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Self-Reliance Micro-Finance in Tharparkar-Sindh: Suggested Techniques

Gobind M. Herani^{*}, Allah Wasayo Rajar^{**} and Ali Akbar Dhakan^{***}

ABSTRACT

In this paper attempt has been made to analyze the conditions and possibilities for Self-Reliance Micro-Finance (SRMF), and propose a Thar Micro-Finance Bank (TMFB) and suggest implications. This study is about Tharparkar but concept is general. The study reveals that the proposed bank can be established in Tharparkar. Some active NGOs have started such type of programs in some of the villages out of these some people are getting benefits. Introducing this system requires motivation and awareness among people about its benefits. This system will give dual benefits, first the assistance and second completion of social and economic projects. People will get benefit at the required time. This practice will save time and expenditure, which would be utilized for the disbursement of funds to be distributed by donors and government at the time of famine conditions and other emergencies like earth quack, cyclone and damages during rainfall, etc. This system will provide the safety nets to Tharis that will alleviate poverty to enable the Thari people to prosper, thus improving the economy of Pakistan.

JEL. Classification:D31; D92; O35;O55;G21

Keywords: Access to demand driven Self-reliance Microfinance, Depositing, Insurance, Education, Awareness, Motivation

1. INTRODUCTION

The material presented by the authors does not necessarily represent the view point of editors and the management of Indus Institute of Higher Education (IIHE) as well as the authors' institutes

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Concept of microfinance is emerging a survival strategy of rural households in developing countries. The microfinance industry is increasingly interested in seeing how commercial principles can be used to expand outreach to the poor. Access to demand-driven microfinance provided by sustainable microfinance institutions (MFIs) has proven to be a powerful tool for poverty reduction by improving the ability of poor people to increase incomes, build assets, and reduce their vulnerability during periods of economic hardship (CGAP 2003:5). Based on the success of a few MFIs in simultaneously expanding outreach and improving financial self-sufficiency, the microfinance field has advanced considerably towards identifying best practices.

Despite this progress, it is estimated that about 90 % of people in developing countries-about one billion poor people still lack access to institutional saving services or credit (Robinson 2001:9). In the Asia and Pacific region alone, it is estimated that about 95 % of some 180 million poor households still do not have access to institutional financial services (ADB 2002). The MFIs that have achieved the largest outreach to date have increasingly applied commercial principles in their operation and are generally financially self-sufficient.

The commercialization of microfinance is, therefore, attracting increasing attention as potential means for narrowing the persistent demand–supply gap for demand driven, sustainable microfinance products and services. Commercialization means different things to different people but international microfinance professionals are increasingly considering commercialization to be the “application of market–based principles to microfinance” or “the exemptions of profit–driven microfinance operation” (e.g., Poyo and Young 1999; Christen 2000). There is growing realization in the international arena that commercialization allows MFIs greater opportunity to fulfill their social objectives of the expanding the Poor’s access to an array of demand–driven microfinance products and services (including not only credit but also savings, insurance, payments, money transfers, etc.). As highlighted in the Rural Asia Study by the Asian Development Bank (ADB) (ADB 2001:1), it is evident that a commercial approach to be expanded to reach the majority of excluded clients and to provide a wide array of services on a sustainable basis.

Most MFIs that have incorporated commercial principles into their operations have done so with the expectation that it will allow them to grow exponentially on the basis of borrowed or intermediated funds (Christen and Drake 2002:3). In the absence of commercial approaches, the prospects are not good for reaching a significant number of potential clients with quality and diverse services on a permanent basis.

Pakistan is a developnig agriculture-based country supporting 160 million population, out of them more than 80 percent are poor. Inside Pakistan’s less developed areas, Tharparkar is also one of them. Tharparkar is a desert region in the southern part of Sindh province in Pakistan. This aridzone district of Sindh remains one of the country’s most disadvantaged regions. Indicators of health, education and other determinants of well-being are invariable at the bottom of national scale, sporadic and

scanty rain fall, dwindled water resources, transient and incoherent grazing, and reliance on exploitative economy even for mundance needs are the permanent features of Thari livelihood. Tharparkar supports a population of one million spread over 2350 villages pressed on 19,638 square Kilometers. Due to short span of monsoon and inconsistent rains, the agricultural activities are at the very substance level and at times they are at nadir. The dug well is the only source of drinking water in the area. The underground water is largely brackish with limited spots of sweet water. The depth of ground water wells ranges from 60 feet in the south-west to 300 feet in the north-east¹.

During this present regime a lot of work has been done in Thar like: supply of water from Naukot to Mithi and Kunri to Chachro, Road net work has reached up to taluka head quarters and is expected to spread in different villages, supply of electricity is also a good step. Introduction of khushhal Pakistan is also an appreciable step for poverty alliviation. However, the procedure is difficult and time-consuming, therefore, every poor is not getting benefi. In fact, it is out of reach of poor Tharis. The eighty percent of the population is under debt as shown in the table-1.

