

# Zakat based micro finance to empower Muslims of India

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## Muslims and their economy in India

Muslims in India are the second largest group comprising 13.4 percent of the population of the country (1) Like any other developing country, poverty in India is also rampant . But what is more distressing is the fact that few sections and communities in India are greater sufferers in comparison to others. Indian Muslims are an example. A large chunk of Muslims in India grossly suffer from the slumber of poverty. According to 55<sup>th</sup> round of NSS report (2), nearly 35% of urban Muslim and 31% of rural Muslims live below poverty line. It is in comparison to 10.1% Hindus in Urban and 11.7% in rural areas. Whereas it may be noted that the national average is 26.5% of rural and 24% of urban population in India which lives below the poverty line. According to yet another study(3), the percentage of Muslim population below poverty line is 43% as against an all India average of 39. Similarly from the point of view of land ownership – the major source of income in the rural areas, Muslims are found more deprived than others. For instance while, one fifth of the Hindus (20%) own five acres or more of land, only one tenth of Muslims (10%), belong to this category. These facts and figures suggests that every third Muslim in the country is living below poverty line and deprived of basic amenities of life. Recent efforts(4) to revisit the definition of poverty and estimates made accordingly show very horrible situation. For instance according to new findings 84.5% Indian Muslims are poor and vulnerable just below SCs/ STs sharing 87.8%; whereas this percentage at national level is 76.7%. Whereas 78.7% Indian unorganized sector workers are poor and vulnerable.

Further the Sachhar Committee(5) has compiled its findings and expressed its views under twelve different heads. All are inter related and inter connected. However chapters 5, 6, and 8 are directly related to the economic conditions of Muslims. While all other chapters are indirectly related to economic status in views of their impacts, chapters 9 and 11 reinforce the view of economic deprivation as it deals with participation of Muslims in Government Employment and programmes and Wakfs properties. Chapter 5 entitled as Economy and Employment provides a detailed comparative account of the employment of Muslims, vulnerable nature in the context of employment and policy focus in order to improve the conditions of work for the community. Chapter 6 entitled as Access to Bank Credit summarizes availability of money to the community, which is in any is lifeblood of the comparative economy. According to the findings of this report, Work Population Ratios' (WPRs) for Muslim male was 47.5 per cent against 51.7 percent all religious communities, while for Muslim female it was 14.1 percent against national average of 25 per cent (census of India 2001) Incidence of unemployment are slightly higher for all Muslims than for all Hindus, which is generally not higher than 11 per cent. Looking at the Employment Status/regular salaried Jjb both in public and private sector, Muslim workers figure only 13%

against 25% Hindu Workers. In the formal Sector (Govt., PSUs, Pub & Pvt. Ltd. Cos.) share of Muslim Workers in urban areas is less than 8% as compared to the national average of 21%. Participation in security and defense related activities at the Central Government level Muslim share was only 8% while that of Hindus was 42%. Self – Employment Status Street Vending:- Street Vending especially without any fixed location, the share of Muslim male workers is 12% as compared to the national average of 8%. Self-employment in household enterprises 7.4% of total Muslim Workers are engaged in self-employment in household industries compared to national average of 44.6%. 12% of Muslim workers are engaged in street vending (especially without any fixed location) as compared to national average of 8%. Percentage of Muslim women workers undertaking work within their own homes is 70% in comparison to 51% for all other workers. More than 41% of male workers engaged in manufacturing of tobacco products are Muslims. The share of Muslims in women workers in this sector is 35%. About 30% of male workers engaged in manufacture of garments are Muslims and the corresponding percentage among women workers is 17%. More than 26% of workers engaged in sale, repair and maintenance of Motor Vehicles are Muslims. More than 23% of male workers engaged in electrical machinery and operator's manufacturing are Muslims. It implies that unorganized private sector is the major source of livelihood for Muslims. As one cannot live without bread, Muslims in India earn their bread by engaging themselves in petty trades and cottages based economic activities.

