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**Akhuwat, a social and solidarity economy organization in Pakistan:  
Interview with Dr. Muhammad Amjad Saqib**

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Naoko Takasu  
Graduate School of Asia Pacific Studies  
Ritsumeikan Asia Pacific University

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Naoko TAKASU<sup>1</sup>

Graduate School of Asia Pacific Studies

Ritsumeikan Asia Pacific University

**Abstract**

This paper records an interview with Dr. Muhammad Amjad Saqib, a founder and chairperson of Akhuwat, the largest Islamic microfinance institution in Pakistan. The interview was held in December 2020 in order to explore how their interest-free loans led to “transforming borrowers into donors”. Based on the interview, a number of key elements of Akhuwat emerged which are to be further investigated as characteristics of a social and solidarity organization focusing on poverty reduction. Akhuwat seems to be using *reciprocity* as a driving force of its operation. Akhuwat also values non-monetary contributions by its borrowers and partners and focuses on non-monetary aspects of poverty, such as exclusion, exploitation, and marginalization. Dr. Amjad Saqib received the Ramon Magsaysay Award 2021.

*Keywords:* Social and solidarity economy, Microfinance, Poverty Reduction, Pakistan

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<sup>1</sup> ta20n2fr@apu.ac.jp

## **Akhuwat, a social and solidarity economy organization in Pakistan:**

### **Interview with Dr. Muhammad Amjad Saqib**

This paper aims at recording and analyzing an hour-long interview with Dr. Muhammad Amjad Saqib, remotely conducted by the author on 3 December 2020 as a part of her doctoral research on the social and solidarity economy<sup>2</sup>. Dr. Amjad Saqib is a founder and chairperson of Akhuwat, the largest Islamic microfinance institution in Pakistan, and he received the Ramon Magsaysay Award 2021 for his compassion, determination, and “inspiring belief that human goodness and solidarity will find ways to eradicate poverty” (RMAF, 2021). Akhuwat started as an experiment of Dr. Amjad Saqib and his friends in 2001, wanting to stop imposing high service charges and interests on loans to the poor. This idea emerged from his observations as General Manager of Punjab Rural Support Programme which was providing loans with service charges exceeding 20% of the loan amount (Saqib & Malik, 2019). It is also based on Dr. Amjad’s interaction with Dr. Muhammad Yunus of Grameen Bank who “suggested that those questioning the very existence of service charges failed to comprehend the system” and inquired “why don’t they design something themselves that is free of interest” (Saqib & Malik, 2019, p.7). Akhuwat provides interest-free micro loans to the underprivileged segment of society and has grown exponentially over 20 years. It has over 850 branches across Pakistan and provided 5.1 million loans worth Rs.160 billion (approx. US\$889 million<sup>3</sup>) with recovery rate of 99.96% (Akhuwat, 2022).

Akhuwat is actually more than a microfinance institution. Having its vision of “a poverty free society built on the principles of compassion and equity”, Akhuwat also runs other programs such as education, health, clothes bank, and transgender support. It has five key operational principles: providing interest-free micro loans; using religious places such as mosques, churches and temples for loan disbursements; developing culture of volunteerism; transforming borrowers into donors; and ensuring diversity and inclusion (Akhuwat, n.d.). A list of interview questions was prepared after reading a book entitled “*Integral Finance – Akhuwat: A Case Study of the Solidarity Economy*” co-authored by Dr. Amjad Saqib and Ms. Aneeqa Malik. The list was sent to Dr. Amjad Saqib in advance, but the interview was conducted in a less structured manner, organically evolved based on his response. Since the

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<sup>2</sup> While there is no globally agreed definition, one of short but comprehensive descriptions is as follows: the social and solidarity economy is in between the public and private sectors and embodies “grassroots-generated economic initiatives through which goods and services are produced by organizations that have social and environmental aims, and are guided by objective and practices of cooperation, solidarity, ethics and democratic self-management” (North & Cato, 2018, pp.6-7).