Table-1
Present Debt Status at Tharparkar

| | |
|----------------------------------|----|
| Farm bonded loaner % | 09 |
| From money lenders on interest % | 23 |
| Not loaner at all % | 20 |
| Loaner to shopkeepers % | 26 |
| Loaners from friends/relatives % | 22 |

Source: Herani 2002

With the above-mentioned backdrops, an attempt has been made to analyze the conditions and possibilities for Self-Reliance Micro-Finance (SRMF), by proposing a TMFB with all suggested implications.

This study is conducted on primary data collected by interviews and secondary sources, like: case studies, magazines, newspapers, books, firms, websites, State Bank Library booklets and Grameen Bank Bangladesh website. On the basis of this material and models a new model of microfinance for Thar is proposed with the name of TMFB and conclusions are drawn from these studies and implications are made.

This paper is structured in the following way. In section 2 review of litrature is given in which related litrature is discussed for the further clarification of such type of progeammes. In section 3 proposal of establishment of TMFB, disbursment of deposited funds and funds received by donnors, policy of granting loans, benefits for students, benefits of old age, insurance and management are discussed. In section 4 conclusion is given and finally in 5th section implications are made.

¹ Thardeep rural Development Project (TRDP) an Introduction Head Office Mithi, Tharparkar

2. LITERATURE REVIEW

Micro finance Model introduced in this paper is a powerful tool and it is combination of (i) Grameen Bank of Bangladesh Model, which is proved the best in Bangladesh, and (ii) Multi-Level Marketing system which is working in more than 150 countries, even in Pakistan too (mlm.com).

Microfinance tool has been successfully used to generate economic activity at grass root level in Bangladesh, Indonesia, Ghana, India, Philpine and Bolivia (Pakistan & Gulf 2005).

Livelihood literature (Hussein and Nelson 1999; Ellis 2000) suggests that though exogenous trends and shocks play an important role in pushing rural people towards a diversified livelihood strategy. Diversification choices are also firmly rooted in the micro-economic logic of farming households. The concept of livelihood diversification² is emerging as a survival strategy of rural households in developing countries (Ellis 2000; Bryceson 2000). The rural people are looking for diverse opportunities to increase and stabilize their incomes, which are determined by their portfolio of assets - social, human, financial, natural and physical capital (Ellis 1999).

The livelihood diversification activities are of increasing importance for women empowerment³ (Bryceson 1996 and 2000; Bryceson and Jamal 1997) through additional income earning and improvements in family welfare (Ellis 1999) supplemented by self help micro credit⁴ (Hulme and Mosley 1996; Johnson and Rogaly 1997). The self-help micro credit programmes have played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge (Zaman 2001). Several recent assessment studies have also generally reported positive impacts (Simanowitz and Walker 2002).

² Livelihood diversification is defined as the process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living (Ellis 2000).

³ Empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices (UN 2001). Thus, it is the process of acquiring the ability to make strategic life choices in a context where this ability has previously been denied. The core elements of empowerment have been defined as agency (the ability to define one's goals and act upon them), awareness of gendered power structures, self-esteem and self-confidence (Kabeer 2001). As long as the disadvantaged suffer from economic deprivation and livelihood insecurity, they will not be in a position to mobilize (UNDP 2001).

⁴ Micro-credit as an alternative source of credit for the poor has received wide attention in recent years. It is defined as "programmes that provide credit for self-employment and other financial and business services (including saving and technical assistance) to the poor persons" (World Bank 1997). In many countries, micro-credit programmes have succeeded in generating self-employment by providing access to small capital to people living in the poverty (United Nations 1998).

Thus, removal of constraint to, and expansion of opportunities for, livelihood diversification are desirable policy objectives because they give rural poor specially women more capabilities to improve and secure their livelihood.

For Tharparkar some studies are available, which also suggest techniques and way of alleviation of poverty through microfinance and reforming the present system of farmland and rangeland, livestock rearing, micro financing through CBOs and NGOs (Herani 2002; Herani, Rajar and Khaskheli 2007).

2.1 Micro Bank: Guidelines for NGOs in Pakistan

'State bank of Pakistan (SBP) issued guidelines to facilitate Non Government Organizations (NGOs)/ Rural Support Development Programs (RSPs), Cooperatives etc., interested in transformation into formal Microfinance Banks. The guidelines define and discuss various aspects of transformation and prescribed minimum requirements to be completed by NGOs, etc., for purpose of transformation. The guidelines are aimed at facilitating NGOs in their transformation from informal, non-profit and unregulated institutions to formal, for-profit and regulated financial institutions for poor. For the last 4-5 years, SBP has been actively engaged in promotions and development of sound and stable microfinance sector in the country. It has taken a number of initiatives to help develop the sector including establishment of a separate division to focus on all Microfinance Institutions (MFIs) issues & development of separate regulatory framework for MFIs. The initiatives have started yielding positive results in form of substantially improved activity in this sector and raising confidence of private sector to venture into microfinance sector' (Dawn 2005:11)

2.2 Pakistan Microfinance Network

'Pakistan Microfinance Network (PMN) is a network of organizations dedicated to improving the outreach and sustainability of microfinance in the country. It has established standards for financial transparency through out the sector, enhanced awareness among policy makers and become a focal point in helping build the capacity of practitioners. The PMN was rated as one of the leading microfinance network in the world in a recent independent study. Expert opinion, based on reach has proven that microfinance can be a very effective development strategy to help people escape poverty. Estimates suggest that as many as 5.5 million households in Pakistan need microfinance services. However, so far, outreach is limited to a tiny fraction of this population. Therefore the main challenge for the sector is to increase outreach whilst retaining financial transparency and improving program quality' (Dawn 2005:26).