The share of Muslims in outstanding Priority Sector Advances (PSAs) from financial institutions has been observed as All Scheduled Commercial Banks 4.59%, Public Sector Banks 4.57%, Private Sector Banks 4.69%, NABARD Refinance (Production Credit) 3.20%, NABARD Refinance (Investment Credit) 3.9%, SIDBI 0.46% , NBCFDC 9.31%.

## **Zakat, its purpose and use in India**

The literal meaning of Zakat is an increase (6)<sup>1</sup> Zakat is an Islamic institution. It is one of the five pillars of Islam. No society or social structure of Muslims can be visualized without the practice of SALAT (prayer) and Zakat (sadaqat) Allah Almighty has ordained the believers and the followers of the Prophet Mohammad (P) to pay Zakat as a specified portion from their accumulated earnings/wealth over a period of one year. The regular readers of the Holy Book know that there are more than three hundred verses, which directly or indirectly deal with Zakat.<sup>(7)</sup> Here one important fact to be noted is that Zakat is not a donation but due of Allah Almighty vis a vis poor. Remember the QURANIC verdict that *in their wealth and possessions there is a right for the asking needy and the deprived.*<sup>(8)</sup>

The purpose of imposing Zakat on the assets of Muslims may be many However the study of the HOLY QURAN and traditions of the Prophet Mohammad (pbuh) reveals that there are three major objectives of the Zakat. Firstly it is right of Allah (9) Secondly it is a source of purification of self and wealth (10) and social security(11) According to The Holy Quran “Sadaqat are only for Fuqra (poor) , Al Masakin(the Poor) and those employed to collect fund and to attract the hearts of those who have been inclined towards Islam and to free the captives and for those in debt and for a Allah's cause and for the wayfarer” These eight heads of use of Zakat (12) as prescribed by HOLY QURAN indicates nothing but social security/insurance to the indigents of the society where Zakat is practiced

Looking at the current practice of disbursement of Zakat fund in India (13) it has been found that of the total Zakat fund, Zakat payers give 20% to poor relatives, 15% is distributed

among approaching masakeen, 30% is given to Madaris and orphanages, 20% is given to religious organizations, 10% is given to social organizations and the remaining 5% is used for miscellaneous purposes. This indicates not only simple preference but priority and mindset of the philanthropists of the community. In spite of pressures, the middle class Zakat payers have not come out of ghetto and traditionalism in their thinking and practices. They have to realize the advantages of organized priority based use of their Zakat fund. Further regarding the estimates of Zakat fund distributed annually in the country, it has been found that it comes close to Rs. 10,000 crores. This is a huge fund sometimes larger than the annual budget of some of the states of India. Needless to say that even a part of this fund with planned and priority use can bring sea change in the socio economic condition of Muslims of India.

### **What is micro finance?**

Micro finance is the provision of financial services to low income clients including consumers and self employed people, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is “ a world in which as many poor household as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfer.” (14) Successful experiment of using micro finance for alleviating poverty made by Prof M Yunus of Bangladesh has attracted global attention of individuals as well as governments towards micro finance as poverty alleviation tool. Now micro finance in one or the other form is applied world over for removal of poverty on the one hand and overall economic empowerment of the challenged sections of the society particularly women on the other. Various interest and interest models of micro finance models are operative world over. (15) India has adopted self help group (SHG), a customized model of micro finance. (15) It started the scheme in 1992 with a flagship program of linking 500 SHG's with NABARD. Since then tremendous progress is reported on this front. For instance according to APMAS (15) there were 29, 24,973 SHG's operating in the year 2007 of which 2, 25,856 were in Maharashtra. MYRADA(16) estimates that there were 4.2 million SHG's linked with commercial, regional and rural banks in India. According to yet other published reports for 2009(17) approximately 7 million self help groups are operating all over the country of which 300,000 is operating in Maharashtra alone.

