

**Study of Anjuman Anayat-E-Bewagan & Yatama: A Prudential Institution Based in Bhopal India
working on Islamic principles to alleviate poverty through Zakat**

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Acceptance Date 20th November, 2019

Abstract

Microfinance is constituted by a range of financial services for people who are traditionally considered non bankable, mainly because they lack the guarantees that can protect a financial institution against a loss risk. Islamic Microfinance is based on social justice and fair play. It involves prohibition of interest (Riba) on the lent money (loan). It works on profit and loss sharing and Qarz-e-Hasana. It aims at improving socio economic condition of the poor in contrast to earning profits by conventional microfinance institutions in the world. There are families who cannot afford to take loans from microfinance as they are so poor i.e. poorest of the poor who do not have enough to feed themselves two times a day, most of them are illiterate and lack the confidence to do any business activity. The paper studies an Islamic Microfinance institution named Anjuman Eanat-E-Bewagan & Yatama based in Bhopal India which started in 1916 by some Muslims who were well versed with the Islamic teaching and law. This institution gives zakat to poorer people who cannot even afford interest free microfinance.

Key words : Islamic microfinance, Institution, interest free, Bhopal, India

Introduction

The concept of Anjuman Anayat-E-Bewagan & Yatama (AABY) organization initially came to a few people of Bhopal, in the beginning of the Twentieth Century. The founder members of this organization are well versed with the Islamic teaching and law. They also know the present situation of Muslims in India. The first informal meeting was held some times in Nov 1915 and the full flagged organization was incepted in the early part of the 1916. Late Syed Asrar Hasan was the first President of the Society, Late Munshi Qadar Sahab was the Secretary and late Mian Mohammad Qasim Sahab was the treasurer of the society. In all fourteen members were the office bearers. The Society purely based on Islamic Principles prevalent at that point of time at Bhopal state. This NGO is still working on the principles of Islam and helping Muslim widows & orphans particularly those who have no bread and butter earner or are handicapped.

The main aim of the institution is to protect poorer and poorest from clutches of “Sahukars” (money lenders) asking very high rate of interest on borrowed money as high as 124% of the principle amount.

AABY was initially registered in Bhopal state in 1916. After the independence of India in 1947, it was registered in Nagpur the capital of central India at that time. After the formation of Madhya Pradesh (MP) on November 1, 1956, it was registered under the Societies Act of MP Government (India). The registered office of the Institution is situated at Moti Masjid in the heart of city Bhopal since last 60 years. It has been now more than 100 years since this Islamic micro-finance institution started working, i.e. 1916.

Aslam (2014) stated that a micro-finance institution is an organization that provides financial resources to the needy and poor people and covers a wide area to cover its legal structure, mission, vision, methodology, and sustainability that are all attributed to provide the financial resources to the clients of poor and those who have no approach to the financial banks.

The institution AABY has seen ups and downs from the time of beginning caused due to the changes in law before and after the independence of India. The laws in India do not support full-fledged organization running on Islamic principles, i.e. interest-free financial institution. Despite the odds due to change in laws from time to time and the change in the members of the Governing Body, the organization has seen sustainability and growth together with the motive of welfare to poorest people in and around Bhopal (MP) India.

The objectives of the (AABY): Islamic microfinance Institution

To eradicate poverty amongst the poorest and achieve sustainable development.

To bring lower and lowest income groups people into the main stream.

To enable poorer and poorest segments of the population to participate in income generating economic activities, thereby equalizing opportunities and reducing inequalities.

To protect the poorer and the poorest from money lenders.

Literature Review :

According to (Aslam)¹, micro-finance is a big terminology which is used to provide the financial services to the poor people of third world, in the form of individual loan, group loans, micro leasing, micro loans, micro insurance, and the fund transfer to develop their business and assist them for exceptional emergencies. Obaidullah³ (2008, p. 13) stated that poverty levels have also been associated with high inequality alongside low productivity. In Indonesia alone with world's largest Muslim population, over half of the national population, about 129 million people, are poor or vulnerable to poverty with income less than merely US\$2 a day. Bangladesh and Pakistan account for 122 million each followed by India at approximately 100 million Muslims below poverty line.

