guy returned a loan in 4 days. (It should take at least 2-3 months to return the loan but that depends on the business; in poultry one can repay in a month, a shopkeeper say a garments guy wants to get merchandise from Pindi so he has first to go there and then sell off his items before he can repay the loan). There should be flexibility in the rule to avoid such cases (but still if the choice is between the two then this new rule is better as there is not too much poultry (type) work here and so only a few people lose (if we stop a 100 loan rollers only 2 loanees suffer as a result).

3. Before the default we remind the person that he is about to default. Once default occurs we send a polite notice: “Please return the money as you took a loan from us and had to return it by our agreement. We reminded you in person earlier so please return the loan now”. We send the notice through some other person (we try to get a VO member to do so and we tell him about the contents) so that the person is exposed. After that we start bugging him. We go to his house with our cars, ask others where he is etc. The first few times we are respectful. We
use threats only where we have lost all hope. We also use the president/manager and call a VO meeting and discuss issue. In the VO we say it doesn’t seem like they have VO. So the VO put pressure as they are losing face. We don’t need to use the police threat. We also try to get more people from our office to go with us; we will get a non-Balti and then say, look even a stranger is coming to your house. At times we tell some (harmless) lies how our high-ups are coming etc. We also make a default recovery committee. Moreover we end all other benefits (PPI instalments are cut/not given), other sections get default statements from us and we also informally meet them. {When we explained why we were asking about other sections knowing he agreed it was more effective to spread such information in person. He also said that if someone in the engineering section were to say who cares about this default then that would a problem for the organization itself. In fact in the engineering section they ask us (credit section) before giving instalments for their PPIs.

4. (i) Yes, Khee Taqi was a clear case where he was not a good man but the other people with him were good and they (got loans and subsequently) gave him money. Yes, there are also genuine cases as well (where the money is used properly) but why force the person to commit fraud, why not give him a larger loan if that’s his need? (ii) We use to have rolling over till last year but not anymore. (See B2 above. (iii) Yes, in fact this is very common. A lot of people run a business in Skardu. In fact most loanees do so after all what can one do in the village? (iv) Yes, but there are only a few cases like this (less than 1%). A person may be member of two VO’s (Kharmang and Qasimia) but we do prevent such cases if find out. (v) Yes, but less for profit. (vi) No, people either use the loan for consumption or business (vii) There are very few cases like these.

5. Where one is taking collateral there is no problem in the loans; in BRI they take proper collateral (land, car, cash etc.) even if they lend to groups. Moreover the groups are registered with the government and so it is responsible. If we intend to increase the ECP loan (further) we should also have financial collateral (as much as possible to minimize risk). No, I don’t think the ECP loan will decrease if we take collateral, although, yes, it’s pace will fall. ADB loans take land as collateral and that itself takes 3 months (so there would be a delay in loan taking etc.). Now the situation seems fine as it is in the initial stage and we are trying to increase it. The Rs 10K loanee does not default as he knows he will get Rs 20K next. When they all reach the (Rs 100K) limit then they will default and that’s when the problems will start.

6. The ECP is mostly used by middle income people; mostly businessmen. Rich people don’t take the ECP as Rs 10K is not enough for their business (they need Rs 200-300K). The ECP holders have say a business worth Rs 200-300K or even Rs 25K. For a Rs 1,000K business the ECP loan is not enough. Yes, even small (poor) people take ECP. Yes, as is the case with the VOCP loan a lot of ECP loanees are activists/presidents/managers etc. However this is no longer as much of a problem; now even VOCP loans are being utilized by smaller people. ECP loans are also taken by “mobile” businesses (people who buy/sell trash, animal skins, livestock etc.)

7. There is a lot of risk in poultry (I lost Rs 90K myself as all the chicks I had bought died). There are no particular businesses that have higher default rates. Usually the default is due to wrong usage or business problems like a conflict between partners.

8. Our oldest defaulter (medium term) is in Tinjus (probably around 4 years); yes, the oldest ECP defaulter was Mrs. Ghulam Abbas. Usually people do return the loan in 5-6 months. Some defaulter’s business fails so don’t have any money and sell their land, livestock etc. and repay us after the sale.
9. Till 1994, we actually discouraged the ECP. We didn’t introduce it etc. as it used to be on a limited basis. The World Bank had given us some money to start it. Later on it became a proper program of AKRSP. In 1995, after the decentralization (FMUs) the ECP was (properly) introduced (the staff was increased as before there was only the SO). From 1995 the FMU accountant was involved (in loaning). In 1996 we pushed (the ECP loan) like crazy (in terms of spreading information about it). I think that even if people have reservations about loans (sood etc.) their need eliminates all such things.

10. There is no sense of ownership of AKRSP. Yes, people do have (a sense of) VO ownership and the VO’s will stay after AKRSP but there activities will change; they will not do as much as now. To a certain extent they still have a dependency problem. They will probably keep saving but loaning is hard. They do think of the VO savings as their own; there was a problem initially but not after some VO’s were “deleted” and they took their savings back.