The positive impact of SHG's on its members with respect to productive use on time, increase in household savings, increase in diverse productive activities, upward household movement in the level of income and participation of women in decision making process at home and society have been tremendous. A study on Role of SHG in inclusive growth by found that the average income of the respondents was Rs. 8,245 which increased to Rs.16, 899 in the post SHG period indicating an increase of 105% during the period of 5 years. It accounts a growth of 21 % increase in household income. The percentage of females spending their time in house work has reduced from 37% to 19% indicating that they are using more time in gainful activities and occupations after joining the SHG. The most important change due to SHG is that the proportion of zero saving families was 61% which was brought down to zero indicating the fact that the saving habit was cultivated among them after joining SHG . The average savings of the people stood at Rs. 17.39 which increased to Rs.159.56 in the post SHG period. This implies that the savings of the SHG members increased by more than nine times. The joining of SHG has replaced the informal sources of borrowing and the share of borrowing through SHG increased to 100%. It is observed that 85% members have experienced increase in standard of living after joining the SHG. Similar findings on the impact of SHG on members of the group have been reported by other regional and country wide surveys. (18)

## MUSLIMS AND SHG MOVEMENT IN INDIA

Poverty among Muslims of Maharashtra is rampant. Hence in view of the proven worth of micro finance/ self help groups in eradicating poverty in India and across the globe, it seems natural that Muslims should have aggressively adopted SHG strategy to ameliorate their economic malady. But ground reality seems different from expectation. There is a dearth of authentic specific studies focusing on the Muslims participation in the SHG movement of Maharashtra. While available reports suggest that many weaker sections have opted SHG model of micro finance for alleviation of poverty from among themselves but not Muslims. For instance according to Rao (19) SC's have 27.3 percent ratio of presence among SHG's against their 16.2 percent share in population. Similarly ratio of presence of ST's in SHG was 13.9 percent against their 8.2 percent share in population. Another study examining literacy and power within self help groups (20) found the presence of OBC equals to 43.2 percent and other castes as 15.5 percent. This study has also classified SHG's according to the domination of members of SHG belonging to different groups and religious communities. According to its findings, 88 percent of SHG's are dominated by Hindus against their 80 percent share in total population, 7.9 percent SHG's were dominated by Christians against their 2.3 percent share in total population, whereas only 3.2 percent SHG's were dominated by Muslims against their 13.4 percent share in total population. Mahila Arthik Vikas Mahamandal (MAVIM) is a Maharashtra State Government sponsored self help group promoting institution (SHPI) operating in the state. According to its Report (21) released recently it has promoted approx 54,292 SHG's in Maharashtra with a total membership of 6, 59,098. A published report highlighting the presence and participation of Muslims and other minorities in these groups is still awaited. However MAVIM's MPR report up to March 2009 states that out of the total SHG members only 2 percent come from all minorities namely Muslims, Christians, Sikhs, Buddhists, Jain and Parsis against their total population accounting approximately 20 percent of the state population. After discussion with officials of MAVIM responsible for promoting SHG's among minorities of Maharashtra, it is inferred that although Muslim women are members in various SHG's the SHG's with Muslim dominated groups are below 150 which means less than 0.25 percent of the total SHG's promoted by MAVIM, whereas Muslims alone constitute 10.6 percent of the Maharashtra state population.

No specific study seems to have been made to find out the reasons for this lower participation of Muslims in this micro finance movement for alleviation of their poverty which is more acute and chronic in comparison to many other groups. It is however generally observed that lack of awareness and motivation on the part of the community, lack of interest and or access of self help group promoting institutions (SHPI) to work among Muslim poor, lack of initiative and will of Muslim community organizations to use SHG scheme as tool to remove economic disempowerment of the community are few among many possible reasons for lower participation of Muslims in SHG movement. There is also cry from certain quarters that loan provided by the banks are interest ridden therefore Muslims are reluctant to participate in this program. Hence to make use this popular and effective poverty alleviation tool for Muslims, a need to customize this model within given constraint seems imperative. Although various Islamic micro finance models are successfully operating in many Muslim countries (22), yet their duplication in India seems difficult if not impossible due to various legal and practical hurdles. Moreover large numbers of interest free societies operating in the country have also been unable to serve the purpose of economic empowerment of the community. ( 23 ) A Section of the community believes that Zakat holds the potential of poverty removal. Moreover the exercise of giving and taking Zakat is in practice hence they advocate that Zakat fund should be used more productively so as to arrest the poverty and

sickness of the community. For use of Zakat in Islam is not restricted for current consumption expenditure alone. Therefore formulation of a Zakat based micro finance scheme is not beyond apprehension.

