



Czech University of Life Sciences Prague

**Faculty of Tropical
AgriSciences**

Islamic or Conventional Micro-finance in *Kabul, Afghanistan*

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Introduction to MF

- **Importance of MF**

The former Secretary General Kofi Annan said for the *International Year of Microcredit 2005* that *Microfinance has to meet the MDG. Sustainable access to Microfinance helps to alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs.*



Introduction to Islamic Micro-finance

- **There are 2 types of MFIs in Islamic countries.**
- **IMF is Alternative to CMF in Islamic countries for Muslim population.**
- **There are some regulation in IMFIs because of Shria (Islamic law) which do not allowed Muslim to pay and charge fix rate of interest for cash.**
- **IMFIs different products than CMFIs, mostly partnership.**

Introduction to Target Area (Afghanistan)

- **Afghanistan is one of the poorest country in South Asia.**
- **Afghanistan has been affected by a conflict started in 1979.**
- **There is high unemployment rate, every 3th person live below poverty line, almost 9 million Afghans are not able to meet their basic needs.**

Basic Numeric Information about Afghanistan

Population	30.5 mil
GDP	\$20.3 bil
GDP Growth	1.9 %
Inflation	7.6 %
People Living in Rural Area	75 %
People Living in Urban Area	23.5 %
Kuchi (Nomadic) People Living with Absolute Poverty Rate	53.8 %
Rural Poverty Rate	36 %
Urban People Living with Poverty Rate	28.9 %
Unemployed Rate	53 %

*Source: 1. World Bank
, KAKAR, M. Hassan, 1997*

Target Area Kabul Afghanistan



Problem

- **9 Million people need to be served by MF, but they do not use CMFIs.**
- **Around 72 percent of inhabitants living in Muslim countries do not use conventional financial services (Singh S, 2013).**



Objective of the study

Main Objective

- **Main objective of this study was to find out through research demand for Micro-finance in Kabul Afghanistan**

Specific Objective

- **Was to find the choice of the people about the 2 types of Micro-finance: which one they prefer for their business activity (Islamic or conventional) Micro-finance**

Literature review

- **MF started in the middle of the 19th century**
- **MF is a strong tool against poverty (CGAP, 2004).**
- **Friedrich Wilhelm Raiffeisen's village bank was founded in 1864 in Germany and by the year 1901 the bank had achieved 2mil farmers.**
- **Nowadays MF has started in the 1970s, Grameen Bank of Bangladesh by the noble prize winner Mohammad Yunus.**
- **World Bank evaluates that around 7000 MF institutions worldwide serve more than 16 million people.**
- **CGAP experts estimate that around 500 million families benefits from small loans making new business**
- **MF is not always tool for development it could be anti-developmental tool (Bateman M, 2013).**
- **Around 72 percent of inhabitants living in Muslim states do not use conventional financial services (Singh S, 2013).**
- **Note: Consultative Group to Assist the Poor (CGAP), Microfinance (MF)**



Objective of the study

Main Objective

- **Main objective of this study was to find out through research demand for Micro-finance in Kabul Afghanistan**

