

# **BUSINESS RECORDER**

Founded by M.A. Zuberi

'We have tried to take the mosque out of seclusion and brought it into the fold of mainstream growth':  
Chairman – Akhuwat

Recently BR Research had a chance to sit down with Dr. Amjad Saqib, the man who has been the driving force behind transforming Akhuwat into one of the most well respected and effective MFI's in the country. We talk about the meteoric rise of Akhuwat, its educational and microfinance initiatives as well as the general problems facing MFI's in Pakistan.

An alumnus of King Edward Medical College, Dr. Amjad Saqib gave up an illustrious career as a civil servant in the DMG to work in the development and social mobilization sector. He is also a Hubert H. Humphrey fellow and serves as an honorary Vice Chairman of the Punjab educational endowment fund (PEEF).

Besides his pro bono work for Akhuwat, Dr. Amjad is a highly sought after consultant, and has provided consultancy to various international development agencies, such as the Asian Development Bank, International Labour Organization, the UNICEF and the World Bank.

BR Research: Tell us a bit about Akhuwat's history and the philosophy behind the organisation.

Dr. Amjad Saqib: Akhuwat derives its name from 'mwakhaat' or brotherhood, the earliest example of which was seen in the fraternity formed by the Ansars (citizens of Medina) and the Muhajireen (or Meccans) who had migrated to Medina to escape religious persecution. Based on this principle a wealthy person should enter into a relationship of brotherhood with a poor person and then help that person through a bond of association instead of giving dissociated charity.

The journey started with a widow who required a loan for Rs10,000 to earn her livelihood; however, she insisted that the loan should be interest free. Together with a friend, we generated a pool of money and were able to loan her the money on those terms. The woman in merely six months was able to not only repay us the loan but also improve the life of her family. This is how Akhuwat came into being.

Gradually, our loan portfolio along with the number of borrowers increased to such a point that we had to register the organisation in 2003 and subsequently leave our jobs to work full time for Akhuwat. Although it was not initially our intention to quit our jobs, the decision to head Akhuwat is one of the best decisions of my life.

In its quest to provide micro-finance to the masses, Akhuwat as compared to other institutions is unique in charging no interest rates on its loans. This concept is based upon the principle of Qarz-e-Hasna found in the Islamic tradition which entails helping someone in need with interest free loans, a practice favoured over charity. While drawing on the tradition of Qarz-e-Hasna loans to promote entrepreneurship, Akhuwat has over time incorporated many of the best practices and lessons learnt from conventional microfinance movements across the world as well.

Akhuwat is based on five principles. These include operating on an interest free basis, using mosques and churches, spirit of volunteerism, transforming the borrower to become the donor. Lastly, we practice non-discrimination on the basis of religious or ethnic grounds when giving out loans.

BRR: Could you please elaborate on Akhuwat's growth trajectory and its participation with the government in micro-financing initiatives?

DAS: In the first ten years, we gave Rs1 billion in loans and now after 15 years we are giving Rs1 billion every month. We do not charge a single penny of interest on our loans following the spirit of lending in Islam. The success of the model can be seen from the fact that our loan disbursements have reached an incredible Rs30 billion.

In Pakistan 50 percent of the people are poor and the other 50 percent are not poor. If the 50 percent that are wealthy support the 50 percent that are poor they could improve social conditions for everyone. Some people might consider this an idealistic vision but the performance of Akhuwat speaks for itself and that too without the state or international donor support.

After ten years, we realised that the model was successful but a little slow in bringing about wide spread impact. The idea then came to us that the government's resources are also in fact our resources so why not utilise them. We convinced Chief Minister Punjab, Mr. Shahbaz Sharif, to join us in a public private partnership whereby Akhuwat would disburse the funds the government provided using its own platform and model.