### **Possible alternatives to existing models**

Self Help Group Promoting Institutions (SHPI) or any other NGO working for the welfare of the disadvantaged sections of the society can plan to use Zakat fund within its prescribed limits in a manner that it becomes a source of income generation and creation of wealth for the poor people. Moreover a section of Islamic scholars also opion that Zakat can be used as Qard-e-Hasnah or revolving fund for poor eligible people in the society. Taking cue from these facts alternative models of Zakat based models of micro finance can be envisaged. For instance Zakat based micro finance may be developed as subsidy model as well as sustainable model. In case of subsidy model all the expenses will have to be born from Zakat fund on continuing basis. The members of SHG's will have no liability to either meet the cost of operation or pay any return on money lent. But the drawback of this model is that its continuation will depend upon every time additional funds generated for the scheme to run. Secondly a mixed model can also be tried where government agencies can be approached for promotional grant but loan is advanced by self help group promoting institution (SHPI) from Zakat fund without interest. Thirdly a nominal monthly membership fees can be collected from the group members to meet administrative and developmental expenses in lieu of the various training, counseling and support services provided SHPI or by micro finance institution (MFI) established for the purpose. This may save a considerable amount of Zakat fund to be used for loan purposes. All these subsidy models may become semi sustainable in due course of time and can be managed by a charitable society/ trust known as non government organizations (NGO) It needs to be noted that subsidy models of Micro finance will mainly depend upon Zakat Fund not only for recurring operational expenses but also for loan able funds and reserves for bad and doubtful debts. It may be noted that operation of MFI will always be constrained with availability / mobilization of Zakat fund. In such a situation the balance sheet of micro finance institution may have the following shape.

Balance Sheet of a Zakat Based Islamic MFI

<b>Asset</b>	<b>Liability</b>
1-Zakat Fund	1-SHG Savings Deposits
2-Micro savings of SHG	2-Qard hasnah deposits
3-Low-risk assets	3-lCorpus Fund
4-Micro credits	4-Reserves etc

### **SELF HELP GROUP (SHG)**

Self Help Group is an Indian model of micro finance. It is popularly known as SHG which is voluntary association of less than twenty persons say 10-15 persons who volunteer to come together, form a peer group and work with support from each other for mutual benefit. It is also referred as joint liability group for loan purposes. Under the law of the land they need no

formal registration. Still they are recognized by government and government undertakings as a joint liability group requiring no collateral securities/sureties for availing credit facilities from nationalized and non nationalized banks. It may however be noted that the purpose of the promotion / formation of this SHG is not simply to avail credit facilities but initiation of attaining overall empowerment of each and every member of the group including financial inclusion. The objectives are achieved through training and skill creation schemes organized by an NGO which acts as promoter, counselor, motivator, supervisor and overall facilitator of the activities undertaken by the group.

## STEPS IN promotion and development

The various steps involved in the promotion and development of SHG's may be summarized as below-----

**1-Sensitization** The first step in the promotion of SHG is the identification of poverty stricken people/area .Thereafter NGO/social activists introduces the concept and benefits of SHG as an effective tool for removal of poverty and general sickness.

A change in mind set occurs

**2-Group Formation** Assembled people are asked to organize them into a group of minimum 10 and maximum 15 people who are best known to each other and are trustworthy preferably from their neighborhoods.

Preparation to wage battle against poverty begins.

