

Research Essay-Vision of an NGO

Akhuwat – A Microfinance Organization

Personal effectiveness and Business Ethics

Section 1

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Akhuwat is a micro finance organization that provides interest free loans to those poor members of the society who have an entrepreneurial idea and want to establish a small business to stand on their own feet. With a humble start of an interest free loan of Rs. 10,000 to a deserving woman in 2001, Akhuwat has truly achieved a milestone within a few years by reaching more than 89,000 families with the help of a revolving fund of more than Rs. 250 million and by managing an astonishing 99.7% recovery rate (Berkley Center for Religion). The NGO is currently operational in 30 cities of Pakistan with a branch network of 54. Most fascinatingly, the model has now been replicated by 10 other NGOs to date (Berkley Center for Religion).

As part of its vision, Akhuwat gives out interest free loans to poor while operating in local mosques and religious centers to avoid operating costs like rent and electricity, raise funds and identify the needy. It is important to emphasize that Akhuwat does not discriminate on the basis of cast, gender or religion. The engagement with the religious scholars and institutions does not only help in the sustainability of the organization, but also helps win the communities trust, make use of the underutilized religious centers and also follows the past tradition of making religious institutions the centers of community participation. The man power comes from volunteerism which helps prevent the institution from becoming a business and also follows the example of the Prophets who initiated change in the community through participation. Lastly, the management strives to instill in its beneficiaries the value of helping others in the same way they have been aided. Thus technically, Akhuwat current borrowers are envisioned to be its future donors. Therefore in essence, all the guiding principles of the organization are linked with Islamic ideology by following the teachings of the Quran and the tradition of the Holy prophet (PBUH) for promoting brotherhood as a solution to poverty alleviation.

Apart from facilitating interest free loans, the management at Akhuwat has also embarked on a vigorous program of educating and training the masses for the purposes of participatory, inclusive development. Thereby, promoting inter faith harmony by welcoming Christians in mosques, Muslims in churches and encouraging women to visit religious institutions freely. The purpose behind this initiative is to bind the diverse population of Pakistan together for addressing common issues and challenges. Akhuwat teaches people on issues

ranging from the importance of female education, about human rights, health issues, pollution etc to financing loans, entrepreneurial training and capacity building.

It is also important to note that Dr. Muhammad Amjad Saqib, Executive Director of Akhuwat, believes in faith based development whereby engagement with religious scholars/leaders on a regular basis through dialogue and frequent interaction is crucial to community progress as a whole. This is because traditionally, the religious scholars have lived in a domain of their own and the secular agencies have also kept aloof. In a society like Pakistan, with a strong madrassa system, it is necessary to bring the two domains close together in due harmony and understating to enable community growth. However, this is not an easy task and Akhuwat strives to meet this challenge through its awareness dialogues held at religious institutions mentioned earlier. Similarly, Akhuwat also stresses on the need to reduce the differences among the three diverse education systems (madrassa system, English medium and Urdu medium) operational in Pakistan into a single inclusive education system for community development by providing equal opportunity for all.

This was a brief introduction about Akhuwat, its activities and its guiding principles. In this essay we are going to look in detail at how these activities and principles are the result of three basic Ultimate Sub Visions of this organization:

1. Alleviation of poverty
2. Incorporation of faith into the development model by providing interest free loans
3. Fostering a strong sense of community among the members of society

We will also discuss the POVs of these USVs and give an in depth review of how Akhuwat is trying to achieve them. Lastly, we will analyze how successful Akhuwat has been, to date, in the achievement of these USVs.

1) Ultimate Sub Vision: To alleviate the poverty conditions prevalent in Pakistan. Pakistan has an overwhelming number of people who live below poverty line. Akhuwat's aim is to reach out to those people and improve their living conditions, to enable them to lead a better life by providing them monetary assistance. Akhuwat provides financial assistance to the poverty stricken at favorable conditions so that they are not overburdened to repay the loan. The poor are stuck in the vicious poverty cycle and they don't have many opportunities to break away from

the poverty cycle as they don't have sufficient funds to undertake an entrepreneurial venture which can provide them with a steady income and give them financial stability. Akhuwat grants them loans to enable them to undertake such ventures.

Purpose of Vision: To have more givers in the society rather than takers. Only when this criterion is fulfilled can a society thrive economically.

