

A study report on community managed Revolving Fund

(As of July 16, 2010)

1. INTRODUCTION

Revolving fund (RF) at the community organization level is one of the guiding principles of the PAF programme. It is envisioned to be the important milestone for the COs' financial linkages with MFIs, either in the form of cooperatives or lining directly with other MFIs. The establishment of RF is important as it provides the easy access to the poor members of the COs in sustainable way. This has been providing the opportunity to the poorest of the poor to access the funds to initiate their income generation activities, who has no access to the formal financial institutions. PAF provides technical inputs on RF management to the COs through POs. Therefore, the COs manages and operates their RF themselves at the community level. The COs are responsible to fix the terms and condition such as fixing the interest on loan, payback duration, no. of payment installment etc. for using the RF among the members. Further, the COs develops the investment plan for the operation of their RF.

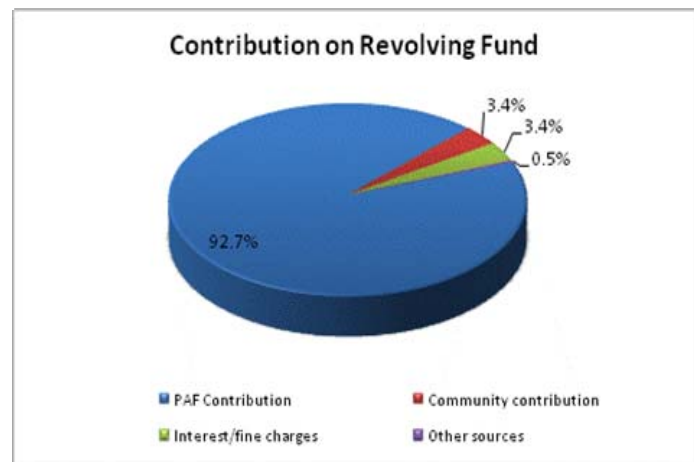
Thus, the RF established at the Co level is formed through the interest incurred through the amount lent to the CO members for their income generating activities and the principal loan amount repaid by the CO members against income generation activities.

2. REVOLVING FUND ASSESSMENT

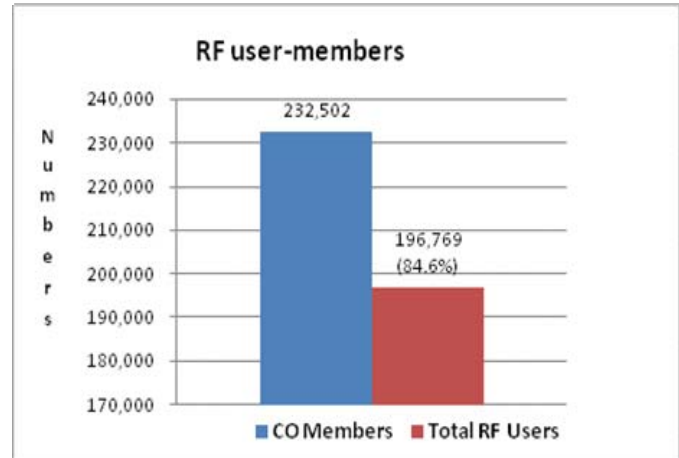
The data on revolving fund (RF) of each COs from PAF intervened districts (25 regular districts and 4 special window districts) is collected till the end of the end of fiscal year 2066/67 (July 16, 2010).

The collected data shows that 8,246 COs have been managing their revolving fund in 575 VDCs with the facilitation of 143 POs. The COs have been managing their RF of Rs.2,971.30m, out of which PAF provided Rs. 2,759.0m as revolving fund and community contributed Rs. 216.2m to it which includes community contribution, interest/fine charges collected and income from other sources. This also

shows the fund provided by the PAF has been increased by 7.8% by the end of the assessment. The detail contribution in revolving fund is shown in the given chart.

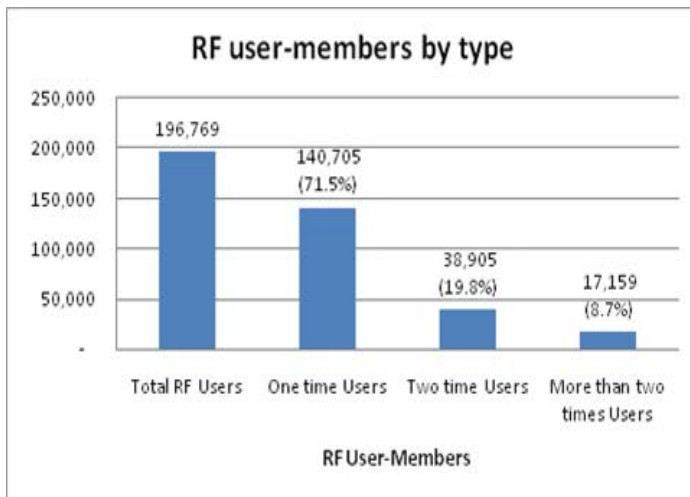


This revolving fund established at the CO level has provided the accessibility to fund to its members to initiate their income generating activities. Out of the total members 232,502 (of 8,246 COs), 196,769 (84.6%) members have been accessing the RF till the date (see the chart).



Likewise, out of the total members accessing the fund from RF, 8.72% members have used the fund for more than two times, 19.77% members have used two times and 71.51% members have used one time. The analysis has also

revealed the increased trend of frequent use of RF for upgrading/scaling up their incoming generating activities or establishing enterprises (see the chart).



As the CO members access the fund from RF as loan, the COs/CO members decide the interest rate, installments as well as the loan repayment duration collectively. This assessment reveals the average interest is 6.8%, the average loan repayment duration is approximately 2 years and the average rate of repayment is 76.1%. Similarly, the assessment also shows the loan provided to their members ranges from Rs. 100 to Rs. 260,000.

