

“INTERNATIONAL CONFERENCE ON ISLAMIC MICROFINANCE”

Ladies and Gentlemen,

Firstly I would like to congratulate **AlHuda** Centre of Islamic Banking & Economics (AlHuda-CIBE) and **AKHUWAT** for arranging this international conference on Islamic Microfinance.

We all are aware that Microfinance is considered as an important instrument for poverty alleviation and improving the quality of life of the poor.

Unfortunately, most of financial institutions in the microfinance sector provide interest based credits and the rate of interest is often exorbitantly high to cover the high risk microfinance lending. As a result, microfinance has no shortage of critics. Probably the most common criticism of microfinance directly concerns the reality that microfinance programs may have to strike a balance between two competing incentives i.e. the inherent risk and the interest rate.

Most microfinance programs attempt to reach communities that banks would not otherwise reach and thus charge higher rates of interest given the level of their vulnerabilities. Few critics also blame micro-finance as an extension of capitalistic system, which is making poor the poorer. This criticism may not be justified completely but it certainly requires some inventive thoughts to find sustainable answers.

Islamic microfinance has received overwhelming response from across the world as one discovers its ideological and practical richness and relevance. Islamic microfinance represents the merger of two rapidly growing industries: microfinance and Islamic finance.

It has the potential to not only respond to unmet demand but also to combine the Islamic social principle of caring for the less fortunate with microfinance's power to provide financial access to the poor.

Unlocking this potential could be the key to providing financial access to millions of Muslim poor who currently reject microfinance products that do not comply with Islamic law. Islamic microfinance is still in its infancy, and business models are just emerging.

Islamic microfinance, like Islamic finance, offers a plausible solution. Islamic micro finance not only believes in equitable distribution of wealth but it also is in accordance with the religious beliefs of the majority Muslim population of Pakistan.

Though it is yet in an infancy stage but it still offers a great potential for growth and expansion. The most critical factors required for its success include deep commitment, thorough understanding of shariah compliant principles, quality human resource and adequate financial resources.

Pakistan and Bangladesh account for an estimated 122 million Muslims living in poverty, or about 10 per cent of the world's Muslim population.

Pakistan is among the few countries in the world which has a separate legal and regulatory framework for microfinance banks.

These guidelines are intended to increase the scope of microfinance services and products consistent with *Shari'a* principles.

BISP AND ISLAMIC MICROFINANCE

BISP is the flagship Programme of the government aimed at alleviation of poverty and empowerment of women. BISP intends to play an effective role in the development of Islamic Banking specifically for its beneficiaries who belong to the poorest of the poor sections of society.

WASEELA-E-HAQ

In this context, BISP has launched Waseela-e-Haq initiative for its beneficiaries.

Under the scheme, beneficiaries are given Rs. 300,000/- interest free loan to start their own business and become financially independent.

The loan is required to be returned in 15 years in easy installments.

Waseela-e-Haq is a unique scheme and is not an ordinary loaning scheme, where the grantees are pre-qualified through a computerized ballot.

After pre-qualification, business potential within the family is assessed and developed through counseling and training.

One year grace period is also allowed to enable the beneficiaries to settle down their business.

So far 20 draws have been held in which approximately 18000 BISP beneficiary families have pre-qualified.

1,127 Waseela e Haq beneficiaries have been provided the first installment and they have started their business.

840 more beneficiaries have completed their counseling and training and would soon be starting their business.

So far, under this initiative approximately Rs. 185 Millions have been disbursed to the said beneficiaries.

Initial feedback from the implementation of the scheme reveals that it has enabled the beneficiaries to earn a reasonable income and live a respectable life.

Unfortunate civilian victims of Bomb Blasts incident are also included in the Waseela-e-Haq.

Before I conclude I request this august gathering to suggest on how BISP role can be made more effective in implementing Islamic Microfinance for its beneficiaries and help them break the clutches of poverty and start living more respectable life, besides playing their role in the development of our beloved country.

In the end I would like to wish every success to the deliberations on Day 2 of the Conference and thank the organizers for the timely conduct of this Conference.