11. (i) If the loan is utilized in business then small or big makes no difference but if not used so then a smaller loan is easier (ii) No (I) don’t see this tendency as much.

12. No, they know that there is no effect; yes, people know the ECP loan has no collateral. {When we said some of them thought so, Ali explained that when people are told that they are responsible (for the loan) then at least morally their VO savings are at risk as they might choose to repay the ECP default using the savings even if they legally don’t have to}.

13. This is only in Ghaziabad and no where else. A lot of people are not ready for this. Also those who would have to do all the work see no benefit in doing so (the managers don’t get any payment etc.).

14. Yes a lot, and it’s a problem as one gets the money back after a long time. Yes, people do make their loan an excuse not to give as much udhar.

(C)

1. People usually say they will repay later and that they are going to get money from somewhere etc. They don’t mention the real situation. “Bas ji taqdeer ka masala (It’s a matter of our fate). Sometimes a person comes under pressure etc. etc.”. They do give reasons but then they also ask us why we need to know since all we need is the money back and they will get that from somewhere. I think that these aren’t excuses but reality; people don’t lie, what they say is true. One Kowardo guy’s wife was sick so he had to take her to Islamabad and all his business was lost (to cover the expenses). He said he would repay the loan and so would sell some “bair” (fruit) trees to do so.

2. See C1 above. Even consumption users tell us that they used the loan for consumption. They tell us to come at some future date and they will repay us (which they usually do).

3. Yes others think badly of the person, they give him “tanas” (mock him) and that’s why the loan is returned. In default recovery the most effective means is when people talk behind the person’s back etc. That backbiting is the most effective means for us; that’s social pressure. Also at times there is “hamadardi” (kindness) as others help a defaulter in say selling what he has, give him the right price etc.

(D)

1. The main reason is the loss of name. Yes they feel bad when taking loans but it’s even worse not to return them. Also the VO puts pressure (because other members may want loans and the president/manager have given their guarantee so they also risk losing face).

2. (i) Yes we do that even for repeated loanees. Yes, people do know who has taken a loan. (ii) Yes, we go to him first. We go to the person first because otherwise he thinks it unfair on our part (not to have asked him as he might have repaid).

3. It is the same thing. The person will prefer to return the ECP loan as there is a smaller service charge on it. If the service charges are equal then it makes no difference which is repaid.
4. It’s not a problem as the guy can sell at a higher price. If his goods don’t increase in price then he would have problems in repaying the loan. {We asked Ali about the level of market awareness and he said it was fairly high. He told us of how the time it was thought that Gold Leaf cigarettes would be increased in price all of sudden one couldn’t buy them anywhere in Skardu.}

5. In a village the elders etc. and also the police. There are fewer police cases as people don’t like going to the police. Killing someone is not as much of a crime as is going to the police as there “bohut bay-izzati ho jati hay” (one loses one’s dignity).

6. Now not as much.

7. If there is proper loan disbursement then default will decrease i.e. if loan utilization is ensured. I think that our manual includes my (and all the other loanee’s) input. What good they (the loanee) do, we try to spread and what wrongs (they commit) we try to prevent. If I make a policy it can’t stay constant anyway. However, all our loans are for too short a period. We are forcing our one-year on them and not caring that the business returns may come after longer periods. Experience says that yes, there is more risk with longer loans (as our medium term loans performed the worst and had to be closed). This is probably because the utilization of longer loan is not good as the loanee is “freer” to use the loan. Maybe this can be avoided by having a shorter installment period (like in the CVOC loan). {We raised the interest issue and he said that (higher interests weren’t a problem as) the ECP interest was 16%, then 18% and now 20%; people always said that the rate was high and in spite of that the loans are still increasing. He said the ECP interest is 20% but people still prefer it to the VOCP (cheaper) loan because the latter is a collective loan (since the savings are joint, if a person needs to do business he has to use other’s savings as a guarantee. So why go through all this trouble, why not get the ECP loan?).

(E)

1. Most people buy land etc. However some people don’t have this and they in fact have no savings other than in the VO. The level of savings is less as compared to what they were earlier on. At least people could save as much as they did before but they aren’t doing so now. (Probably because) AKRSP used to stress savings a lot; a lot of savings were linked to LDIs etc.

2. When we ask them they say it will help them in hard times. (They save) For themselves and their children.

3. Yes, we do have (different types of) formal insurance here but most people take life insurance. Probably because business insurance is expensive. Yes, we do have informal insurance; in weddings we have “thonma” where all the relatives give some money for the wedding expenses (cash, flour, rice etc.) and this is an unspoken loan; If you gave Rs 1K at my wedding, I need to do the same at yours. If one doesn’t do this nothing happens except that one has to live within the system. Yes, there was mention of insuring our loans but they (the insurance company) were asking for too high a premium.
Annex 4: The loan rollers?

Kharmang:

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