Further, the status of revolving fund shows that 83.8% of the total RF amount is invested among the members, 14.1% of the amount is as bank balance and 2.1% is as cash in COs. Likewise, out of the total amount invested as loan among the members, 75.8% is outstanding loan where as 24.2% of the loan amount is overdue (See the charts).

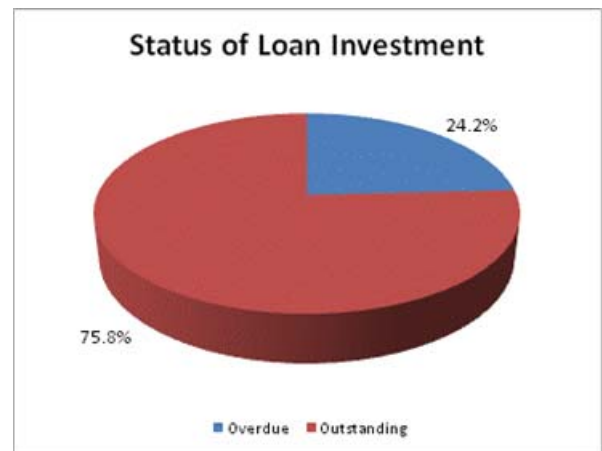
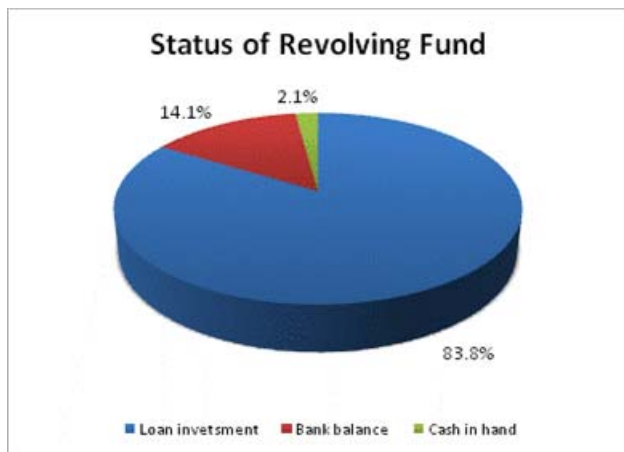


Table 1: Revolving Fund status in Districts

Districts	No. of POs	No. of VDCs	No. of COs	No. of Members	RF From PAF	RF from other sources	No. of members accessing RF	Average Loan period	Average Interest rate	Average repayment rate	Loan size		Remarks
											Maximum	Minimum	
Achham	8	23	286	9,549	103,613,693	8,369,437	7,873	2.0	7.1	74.4	100,000	200	
Baitadi	6	23	116	4,197	41,725,964	4,031,059	4,630	2.0	5.7	28.9	92,000	1,000	
Bajhang	3	18	197	4,067	43,658,284	1,756,849	3,853	2.9	9.0	92.5	133,000	500	
Bajura	4	27	318	9,843	127,633,257	5,075,455	8,547	2.4	4.4	61.5	100,000	900	
Dadeldhura	8	18	378	11,198	99,167,898	4,300,986	8,855	2.1	7.5	59.8	40,000	650	
Dailekh	5	25	282	10,728	134,203,907	26,098,895	9,420	1.5	5.0	87.2	84,650	1,000	
Darchula	10	41	781	15,412	184,589,884	5,894,544	13,554	1.9	7.4	64.6	222,500	500	
Dolpa	3	12	134	4,093	59,534,491	8,250,831	3,234	2.0	6.0	15.6	28,406	3,330	
Doti	5	21	273	8,790	109,708,980	4,228,063	9,679	2.1	6.0	41.4	150,000	2,700	
Humla	5	22	277	5,817	119,209,648	2,872,556	1,334	2.2	5.2	57.9	100,000	900	
Jajarkot	7	20	164	6,814	62,797,731	6,575,106	6,855	2.1	11.6	48.2	160,000	1,000	
Jumla	7	29	423	15,113	209,235,344	24,170,767	10,071	1.9	3.8	83.3	100,000	1,500	
Kalikot	6	24	281	7,924	86,874,798	24,311,318	6,192	2.8	12.0	80.3	32,000	2,000	
Mahottari	8	20	438	10,669	123,075,590	8,573,827	8,450	1.8	3.9	80.8	56,000	900	
Mugu	5	24	131	4,066	29,002,755	26,038	2,479	2.8	1.0	25.2	33,000	500	
Pyuthan	12	49	959	27,258	225,937,076	5,238,890	25,721	1.8	7.3	93.1	125,070	225	
Rautahat	8	44	828	22,582	335,977,312	29,579,038	17,781	1.8	7.1	88.8	100,000	1,000	
Rolpa	1	4	98	2,944	35,247,090	2,765,192	2,265	1.2	9.3	100.0	48,600	2,250	
Rukum	3	12	114	3,187	36,272,122	5,337,705	3,029	1.5	9.4	94.0	54,000	1,500	
Sindhuli	10	35	700	21,747	272,582,704	15,464,158	21,119	2.1	5.6	96.3	63,000	100	
Siraha	15	63	969	22,693	284,948,003	17,916,180	18,293	2.7	6.7	71.6	260,000	900	
Morang	2	3	61	2,375	23,827,681	3,971,577	2,375	1.0	6.0	81.6	60,000	2,000	
Makawanpur	2	18	38	1,436	10,267,958	1,368,364	1,160	1.7	9.5	84.3	29,367	500	
TOTAL	143	575	8,246	232,502	2,759,092,169	216,176,836	196,769	2.0	6.8	76.0	260,000	100	