



AKHUWAT

Case Study of Islamic Microfinance in Pakistan

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We All Know Why Microfinance is Important?

- ▶ Poverty Alleviation
- ▶ Improving quality of Life
- ▶ Social Development
- ▶ Women Empowerment
- ▶ Self – Employment
- ▶ **“Credit is a basic human rights”**

Critical Issues in Conventional Microfinance

- ▶ High Cost – 25 - 60%
- ▶ Interest Based Lending
- ▶ Loans to Women only
- ▶ Product not suited to the borrower's need
- ▶ Focus on organizational sustainability only
- ▶ Shift from NGO domain to banks – business/ industry



Akhuwat

Microfinance

With a difference

Vision

A poverty free society built on the principles of
compassion and equity

Philosophy

- ▶ Akhuwat's philosophy is derived from the concept of *Muwakhaat*, meaning 'solidarity'
- ▶ Akhuwat strives to alleviate poverty by creating mutual support system on the tradition of *Holy Prophet (PBUH)*.
- ▶ Akhuwat has adopted microfinance as its operational strategy in accordance with the doctrine of interest-free loans.



History

Story of a Woman

... Rest is History

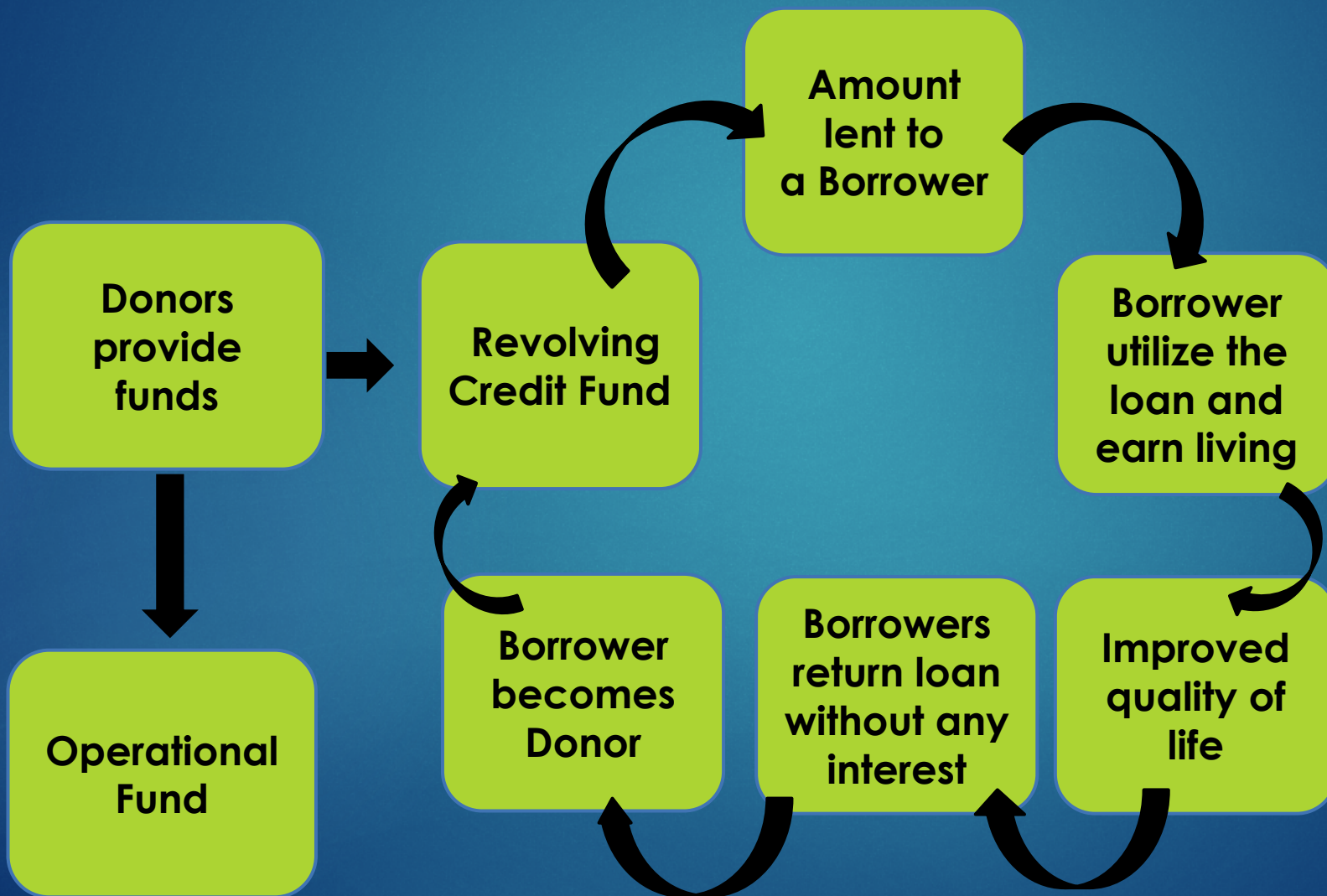
Five Principles

- ▶ Interest Free Loans
- ▶ Use of Religious Centers
- ▶ Spirit of Volunteerism