(Ethica Handbook 2017) Based primarily on the profit-sharing principles of equity-based finance, Islamic microfinance offers greater resilience than conventional microfinance. If a business fails, nothing is paid; if a business succeeds, profits are shared. Risks and rewards are always proportionate to equity shares. So while any return on capital in the form of interest is completely prohibited in Islam, there is no objection to getting a return on capital if the provider of capital enters into a partnership with a worker or entrepreneur and is prepared to share in the risks of the business⁷.

(Ethica Handbook 2017) One might wonder why simply giving money away to the poor, as opposed to investing in their businesses, might not be the most effective poverty alleviation tool. Zakat and charity come to mind. But in Islam believers are also encouraged to keep their money circulating throughout the community, as zakat and charity indeed, but also complementarily as risk capital. Now more than ever, with large capital inflows entering the Islamic banking industry and the possibility of securitizing microfinance contracts a proven reality, we stand at the beginning of a second microfinance revolution, in which Islamic microfinance alleviate poverty with sustainable, replicable, and inexpensive transactions, without the problems associated with conventional microfinance⁷.

Muzamil Ali², Shahbaz, Abbas, Iqbal, and Suleri argued that households should actively engage in the small loan program and effectively invest the obtained loan in activities like farm production and self-employment for the purpose of income generation.

(Atif Aziz *et. al.* ⁶) Out of Bhopal's total population, 1.25 million were Hindus (71%), 0.5 million or 500,000 were Muslims (27%), and the rest were Jains, Christians, Buddhists, Sikhs and others. According to Chakrabarty⁵, in India, Muslim population exceeds 175 million and a major part of this population does not participate in the Indian financial market largely dominated by interest-yielding instruments and

conventional interest-based banking. According to a report by the Reserve Bank of India (RBI), India's Central Bank, the credit to deposit ratio of Muslims in the country is 47% against the national average of 74%. It can be observed from the above statistics, India offers a huge potential for Shariah finance. Islamic micro-finance may be the solution of present dilemma. Financial regulatory authority of India still not adopts Islamic micro-finance as an alternative way of financial inclusion while interest-free micro-finance is working in some parts of the country.

According to Chakrabarty⁵, The various causes of rapidly increasing poverty in the Muslim world are lack of education, lack of employment, political instability and so on. But on the other hand, the main snag is unavailability of the proper financial products which are in line with the Muslim's religious values and social norms. Unfortunately, Islamic microfinance is not given the proper place in the poverty alleviation strategies of International development agencies (e.g. World Bank, UNDP, IFC, USAID etc.) in the way it should have been given. Islamic microfinance is just 1% of the total micro financing of the world that is just 1 billion US\$. There is no religion of poverty, but religion plays an important role in poverty alleviation. This is the reason why Islamic microfinance should be given a proper place in the modes of poverty alleviation through which both Muslims and non-Muslims can take benefit. The famous columnist M. D. Nalapat blames the government of India especially the financial regulatory authority for not adopting Islamic banking in India while giving valedictory remarks in an international seminar on Islamic finance held in Kochi on 4th to 6th October, 2014. Acting against Islamic finance due to religious matters is not a good thing. If it has a capacity to contribute Indian financial sector it should be promoted.

In Islamic finance, the borrowers who are heavily under debt and cannot generate enough to pay off their debts. They can be jobless or earning a little, or those who may be left with nothing if they pay off all their debts, or those who have been reduced to poverty due to unforeseen calamities like paying heavy penalties and fines, failure of business etc. This means Zakat can be channeled to Hiwalah fund. (Hiwalah is a transfer of debt from the transferor (muhil) to the payer (muhalalayh)).⁵⁶ In this case, the poor people as in debtors or Muhil (transferor), and the IMFI as provider of fund is a Muhal „Alaihi (the payer). this contract also help to reduce the difficulties of the poor. so when he started his business, he is not no need to fear that the funds will run out just to pay the debt⁸.