<sup>3</sup> At the exchange rate of Pakistani Rupees 180 / US Dollar

book and website of Akhuwat contain detailed information on the operational modality and the philosophy of the organization, the main purpose of the interview was to obtain unwritten information which could be useful when analyzing it through a social and solidarity economy framework. As the success of Akhuwat seems to be based on its “virtue-based approach”, i.e., drawing support not only from philanthropic donors and volunteers but also from the less-privileged borrowers themselves, this interview began by exploring elements of Akhuwat which enabled a transformation of borrowers into donors. The author also tried to find out applicability of “virtue-based approach” to other areas than microfinance as well as to other organizations. In the next section, italicized sentences are questions posed by the author to Dr. Amjad Saqib, and all other parts are responses from him.

### **Interview with Dr. Muhammad Amjad Saqib**

*How does Akhuwat bring virtue out of people?*

There are two extremely important factors in organizations: the overarching vision and where does this vision come from. What are you doing, why are you doing it, and what does your organization want to achieve? The vision can emanate from your faith, study of human history and society, your own experience, friends, parents, family, teachers, national pride, and the Divine guidance.

To counter a vicious circle, we need to create a virtuous circle which will enrich many lives. We firmly believe in this virtuous cycle and values of sharing and caring. This is the important thing in our organization. The God has blessed us so many things; at the same time, two billion people living less than \$2 a day, and we see many other sufferings and misery. Thus, it is my responsibility to share what I have been blessed with; I am answerable to the God if I have adopted the principle of sharing and caring or not. Even if you do not believe in God, you must be believing in virtuous circle.

The vision of our organization is to create opportunity to everybody. Once we socialize the vision, then leaders need to implement it. Our concept is to create a virtuous circle so that people will not only help themselves but also reciprocate this goodness; they will be a part of our organizations, of solidarity economy, of sharing whatever they have been blessed with. In the spirit of volunteerism and giving, we have created a pool of money to give out those in need of money without cost to start business. We expect that all those people who get money from us will help somebody

else, once they are out of poverty. We are engaging people and creating the bond of love and friendship. The whole concept is to have a vision and transfer that vision to our beneficiaries and borrowers. In fact, we do not consider them as clients and beneficiaries but they are our partners of development, companions, colleagues, and Akhuwat families. We are a part of one family, and we work with everyone, irrespective of caste, religion, race, even though our vision is derived from Islam. The God does not make distinctions; so why should we make such difference? The determination of Akhuwat is to serve the whole humanity and the whole people around us.

We are trying to create a society which has equal opportunity for everybody through creating an organization initiating a virtuous circle of virtue, helping people continuing this circle because we believe that the capitalism and market economy is not a solution; nor charity is a solution. The name of a solution is solidarity, *Akhuwat*, and *Mawakhat*<sup>4</sup>. We join hands with the poor people and embrace them, saying that we are here for you to support in your difficult time. This concept, *Akhuwat*, *Mawakhat*, is embedded in our organization and is humbly given to us by our holy Prophet; he specifically mentioned that if we want to create a better society, then we should share whatever you have with your neighbors.

#### *When and how do your borrowers become donors?*

We try to empower people and tell them that they can become a donor by just giving one penny. For becoming a donor, you do not need to give hundred dollars, thousand dollars or a million dollars. Just giving a penny, you can become a donor. We inspire them to become a donor from the day one; even giving smile, even giving a good advice is a donation. Donation is giving something to society and to some individuals. It is not necessary for borrowers to give us monetary donation; all of their good deeds are their donation to the society and to our organization. We do not believe in donation as only monetary one; giving and sharing is much beyond money. If you help orphans, if you are teaching somebody and do not get money, if you give right directions to others, you are giving. We see the entire process of human engagement in terms of

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<sup>4</sup> According to Saqib and Malik (2019), “Mawakhat refers to the creation of brotherhood between emigrants (Muhajireen) and the helpers (Ansar)” (p.8) when the people of Mecca migrated to Medina. They also explain it as “a Prophetic tradition of Mawakhat, whereby every one member of society is responsible for another less-fortune member by sharing from their wealth” (Saqib & Malik, 2019, p.37).

sharing. In that term, the moment he becomes a part of our family, he become a giver. We also tell borrowers, once they establish a business and start earning 1,000 Rupees; would you like to give 1 Rupee out of 1,000 Rupees so that you can reciprocate, so that you can have this great feeling that you are not a taker only, but you are also a giver. This is how they start giving; when they start giving, they have smiles on their face, they are so happy and they feel themselves so blessed. Their self-respect increases; their trust in God increases; their trust in humanity increases. They feel that others helped them without knowing them; so why don't they help others without knowing them. They don't wait. The beauty of this seed of virtue is that the moment you plant this seed, they bear fruit immediately. The moment we start the process, we start getting the results; we see the changes in people.