After some persuasion, the Punjab government outsourced us the fund which the government monitors but we manage. It was a prerequisite of our deal that there will be no political interference in the granting of loans, which the government has strictly enforced. In 2011, we started off on this journey with the government giving us a fund of Rs1 billion. After receiving positive feedback about our progress, Mr. Shahbaz Sharif was kind enough to increase the fund amount multiple times that has now reached Rs7 billion after five years. By utilising this amount, we are able to give out loans of Rs19 billion, helping out one million families with a recovery rate of 99.9 percent.

You will be surprised to hear that 70 percent of our borrowers have become donors, which highlights the spirit of giving back to society and the sheer amount of compassion. They have provided a donation of Rs15 million last year alone. Simultaneously, Akhuwat is running its own program along with public private partnerships in some of the other provinces as well that facilitate micro financing initiatives like Gilgit-Baltistan and FATA in KP. In the near future Akhuwat plans to move towards the setting up of an Islamic micro-finance bank as well using the same philosophy and principles that are our hallmark. This will allow us to reach a wider segment of society and ensure increased sustainability.

BRR: Loan disbursements of Rs29 billion are an exceptional mark to reach. What is the specific methodology behind your micro financing initiative that has allowed you to reach such an amazing figure?

DAS: Even though I have studied business, economics, and leadership theories and served in the civil service as well, it is very difficult to explain Akhuwat's phenomenal rise in terms of traditional development or economic principles. I have met people who earn less than Rs12000 a month but have still showed astounding commitment to Akhuwat's cause. The amount of compassion, generosity, sincerity and dedication I have come to witness in this journey has defied all logic and reason. They cannot be explained by using rational economic concepts or theories from books.

For us micro financing is not simply about lending money; it is the engagement with the borrower that is more important to us. We impart values and training to them as well providing social agendas that they are encouraged to follow. These include following laws, planting trees, ensuring cleanliness and helping others to name a few. One loan officer from Akhuwat has a relationship with more than 300 households and he is the agent of change for those people.

But I think if you would like to attribute its success to something, it should be to the strong philosophy of Akhuwat or brotherhood which I have earlier explained. The other thing I would ascribe our growth to is the exceptional training of our team which involved transferring our vision of the organisation to our employees. We have made our dreams the dreams of our employees. I am less involved in operational aspects now and focus on aligning my vision of the organisation with that of our employees and volunteers. That vision in a nutshell is: Akhuwat is not a job but in fact worship for us.

BRR: Akhuwat boasts a recovery rate of 99.9 percent which is astonishing for a micro-finance institution. How do you manage to achieve such a high recovery rate?

DAS: There is comprehensive due diligence involved when it comes to selection of borrowers who can only avail the loan for doing business. We conduct social as well as economic appraisal of

candidates and consider their standing and reputation in the community. Usually when people take out loans and pay a hefty sum to secure that loan they are inclined to default on their borrowing. Our model not only ensures interest free loans but no other service or hidden charges as well, which makes people more grateful and acts as an incentive to honour their commitments.

We also have a strong monitoring mechanism and much more importantly people realise that a one-time loan will not eradicate their poverty. So if they repay on time their creditworthiness will become higher, ensuring access to higher loan amounts in the future as well.

It is also important to realise that this is not a loan without collateral but the collateral type is different. Rather than physical collateral we use social collateral. This utilises the repute and standing of the individual in their community and locality. So if they default they are at risk of tarnishing their reputation in the community and losing their social capital. All of these factors combined lead to our recovery rates being 99.9 percent.

BRR: Akhuwat's model makes use of local churches and mosques in its activities. How hard was it to convince religious leaders to be part of the Akhuwat initiative? Also, what benefits does this bring to Akhuwat as well as to the religious community?

DAS: Initially there was some resistance from the religious leaders where some of the clerics (imams) did not understand our vision. As you are aware in our country religious leaders have been excluded from mainstream progression. Naturally we faced the problem of mistrust whereby they construed it as encroachment upon their domain.