Akhuwat has based its financial model on the Islamic concept of Akhuwat which promotes a relationship of brotherhood between the rich and the poor. In this model the rich help their poor brethren to get on their feet and become self sufficient. As it is a loan and not charity it instills a sense of responsibility in the poor. It empowers them to shape their own lives without any social stigma attached to it as in the case of most charities. The whole concept of Islamic micro-financing is to incorporate faith into financial sector as in a society like Pakistan where faith is deeply entrenched in all aspects of life. Most poor people who wouldn't apply for a conventional loan because it went against their religious believes now they have a better alternative in the form of these small loans provided by Akhuwat.

Akhuwat not only provides business loans but helps the deserving underprivileged in other ways e.g. by granting educational loans and helping the flood victims. As the poor families don't have enough money to spend on the education of their children. Their children suffer the same fate as their parents. They have a few set of skills and usually end up as manual labour but if the children of poor people were given education they have a chance at better employment. It also aligns with the Islamic concept that it is the obligation of every muslim to get education.

Akhuwat has also collaborated with other NGOs to provide relief to flood victims which hit Pakistan on 29 July 2011. They have extended loans of Rs 11.7 million to 1200 families in Nowshera, with the collaboration of Mir Khalilul Rahman foundation and Imran khan, to stand on their own feet. They have earmarked another Rs 60 million to provide loans to over 3000 affected families in Nowshera, Manshera and Peshawar under the self-employment scheme (Raja). Akhuwat has also provided loans to 10,000 flood affected families in Rajanpur for rehabilitation.

The primary focus of Akhuwat is to provide loans to the section of poor people who want to start a small business but lack the capital. These people have quantifiable ideas and the necessary

set of skills to operate the business but lack the financial backing to start such a business. Once the business becomes profitable and they are able to return the original loan, they can apply for more loans to expand their business. Akhumat doesn't discriminate on the basis of sex, race, religion or disability. It is difficult for most of the benefactors of Akhuwat to get loans from conventional means where they are judged too harshly and considered a risky investment. Some of the testimonials of the people who benefited from these loans reflects on how Akhuwat played a major role in bringing about a positive change in their lives.

Rehana Ahmed was responsible for the upbringing of her two children and also supported her brother. She could barely make ends meet with her current employment so she opted to take a loan from Akhuwat to buy a sewing machine. She started making bridal clothes and sending them to England through her uncle and now she is doing fairly well. She has enough money to send her children to school.

Another touching story concerns Shafiq-ur-Rehman, a handicap who used to vend mobile accessories by driving around in his tri-wheel motorcycle. He was afraid to apply for loan to Akhuwat in case they turned him down base on his disability but he was pleasantly surprised when he got his first loan of RS 5000. Now he is thinking of setting up a shop and has taken a loan of Rs 45000.

Shahnaz Bibi, a housewife living in an extended family wanted to share her husband's burden by starting a small business. She started making and selling rose nectar but it was hard to keep up because she didn't have the required utensils and chemicals or the capital to invest in them. Her neighbor told her about Akhuwat and there began her success story. Shahnaz Bibi told an Akhuwat correspondent:

I took a loan of seven thousand rupees and bought chemicals required for the process. Instead of going around for a machine I rented one and paid one hundred rupees as daily rental fees. Then I took another loan of twelve thousand rupees and bought a small machine and material for my business. With a third loan of twelve thousand rupees I purchased a bigger machine and my own cauldron. My business is steady now and I am proud to use my own things rather than borrowed ones. I am able to make a fair contribution to my household and side by side paying back

Akhuwat's loan. I no longer have nagging worries and my family situation is quite well. We eat three times a day. I thank Akhuwat for all the difference it has made in our lives.(Akhuwat)

The above mentioned examples demonstrate that Akhuwat doesn't help by the means of a one-time loan or charity. Rather it is a continued assistance in the form of multiple loans over a period of time until it is ensured that the borrower is well settled and able to pull his/her own weight.

2) Ultimate Sub vision: To implement a faith based development model. The thought that lies behind this initiative is that religion cannot be separated from development. Development is a broad concept which encompasses social, moral, economical and political development. Religion caters to the social and moral growth of the masses and it's important that it is incorporated into any model that seeks to alleviate poverty.

Purpose of Vision: The provision of interest free loans for the economically poor so that they may acquire a self-sustaining livelihood and to provide the skills and support they need to actualize their full potential and abilities.

Many years ago, when Dr. Amjad Saqib was working in the civil service of Pakistan, he got an opportunity to work for a poverty alleviation program where he made two interesting observations. The first was that people were reluctant to take loans with built-in interest as it is forbidden in the religion. The second observation that disturbed him immensely was the exorbitantly high rates of interest that were being charged from the poor. These two observations prompted him to find a solution to the issue of high interest on small loans and also encouraged him to critically examine the social, moral, and cultural values of society that allow such forms of usury (Berkley Center for Religion). In 2001, he laid the foundation of "Akhuwat", making interest free loans its first principle.

