

The Micro Credit Success Story: By Zofeen T. Ibrahim

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When Shamim Akhtar's twenty years old daughter developed an acute case of ulcers last year and had to be hospitalized. Her husband was unemployed. She had little choice but to approach a neighbourhood moneylender and borrow Rs. 20,000/- at 200 per cent interest rate; it meant that she had to pay Rs. 2,000 to the moneylender every month. In eighteen months, she had paid Rs. 36,000 as interest but the principle amount she owed from the moneylender remained unchanged.

A couple of months ago she heard of Akhuwat, a Lahore – based non profit organization that gives out interest free loans to the poor, and even settles the outstanding amounts the NGO calls it "liberation loans".

Now Akhtar is one of 400 people, mainly women, which Akhuwat has liberated from the clutches of loan sharks. "One of their managers came with me to the money lender and paid him off in one go. I've never felt so relieved", she says, "I now pay them Rs. 1,000 every month and will be able to clear my loans in twenty months".

"We really target the poorest of the poor, the ones who cannot access microcredit", says Amjad Saqib the executive director. Their philosophy is based on Islamic teachings – the principle of Qarze-e-Hasana or helping someone in need with interest free loans, which are preferred over charity.

"Most microcredit professionals regard Muhammad Yunus as the micro crediting; we believe this practice to be 1400 years old, from the time of Prophet Muhammad (PBUH), who inculcated the spirit of brotherhood - that poverty can be eliminated if we are willing to share our resources with the needy", he explains.

Grameen Bank, the microcredit organization that Professor Yunus founded in his native Bangladesh in the 1970s, created banking history by giving small loans to the impoverished without asking for collateral, reposing faith in the ability and willingness of the poor to repay their debts.

Where does Akhuwat raise its funds from? "From Pakistan", says Saqib with pride. "Unlike most NGOs that depend on international funding, it taps the spirit of volunteerism and tradition of giving that is central to Islam", he explains. A national survey of individual acts of charity conducted by Pakistan Centre of Philanthropy revealed that "an equivalent of Rs. 70 billion in monetary donations, volunteer time and gifts in kind were given out in 1998".

From a start-up donation of Rs10,000, Akhuwat's kitty has swelled to Rs. 70 million in just five years with even President Gen. Pervez Musharraf contributing Rs. 200,000 and his mother another Rs. 100,000. Governor Punjab Lt. General (rtd) Khalid Maqbool has contributed generously.

"We've really never had to worry about getting the money, it just comes", says Saqib. "Anyone can become a life member by donating a sum of Rs. 10,000. This amount is

credited for one year, returned to the credit pool and lent again, and the donor this way saves many families from the abject poverty by just this initial amount”.

He is convinced that Akhuwat’s philosophy is a solution to poverty alleviation. Most micro-finance institutions (MFIs) charge at least 20 per cent interest, which necessarily excludes the ‘dirt poor’. “Ours is an indigenous model a blend of volunteerism and necessary compensation...all one needs is the will to help the poor”, he asserts.

For now, Rawalpindi Chamber of Commerce and industry, has said it will start its own loan programme by March, while in Peshawar, another organization has already begun lending to the poor without interest. In Multan, a church-supported initiative is about to take off.

All eight Akhuwat branches function within the premises of mosques. According to Saqib, the decision was deliberate. “For far too long we limited the use of mosques to just prayers. In between, they are desolate. With our offices in mosques we have saved tremendously on operational costs. We don’t pay rent or utility bills”, he explains.

While Pakistan’s mosques are mainly male spaces, half of the organizations beneficiaries are women, and quite a few of them non-muslims who face no discrimination. “Our only criterion is they should be poor”, says Saqib.

Thanks to two loans from Akhuwat Ayub Masih, a Christian wage earner, now has a vegetable cart. Very soon, he plans to apply for a bigger loan of Rs. 20,000 to start a PCO, a public phone booth. “The fights at home had stopped”, he says cheerfully, while admitting, “I was a bit reluctant to visit a mosque, although I’ve been coming to the dargah of Shah Jamal (Sufi saint revered by people of all religions) since I was a child”.

Liaquat Ali, a young tailor, believes the loans from Akhuwat are lucky. “It has helped me get back on my feet and feed my children...brought me luck as my business has prospered. It has to do with the holiness of the place”, he asserts. Previously working on his own, he tailored only one shalwaar kameez a day. Now, with two helpers and two more machines he makes eight to nine sets daily.

According to Aftab Hussain Awan of Akhuwat, loans are given for enterprise development like Liaquat Ali’s or education, emergency (accidents or medical care), marriage (only very small amounts for the dowry of daughters or for a simple feast for wedding guests) and freeing borrowers from moneylenders.

In addition Akhuwat gives alternate livelihood to sex workers – the first initiative of its kind in Pakistan. In Lahore’s famous red light district of Heera Mandi, 25 women, either old or physically unfit, have been provided money to set up small kiosks that sell cigarettes or candy and betel-nut sachets, or food stalls.

The women are identified by ‘Sheed’, an NGO that helps sex workers. “This is one of the poorest areas of Lahore with dismal social and economic indicators and where women’s rights are completely trampled”, explains Lubna Tayyab, general secretary of Sheed. Indeed, Akhuwat’s spirit of brotherhood is all encompassing.