**3- Group Formalization** For a smooth functioning, the members of the group are asked to formalize their group by giving name of their group (organization) on the one hand and select office bearers viz President, Secretary and Treasurer.

Decision for joint effort is taken.

**4-Brainstorming** NGO induces/encourages the office bearers to call a meeting and interact with the group members with the objective of identifying factors responsible for their deprivation and overall pathetic condition. Such repeated exercises not only make them fully aware with the issues but also convinces them that the solution of their problem lies in their own individual and collective initiative and efforts.

Strategy to fight jointly is planned.

**5-Decision making** The opening of the bank account in the name of the group with a micro saving plan of min RS 50/- from each member becomes the first major decision of the group. After three months, small amounts of loan are disbursed to members of the group. When the group completes six months, an inspection is conducted about the MATURITY of the group. A matured group becomes eligible to get loan of RS 60,000/- or RS 4000/- each individual member from the SHPI or micro finance institution.

**6-Training** Accounting, Leadership Development Training, Functionary literacy, Gender sensitization are some of the topics where members of the group are trained so that they become self dependent in their affairs.

7-Skill creation and Linkages To enable members of the group to undertake any economic activity/ enterprise, 3 weeks to 6 weeks training program is arranged in various trade/activity where they are taught and trained in every trick of the trade/business.

## FUNDS

Two types of funds are required namely promotion and loan matching. Here we propose to use Zakat fund for administrative (promotion and development) and matching qard-e-hasnah grant to the groups collectively or members of the group individually.

In case of this subsidy model, the fund for the promotion and development will come as non refundable grant from donors. The period of chase and monitoring may be reduced to 1 or 2 years instead of 3 years. Accordingly the amount of money required for promotion and development may also be rationalized. Further a policy with respect to matching loan grant (say five times of money saved by individual/group) has to be worked out and funds made available after one year for shorter period of time. Moreover the donor agency has to create provision for the risk of loss on loans advanced. This is essential in view of the fact that loans will be interest free and hence will generate no revenue.

## IMPLEMENTATION SCHEDULE / WORKPLAN FOR SHG FORMATION

ACTIVITIES	1 <sup>st</sup> month	2 <sup>nd</sup> month	3 <sup>rd</sup> month	4 <sup>th</sup> month	5 <sup>th</sup> month	6 <sup>th</sup> month	7 <sup>th</sup> month	8 <sup>th</sup> month	9 <sup>th</sup> month	10 <sup>th</sup> month	11 <sup>th</sup> month	12 <sup>th</sup> month
Appointment and training of employees, including the office bearers	√	√	----- ----- -----	----- ----- -----	√	----- ----- -----	----- ----- -----	√	----- ----- -----	----- ----- -----	√	----- ----- -----
SHG Formation STEP 1 – 3 The concept and purpose of SHG	√	√	√	√	√	√	√	√	√	√	√	√
SHG Formation STEP 4 - 5 Micro Savings and loan disbursement	√	√	√	√	√	√	√	√	√	√	√	√
TRAINING	----- -----	X	X	X	X 61-	X 81-	X 101-	----- -----	----- -----	----- -----	----- -----	----- -----

I	-----	1-20	21-40	41-60	80	100	120	-----	-----	-----	-----	-----
Maintenance of accounts												
TRAINING II	-----	-----	X	X	X	X	X	X	-----	-----	-----	-----
Leadership Development	-----	-----		21-40	41-60	61-80	81-100	101-120	-----	-----	-----	-----
TRAINING III	-----	-----	-----	X	X	X	X 61-80	X 81-100	X 101-120	-----	-----	-----
Gender sensitization	-----	-----	-----	1-20	21-40	41-60				-----	-----	-----
TRAINING IV	-----	-----	-----	-----	X	X	X	X 61-80	X 81-100	X 101-120	-----	-----
Group control and evaluation	-----	-----	-----	-----	1-20	21-40	41-60				-----	-----
TRAINING V	-----	-----	-----	-----	-----	X	X	X	X 61-80	X 81-100	X 101-120	-----
Functionary literacy	-----	-----	-----	-----	-----	1-20	21-40	41-60				--
TRAINING VI	-----	-----	-----	-----	-----	-----	X	X	X	X 61-80	X 81-100	X 101-120
Vocational training	-----	-----	-----	-----	-----	-----	1-20	21-40	41-60			

## COST ESTIMATES

Component wise cost of the project, project partners and contribution can be visualized. Sponsorship for training programs can also become a source of financing the project in due course.