Specific Objective

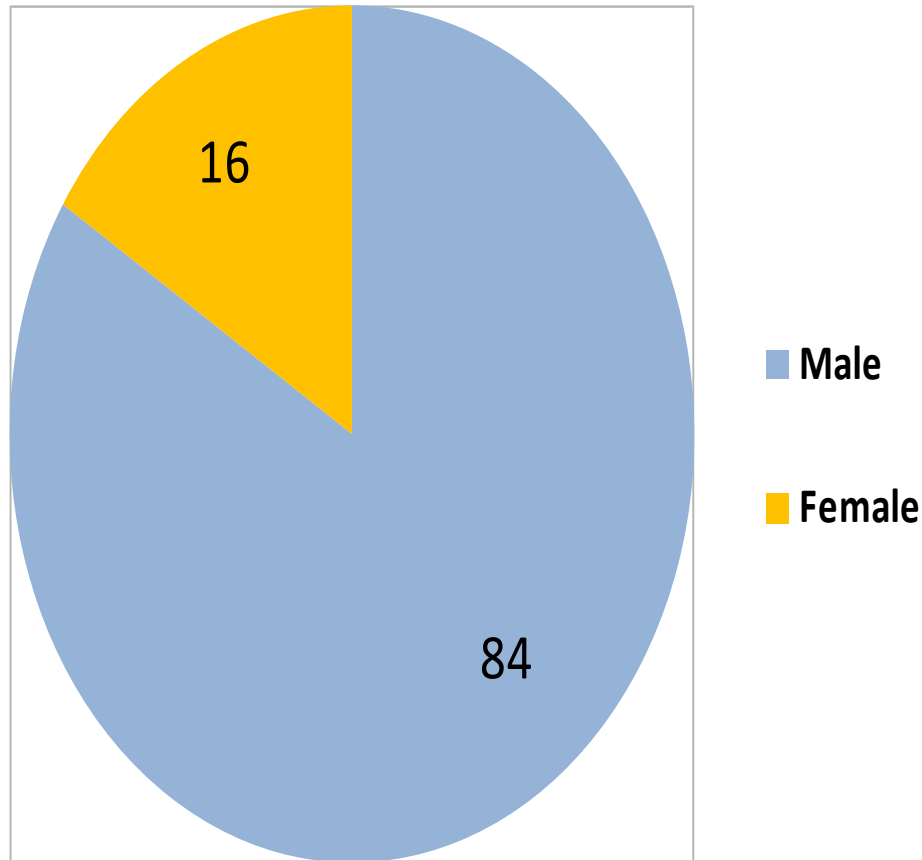
- **Was to find the choice of the people about the 2 types of Micro-finance: which one they prefer for their business activity (Islamic or conventional) Micro-finance**

Method of Data collection

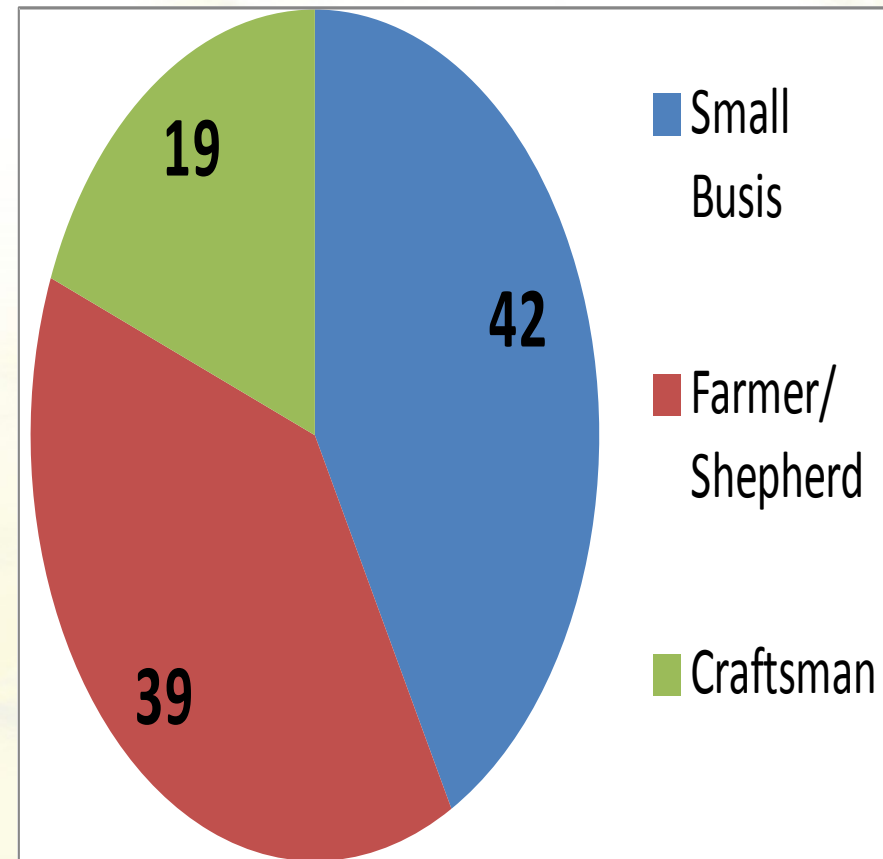
- **Data was collection from (August–September) 2014 in rural and urban area of Kabul province.**
- **Cluster sampling was used for data collecting**
- **Kabul province was divided in 6 main covenants Parts.**
- **Local inhabitants (Farmer/ shepherd, craftsman, craftsman and SME) were asked by questionnaire in their work places.**
- **There were 20 questions and 194 respondednts.**