The second approach is based on decentralization policy. Zakah system provides a permanent mechanism from within the economy, to continuously transfer income from the rich to the poor, so that whatever is the number of poor people in a society or whatever are the causes of poverty there is always a continuous flow of transfer to take care of the welfare of the poor. The allocation of Zakah and disbursement between the poor, needy and other recipients on one hand and between capital goods and consumption goods on the other, as well as the principle of tamlik, which means giving to the poor and needy on a grant basis, are considered to lead to more specific approach in dealing with the problem of eradication of poverty, since Zakah addresses specific poor groups. The IMFIs is able to integrate capital provider (from zakat) and capital user (or IMFIs client). The ability could be seen from the following fundamental strengths of IMFIs⁸:

- i. Access of the poorest of the poor to the IMFI The poor are normally excluded all the times from economic and financial assistance of the formal financial institutions.
- ii. Assessment of the financial health of the poor Many failed micro-finance (MF) programs owe their failure to inadequate evaluation of the client's financial condition. Provision of micro finance does not stand to reason for a person in need of social safety nets resulting in the funds being consumed away instead of being invested. The poor come in disparate categories with varying needs of consumption and productive investment and risk of delinquency and default. Microfinance programs involving indiscriminate funding of the poor, such as, most government-managed ones are destined to fail. This is one of the cornerstones of MF "best practices" that assert the government should have no role in direct or indirect provision of financial services and its role should be restricted to providing a supporting and enabling environment. Insistence on beneficiary stake is of

course, a device to reduce moral hazard and enhance efficiency.

Workable Model : The Zakah Investment-Micro Finance Model is an idea which tries to integrate charity with MF and bring Islamic finance closer to the objectives of Shariah. The key features of this model are as follows: The Qur'an provides the concept of brotherhood and social welfare.

The Quran also directs all Muslim to participate, either as donors or as beneficiaries. The model works as follows:

i. Sources of Funds :

The major sources of funds are motivated by the following verses: "And in their wealth there was the right of the Sa'il (who asked for help) and the Mahrum (who could not)". Islam was probably the first religion to introduce the concept of zakat, to reduce socioeconomic gap between the rich and the poor.

ii. Usage Of Funds

No doubts that reduction in social and economical gaps between various segment has greater benefits than the economic inefficiencies created through limited availability of funds for the poor. Islam also defines in detail the usage of the available money of zakat. First, basic necessities. Islam considers it the primary responsibility of the societies and government to care about the needs of the poor people and ensure necessary facilities for a decent life for all its citizens. Second, education and productivity. Islam Consider the quest for new knowledge as equal to faith in any Muslim. Allah said, "Then High above all be Allah, the True King. And be not in haste with the Qur'an before its revelation is completed to you, and say: "My Lord! Increase me in knowledge" Third, Qard al Hasan (benevolent loan). Islam does not limit zakat to meet the consumption requirements of the poor, but also introduces and provides the unique idea to explore the zakat for productive purpose⁸.

The proposed IMFIs will raise funds from the Zakat (compulsory charity), Shadaqat (optional charity), and Qard Hasan (interest free deposit). Because zakat and shadaqat will reduce the need to diversify funds meant for investment to unproductive use, thus improving the overall returns on investment and decreasing the probability of default on loans. The major contribution of Zakat Based-IMFIs is to provide capital to the poor and needy to build their own businesses, and also provide them with the incentive to work diligently to return the principal amount, without having to pay any additional charges. In case, where the beneficiary is unable to repay his or her loan, they becomes ghaarim (one burdened with debt), as discussed above. The beneficiary thus becomes a legitimate recipient of zakat to pay back what he or she owes. Hopefully, this mechanism will reduce the stress of risk in business for the recipients and create an enabling environment for productive work and, thus, increased economic opportunities in society⁸.

Research Methodology :

This is basically qualitative research. However, to explain the qualitative data, quantitative data were also gathered on limited scale by visiting the office of AABY. Convenient and purposive sampling technique was used to gather the data. Qualitative data were gathered through personal observation and in-depth interview from the official of AABY. Questionnaire was used to gather the quantitative data.