- ▶ Transforming Borrowers into Donors
- ▶ Non Discrimination on Caste, Color Creed, Political Affiliation & Faith

Process

- ▶ Credit Pool Established through Donations – First Step
- ▶ Small Loans to the Poor from this Pool
- ▶ They Start or Expand their Business
- ▶ Increase in Income
- ▶ Quality of Life Improved
- ▶ Alleviation of Poverty
- ▶ A Better Society
- ▶ Borrower Becomes Donor

How It Works?



Cost Structure

Interest : zero

Loan Processing Fee : zero

Profit : zero

Application Fee : US \$ 1 to 2 per application

Insurance/Takaful : 1% of loan amount (voluntary)



WHAT HAVE WE DONE?

Achievements

ACHIEVEMENTS - I

June 30th 2017

- ▶ Started in 2001 with a first donation of US \$ 100
- ▶ Credit Pool now has grown to US \$ 160 million
- ▶ This Pool is a Revolving fund
- ▶ The amount is regularly disbursed and recovered
- ▶ Cumulative disbursement is US \$ 460 million

ACHIEVEMENTS - II

June 30th 2017

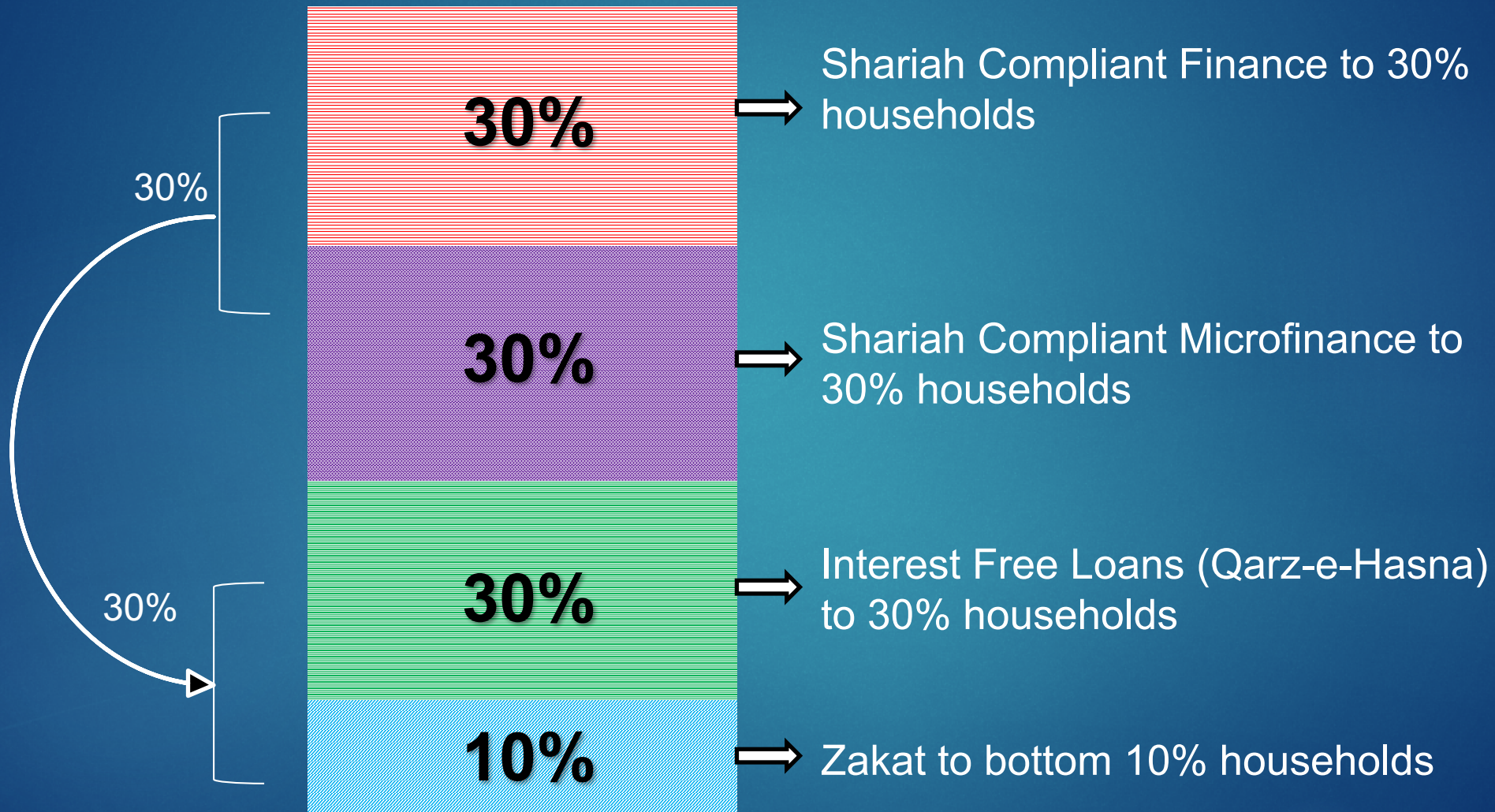
- ▶ Offices in Pakistan: 673
- ▶ No. of Cities: 350
- ▶ **Total borrowers :** **2,000,000**
- ▶ **Total Amount Disbursed:** **US \$ 460 Million**
- ▶ Recovery Rate : 99.93 %
- ▶ Staff : 4000
- ▶ A new model in the world of MF
- ▶ Included in the syllabus of two Universities