Result

Gender

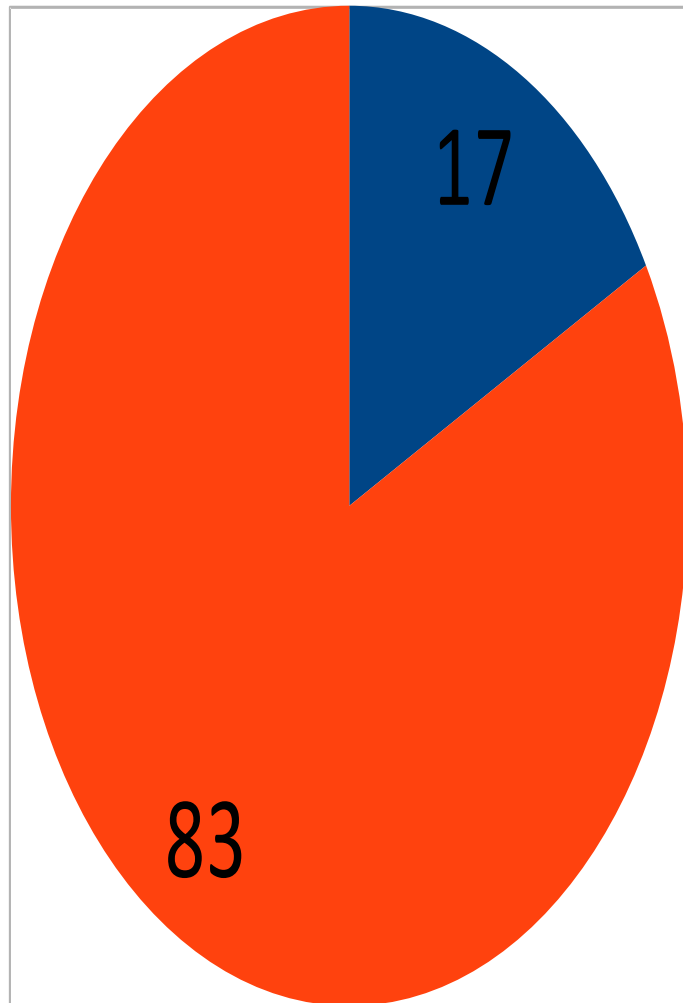


Occupation



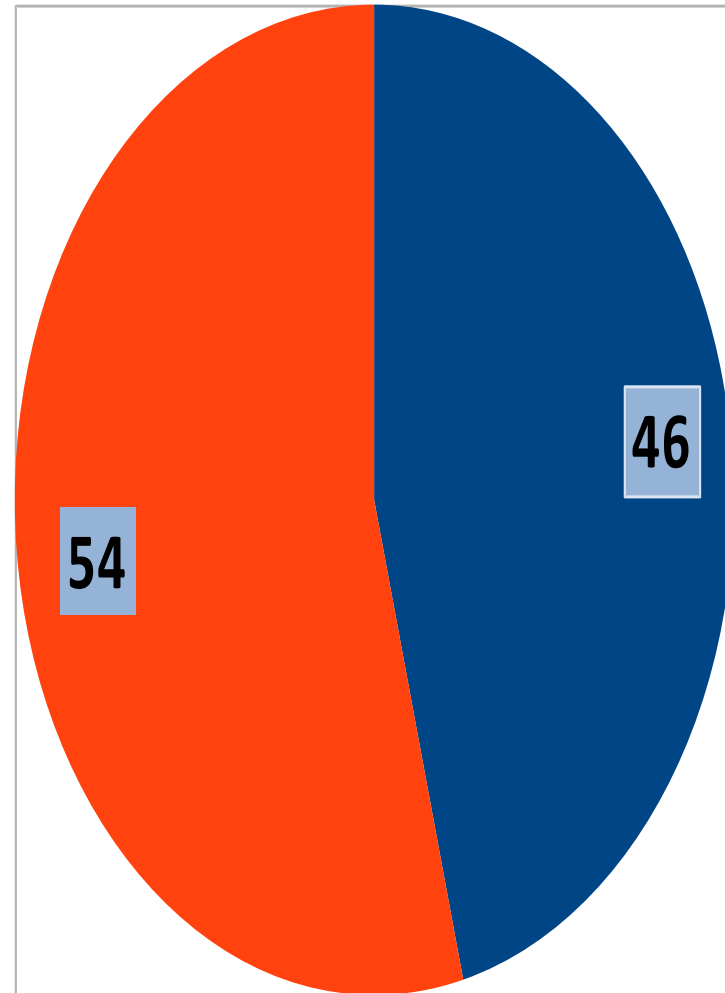
Result

Bank Account



■ YES
■ NO