2.3 Financial Sector Reforms and Pro-poor Growth

'In recent years, microfinance has been promoted as a means of directly linking finance with poverty reduction. The government is experimenting with a variety of

institutional models for delivery mechanism and outreach to the poor. For example, we have a wholesale organization such as Pakistan Poverty Alleviation Fund (PPAF), which is successfully disbursing a \$ 100 million line of credit provided by the World Bank. Khushhali Bank, First Microfinance Bank, National Rural Support Programme (NRSP), Punjab Rural Support Programme (PRSP) and NGO KASHF Foundation etc., are engaged in micro financing. The regulatory regime adopted by the SBP for microfinance sector is that of a facilitator, guide and problem solver. We do not prescribe for Micro-finance Institutions (MFIs) the same onerous regulations, which prevail for other financial institutions. We have light regulatory oversight and are learning together with the practitioner and adopting ourselves to the changing circumstances. The State Bank of Pakistan, under its Microfinance Sector Development Programme (MSDP), recognized the need to enhance social capital and risk mitigation as a necessary safety net for the poor. A risk Mitigation and Deposit Protection Fund has been created to provide protection to the MFIs borrowers and depositors. They can seek recourse to this Fund, under adverse circumstances, beyond their control' (Hussain 2004:13-14). All these steps are in the favor of poor but the existing models are lacking proper planning.

2.4 Informal Sources of Loan

'It is unfortunate that a large majority of the poor household usually acquire loans from informal sources in the absence of access to commercial banks which generally extend advances to the moneyed people, political industrial and business lords, who were responsible for the biggest financial scam to the banking sector in Pakistan. Lack of income and resources force the poor to take loans to meet basic necessities of life and hurdle of collateral leave them at the mercy of the informal lenders. According to study, friends, relatives are major sources of loan followed by shopkeepers and landlords. Thus there remains a great need and potential for growth of microfinance sector in Pakistan' (Pakistan & Gulf 2005:14).

To overcome this problem of loans, after examining these models, we have proposed a new model.

2.5 Multi Level Marketing Model

2.5.1 Opportunity Class

It is an introductory class in which interested or motivated prospects /friends come and listen about the plan.

This material being presented here is of one firm, which we would like to explain in order to understand the MLM systems. Along with TMFB system of financing, some schemes of this type are the part of the same TMFB. For the proper understanding we are giving example of one firm material, which is planned and designed by us with the permission of firm owner. This firm has not started to work and is at initial stage. Below is the material of the firm that is to be explained in this opportunity class:

Avail This Royal opportunity to become a Millionaire: BFI's Introduction

BETTER FUTURE INTERNATIONAL (BFI) is a Pakistan-based Firm working under the rules of Pakistan. BFI has been established to alleviate poverty and to improve living standard through the power of Multi Level Marketing (MLM) system based Model.

2.5.2 Network Marketing or (MLM)

Harvard Business School, USA, introduced MLM system in 60's of last century. This system is spread in more than 150 developed and developing countries of the world. Hundreds of MLM-based companies are also working in highly competitive business environments in Asia and some in Pakistan.

BFI is pleased to introduce a most powerful marketing plan in Pakistan. It is fully conversant with the problems, needs and affordability of Pakistanis.

2.5.3 BFI's Aims and Objectives

To introduce this amazing system in Pakistan, in order to bring prosperity and alleviate poverty.

To improve skills, education, establish unity, remove prejudice and help the low-income people in Pakistan in the simplest way.

To turn your dreams into reality.

To improve your living standard with in 6 or 12 months only by strengthening your desire and determination for being a successful BFI's member.

To start business without any capital investment by just registering yourself. No risk and no boss to command.

2.5.4 Benefits of BFI's Membership

Your membership has three channels.

You will get auto entry in next Channel.

You will earn 20,000 at 10th level of channel-1, and 10, laces at the 10th level of channel-2 and 90, laces at the 10th level of channel-3.

You will be trained to plan your prosperous future.

You will update your networking skills or knowledge.

You will experience the radiance of unity by presenting your membership card to other members.

BFI may introduce other programs after achieving the goals of this system.

2.5.5 Products / Services

Training about the power of MLM system, Income growth plan, Spillover, ID card and Auto entry in next channels.

2.5.6 Requirement for This Business??

Capital, Shop, Qualification, Experience, Manpower, Product, Fixed time, Door to Door Marketing, Boss? Answer is No!