It is to be noted that there is a difference in the operational structure and policies between interest-free and interest-based conventional microfinance institutions. Hence, whether it is appropriate to have a direct comparative study of IFMFIs on conventional microfinance industry standards is a question that needs further discussion.⁹

Funding of AABY :

The funding of this charitable work is performed by the amount received/collected from the Bhopal city, as Zakat, Imdad (financial support), Sadaqa, Fidiya, Fitra and other heads. The money is also generated by selling of Qurbani animal (slaughtered animal) skin which is used for making leather and other products. The amount collected annually has now reached to about Rupees 3700000/- (Rs 3.7 Million) . Till 2012 the Government of Madhya Pradesh India annually contributed Rs 37000/- (Thirty seven thousand) for the above purpose now it has been discontinued owing to reason known to M.P. Government.

Operations :

To carry out the operations of AABY there are 3 staff who are paid salary every month from money collected under various heads. The money that is collected from various sources is deposited in the bank account of the AABY. At present this noble task is being managed by a working committee comprising of 26 members, selected from all over the Bhopal city.

The organization operates from Moti Masjid, and due to this reason, there are no rental charges. The office is simple with minimum facilities. The use of Masjid for operations helps in eliminating the rental charges of the office. Secondly, it is a well-known place for the local people. The Masjid is constructed on Waqf land. While interviewing of Mr. Anees-ul-Hasan Ansari (M.Sc. Chemistry Gold Medalist and an Advocate) who is at present the President of the institution informed that the office-bearers and members work on voluntary basis, they are not given any remuneration. The registered office of Anjuman Anayat Bewagan & Yatama is situated at Moti-Masjid, Sultania Road, Bhopal, 462001, M.P. INDIA. Phone + 91 755 2531103. All audited accounts are available at the registered office.

Services provided by AABY :

The Anjuman Anayat Bewagan & Yatama is providing different services to the economically weaker and weakest sections of the society. These services are as follows:

Monthly Pension to senior/aged widows: - The pension amount at present is Rs. 300/- per month. This amount is very less, compare to enormous increase in price of the essential commodities. At Present the institution is paying successfully about 700 widows per month.

Education Purpose: - Education stipend, for yateem/ yaseer/ nadar children's of the society is given. This activity only performed when the amount is surplus ordinarily it is not provided due to lack of funds. The Anjuman is also working in this direction and try to get substantial amount from the local peoples or other persons/ organizations. Financial Support of up to RS 3000/- is given to about 25 students for buying books, pay tuition fees, examination fees etc. to the poorer and poorest students is provided. The organization also helps yateem boys and girls to study up to graduate level.

Medical Purpose: - Financial Support for buying medicines, spectacles, and any special requirement for medical purpose is provided to 150 persons up to RS 2000/-.

Quilt Distribution:- In winters the organisation distributes quilts in winter season to the poorest and poorer about 500 in numbers.

Marriage: - About Rs 3000-5000/- is given for marriages of the children of widows to whom pension is provided.

Support for Micro Business:- An amount up to 5000/- is provided for buying machines for self-employment or setting up of micro businesses.

Waqti Imdad (Financial support for one time) for economically weaker widows and orphans. This assistance is to establish the young widows to engage in service activity to earn some money for earning bread for the family. This assistance is also utilized for medical expenses.

Emergency Support: - This help is provided to anybody at the time of emergency as and when necessary.

The Islamic microfinance model of AABY :

The Islamic micro finance model of Anjuman Anayat Bewagan & Yatama is motivated by the aim and mission to uplift the most weakest section of the society by providing pensions, education stipend and medical support to poorest and the orphans in order to bring them to the main stream or at least above the poverty line so that they can become self-sufficient and work for the betterment of the society.

The weaker and weakest are supported by zakat, sadaqa and imdad and other resources in which the people are not required to pay the money back for sustaining their day-to-day needs. It is the target of the institution to improve the financial condition slowly but steadily of the under privileged.