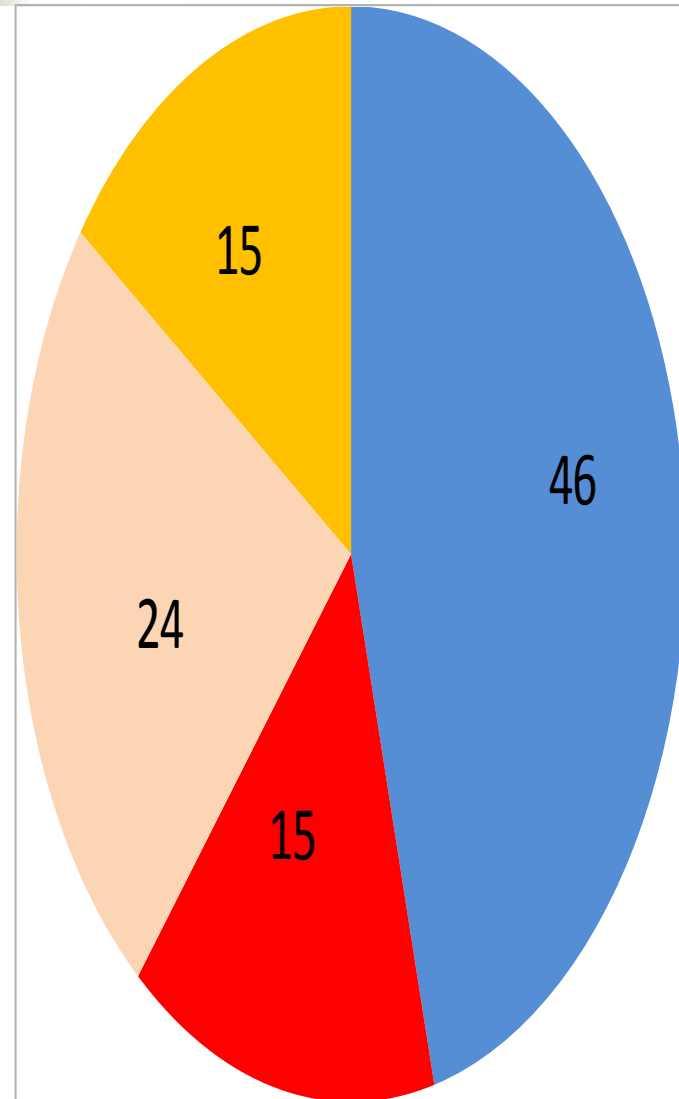
Used MF



■ YES
■ NO

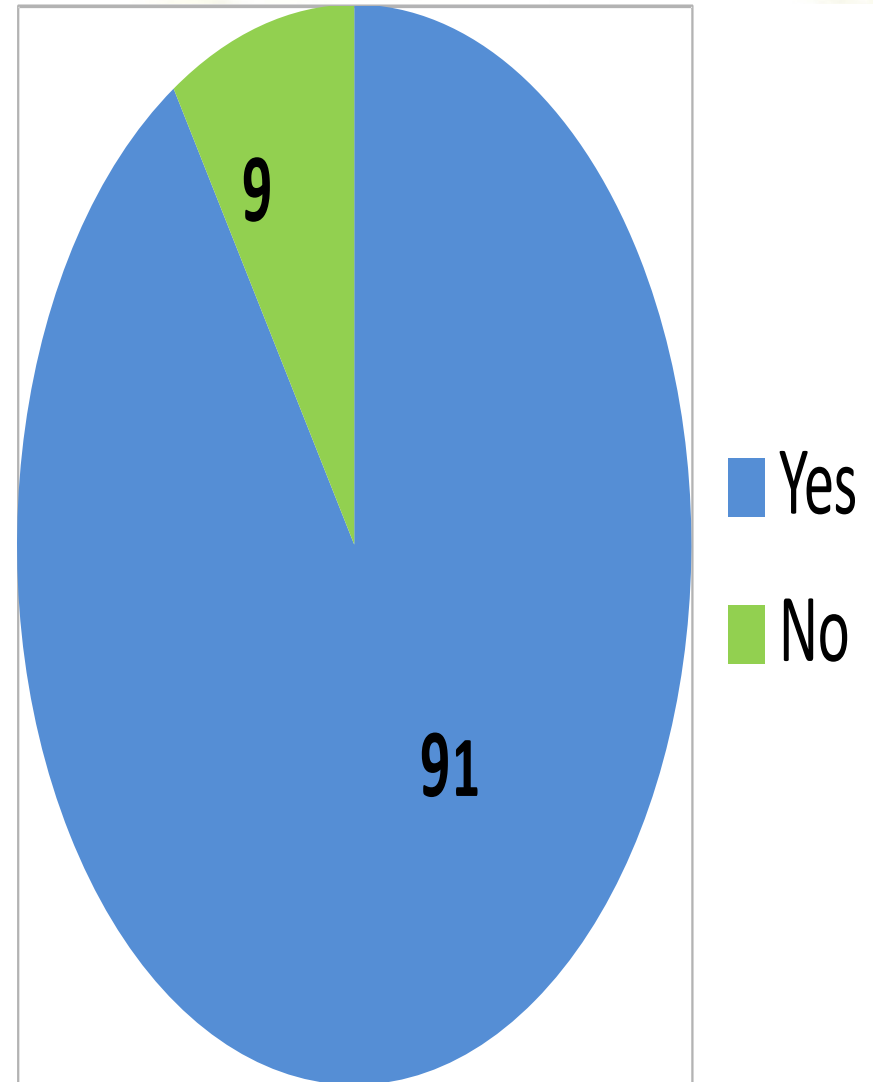
Result

14. For which purpose will you use the credit?



