

THE INTERNATIONAL



ISLAMIC FINANCE FORUM

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Case Studies: Shariah Compliant Microfinance

FINCA's Experience in Afghanistan

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About FINCA International

- Operates in 21 countries around the world
- Mission: Creating jobs, building assets, and improving the standard of living for micro-entrepreneurs
- Employs the FINCA-pioneered Banking model





About FINCA Afghanistan

- **Unique amongst FINCA's other regions of operation, because a majority of Afghan clients demand Islamic financing products**
- **Credit services from US \$ 40 – US \$ 2000**
- **Operating in 10 of Afghanistan's provinces**
- **Focus on women, ethnic minorities, and returning refugees**





A Demand-Driven Approach

→ Tailored the product to meet religious requirements of Afghan Muslims as well as the financial requirements of small-business owners

→ Developed product terms to suit women

→ Secured a *fatwa* from local senior cleric





Taking the Products to Scale

I. Reaching Larger Numbers of the Poor

- Customer satisfaction with Shariah-compliance
- Market offices in strategic areas such as local bazaars
- Rolling out in remote regions where other MFIs are not present





Taking the Products to Scale

II. Reaching Larger Numbers of Women

- Women's product; longer repayment and a lower mark-up rate
- Gives women economic power within the households
- FINCA employs female credit





Taking the Products to Scale

Feb 2004: Conventional loan products

→ Dec 2005: 13,000 clients

July 2006: Shariah-compliance

→ Dec 2006: 27,500 clients

As of Dec 2007: 63,000 clients





Products on Offer

1) Women's Group Murabaha

- Group size: 10+
- Avg loan size: \$250
- No Minimum!
- Loan cycle: 1st: 6 -9 months;
Subsequent: 12 months



2) Mixed Group Murabaha

- Group size: 3 – 40
- Avg loan size: \$400
- Loan cycle: 1st: 5 months; Subsequent: 6 – 10 months

3) Individual Murabaha

- Avg loan size: \$1000
- Loan cycle: 1st: 6 – 9 months; 2nd: 6 – 12 months;
3rd: up to 18 months





Achievements to Date

- Outstanding Loan Portfolio: US\$ 11.32 million
- 64,000 Total clients
- 47% Female clients
- 5.4% Average growth rate of clients



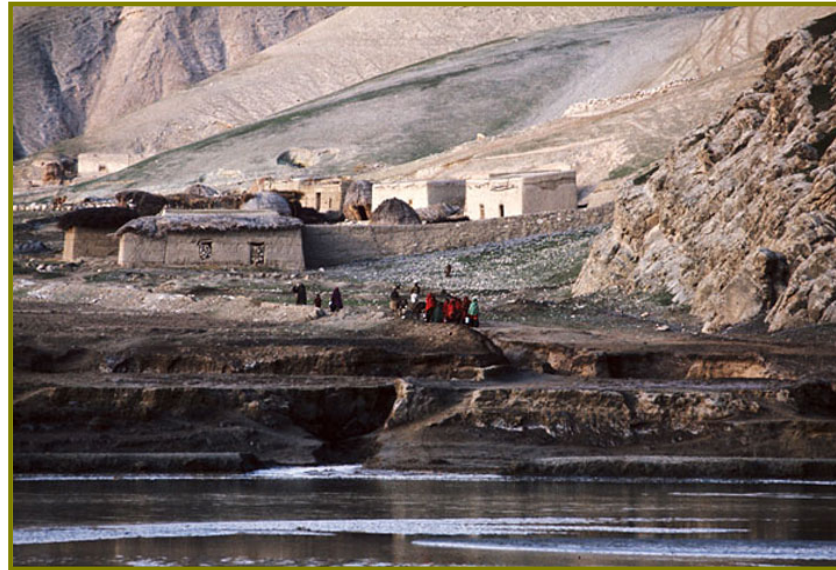
→ **Winner of 2007 Pro-Poor Innovation Challenge (PPIC)**

→ **Recipient of FINCA Golden Tree Award**



Challenges & Constraints

- Security Issues
- Cultural resistance
- Remote regions
- Opium trade



Thank You



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