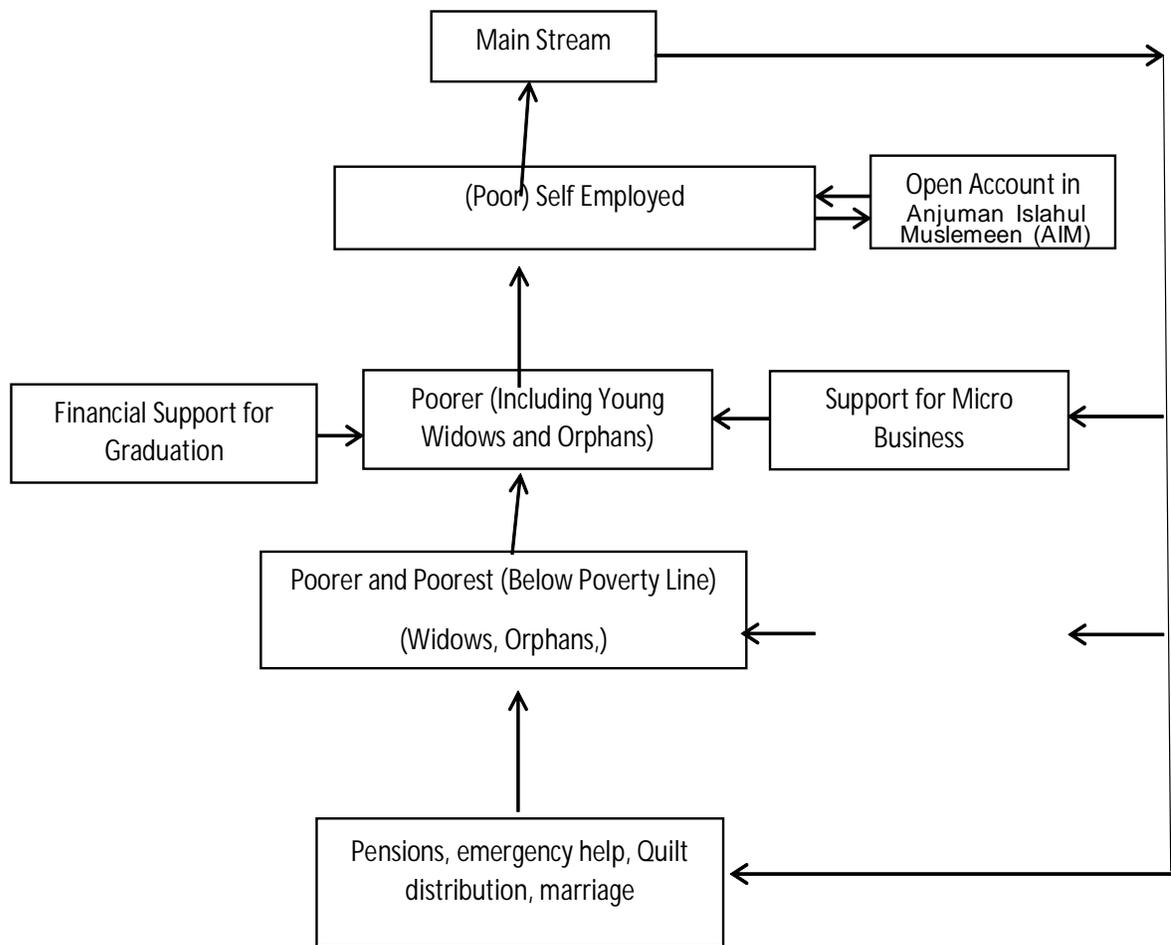


Figure 1. Islamic Microfinance Model of AEYB

The individuals who become self-sufficient are encouraged to open account with Anjuman Islahul Muslemeen (AIM) another Islamic Microfinance Institution in Moti Masjid Bhopal to deposit their savings which can be used at the time when it is required. The conventional (interest based) banks do not entertain poor people, for example minimum balance in saving account which the account holder in India's largest bank State Bank of India is Rs 5000/-.