- Financing SB
- Agriculture
- Livestock
- Personal Us

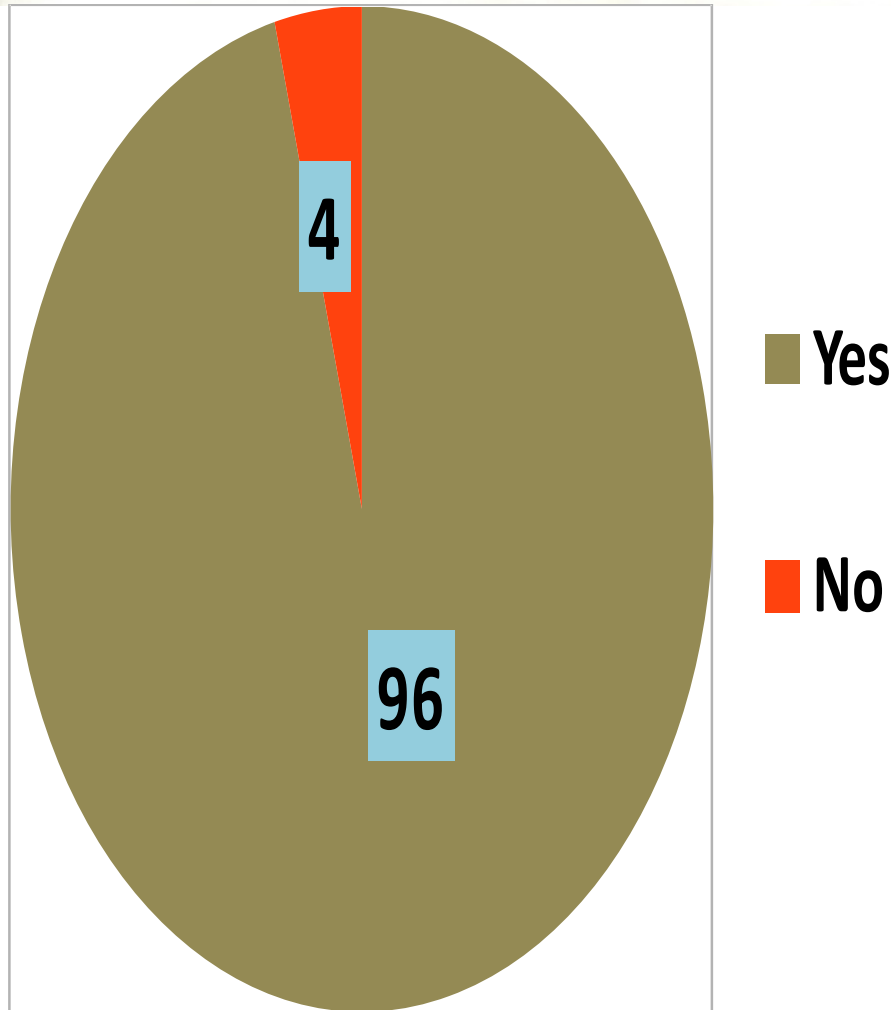
15. Does your religion create important part of your life?