Collaboration

Besides its own program, Akhuwat implements government programs as well under the same principles:

- ▶ Chief Minister Self Employment Scheme- Punjab
- ▶ Chief Minister Self Employment Scheme- Gilgit Baltistan
- ▶ Prime Minister Interest Free Loan Scheme
- ▶ Governor KP, FATA Interest Free Loan Scheme
- ▶ Akhuwat – TEVTA Interest Free Loan Scheme
- ▶ Empowerment of Kissan through Financial and Digital Inclusion
- ▶ Lendwithcare (Care International, UK)
- ▶ Uganda (to be started in September 2017)

Akhuwat Model of Inclusive Finance



Pre-Requisite: Poverty Score Card

Way Forward

- ▶ Akhuwat is registered in Uganda, Africa and planning to start its operations in September 2017.
- ▶ Negotiations for operations at Kenya and Nigeria are at final stages.
- ▶ **Piloting a new product – Diminishing Musharaka – in collaboration with Oxford University.**



FEW PHOTOGRAPHS OF BORROWERS



Akhuwat Borrower



Akhuwat Borrower



Akhuwat Borrower



Akhuwat Borrower



Akhuwat Borrower



Akhuwat Borrower



Akhuwat Borrower



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Akhuwat Borrower

OFFICES



Akhuwat Township Branch Staff and Discussion with borrowers



Akhuwat Samnabad branch Staff and completion of Application form



Executive Director (Dr. Muhammad Amjad Saqib) and Director (Dr. Izhar ul Haq Hashmi) in Akhuwat Badar Colony Branch, Lahore



Akhuwat Nowshera Klan branch Staff and completion of Applications



Akhuwat Bahawalpur branch Staff and completion of Applications



Akhuwat Tulamba branch Staff and completion of Applications



Area Manager (Rajanpur) Addressing to female borrowers in Akhuwat Fazilpur Branch on disbursement event in November 2011




Akhuwat MULTAN BRANCH Staff and completion of Applications



Akhwat Muzafargarh branch Staff and completion of Applications



Executive Director and Akhuwat Staff in Township Branch, Lahore.