S.No	Particulars	Calculation	SHGs	Donor	Total
1.	INCENTIVES FOR Formation of SHG'S	RS 1000 x 120		RS 120,000	RS 1,20,000
2.	SHG admin and	Rs.21,000 x		Rs.2,52,000	Rs.2,52,000

	management Coordinator/field officer 1(7000)+4(3500)	12 months			
3.	Orientation CUM 6 training programs with study material for 24 groups( 120/5 )	RS 10000 X 6 x 24		Rs.14,40,000	Rs.14,40,000
4.	Initiating micro- savings	RS 18000X120	21,60,000		21,60,000
5.	Initiating micro credit	Rs.75,000 x 120	21,60,000	Rs.68,40,000	Rs.90,00,000
6.	Documentation of reports and progress monitoring/ reporting	Rs.5000 x 12 months		Rs. 60,000	Rs.60,000
7.	Office,rent	Rs5000 x 12	-----	Rs.60,000	Rs.60,000
8.	Other office expenses @ Rs 10,000 pm	Rs 10,000 x 12		Rs 1,20,000	Rs 1,20,000
9.	Leadership Training program for 360 ( 40x 9)	RS 10000 x 9		Rs.90,000	Rs.90,000
10.	Auditing	RS 1000 X 120		Rs.1,20,000	Rs.1,20,000
11.	Miscellaneous	Rs.2000 x 12 Months	-----	Rs.24,000	Rs.24000
12.	Reserve fund			Rs.8,74,000	Rs 8,74,000
			Rs 43,20,000		1,43,20,000
				Rs.1,00.00.000	

<b>Zakat Fund requested from the donors</b>	<b>RS. 75,000 x 120 SHGs=Rs 1,00,00,000</b>
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## EXPECTED OUTCOME / RESULT

If 120 self help groups are formed then @ Rs.5000 per SHG member, out of Rs 1,00,00,000, RS 77, 00,000 will remain as revolving fund and at the expense of Rs. 23,00,000 i.e..Rs. 1278/- per person the following result is likely to emerge--

- **1800 men and women will be functionally literate every year**
- **1800 men and women will get vocational training every year**
- **3600 people will get gainful occupation every year**
- **1800 families will come above poverty line every two year**
- **Work population ratio among female will increase**
- **Incidence of Unemployment will decrease**
- **Children of these women would enjoy better education, health and early childhood intervention to be better citizens.**
- **Social evils against women such as dowry, low-status for women, non-consideration of women when policies related women are made, in the location would be addressed.**
- **All income generation activities would be eco-friendly and sustainability oriented**

## Threats

- Lack of motivation among members would result in failure of activities and non-recovery of credit. Further the quality service is major drawback. But this will be tacked with the periodically meeting with the members and monitoring the credited activities (activity started by the loan), providing sufficient back-up like specialist consultation and advice. Also periodical meeting with the administrative and field staff would ensure the quality service delivery to the beneficiaries.

## National impact

If every year 400,000 SHG's are formed with the help of only 10% of Zakat fund in India i.e .Rs 1000 crores, then its direct macro impact on the community is likely to be approximately as below-----

**-60, 00,000 men / women will become functionally literate every year**

**-60, 00,000 men/ women will get vocational training every year**

**-1, 20, 00,000 men / women will get gainful occupation every year**

**60, 00,000 families will jump up above poverty line every two year**

What it means about poverty, unemployment, work population ratio, level of education, skill formation and level of income etc.