Then, what is required? Answer is: Invite Prospects only by oral spreading/ teamwork.

12-Top Secrets⁵ to Super Success

Secret-1: First Register Yourself as BFI's Member: When you become its member then you will be able to tell others about the benefits. Otherwise people will not believe you.

Secret-2: The power of MLM is an Activity and cumulative duplication process.

Secret-3: Earn and Learn: Start earning; don't wait for learning. "BFI's super success" is going to be started. You will earn more, as you enhance learning. Every one who want to be happy, prosperous may participate, and get right to look, feel and live a better life.

Secret-4: Become Attached to the System. : Attend the class as until you understand the BFI's background, products'/ services' knowledge and then decide about that, which will improve your living standard and alleviate poverty. You will be attracted to system and services! Start your success journey Right Now.

Secret-5: Share Benefits with Others: For better performance share the benefit of this system with your friends and convince/motivate them to try the system. Having membership card in your hands will ensure your friends to participate immediately.

Secret-6: Oral Spreading: BFI is attractive because you have not to SELL! But have to TELL people, about your work! Surely they would like to know more about BFI's business system.

Secret-7: Don't Miss Training: Encourage your friends and down lines to attend training sessions and other meetings. For better performance take with you material such as notebook, tape recorder or other training material. Your manners, cloths, attitude conversation, and habits must reflex your radiant image.

Secret -8: Prepare a List of Your Prospects: Make a list of those you can talk freely, wherever they are! Don't pay for any one in your list. BFI's benefits are based on teamwork, that means become powerful from others INFLUENCE

⁵ These secrets are common for every MLM company and available in the mission of every firm but this material is heavily drawn from the Tiens (Pvt) Limited working in Pakistan and other countries successfully.

Secret –9: Plan Goals: Setup a list of your goals in consultation with up-line through which you will earn BFI's bonus Cheques regularly. You should work BFI's business like any other business; it will surely compensate you.

Secret –10: Invite Prospects: consult your up-line about your prospects before making an appointment. Only one person at a time should be invited to BFI. Avoid explaining three matters such as: firm, products/ services and bonus schedule.

Secret-11: Follow Up: Make it a point to meet the contact PERSONALLY, at your earliest convenience; next day will be the best. Make available your prospects with material such as books, video tap etc to insure the opportunity to meet them again. Positive dealing will be the main factor to help your prospects to make the decision.

Secret-12: Supervise Success: By now you will be attached to twin products: BFI system and wealth earned. You have developed yourself well matched with BFI's services. You have also improved your monetary potency through the power of others. Be active and duplicate those you have already enlisted for the purpose and your SUCCESS are GUARANTEED

Table-2
Compensation Plan(Binary System)

| BFI | | Channel-1 Rs. (100) | Chanel-2 Rs. (5000) | Channel-3 Rs. (45000) |
|---|------------|----------------------|----------------------|-----------------------|
| Level | Down Lines | Amount at each level | Amount at each level | Amount at each level |
| 1 | 2 | 04 | 200 | 1800 |
| 2 | 4 | 16 | 800 | 7200 |
| S | 8 | 80 | 4000 | 36000 |
| 4 | 16 | 100 | 5000 | 45000 |
| 5 | 32 | 100 | 5000 | 45000 |
| 6 | 64 | 100 | 5000 | 45000 |
| 7 | 128 | 100 | 5000 | 45000 |
| 8 | 256 | 100 | 5000 | 45000 |
| 9 | 512 | 100 | 5000 | 45000 |
| 10 | 1024 | 19,300 | 9,65,000 | 86,85,000 |
| Total | 2,046 | 20,000 | 10,00,000 | 90,00,000 |
| Total: 20,000+10,00,000+90,00,000=1,00,20,000 | | | | |

Source: Better Future International (Firm)

In this compensation plan entry fees is only one hundred for whole life but applying this formula one can get one million rupees, this is power of MLM system formula.

We have drawn results from the above review of literature and keeping in view following strategy is made for further improvement and sudden outreach at masses.

2.6 Grameen Bank Model

2.6.1 Owned by the Poor

Grameen Bank Project was born in the village of Cobra, Bangladesh, in 1976. In 1983 it was transformed into a formal bank under a special law passed for its creation. The poor borrowers of the bank who are mostly women own it. It works exclusively for them. Borrowers of Grameen Bank at present own 94 per cent of the total equity of the bank. The government owns remaining 6 percent. Grameen Bank does not require any collateral against its micro-loans. Since the bank does not wish to take any borrower to the court of law in case of non-payment of loan, it does not require the borrowers to sign any legal instrument. Although each borrower must belong to a five-member group, the group is not required to give any guarantee for a loan to its member. Repayment responsibility solely rests on the individual borrower, while the group and the centre oversee that everyone behaves in a responsible way and none gets into repayment problem. There is no form of joint liability, i.e. group members are not responsible to pay on behalf of a defaulting member. Total number of borrowers is 4.0 million, 96 per cent of them are women.

