

**Establishment of Micro-Finance Bank,
Utilizing NADRA's Computerized Facilities: Suggestions for
BISP, Asian Bank, World Bank and Donors Agencies to Disburse Funds**

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ABSTRACT

In this article attempt has been made to analyze the Benazir Income Support Program (BISP) announced by the present regime and donors' funds disbursement. The main objective of the article is to suggest the best possible transparent way of disbursing funds allocated by the Government as well as donor Agencies. Literature review reveals that there exist some technical problems in the disbursement of funds to the deserving persons, who are badly in need of these funds. Information is collected through informal interviews of various beneficiaries while secondary data for this article is collected for the sole purpose of analyzing the factual position relating to disbursement of funds. The study indicates that at present NADRA and e-SAHULAT could be the best utilized for transparent disbursement of funds as well as deposition of utility bills by re-charging the beneficiaries Accounts in real time. Process control system mostly recharges the deposited transactions on the same day, but input transactions must be processed quickly enough to enable the results to be used as feed back information.

JEL. Classification: G21; G23; G28; G32; G35; I31; I38;

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1. INTRODUCTION

We are living in the Century of Information Technology. With the invention of Computer information explosion is being multiplied day by day, and on the other hand the world has been converted into a global village. Computers have the ability to process bulk of facts and figures with an enormous speed and accuracy, and help the managements/ professionals in correct decisions making. Nations and International Organizations have developed their own databases relating to information about their respective responsibilities.

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In Pakistan, the best example of database is National Database and Registration Authority (NADRA), which have a very well designed computerized system. NADRA is in the process of developing Computerized National Identity Cards (CNIC) and its services are being utilized by other Government Agencies. It had also established automated NADRA KIOSKS (NK) for depositing utility bills' amount and it was 24 hours e-transactions in big cities (Herani 2007). However, this system has failed due to the fact that people avoided paying cash to NADRA Swift Registration Centers (NSRCs)/Banks, which (NK's) cash acceptor device were receiving and performing just like ATM system. The only difference between the two is that NKs receive the amount of utility bills and ATM device pays the amount to the Bank's clients.

In October 2008 the Chairman issued an order to stop the NK facility and instead encouraged e-Sahulat for the collection of Utility Bill's amount. The people satisfactorily accept the system, which is functioning without any complaints of miss handling of cash deposited by the consumers. However, there is a flaw, which is required to be removed. As it is well known to all that the Utility Bills are sent by the concerned Corporations/Government Departments on different dates and the consumers some times receive the bills in the last day of the due date. In case, the e-Sahulat franchisee, does not get the utility bill's amount within the stipulated time, which is not in the best interest of both NADRA and e-Sahulat franchises. Despite facing the said problem they never loosed their hope and still hanging in the market with the certitude that NADRA would introduce new strategy to solve this problem.

The Telenore Mobile Company has started, in the last quarter of this year (2009), a better utility service, which is especially helpful for the people of remote areas who do not have Bank facilities in their area. Presently Banks, especially United Bank Ltd., are cooperating with e-Sahulat in connection with deposits, because it has opened its branches in remote areas too. This Bank is providing better services to the poor people of remote areas. However, from NADRA side, not from its franchises problem occurs once a week, as it does not find recharging on lame excuses. Due to this negligence on the part of NADRA is loosing its reputation at the workplace.

From the above discussion it has been observed that there are problems in e-Sahulat franchisees recharging. To resolve the above-cited problem, in this study it is found that NADRA's franchise program essentially requires modified enhancement, keeping in mind, launching of its own micro-finance Banking system in near future. Thus the main objective of this study is to create awareness about NADRA and its e-Sahulat and future micro-financing facilities for the poor people in remote areas of Tharparkar.

The specific objectives of the study are:

- i. to analyze the BISP recently launched by the President of the Islamic Republic of Pakistan.
- ii. to find out the safest and easiest ways of disbursement of BISP funds allocated by the Government of Pakistan and donor countries/ Agencies, amongst the deserving persons.
- iii. to introduce a innovative approach to convert e-Sahulat to Micro-finance Banking system in rural areas of Pakistan.