LOAN DISBURSEMENT METHODOLOGY



A Loan Disbursement Event in a Mosque



Akhuwat Event in a Mosque (Chiniot)



Akhuwat Event in a Mosque (Mithan Kot)



Akhuwat Event in a Mosque (Rajan Pur)



Akhuwat Event in a Mosque (D.G Khan)







A Loan Disbursement Event in Church, Lahore on 19-12-2014



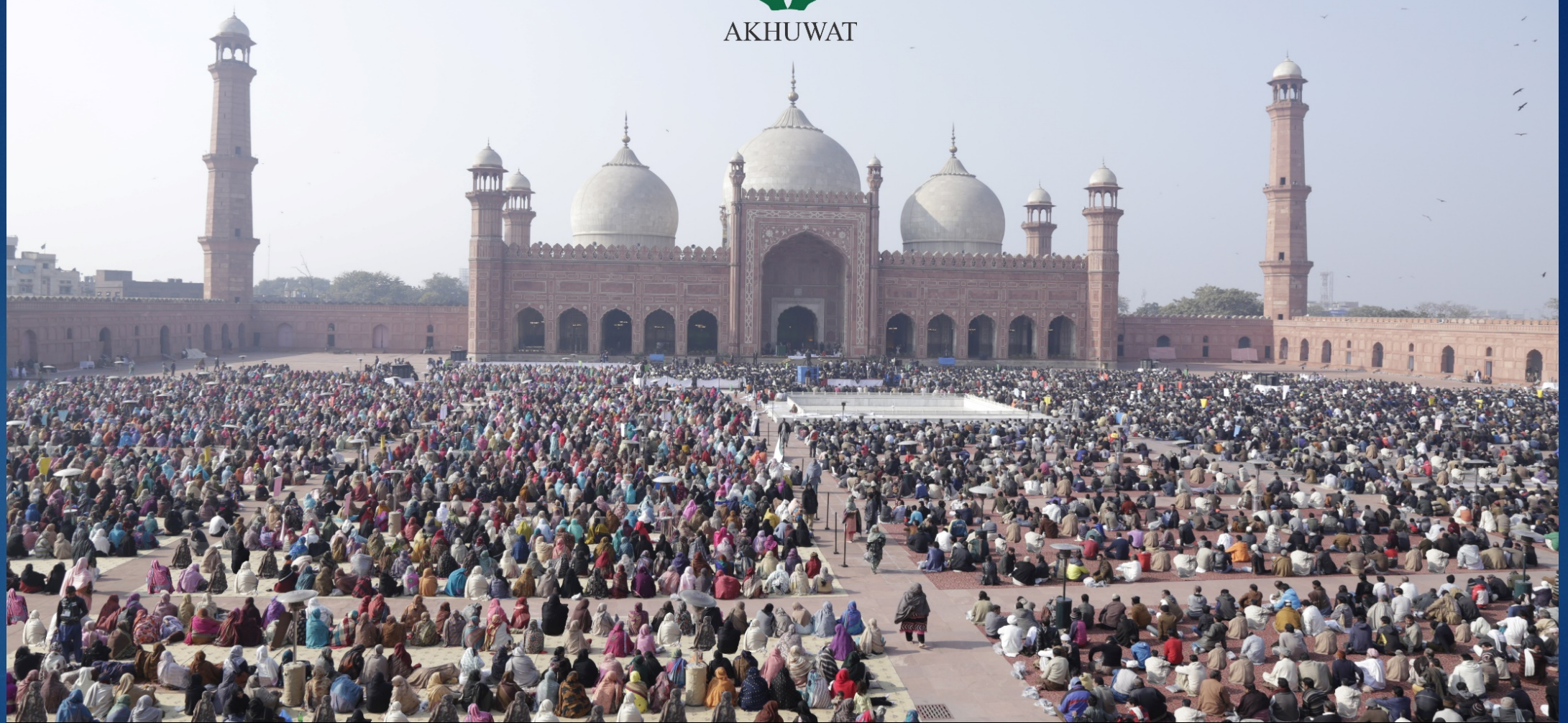
A Loan Disbursement Event in Church, Lahore on 19-12-2014

Akhuwat Employees





AKHUWAT



Mega Loan Disbursement Event at Badshahi Mosque, Lahore on 05-01-2016

We Believe

Poverty Alleviation is a joint responsibility

- ▶ Distribution of wealth is a pre-requisite
- ▶ Charity is not the answer
- ▶ Mua'khat Solidarity/brotherhood with the poor is the solution
- ▶ Credit is a basic human right
- ▶ It is Revival of Holy Prophet (PBUH)'s Sunnah and fulfilment of Quranic Injunction
- ▶ it is also what is urged by other religions
- ▶ We derive inspiration from Islam but our message is for all human kind



THANKS

For more details:

www.akhawat.org.pk