Grameen Bank has 1,326 branches. It works in 47,836 villages. Total staff is 12,903. Loan recovery rate is 98.85 per cent. Grameen Bank finances 100 per cent of its outstanding loan from its own funds and the savings from its depositors. Over 67 per cent of its deposits come from bank's own borrowers. Deposit alone is 99 per cent of outstanding loans. If we both combine deposits and own resources it becomes 129 per cent of loans outstanding. In 1995, GB decided not to receive any more donor funds. Since then, it has not requested any fresh funds from donors. Last installment of donor fund, which was in the pipeline, was received in 1998. GB does not see any need to take any donor money or even take loans from local or external sources in future. GB's growing amount of deposits will be more than enough to run and expand its credit Programme and repay its existing loans.

Ever since Grameen Bank came into being, it has made profit every year except in 1983, 1991, and 1992. It has published its audited balance-sheet every year, audited by two internationally reputed audit firms of the country. These reports are available on web-site: www.grameen.com. Grameen Bank offers very attractive rates for deposits. Minimum interest offered is 8.5 per cent. Maximum rate is 12 per cent (Yunus 2004. www.grameen.com).

2.6.2 Beggars as Member

Begging is the last resort for survival for a poor person, unless he/she turns into crime or other forms of illegal activities. Among the beggars there are disabled, blind, and retarded people, as well as old people with ill health. Grameen Bank has taken up a special Programme, called Struggling Members Programme, to reach out to the beggars. More than 26,438 beggars have already joined the Programme. We are expecting about 30,000 beggars to join this programme in 2004. Total amount disbursed stands at Tk. 14.33 million. Of that amount of Tk. 4.71 million has already been paid off.

Basic features of the Programme are:

- Existing rules of Grameen Bank do not apply to beggar members; they make up their own rules
- All loans are interest-free. Loans can be for very long term, to make repayment installments very small. For example, for a loan to buy a quilt or a mosquito-net, or an umbrella, many borrowers are paying Tk 2.00. (3.4 cents US) per week
- Beggar members are covered under life insurance and loan insurance programmes without paying any cost.
- Groups and centers are encouraged to become patrons of the beggar members.
- Each member receives an identity badge with Grameen Bank logo. She can display this as she goes about her daily life, to let everybody know that she is a Grameen Bank member and this national institution stands behind her.
- Members are not required to give up begging, but are encouraged to take up an additional income-generating activity like selling popular consumer items door to door, or at the place of begging.
- Objective of the Programme is to provide financial services to the beggars to help them find a dignified livelihood send their children to school and graduate into becoming regular Grameen Bank members. We wish to make sure that no one in the Grameen Bank villages has to beg for survival.
- Life Insurance: Each family receives Tk 2,000 or Tk 1,000 depending on length of the period during which the deceased was a Grameen Bank borrower. Borrowers are not required to pay any premium for this life insurance. Borrowers come under this insurance coverage by being a shareholder of the bank.
- Deposits: Both member and non-member deposit has increased steadily in 2004. Total deposit is expected to increase to Tk 19.00 billion (US \$ 325.06 million), while outstanding loans is expected to stand at Tk 20.00 billion (US \$ 342.17 million), by the end of 2004 ([www. Grameen .com](http://www.Grameen.com)).

3 PROPOSED THAR MICRO-FINANCE BANK (TMFB)

3.1 Establishment of Thar Micro-Finance Bank (TMFB)

It will be in the best interest of People of Thar that a mobile self-reliance based Thar Micro-Finance Banking system be introduced in Thar, based on the idea of micro-depositing and micro financing. We are Thari that is why, confident that it is possible to start such a bank in Thar. Experiences of various countries and different studies have proved the effectiveness of this system for boosting it, developing country's economy, and changing life style of poor people. We have a certitude that if poor people of Thar are encouraged and deepened about the system, then each and every member of all Tharis families can be motivated to save rupee one per head per day which they can afford it.

We are fully aware through the personal links and interviews from Tharis that a Thari child receives an average amount of rupee 1-5 per day for the pocket money. A TMFB establishment in Thar by any NGO/ agency/ catalyst body can issue deposit

slips of not less than one million rupees per day. This amount is calculated on the basis of approximately population of Thar villages (Herani 2002:354-370).

However introducing this system requires creation of motivation and awareness among people about its' benefits. Constant advertisement by only oral spreading, with immediate benefits such as interest rate, loan facility, compensation plan, and opportunity classes would be needed before acting on this fruitful scheme.

Constant advertisement by only oral spreading, with immediate benefits such as compensation plan, and opportunity classes to attract people are in practice in MLM (multilevel marketing system) all over world and even in Pakistan. For example Tiens (Pvt.) Ltd. Pakistan, XIANLE Health Care Products (Pak), Golden key (Pvt.) Ltd and others round about forty companies in Pakistan⁶.

Some active NGOs have successfully launched money saving and loaning project from their own saving on the guarantee of their own local organization and people are participating and benefiting through this system in their project areas. PDC/ VO of Chelhar are one example of model⁷.