On the basis of personal observations and studies on this subject, in this study, it has been suggested to solve e-Sahulat's problems, step by step by replacing it with micro-finance banking system. The organization of this study is based on: Section-2 is literature review, which gives the background of similar studies on micro-finance bank. Section-3 describes the BISP's background. In Section-4 the objective of the study is discussed and in the light of discussion conclusion is drawn. Section-5 suggestions have been made as how to benefit from micro-finance banking system, especially in remote areas of Sindh.

2. LITERATURE REVIEW

2.1 Grameen Bank Bangladesh

In order to support this study the material available on the said topic has been reviewed. Grameen Bank is taken as the root cause of spreading micro finance banks in the world, as a fruitful system to eliminate the poverty, and especially it has played a great role in providing the financial help to Bangladeshi women. Micro-financing is the brain child of a scholar, M. Yousuf of Bangladesh, who started funding and later his friends harmoniously joined him in this worthy cause and the first micro-finance system was started with only a few Takas (Bangladeshi currency), which has now emerged as an example for the world to follow ([www. Grameen. Com](http://www.Grameen.Com)).

2.2 BRAC Corporation and ASA (NGOs) In Bangladesh.

In Bangladesh there are two well-known NGOs, who stood with determination to illuminate the hope of an ever-increasing number of women beneficiaries. BRAC Corporation, now an internationally known NGO started operating micro-financing bank in August 2007. According to its recently published report about 29 thousand women are benefiting from its financing bank to the tune of \$ 5.25 million. ASA is another NGO, with global recognition that started a micro-financing institution in September 2008 and has played an evolutionary role in meeting the financial requirements of poor Bangladeshi women (Aazim 2009).

2.3 Efforts in Pakistan

In Pakistan, the Ismaili Community's Masala Society started micro-financing system, in about 1950's, with half-rupee contribution and now it has become a huge funding agency for its community (Herani 2002). Herani (2002: MPRA Paper) had a vision of collection and disbursement of funds for women of District Tharparkar.

In 2007, Dr. Shamshad Akhtar, the Governor, State Bank of Pakistan, had invited the representatives of BRAC and ASA to Pakistan to discuss the micro-finance strategy jointly planned by the Government and the State Bank of Pakistan. The target set by June 2010 was three million but by June 2009 the number of borrowers was 1.78 million only. The cumulative lending of all micro-finance banks/institutions was set at 70 billion but by June 2009, while the figure achieved was just over Rs.20 billion.

Thus the core issue facing the micro-finance bank and institution is that they cater to the requirements of less than 1.8 million borrowers whereas according to the World Bank estimates there are at least 25 million poor borrowers in need of micro-finance. According to International organization Pakistan has provided a better regulatory regime than India and Bangladesh to its micro-finance banks sector, it lags behind its peers in ensuring self sufficiency of the micro-finance sector (Aazim 2009).

2.3.1 Self-help Micro-finance

A detailed study on self-help micro-finance (Herani 2008) is available which is duly supported by the suggestion that every member of the community should deposit a small amount as shareholders of the micro-finance bank. The collected amount be given to micro-finance banks for investment and profit be distributed amongst the shareholders. However, for operation of this type of micro-deposits and micro-refinance transparent computerized system be evolved by improving e-Sahulat franchises. Herani (2002a) for establishment of such a micro-finance banking system has given many feasible suggestions. There are many

studies available for rural development: Hassan and Harly (1993: 90-91); Mithal and Khan (1976: 12-16, 31-32), Sudan (2007), Herani's (2002b) which indicates that there is need of a speedy and systematic disbursement of fund to the poor people of the rural areas.

2.3.2 Benazir Income Support Programme (BISP)

The President of Pakistan, Asif Ali Zardari on 31 August 2008 issued an ordinance regarding "BISP and "As a social safety net, the BISP has established an autonomous authority to design, coordinate and implement targeted programs for the uplift of the poor. This year according to an official figure Government has provided financial help to about 2.2 million families under BISP. The beneficiaries, a part from identified deserving families, victim of terrorism and large number of displaced persons' families are also included in the list. BISP also offers opportunities for education, vocational training, livelihood, insurance cover and access to micro-finance. This program was launched with the financial assistance of World Bank with an initial allocation of Rs.34 billion in 2008-2009 and Rs.1000/- each were given to 3.5 million families. Verification of families was done through eligibility criteria devised by the National Database and Registration Authority (NADRA). The amount has been doubled and the number of beneficiaries has gone up to five million and that number is expected to be increased to seven million by 2010-2011.