- **Work population ratio will increases**

- **Poverty level will decline**
- **Incidence of Unemployment will decline**
- **Level of literacy and skill will increase**
- **Level of family income will increase**
- **Ultimately standard of living of the people will increase.**

Alternatively a sustainable model of micro finance can also be developed based on levy of service charges as practiced by Islamic cooperative credit societies. The advantage of this system is mobilization of micro and large savings which will increase the above mentioned performance manifolds. The funds of the society are collected from members as small savings and advanced the same to them as loan on rotation basis. However due to paucity of funds lesser number of people with smaller amount are able to take advantage of the scheme. If Zakat fund is made available, not only number wise and amount wise benefits will increase but also the rate of service charges will decline heavily in the absence of fund mobilization cost. It may be noted that profit based model of micro finance is not considered as by and large the law of the land does not permit the mix of finance and business. Also because to share the profit from business ventures from Zakat fund may lead to an unending debate and controversies resulting into severe opposition from the very beginning. However the society may invest its non Zakat fund in profitable ventures. Planned properly non service charge income will increase in successive years so that the practice of collection of service charges from the borrowers is completely stopped. The hypothetical balance sheet of an imaginary Zakat based micro finance institution which may be termed as Interest Free cooperative credit society.

## **Assumptions**

The projections made are based on the following assumptions-

- 1-The micro finance institution is registered under Indian Multi State Cooperative Societies Act 2002 to operate on interest free basis
- 2-People are enrolled as members by paying an entrance fee of Rs. 10 and share money of Rs 100 to avail the facilities of the society.
- 3-Each SHG member agree to save a small fraction of his/her daily/ monthly earnings say Rs 100 pm
- 4-Members agree to undergo entrepreneurial training and initiate income generating activities
- 5-Community provides Rs. 0.5 crores out of Zakat to the society as corpus fund
- 6-Nominal service charge will be levied on loans till non- service charge income (profit sharing, commission/fees levied or rent received) earned suffices to meet operational expenses.
- 7-Entire Corpus fund made of Zakat will be utilized for advancing loan to 120 SHG's formed by the poor people

## BALANCE SHEET OF ISLAMIC COOPERATIVE CREDIT SOCIETY

### Balance Sheet of the First Year

#### Liabilities

##### A-Owned Fund

1. Admission Fees (1800x10)	Rs. 0,00,18,000
2. Subscribed Share Capital (1800x100)	Rs. 180,000
3. Corpus Fund ( Zakat )	Rs. 50,00,000
	Total Rs.51, 98,000

##### B -Deposits

1. SHG saving deposits (1800 x 100 x 12)	Rs 21,60,000
2. Qard-e-Hasnah deposits	Rs 0,50,00,000
3- Miscellaneous	Rs 0, 01,42,000
	Total Rs73,

**02,000**

**Grand Total of A+B =Rs**

**125, 00,000**

##### Assets

1. Cash for emergency withdrawal/ grant (approx1% of TF)	Rs. 0,01,07,000
2. Investment in fixed assets ( 10% of TF )	Rs 0,12,50,000
3. Marketing support to SHG products/services	Rs. 0,06,25,000
4. Murabah based business loans ( 5% of TF)	Rs. 0,12,50,000
5. General Business loan ( three times of SHG Deposits)	Rs 0,90,00,000
6. Fixed deposit in a cooperative bank	Rs0,00,18,000
7. Fixed Assets in office estab (2%of total fund)	Rs.0,02,50,000
	Rs.1,25,00,000