While opening account in AIM consent is also taken by account holders that their money can be used for giving loans to other poor people. The people who have become self-sufficient to give zakat, Imdad, Sadaqa. The orphans and poor who become graduate get employment in various organizations like school, college and other organization and get salary.

Result and Discussion

The Anjuman Anayat-E-Bewagan & Yatama has been successful in alleviating poverty from the society. The fact that more than 100 years have passed and all the members of the society have changed in years but the institution is progressing. The number of poor people who were benefiting from the organization have increased. The amount accumulated in the institution has also increased without the use of interest. Atif Aziz *et. al.*⁶ Islamic micro-finance prohibits charging of interest on loan as it is prohibited in Quran. The motive of Islamic micro-finance and AAYB is to protect poorest and the weakest people from financial hardships. There is a very thin line between poor, poorer, and poorest. Zakat is, therefore, obligatory in Islam for rich people so that money is redistributed among the society and does not get accumulated in the hands of a few.

The monthly pension which was given to 650 widows have now increased to 700 and the amount have also been increased from Rs 200/- to Rs300/- per month. The amount given for educational purpose is increase to Rs 3000/- which was previously Rs 2000/-. Despite inflation and increase in the cost of quilts the number of quilts distributed have also been increased.

Many poor students, orphans who graduated by support of AAYB have got jobs and become self-sufficient and contribute to the institution in the form of Zakat, Sadaqa, and Imdad . Those who got involved in micro business by the support of the organization are now supporting their families and educating their children. The Government support of Rs 37000/- per annum was also stopped in the year 2012. The challenges caused by various Government policies like Demonetization and decisions like non-inclusion of Islamic banking system and Islamic microfinance in the economy has caused hindrance in AAYB's growth. The institution has still managed to overcome the adverse policies of government and shown growth together with sustainable development of poorest by inclusion main stream.

Conclusion

The Islamic microfinance institution Anjuman Anayat-E-Bewagan & Yatama an NGO which works purely on Islamic principles raising the funding purely from sources which are not prohibited in Quran and Sahih Hadith. The sources of money creation are from Islamic perspectives like Zakat, Sadaqa, Imdad, selling of slaughtered animal skin, fitra, fitya etc. The rich people of the society are contacted and money is collected from them. Some poor people who have now come in mainstream also contribute for money accumulation.

The success of AAYB can be gauged by the fact that more than 100 years have passed but the institution has grown and is now helping more people than ever before. Secondly, all the old members were replaced by new members but the spirit and mission of the organization has not changed. Thirdly, the Government provided financial support of Rs 37000/- till 2012 is stopped. The adverse policies like demonetization and monetary policy of non-inclusion of Islamic banking and Islamic Microfinance in Indian economy. The institution has shown sustainable growth for the betterment of society.

From Islamic prospective the monetary economics and policy are governed by Islamic laws; to name a

few of them Islam forbids accumulation of wealth, it protects the ownership of business i.e. if there are two partners the profit is shared on the basis of percentage which is initially agreed upon in the contract and loss is borne on the basis of the ratio of capital being invested by the two partners.

If we take example of AAYB the challenges and experiences in country like India faced are: The growth of the institution has been slow to maintain financial stability and resilience to shocks for example nowadays the limit has been imposed on donation i.e. only Rs 2000/- can be donated in cash.

The optimal monetary policy and financial structure in addition to what Aslam stated (2014), micro-finance is a big terminology which is used to provide the financial services to the poor people of third world, in the form of individual loan, group loans, micro leasing, micro loans, micro insurance, and the fund transfer to develop their business and assist them for exceptional emergencies are “social justice and fair play”.

The consequences of replacing interest with profit sharing would be that the circulation of money flow in the market will increase the business activities; that would in turn increase employment opportunities unlike protecting money in the fixed deposits to get interest i.e. making money dead. The Islamic monetary policies should be bound by rules and not to be carried out on discretion from Islamic prospective in such a way that the common terms of conventional financial system and Islamic (Just) financial system which the authors name as “*Just Financial System*” should be implemented first in a dual banking system.

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