To disburse the amount the services of Post offices are used. The final list is sent to Post office through electronic system and the amount 2.2 million beneficiaries receive money orders at their door steps. It has been decided to reform the process with the help of the World Bank to minimize inclusion and exclusions of errors. Under the BISP emergency relief package for IDPs and for earthquake-affected people in Baluchistan is being implemented. The services of United Bank Ltd. are being utilized in Swat and Malakand areas, through visa cards. Under BISP poverty survey and registration has also been completed. The program envisages health insurance as a complementary social assistance to maximum of twenty five thousands Rs.25,000.00 for the poor, who will be entitled to hospital facilities, covering accidents, pregnancy, day care treatment and diagnostic tests (Moin 2009).

2.3.3. Problems being faced by Beneficiaries

It has been observed that main list of beneficiaries is available at the website but village/ town / taluka/ post office wise hard copies are not available, even at website. Therefore, if any beneficiary wants to know whether his/her name is on the list he/she has to find out a computer center with CNIC and have to pay service charges to know that their name is available in the list or not, and that the amount has been transferred to his/her Bank account or not? In some cases, it has been observed that beneficiaries' names are mentioned in the list but BISP amount has been disbursed to some one else. The poor people have to pay services charges as well as conveyance charges from their own pockets and then return back to home empty handed.

3. CONCLUSIONS AND SUGGESTIONS

From the systematic literature review it is concluded that microfinance is the need of the hour of poor people and for development of the country to increase the purchasing power. To create awareness for self-help micro-deposit and the benefits, a systematic and reputed system is needed.

BISP is a helping in the purchasing power of the poor. In fact, BISP is a penetrative set of programs and requires quality control, speedy and flawless delivery of funds to the beneficiaries. By utilizing the modified and enhanced software facilities for deposits and distribution of amount, the existing e-Sahulat franchises

could prove to be the best institution for micro-financing and speedy, easy and flawless service delivery under BISP as well as receipt of the amount of utility bills. A recharge of BISP payments and transfer of money in real time is the need of the time.

NADRA's e-Sahulat franchises that are working be up-graded to micro-finance banking system. The utility bills recharge system and recharging beneficiary's account should be improved for better performance. It should be recharged by the Banks, which are receiving cash amount, from franchisees, through mobile card-like scratch cards. To run the BISP and Money transfer programs of recharging for it be done at real-time as recipient cards have been swiped. When recipients of BISP Fund approach the e-Sahulat for money transfer or to receive payment it should be done in automated way and the CNIC be displayed on the screen of the monitor to ensure that the dealing is being done with the right person. The computerized recipients' list indicating the time of transaction, name of the village, UC No., Post office code, as well as his/her contact No. to contact him/her as when needed. The list may be displayed in the UC office. Bar code reader or any other alternate be provided to the franchisees to record bills paid in real-time, speedily. The list of such transaction is being prepared and slip is generated when there is no balance in the account. Since utility bills are paid that cannot be refused by the franchise for retaining its reputation. It is suggested that the automatically generated list should contain the payments made on the same day through bank from the deposited amount and recharge is achieved. This practice will further increase the speed of collection with reduced franchise labor and safest delivery of amount to the franchisees and NADRA.

At present the cash deposited by franchises before 5 O'clock, the same should be recharged by NADRA management before 10 O'clock so that already registered bills be automatically paid by reading Barcode by Barcode reader. This facility will enhance the reputation of NADRA and if its franchisees fail to fulfill their responsibilities it will be taken as the failure of NADRA.

This is the main issue on which focus has been made in this article. It has been observed that NADRA is facing problems in tracing out the bills paid by the customers and mistakenly not recharged. Some times bills are collected with late fees but due to rush of work at the franchise and there come new bills before putting them into the computer. In such a situation the Franchisees have to pay the late fees amount from his own pocket. Therefore, it is essential that suggestions be implemented to remove the flaws prove the system worthy of people's trust.

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