### Income & Expenditure Statement

**A-Profit based income Rs. 03,00,000**

1. Income on Fixed Assets on

(@6% on Rs. 12,50,000 <b>.75,000</b>		<b>Rs</b>
<b>2-Return on marketing services @ 12% on Rs 6,25,000</b>		<b>Rs.</b>
<b>75,000</b>		
3-Cost plus on Murabah @ 12% on Rs 12,50,000		Rs
<b>1,50,000</b>		
<b>B-Service charge based income</b>		<b>Rs.</b>
<b>0,8,10,000</b>		
1--Service Charges on General Loans Of Rs 90, 00,000 @ of 6 %		
1 <sup>st</sup> Cycle (6%)	Rs. 05,40,000	
2 <sup>nd</sup> Cycle (3%)	Rs. 02,70,000	
<b>C-Fee/commission based income</b>		<b>Rs.</b>
<b>58,560</b>		
1-Fees / Commission on Utility Services	<b>Rs. 00,37,850.</b>	
<b>D-Miscellaneous income</b>		<b>Rs</b>
<b>1,31,440</b>		
1-Miscellaneous Income (including RDD i.e.1% of loans Rs 1,30,00,000)	<b>Rs. 1,30,000</b>	
2-Interest on Fixed Deposits (8%)	Rs. 0,01,440	
<b>Total</b>		
<b>Rs.13,00,000</b>		

### Expenditure

1. PAYMENT & PROVISION FOR EMPLOYEES		<b>Rs.</b>
<b>4,48,000</b>		
Salaries		
a. Manager (1) @ 10,000/-x 12 months	= Rs.1,20,000	
b. Accountant cum Cashier (1) @ 7,500/-x 12 months	= Rs 0,90,000	
c. Clerical Staff (1) @ 5000/-x1x 12 months	= Rs. 0,60,000	
d. Field coordinators 3 x Rs 3500 x12 months	Rs. 1,26,000	
e. Office Assistant (1) @ 3,500/- x 12months	= Rs. 0,42,000	
e- Contribution towards provident fund	= Rs. 00,000	
f- staff /coop Training/Teaching Exp.	= Rs. 10,000	
2. FUND MOBILIZATION EXPENSES		<b>Rs.</b>
<b>01,20,000</b>		
a. Expenditure including commission on	Rs.00,00,000	
b. Incentives to Depositors @ 1000 per SHG	= Rs. 1,20,000	
3. ADMINISTRATION & OTHER EXPENSES		<b>Rs.</b>
<b>2,70,000</b>		
a. Office Rent (Rs. 20 * 500 sq. ft.) per month	= Rs. 1,20,000	
b. Other general Expenses (like Electricity,	= Rs. 1,40,000	

	Telephone, Conveyance, Stationary, Insurance & other Expenses @ Rs 10,,000pm)		
c.	Audit Fees	= Rs. 10,000.	
4.	Meeting Expenses		Rs
	0,50,000		
5.	training exp of SHG;s @ Rs 5000 x3 x12groups		
	<b>Rs. 1,80,000</b>		
6.	Honorarium / Sitting to Directors		
	Rs. 0,00,000		
7.	Profit Loss Equalizer		
	Rs. 0.50,000		
8.	Provision of bad & Doubtful Debts (=RDD)		
	<b>Rs. 01,30,000</b>		
9.	Dividend on Shares (6%)		
	Rs. 0,00,000		
10.	Depreciations (15% on 2,50,000)		Rs.
	<b>0,37,500</b>		
11.	Miscellaneous Expenses		
	<b>Rs. 0,14,500</b>		
	<b>Total</b>		<b>Rs.</b>
	<b>13,00,000</b>		

Outcome of this exercise with Zakat fund of Rs 50, 00,000 only will be almost double of Zakat based subsidy model of micro finance stated earlier.

120, 00,000 men / women will become functionally literate every year

-120, 00,000 men/ women will get vocational training every year

-240, 00,000 men / women will get gainful self employment/occupation every year

120, 00,000 families will jump up above poverty line every two year

What it means about poverty, unemployment, work population ratio, level of education, skill formation and level of income etc.

- **Work population ratio will increases which means 2,40,00,000 will join the work force every year**
- **Poverty level will decline by approximately 20% every two years**
- **Incidence of Unemployment (11% of 6 crores) will be removed within two years**
- **Level of literacy and skill will increase**
- **Level of family income will increase**
- **Ultimately standard of living of the people will increase.**

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