

Akhuwat Interest Free Islamic Microfinance

Pakistan

Implementing Agency/organization	Akhuwat, Pakistan
Implementation Period	Ongoing programme since 2001
Location (City and Country)	Nationwide Branch Network (Pakistan) with a presence in 670 locations
Total Cost to implement the Project	N/A
Contact Person	Dr. Muhammad Amjad Saqib amjadsaqib1@gmail.com +923008420495

The Challenge

Akhuwat is a different Microfinance Institute (MFI). Akhuwat's main objective is to alleviate poverty and to help people come out of poverty. It does not believe in creating permanent dependence but rather believes in sustainable growth. For this purpose, it has adopted interest free MF as its operational strategy. Interest free small loans are given to the economically active poor of the society for establishing a new business or expanding an existing one. Such loans offer pragmatic solutions to the many hurdles that are now emerging in the field of microfinance practices. Interest-free MF aims at poverty alleviation not as a business enterprise for the organization, but to enable the lowest income classes and those who previously do not have a source of income to become economically independent and contributing citizens. Most importantly we serve on humanitarian grounds without any discrimination.

The Innovation

The following makes Akhuwat a unique model;

- Akhuwat provides the economically active poor with interest free loans so that they may acquire a self-sustaining livelihood.
- Spirit of volunteerism that Akhuwat's management and its team members exhibit is indicative of the success Akhuwat achieved within a short span of time.
- Akhuwat offers family loans to its clients for setting up or expanding a business, income from this business is jointly shared by the whole family.
- An important and novel idea is the use of the local religious centers as venue for loan disbursement.
- Team Akhuwat provides awareness to beneficiaries about the importance of brotherhood, which encourages them to become a donor to support others in such a need.
- Collaboration with Oxford University and Lahore University of Management Sciences (LUMS) to introduce new sharia-compliant Islamic financial products.
- Akhuwat continues to expand its operation by opening up new branches and inviting others to replicate the Akhuwat model, for which Akhuwat trains their staff and assists in the initial set.

The Impact

- To date, AKHUWAT has provided Micro Credit to more than 1.7 million families and disbursed \$ 344 million among these families. AKHUWAT has 670 branches in 350 cities of Pakistan with a remarkable recovery of 99.93%. The desire to repay the loans is not motivated by fear or insecurity but rather the knowledge that the repaid amounts will be 'recycled' to others in need.
- The most visible manifestation of Akhuwat's efforts is the transformation of its beneficiaries (borrowers) into donors. Most of the beneficiaries are voluntarily giving back to the organization, once they have achieved a sufficient degree of financial sustainability and awareness about the vision of the program.
- A common practice that has evolved in communities where Akhuwat operates has been Akhuwat's borrowers offering 'internships' to new beneficiaries to assist them in setting up their own enterprises.
- Akhuwat has inspired state institutions to replicate this model on a wider scale.
- Akhuwat's case study is taught at many universities including Harvard Business School. For case studies, refer to <https://case.hks.harvard.edu/akhuwat-fighting-poverty-with-interest-free-microfinance/>