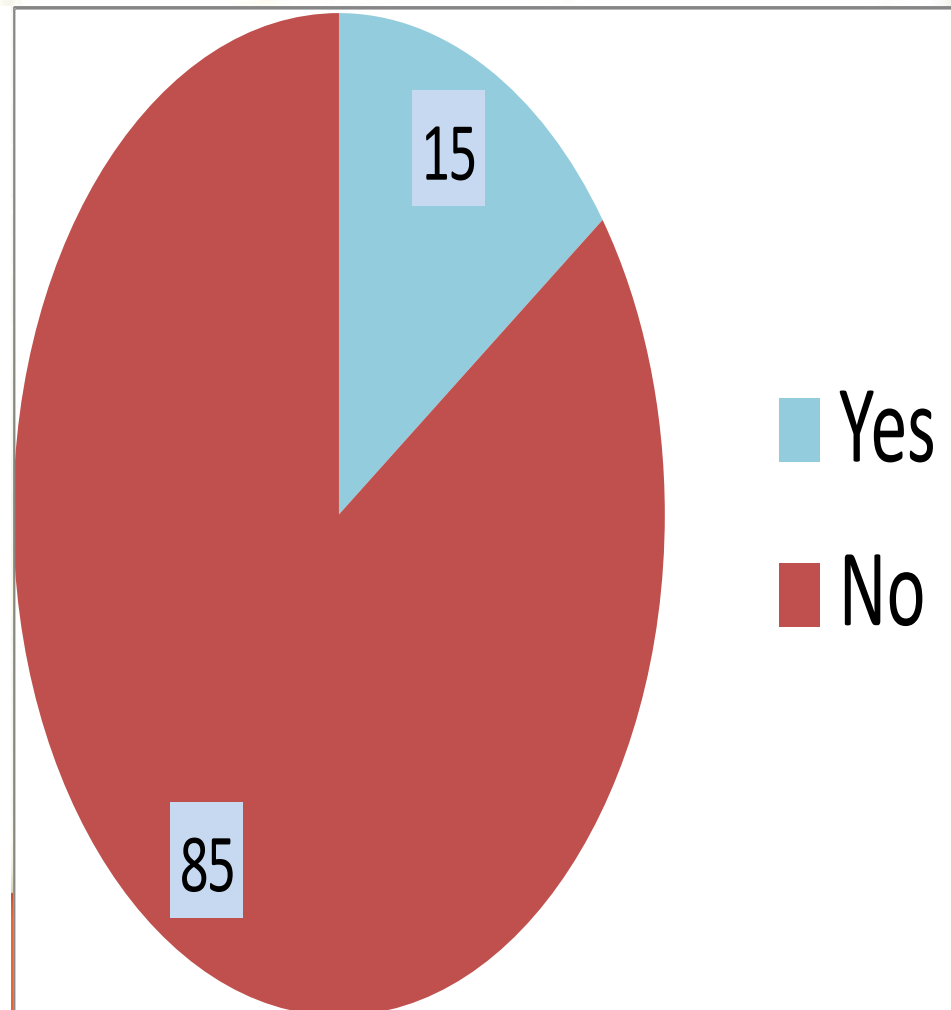
- Yes
- No

Result

16. Does your religious leader prevent you from loan with fix Interest rate for cash?

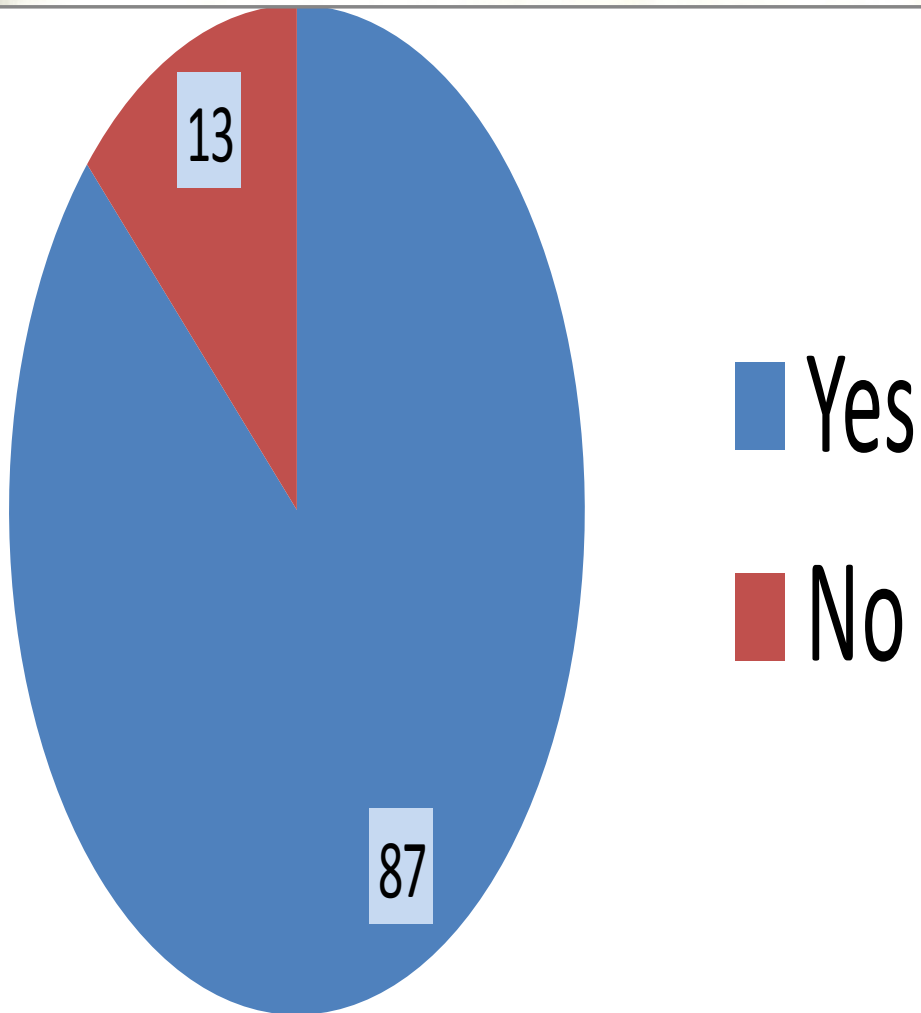


17. What is your decision after religious leader prevention will you accept loan with fix Interest rate?

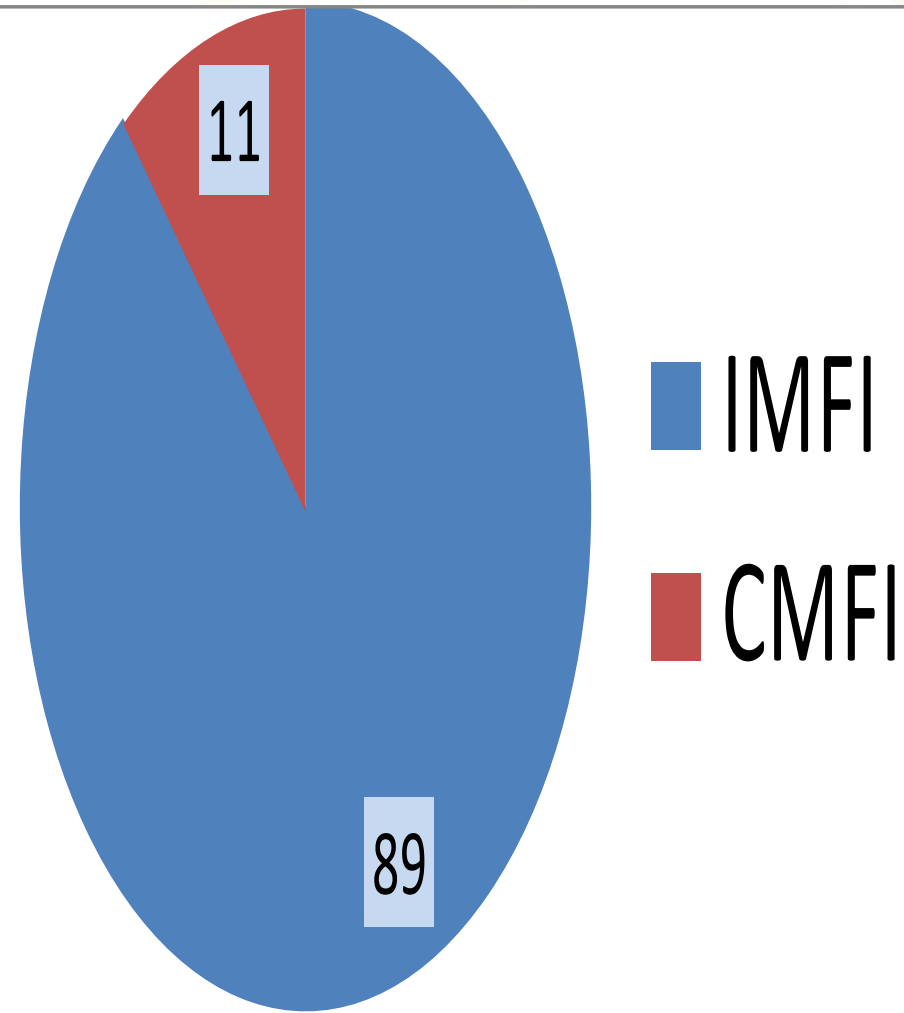


Result

18. If there will be any IMFIs will you use its services?



19. Which MFIs do you prefer CMFI or ISM?



Result

- **The result of the data shows there is huge demand for credit in Kabul Afghanistan.**
- **And the role of religious leader is important for the local people in rural urban area in social and economic activity the local people can not cross the line.**
- **The majority of respondent say that they will not go against religious leaders.**

Results show that 90% of the respondents prefer IMF because of their religious believe.