*So, perhaps you are making people out of poverty by giving them a self-respect and being included in a society?*

Yes, once a teacher told me that financial poverty is not very dangerous. But moral poverty is dangerous. If you are deprived from ethics, deprived of doing good things to others, that is extreme poverty. What is dangerous to people are social, ethical and spiritual poverty.

*How are you involving the beneficiaries in your decision-making process? How are they participating in your organization?*

By empowerment and giving them a choice: When we go to people, we share our vision and values. We ask them to become a part of us only if they believe in these values, so we empower them to take their own decision. If they are aligned with our vision and values, they become a part of our family. We empower them and give them a choice to become our partner.

The choice of enterprise or business is of borrowers; s/he is at liberty whatever business to choose. We do not interfere their business as long as they are doing ethical business. If they do not have expertise, we refer them to skill-imparting institutions. Amazingly, sometimes our previous borrowers come to us that they are happy to teach technical skills to new borrowers at free of cost; this is also reciprocity. For example, an electrician who used to be our borrower help our new borrower gaining skill to be an electrician, how to find customers, and how to run the business efficiently. This is

solidarity between two borrowers, which empowers them to help each other. There are many people who came to us and have no idea what to do; then we connect them with previous borrowers. There are several trades which cannot be taught in schools.

*It is impressive that you also expanded your work in education and health. Do you use the same model in these sectors?*

Microfinance is like a fire brigade; it extinguishes fire. It is useful for emergency condition. But we believe that the ultimate salvation of society lies in education. If you do not educate a generation in higher education, you will not be able to make a big change. How can we give education to poor boys and girls who cannot go to higher education due to high cost, despite that they have brilliant academic career prior to university? We came up with this long-term lending program for students; a fee-free university, free meals, free residential costs. We reverse the concept of university education; usually students have to pay fees upfront to enter the classroom. Our system is that students first get their education, be productive members of society, be change agents, be leaders, and then return the fee in 10 or 15 years, whenever they can, so that the funds can be used for education for other boys and girls. Currently around 1,500 and 2,000 students are getting education and training and learning good values, ethics and morality, and they will be the change agents and spreading our philosophy. We also have a unique fellowship and internship program for students from privileged family for 1-3 months, working with us to learn our philosophy and discover what the poverty is. Students in the best schools and those from wealthy families do not know what poverty is; they cannot appreciate the misery unless they see it with their own eyes. They do not know how sad and miserable of a woman is, who cannot buy medicines for their children and unable to send them to schools. Giving an extensive opportunity to meet our clients and to teach them about the whole concept through fellowship is another way to create a cadre of leaders.

*While expanding Akhuwat operations with partnership with Governments, is there any plans in Balochistan, Sindh and Khyber Pakhtunkhwa (KP)?*

We have recently entered partnership with Balochistan; in fact, it is bigger than Punjab. We are partnering with the Government of Sindh in education, not in microfinance. As for KP, now that the former FATA (Federally Administered Tribal Areas) is an

integral part of KP, the agreement has been taken over by the KP Government, and there is a discussion to expand our operations in other parts of the Province. So, we are working in all four Provinces plus GB (Gilgit Baltistan) and AJK (Azad Jammu & Kashmir).

*Measurement of the impact: do you conduct a baseline survey and a follow-up survey? Where do you see the most impact Akhuwat is making?*

I will send you some of impact assessments we have conducted, which will help you to know the areas of our impact. Generally speaking, we have influence on the financial, social, political and moral poverty. We are bringing people in mainstream; we are trying to end their exclusion, and we are trying to make them a part of the society. I will not claim anything on difference we have created, but one thing is sure that three million families which we have served, they have a great change in their mindset. They no more feel excluded, they no more feel alone, they no more feel deprived. One of the definitions of poverty is letting alone; when you don't have a friend, you are a poor person. If you don't have somebody to share your sorrow and happiness, you are a poor person. So, we have become a shoulder to these three million families, where they can put their hands for the moment. This feeling of togetherness is the most important difference. Initiation of a virtuous circle is the most important contribution. In a society, if you create a critical mass of people who are willing to help each other, then you cannot term the society poor. Poverty is a relative thing. If you are willing to share your resources with have-nots, and if have-nots are willing to share their resources with the poorest of the poor, then you laid a foundation of a society, which believes in virtue, believes in supporting each other, and creating a support system for the poor people, which does not believe in exploitation and concentration of wealth.