This system is useful but our scheme is based on new models taken from Thardeep Tharparkar, Grameen bank, Bangladesh, Micro financing schemes, MLM systems, own research and planning and modified according to the needs, situation and ability of Tharis. In this attempt Grameen bank of Bangladesh is the best example of success.

We have come to know that in Kharadar, Karachi, Ismailey Community successfully started a "Massala Society"⁸ with collection of less half rupee in nineteen fifties and now bank is able to grant huge amount of loan for business purpose.

In the beginning account should be opened in any Bank over there. Social welfare organizations/ NGOs should make arrangements of keeping this money in hand for one month and after one month make arrangement of deposition. Such a practice is done in Tharparkar e.g. PDC/village organization Chelhar and people are getting benefits from this policy.

3.2 Disbursing of Saved Money and Funds Received by Donors

Thar population should be divided into three categories:

- i. Very Poor class.
- ii. Middle class and
- iii. Rich class

The rate of deposit and facilities of courses in compensation plan should be different for each class. If people fail to understand and co-operate then MLM formulas should be applied by government and they may be given the interest and encouraged

⁶ Dr Gobind is personally member of some of the MLM companies and has experience of marketing.

⁷ Interview of the members of VDC/VO of Chelhar

⁸ Interview of Riaz Shirazi, Retired Research Officer Export Promotion Bureau Karachi

to start small business by granting them loan, as per their skills and capacity on the guarantee of organization or on their deposition.

In bank for each class amount should be separate. In this practice the bank will give interest on deposition; at the same time Tharis should be given awareness of deposition at the following rates. In this scheme business minded people will deposit more money.

Table-3
Rate of Interest on Deposition and Loan

| Particulars | Rich | | Middle | | Poor | |
|---------------|---------|------|---------|------|---------|------|
| | Deposit | Loan | Deposit | Loan | Deposit | Loan |
| Interest Rate | | | | | | |
| % | 7% | 24% | 8% | 20% | 10% | 18% |

Source: Compiled by Authors

To start with granting the loan to rich class should be avoided. When it is decided to allow loans to the rich class then their account should be in bank at least for five years and Bank should give interest at above-mentioned rates. This amount should be given to small local/indigenous organizations of Tharis on interests, which are required to deposit at the above-mentioned bank rates. Small local/indigenous organizations should use this money for their projects, which are income generating e.g. loaning to farmers, land owners, ladies and labors for the purchase of livestock and raw material for manufacturing to utilize own skills, etc. This type of loan system is already in practice in Thar by TRDP, as well as in Bangladesh by GB and by different NGOs with varying interest schedules.

At second step, middle class category may be allowed to deposit more to reduce extravagant expenditures on fruitless habits. When they will be aware of the benefit of saving as an earning, then with the short span of time they will enjoy interest money on their deposits.

Third poor category should be given loan for only enhancement of income, following the example of working of active NGOs in Tharparkar, Rural Development of India (Mithal), Development of Denmark, Prince Alis' Khan Colony Karachi (Massala society), AKRSP, Grameen Bank of Bangladesh. In this greed people will deposit more money. This class requires more attention and awareness.

Another main thing is utilization of aid/funds, which are given by donors for the distribution into the poor. In fact, poor do not receive total of this amount. The entire amount received for drought and famine conditions should be deposited in the account of TMFB in favor of poor category. It will result multiplication of amount soon and this practice will boost chances of progress.

3.3 Policy for Granting Loans

Grant of loan should be on the ratio of deposited amount for income generating purpose. There should be late payment charges, by doing this much money will be collected. After that advertisement should be made compulsory to receive more funds for Tharis.

It should be made compulsory that disbursing authorities make sure that poor are given loan on merit basis and if representative of poor (local /indigenous organizations) allows giving loan to others, and then only it should be sanctioned. This type of practice will prove beneficial for increased deposition of money.

After that a separate TMFB should be managed on private basis and owners should be every Thari who has deposited some amount and benefits should be distributed on ratio of deposition. It is possible and SBP is also providing guidelines. The guidelines are aimed at facilitating NGOs in their transformation from informal, non-profit and unregulated institutions to formal, for-profit and regulated financial institutions for poor as mentioned in review of literature. Each member should be insured being a member of this NGO/TMFB.

Table-4
Ratio of deposit and distributed benefits of saving per unit

| Particulars | Rich | Middle | Poor |
|--|------|--------|------|
| Amount | Rs | Rs | Rs |
| Ratio of shares for distribution of saving | 0.1 | 0.3 | 0.6 |
| Supposed amount of deposit Rs. 100 | 33.3 | 33.3 | 33.3 |
| Distributed amount for Saving Rs. 100 | 10 | 30 | 60 |

Source: Compiled by Authors

This model should be applied when donor agencies donate for this purpose. More amounts are given by funding agencies to poor as aid for drought conditions that is why their share should be more than others. TMFBs' rules for poor people of drought trodden areas must be based on the divinely attribution of kindness. Besides this by the consultation of Poor's representative following infra-structure should be done: like, water facilities, education, marketing, healthcare, tree plantation, roads facilities and other day-to-day problems of awareness, planning and development progress. Workers should be only poor who have participated in contribution.