Discussion

- **There was no study available in same topic conventional MF or Islamic MF in Afghanistan but it was always haired from Imams (Religious leader) that conventional MF which accept and charge fix interest rate is prohibited in Islam.**
- **In several other Islamic countries Pakistan, Bangladesh, India, Arabic countries and some African countries studies support my result that Muslim do not accept to pay and charge fix rate of interest for cash.**

Conclusion

- **The research and analyze of the data and evidences suggesting that in Kabul Afghanistan there is a huge demand for MF, but religious value makes barrier to conventional MF.**
- **The study support IMFIs for Kabul, Afghanistan.**
- **The role of religious leader is important for the local people .**
- **The majority of respondent say that they will not go against religious leaders' opinion.**
- **All Institution must respect the culture and religion to be successful and in Afghanistan.**



Recommendation

- **Other research is needed to study the implementation of IMF in Afghanistan, to find if it is practically possible for local and international companies to invest on IMF.**

Research needed to evaluate which MFIs serve better IMF or CMF.

References

1. *KAKAR, M. Hassan, (1997). Afghanistan: the Soviet invasion and the Afghan response, 1979-1982. Berkeley: University of California Press. 392p*
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3. *FEDERAL RESEARCH DIVISION, (2008) COUNTRY PROFILE: AFGHANISTAN. Library of Congress. Available at <http://memory.loc.gov>: Accessed 2015-03-26.*
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Thank you for your attention!



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23