However, after Dr. Saqib decided not to charge any interest, Akhuwat suddenly ran into the problem of sustainability i.e. if they are not charging interest, how are they going to cover operational expenses? They brainstormed solutions and finally got an idea. The idea was that they could work at local religious centers such as mosques and churches and link their offices to these instead of having an office in an expensive building. That way, they could be in touch with people and the local imams and priests that are providing services to the people of Allah. This

would also enable them to be in touch with the community and not only help raise funds but also help identify people in need and distress. In an interview Dr. Amjad Saqib said, *“Poverty in fact is poverty of opportunity...we are not charging interest and yet, we are managing to give the poor people access to resources and opening doors to development.”*

The loan applicant, however, has to become a member of Akhuwat in order to qualify to receive the loan. That requires a membership fee equivalent to five per cent of the loan amount applied for. In addition, the applicant also has to pay one per cent of the loan amount to buy insurance, which covers the risk of death or getting handicapped. In the event of death, the family is provided with PKR 1,000 (\$16) for three months to suffice for their basic expenditure. However, loans amounting to less than PKR 4,000 (\$66) are exempt from membership fee and insurance charges.

Initially Akhuwat borrowers comprised of groups to qualify for loans like other micro-finance organizations. However, the group formation and management process was seen to be rather time consuming. Akhuwat’s management thus decided to experiment with provision of individual loans. Its staff had to spend much less time on processing individual loans, since it only required verifying income level and reputation of borrowers in their community, and reviewing the feasibility of their proposed micro-business. In the case of group lending, forming groups and attending weekly meetings to ensure group solidarity and mutual responsibility in the case of default is much more cumbersome. “The current aim is to eventually eliminate group lending completely and to be largely led by individual loans. Individuals have greater potential as entrepreneurs, a reality which should be exploited”, says Dr. Saqib. The fact that Akhuwat does not insist on lending through groups not only saves time but also gives the organization an image of respecting the privacy and time value of its poor clients.

Malcolm Harper, a well-known figure in the world of microfinance, who visited this organization recently, commented that Akhuwat is already doing for conventional microfinance what Professor Yunus did for conventional banking in the late 1970s. Professor Younas proved that the poor also need credit and can be credit worthy.

3) Ultimate Sub Vision: Akhuwat seeks to establish, through its participatory development model, a strong sense of community among the members of the society.

Purpose of Vision: Brotherhood is an important aspect of faith. Unless the well off members of a community doesn't feel responsible for the well-being of the economically poor, the society cannot flourish.

Dr. Amjad Saqib believes in the Islamic model of Brotherhood that is derived from '*Mawakhat-e-Madina*' whereby Holy prophet established a bond of fraternity between the *Ansar* and *Muhajirin*. Through this commendable model, Holy Prophet demonstrated a very practical way to alleviate poverty, that is, through sacrifice and adoption rather than through charity. A wealthy person adopts a poor person, creating a bond of association instead of giving dissociated charity. This bond of association and mutual benefit is what Akhuwat seeks to build between its donors and borrowers. But the question here arises that how can a microfinance organization benefit the society in such a way? What kind of a multipurpose disbursement system and norms are in place that is serving the community at various levels? In this section we will discuss the disbursement strategies of Akhuwat at length and shed light on how they are intertwined in cultivating a feeling of brotherhood among the benefactors and the beneficiaries.

Firstly, Akhuwat operates from local religious centers. It has linked its offices with mosques and conducts most of its activities from there. This usage of mosques has turned them into community centers rather than just a place which is used during prayer times. Akhuwat is trying to revive the importance that the Mosque once held so that the community can be strengthened. In the time of Holy Prophet (PBUH) and the Caliphs, it was used as a center of education, a judicial court and a government centre for making political and administrative decisions. It used to play a pivotal role in a Muslim's life and it held the community together. It provided a place where brothers in faith could share their problems and ask each other for counsel, where *zakat* was distributed and where social reforms were initiated. Keeping this model for a mosque playing roles other than a place of worship, all the loan disbursements of Akhuwat take place in a mosque. Moreover, Akhuwat often implements a social agenda through this platform such as teaching people about the importance of educating women, human rights, environmental pollution, education and health issues, etc. I would like to quote Dr. Amjad Saqib here who precisely sums up the total impact of this initiative:

On the one hand it is about loans, entrepreneurial training and capacity building, and on the other hand it is about social development and guidance to enable the community to progress. We have found a thriving institution where many players can pursue common objectives in a fully transparent and participative manner.