One more important thing is that labor charges for all the development Programs should be in the same ratio as saving distribution. This fund may be utilized into poor by loans and labor wages. At the same time as a relief fund it can be distributed in the accounts of poor, and should be utilized for development programmes. This act will help in boosting elimination of poverty and they will not treat themselves as beggars but workers. In fact those who are really very poor will do joyously work as a labor and will earn more wages. Those who are not poor will not do labor and will be unable to receive the money from the funds given by funding agencies. If funds are donated in wholesale fund, which is for the support of poor, this also should be distributed as a loan on interest rates even to poor, because of unfair demands. But it

should be assured that those who want Roti (Bread) and Kapda (cloths) should be preferred on priority basis but it also should be on interest, which will protect from wrong distribution and fund will reach in hands of needy people. If such a category is unable to repay then this amount should be write off after three years. This loss should be compensated by wholesale fund in which donations and divinely attributions are collected, Pakistan Poverty Alleviation Fund (PPAF) and A Risk Mitigation and Deposit Protection Fund.

3.4 Benefits for Students

During weekend or only in holidays with good wages the school and college going students should be given chances to do labor work to earn, like in foreign countries. In real sense this will be a sort of help. In this way really poor students will work and get their rightful earning and at the same time will not be burden on their parents. They will also develop working habit. It will be an attractive step for those who avoid study or work. It will prove better step and children will pressure their parent to make their admission in schools and colleges. High grade securers should be given high rates of wages. This step will encourage every child and will try to study, get better education by good marks, develop habit of doing work, earn by personal efforts and struggle for future perspectives. It will also increase the standard of education and literacy rate. Nobody in Thar will remain in the hope of any kind of assistance from donors. They will develop the habit of doing work and earn by personal efforts. Such chances will encourage young children to develop habit of getting more education and struggle for future perspective.

3.5 Benefits to Old Age People

People like, old age, disabled or ill should also be given chances to share their experiences by doing less and easiest work according to their ability. In case of their inability to do work they should come on the point of working. They should only guide youngsters by sharing their experiences. They should be paid nominal charges. Otherwise healthy and careless workers will not work. This practice also helps distribution of funds to the rightful hands of the poor people.

This practice achieves dual purpose: completion of development projects and other the going of funds into hands of real poor people. Actually functioning donor agencies give funds only in case of drought and famine conditions to assist poor. Other classes can face the problems with preferable efforts. Those who are not able to face problems then it is ok, let them work with poor people, if they are claiming poor then include them in the poor category. According to common observation, rich do not do labor work and feel superiority. Thus only middle class and poor class will be much benefited.

3.6 Insurance

Insurance policy should be introduced in Thar and every Thari who is member of this bank be insured without paying any additional fees like in Grameen bank. If one is member with twenty years membership, should be paid Rs. 2000-00 (Two) thousand per month. Income is earned through interest and other business like MLM systems, after the bank is formally established. Insure them they will get Rotti (Bread) and Kapda (cloth) on the recommendation of their group consisting of ten members. But they must pay interest of that insured amount in very small installments and recovery should also be made in affordable installments on weekly or fortnightly basis. This recovery practice already exists in Thar by traditional money lenders but they charge very high rate of interest. Moneylenders do not bother about late recovery, because it is in their favor. So this type of surety will motivate Thari people to become the member of this bank. Insurance policy of this kind will help them to save lot of money and get them rid off moneylenders / landlords etc. Insure them that their children will get primary education by awarding them Rs. 20,000/ on passing class five through this NGO/TMFB. In this way each and every child will show interest to get education. In this way the target can be achieved, that UNDP wants to be achieved in the year 2015. Government is expending lot of money on School Management Committees (SMCs) and training and scholarships for girls from VI to VIII classes. It should be enhanced to class X for both boys and girls, it will insure them to get education. They should be insured to award one hundred thousand on passing class ten at least in grade C. These steps in Thar will encourage them to be educated. Presently there are no other income generating sources, so, this scholarship will be very fruitful in motivating children in Thar to get admission in school. The amount given to them as scholarships and awards should be recoverable, when they get employed. Here question arises that no body will return this amount with the plea that we are not earning any thing. Safety net for recovery is that for earning interest they have to deposit affordable amount as share in their account. If more shares are in their hands they will get more benefits. This amount will be deducted automatically from their shares.

3.7 Management

The governing body of the NGO/TMFB should regularly visit the villagers. It will be in their own interest, if they lovingly spend time with them in their own villages and start the work according to their capacity. Teach and train them at their common sittings, where they pass their leisure time. Give the opportunity class and after that train them with foundation training. Give them training of power of belief. Tell stories of successful personalities, seven habits of successful persons and results of microfinance and deposits of different NGOs and countries.