It took a lot of persuasion to convince them that religious places are also meant for the social welfare of human beings as illustrated by Islamic history. We reminded them that the mosque once used to be the seat of governance. Once they realised that we were only trying to utilize the institution to help the community and promote peace and equity, their response became positive. The entire process is about engaging and empowerment. Through our program, we have tried to take the mosque out of seclusion and brought it into the fold of mainstream growth.

Now the religious leaders also feel more empowered and we use the mosque to implement social agenda's such as importance of educating women, human rights, and education and health issues. So our aim has been to complement micro-financing and entrepreneurial training with social development and guidance to achieve all inclusive growth. Moreover, for us as an organization it helps

to keep down administrative costs whereas involving the religious leaders of the communities ensures better communication and identification of our beneficiaries.

BRR: In your opinion what are the hurdles that currently constrain micro-financing in Pakistan?

DAS: You have to analyze both viewpoints here. Conventional micro-financing institutions complain about lack of resources both in terms of human capital as well as technological and monetary resources. They are also beleaguered by high costs and sustainability issues.

Our issues are a bit different compared to these conventional institutions given our different paradigms. But for us generating resources is also obviously a challenge in terms of human resource, technology and donations.

However, I feel first it is important to understand whether micro-financing is a business or a duty. If it is a business, then we are not interested in doing business with the poor. We believe providing interest free credit is also a basic human right just like giving education and healthcare. Why should the poor be given loans at a mark-up of 30 percent? Where is the justice in that?

Micro-financing should provide avenues for social mobility and up-gradation to take place so that people are not reliant on charity, donations or lending but eventually become self-sustainable. This mind-set needs to be developed amongst microfinance institutions in order to provide maximum effectiveness.

BRR: Akhuwat has planned initiatives such as the Akhuwat FIRST University and College. How does Akhuwat plan to deal the educational challenges facing Pakistan?

DAS: Following the devastating floods of 2010 a large number of schools were destroyed. There were many talented students whose potential was being wasted because of no opportunities to get an education. Akhuwat started with helping those children and providing them a platform to pursue further education. We provided scholarship programs for more than 600 students that included prestigious universities as well as technical institutes. However, we realised even though some of these students were provided the best of education yet that spirit to return something to society was not effectively inculcated in some of them.

Consequently, the Board realised the need to institutionalise these qualities in addition to providing quality education by setting up our own institutes. Based upon two proxies, need and talent, we strive to utilise our limited resources to reach the maximum number of students that require assistance.

Following this vision, we have embarked upon the creation of the Akhuwat FIRST University, which

aims to provide quality tertiary level of education to the under-privileged segment of society. Akhuwat FIRST is completely dedicated towards research and technology in Pakistan. It offers four-year undergraduate degrees in the sciences, with a special focus on Biotechnology.

Another initiative is the Akhuwat College aimed to cater to students from all over Pakistan. It has a fixed quota for individuals coming from all provinces of Pakistan. The focus is on admitting students from low-income backgrounds, paying special attention to the poorest of the poor and the marginalized strata of society. The college does not differentiate upon the basis of religion which leads to Hindu, Sikh and Christian's students all studying together in perfect harmony. This model sets a brilliant example of religious tolerance for the rest of the nation to follow.

BRR: Given your vast experience in both the government as well as development sectors, could you please highlight the reasons you think are responsible for the limited and sometimes ineffective role of government institutions that are responsible for reducing inequity and helping the poor such as the Bait ul Maal?

DAS: One reason is the lack of political willingness to manage these institutions in a proper manner. More importantly it is also mis-governance that extends to the vision, objectives, human resource as well as transparency of the institutions. This cripples the institutions that are left with no clear agenda and waste resources due to poor governance practices.

The resources are there both in terms of human resource as well as monetary terms but due to a lack of proper organisational structure these government departments fail to deliver. The ultimate solution in my opinion is to develop public private partnerships whereby institutions tasked with reducing inequity are also managed by the private sector but monitored strictly by the government.

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