Secondly, the spirit of Akhuwat is based on volunteerism. People, many of them the masters in their field, contribute their time and skills for the development of this organization. Syed Haider Ali Shah, a Professor at UCL and an eloquent speaker, has been volunteering for Akhuwat since its inception in 2001. He manages events for Akhuwat and ensures transparency. Moreover, students from prestigious institutes in Lahore volunteer as event managers, taking up responsibilities in different departments to ensure the smooth execution of all the major events such as fund raisers and conferences. While this spirit of volunteerism is essential to individuals' personal growth, it is fundamental to the growth of a society. Philanthropic activity is unparalleled in its strength to bring about a strong sense of brotherhood and participation among the members of a community. Dr. Amjad Saqib elaborated in his interview:

Every prophet is a volunteer, right from Abraham, Moses, Jesus, and the Holy Prophet, peace be upon him. The Prophets always looked beyond themselves to help the community socially, morally, economically, and politically. We wanted to follow the footsteps of these great prophets and adopt their methods of bringing change to the community through participation.

We interviewed an Akhuwat volunteer about the inspiration behind contributing one's time to philanthropic ventures and she told us, *'Volunteering is a great way to unwind, to get out of one's cocoon and make a difference in others' lives. In these hard times that we are facing as a nation, everyone should come forward to work towards a more socially integrated and economically strong community.'*

The third principle that underlies the participatory development model of Akhuwat is that it doesn't discriminate on the basis of gender or religion. For example, women are facilitated to come to the mosque freely. Moreover, Christians come to the mosque during disbursement and Muslims go to the church as well. This has promoted interfaith harmony.

Ayub Masih, a Christian wage earner now has a vegetable cart, thanks to two loans from Akhuwat. 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”.

“In this way we have been able to help different social and religious communities bind together to respond to common concerns, issues, and challenges. I would like to reiterate that religion should not be excluded from the development paradigm... Development process in a society therefore needs to involve indigenous institutions and faith,” says Dr. Amjad Saqib.

The fourth strategy that Akhuwat has incorporated into its development model to achieve its goal of bringing the members of community together in a bond of brotherhood is the ‘Borrower to Donor’ program, whereby borrowers are encouraged to become donors once they get on their feet. The thought underlying this unique initiative is that one doesn’t need to be wealthy to be able to contribute to the well being of society. One can do so by whatever resources are available to him/her. Moreover, Akhuwat is hereby instilling in its borrowers the responsibility to help others once their own needs are fulfilled. And borrowers have enthusiastically welcomed this initiative. This is evident from the fact that 60% of the operating costs of Akhuwat are fulfilled by donations from its former borrowers. *‘For the long-term sustainable development of a society, we have to create a critical mass of people who are willing to give to the poor and needy instead of taking,’* commented Dr. Amjad.

We will conclude this essay with an analysis of how successful Akhuwat has been in the achievement of its USVs. The fact that Akhuwat is thriving is apparent from their progress, from ten thousand to one billion in 10 years is not a small feat. Their USV to help the poor people is achievable as they are doing fairly well financially and opening up more branches to access the remote rural areas. As it is a community based organization, their benefactors have been spreading its goodwill by word of mouth. In this way more people can reach Akhuwat and considering their past work of 10 years Akhuwat will not disappoint them. Their work is sustainable as it doesn’t require much capital but most of the money is internally generated and circularized. Thus, it can be said with a fair amount of certainty that Akhuwat will keep on helping the poor in the future. Their USV to incorporate faith into the scheme of poverty alleviation is also achievable. This is evident from the fact that Akhuwat has a recovery rate of 99.7%, one of the highest recorded till date in any microfinance organization. Their USV to

foster a greater sense of community is also working out fairly well. In March 2011, Akhuwat celebrated the achievement of its bench mark of providing loans of PKR 1 billion and the enthusiasm of volunteers, borrowers and donors at this occasion was captivating. People participated in a vigil to promote the cause of Akhuwat without any incentive, out of pure philanthropic spirit. This shows how far this NGO has come in providing continued assistance to the poor, alleviating poverty through interest free loans and cultivating a spirit of volunteerism in the youth. With such a record in only a decade, it can be said with a fair amount of certainty that Akhuwat will continue to work for its three USVs and set an incredible example of interest free lending that would inspire many other organizations to replicate this development model.

Works Cited

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