I don't claim all those who took loans from us came out of poverty. They are still struggling, but one thing I am sure is that they are no more alone. Their feeling of inclusivity is the most important achievement we have done. Inclusive society is the solution. You know financial inclusion, social inclusion, political inclusion – all of them aim towards an inclusive society. Where there is participation, where human rights are honored, where minorities and the disadvantaged are taken care of, where rights are not denied based on caste, color, creed, religion or faith, where everyone is



treated in the most humane fashion, this is an inclusive society, where I can speak and have liberty and independence in acting according to my truth, if I am allowed to take the decisions of my life myself, if I am empowered in choices of profession and other choices of life, then that is a good society, and we can only create this good society through inclusion.

One of our efforts is to create an inclusive platform where people engage each other and join hands with each other. True solidarity is, if Pakistan has 50% of poor families and 50% of non-poor families, and if one non-poor family joins hands with one poor family, if 50% of non-poor population become friends with 50% of poor population; in this way, even without a help of the state, you can create a better society. This is the true solidarity society; people-to-people finance, people-to-people support, and people-to-people engagement. And similarly, if you extend this argument, 4 billion people on this Earth which are poor, if they are partnered with 4 billion people on this planet who are non-poor, isn't it how we can make a better world? It might seem too idealistic, but this is how we think.

*How can we expand Akhuwat model so that communities can create their own Mawakhat fund?*

There are three conditions which need to be matched to start a program like Akhuwat: first, there are people who are willing to share their resources with have-nots; second, there are poor people who do not believe in charity, who want to do something, and once they are supported, they also want to share their resources with others; and third, there should be a support organization like Akhuwat, who believes in this philosophy, who believes in volunteerism, who believes in solidarity economy, who believes in becoming a bridge of these two sections of society; who is able to connect haves and have-nots; either through microfinance or any other. In any societies where there are these three types of people, Akhuwat can be started.

*So, there is a need of a bridging organization?*

Based on many societies you have visited and seen, you can decide yourself. There are always two kind of people – resourceful and altruistic mind, who are philanthropic and who wants to share, and then who are self-respecting, do not believe in charity and trying hard. If we establish a bond of love and solidarity by bringing one from each side, then we can offer support to people coming out of poverty. To connect these two segments of society, there is a need of an organization who has expertise of social

mobilization. We are educating many other organizations and communities, and we also say that this doesn't need to be an organization. If you have resources, and you go to a village and help one poor family, then you are doing Akhuwat-like work. Even making a difference in one family is akin to making a difference in the entire humanity. Not only organizations, we believe in individual solidarity. When you help one family, you enter into an initiative of solidarity economy.

*But we also need a large-scale change?*

Yes, therefore there is a need of an organization with like-minded people getting together, giving an institutional framework, and moving in a big wave.

### **Conclusion: findings and next step**

The interview with Dr. Amjad Saqib offers a number of elements which could be further investigated in the course of the research. First, Akhuwat seems to be using *reciprocity* as a driving force of its operation, in particular, to enable a transformation of borrowers to donors. Second, Akhuwat values non-monetary contributions by its borrowers and partners and also focuses on non-monetary aspects of poverty, such as exclusion, exploitation, and marginalization. Third, the organization applies the same principles to its education and offers fee-free education to students from underprivileged families. At the same time, they give opportunities of fellowship program to students from privileged families to learn the work of Akhuwat and the lives of the underprivileged. Fee-free education and fellowship program seem to be Akhuwat's long-term investments to create "a poverty free society built on the principles of compassion and equity". As this was the first interview organized at the beginning of the research, additional information is being gathered through a review of documents and field research, focusing on reciprocity and other elements, hoping to contribute to knowledge of the social and solidarity economy and poverty reduction.

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