It is a time of computer technology and with software programming the work will be easier and accessible as well as manageable. Each and every transaction should be clear so that each and every question could be answered easily. Keep the database in computer and take the hard copy for record on daily basis. Each member should be given ID card of his membership, indicating the share older of that NGO. Start with very small deposits to be collected at weekly or monthly basis. Keep this amount in

their control and should be deposited in the bank with their own signature. Make necessary a group of at least ten members committee. In one Para (neighbor) so many committees can be formed; after that at village level and onward whatever situation is at that time, members should get loans from their own accumulated deposit; do not worry if this loan amount is less than one hundred. Main thing is that we have to see that they are now well trained and have understood the deposits, credits, responsibilities and its importance. When these deposits and credit record is able to show their capacity of handling and managing, then approach donors for donations and divinely attributions. Distribute this amount with the members' consultation and distribute by computers help keeping record accurately. Slowly and gradually this NGO will be able to become a formal institute of micro financing, created with their own sources like Grameen Bank Bangladesh.

4. CONCLUSIONS

This aridzone district of Sindh remains one of the Pakistan's disadvantaged regions. Determinants of well-being are invariable at the bottom of national scale. It will be in the best interest of People of Thar that a mobile self-assistance based TMFB system be introduced in Thar; based on the idea of the micro-depositing and micro financing. A TMFB established in Thar by any NGO/ agency/ catalyst body can issue deposit slips of not less than one million rupees per day.

However introducing this system requires motivation and awareness among people about its benefits. Constant verbal announcement about immediate benefits such as interest rate, loan facility, compensation plan, and opportunity classes would be needed before acting on this fruitful scheme.

Thar population can be divided into three categories: i. Very Poor class. ii. Middle class and iii. Rich class. The rate of deposit and facilities of course in compensation plan can be different for each class.

Third poor category can be given loan for only enhancement of income, following the example of working of active NGOs in Tharparkar, Rural Development of India, Development of Denmark, Prince Ali Khan's Colony, Karachi (Massala society), AKRSP and Grameen Bank Bangladesh. In this way people will deposit more money. This class requires more attention and awareness.

The entire amount received for drought and famine conditions should be deposited in the account of TMFB in favor of poor category. And development projects can be completed through it. Grant of loan can be on the ratio of deposited amount for income generating purpose. During weakened or only in holidays with good wages the school and college going students can be given chances to earn, like in foreign countries. This practice achieves dual purpose: completion of development projects and the distribution of funds into rightful hands of real poor people.

There is a need of patience to get progress up to required level by following a Chinese saying "Go to people, live with them, learn from them, love them, and start with what they have." Follow this saying, when this program is introduced in Tharis. When such a TMFB will be developed, real poor will get benefit from it and we get achieved dual benefit from it, one development programs, and second assistance to poor. Bank will be stronger like Grameen Bank Bangladesh. By developing habit of doing work, getting education, sense of utilization of time properly, getting awareness for saving, earning through saving, and share holders of bank, will enhance economy of Tharis. At the same time infra-structure facilities will increase by given policy. Time will come that this bank will be able to grant huge amount for business at large scale. Each and every item, which will be imported and exported for Thar, would be supported through this bank and benefit would go to each share holder (Thari). Economy will multiply by this step of sharing and self-reliance. In this way Thar will be prosperous, it will be able to participate in the race of increasing economy of the country and the example of it will be quoted like: Grameen Bank, and Massala society (Prince Ali Khan's Colony) Karachi, AKRSP.

Following funds can be introduced to achieve the fund from donors:

Wholesale fund, in which funds can be deposited from miscellaneous, and from every walk of life like: Environment Fund, Health Care Fund, Education Fund, Roads Fund, Water Harvesting Fund, Livestock Safety Funds, Loan Write off Fund, etc. All these funds should be utilized for loans on interest. In case of not recovery loss should be compensated from Pakistan Poverty Alleviation Fund (PPAF) and A Risk Mitigation and Deposit Protection Fund.

6. IMPLICATIONS

Presently National Database and Registration Authority (NADRA) has introduced NADRA KIOSKs (NKs) and NADRA Swift Registration Centers (NSRCs). These are working in cities to collect the bills of KESC, PTCL, and Gas etc. In these Machines one can deposit money in little amount even ten rupees too for bills payments and remaining amount remains in balance for next transaction in their account, that account is only number of CNIC (Computerized National Identity Card).

This System is very powerful tool for collection of deposits and payment mode of microfinance. It is already computerized and too safe without any doubt. This too powerful tool should be utilized in the plan of proposed TMFB and CNIC should be used as ATM card along with same facility of transaction not to limited up to utility bills but all other transactions to banks and individuals' CNIC accounts.

The government, as a first step, should announce to use this NADRA KIOSKs (NKs) for confirmation of account numbers that every Pakistani has his account in NADRA KIOSKs. It should be extended to all the members of family who are not adult and they are in the B form. This will help in making CNIC to every Pakistani too and at

the same time the population of Pakistan will be known by finger tips, saving lot of amount for preparation of population census.

At the same time voter list will also be possible prepared correctly. One should change personal address through NK wherever he is living. The saved amount should go in account of poverty alleviation and should be distributed equally to every citizen.

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