

Channeling Local Culture into Sustainable Microfinance Solutions by Akhuwat

From Borrowers to Donors

By Rabia Bashir

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KSP Books

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ISBN: 978-605-2132-43-2 (e-Book)

KSP Books 2018

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Preface

This study is carried out to analyze the factors that results in conversion of borrowers into donors. The findings assist the microfinance institutions in coming up with the most appropriate measures to apply in order to eliminate not only defaults but also gain some financial sustainability by improving its donor profile. The study establishes that religious education and organizational religious philosophy influence borrower's prosocial behaviors. Through religious teaching Akhuwat inculcate sense of responsibility, feeling of gratitude and psychological attachment, along with spiritual satisfaction to motivate borrowers to become donors. Being faith inspired organization; Akhuwat culture and its brand image depict strong association with Islamic value. The study recommends that the MFIs in order to enjoy a cordial relationship need to align their business philosophy with the local culture.

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Definition of Terms

- MFI: Microfinance Institutions
- IMFI: Islamic Microfinance Institutions
- IFMFI: Interest Free microfinance Institutions
- MDP: Member Donor Program

1. Introduction

The system of microfinance has been designed to give low income communities quick and easy access to socio-economic services, providing opportunities for self-employment and thus a chance to uplift themselves out of poverty, through effective stakeholder management.

However, the foremost objective of microfinance remains the provision of microloans based on three philosophical arguments (Armendáriz & Morduch, 2000), identified as institutional approach, welfare approach and win win approach. Institutional approach focuses on financial self sufficiency, whereas, the welfare approach argues that sustainability can be achieved without making profits and self sufficiency. The win-win model focuses on balancing the goal of poverty alleviation and financial self sustainability (Kodongo & Kendi, 2013). Therefore, Microfinance can be viewed as a development tool which enable poor people to become entrepreneurs, provide education and training for protecting their capital, dealing with risk, and for expanding their business activities (Ibtissem, & Bouri, 2013).

Like, in many other developing countries, the growth of microfinance institutions (MFIs) has been very fast in Pakistan. The objective of these institutions is welfare and poverty elevation of the poor's. These include institutions like microfinance banks, commercial banks having microfinance as a separate service offered and institutions based on rural support programs, such as National Rural Support program (NRSP) and Punjab Rural Support

Program (PRSP), Banazeer Income Support Program (BISP), Pakistan Poverty Alleviation Fund (PPAF) and private NGOs.

The reason of such a rapid growth in Microfinance industry is because commercial banks exclude poor people from its financial banking system, as their circumstance makes lending to them both risky and costly, with no assets collateral, no formal earning sources, limited credit history, and lack of trustworthiness (Yunus, 1999). According to economic theory asymmetric information thus become the main issue behind the exclusion of poor people from traditional banking system, such as adverse selection and moral hazards, making screening, monitoring and enforcement an issue for MFIs (Ibtissem, & Bouri, 2013). Thus, results in higher interest rates, in order to resolve the issues of defaults.

This creates much implication for both Microfinance institutions and borrowers, and results in huge losses to MFIs. Resulted in suicide of borrowers due to increased pressures by MFIs for repayment of loan thus damage the reputation of Microfinance industry around the globe and reduce the trust between MFI's and borrowers.

Numerous studies have been conducted on social and financial impact of microfinance program on poor people lives. The literature so far didn't explain the psychological impact of these programs. As focus of these programs are not limited to social and financial gains but also psychological. Because "poverty" is not only an economic or social condition, it affects individual psyche, self-esteem, self-confidence. Recently, it has been acknowledged by economists through empirical testing based on confidence – informed capability notion state that self confidence and self-esteem impact individual performances (Hoff & Pandey, 2012).

The challenges and problems faced by Microfinance industry in Pakistan are similar to global MFI challenges. However there is a unique case of "Akhawat Foundation", a Lahore based national organization working for poverty alleviation and giving access to interest free micro loans to the poor for raising their standards of living and getting them out of poverty. Today total pool of money firm has generated worth Rs.422 million. This fund is in constant circulation amongst the poor. The organization 99.89% recovery rate speaks itself about the trustworthiness of poor people. The borrower of Akhawat foundation are motivated and willing to become donors of this program, and are devoted to make it better and sustainable. Where it is rare to see such an organization in which its beneficiaries becomes its donors (Ghaffari, *et al.*, 2011).

As helping others through charity and donations are common practice in many countries and religions, and considered as a noble

act (Mohanty, 2011), but it is assumed that only those who have money donate. This article thus addresses the unique phenomena of Akhuwat foundation where poor borrows of the organization becomes its donors.

2. Literature Review

2.1. Introduction to Microfinance

Microfinance has been materialized as an economic development tool intended to benefit low-income people (Lidgerwood, 2000), providing financial services to low-income clients, including the self employed, who have limited funds and inadequate collateral to obtain financing through conventional loans. While according to Asian Development Bank (ADB, 2008) “Microfinance is composed of broad range of financial services, in form of deposits, loans, payment services, money transfers, and insurance services for poor, low income people and, their microenterprises.” This indicates that microfinance is a financial service designed specifically for those who have no access or being excluded from the formal lending system and allow them to improve their lives in substantial way.

The concept of microfinance was presented by Muhammad Yunus in 1976 (Campbell, 2010). The objective was to provide small loans to poor women in Bangladesh, which ultimately developed as Grameen Bank in 1983. Since then Microfinance institution has grown significantly (Mahjabeen, 2008) both geographically and financially (Campbell, 2010), and is implemented in 110 countries globally (Craxton & Rathke, 2011). According to World bank, in 2006 direct and indirect impacts of microfinance reached over 30 million individuals around the world, which leads to 91 million micro-borrowers in 2009 (Craxton & Rathke, 2011). It appears that current growth is sustainable, as

MFIs have only reached about four percent of their prospective market (Bunzl, 2006).

As financial institutions became established exclusively for the provision of microcredit, institutions began to obtain funds through three major channels: deposits from clients (lenders), loans through commercial banks, and loans from foreign creditors (Mahjabeen, 2008). Whereas conventional MFIs have some difficulties to access to funds in order to expand. Local banks offer non-competitive loan schemes with high Interest Rates.

Banks usually require collateral (e.g. buildings, other property) for a long term loan and credit line interest's rates are excessively high. The access to a more competitive funding structure overseas is extremely difficult. There are Hedge Funds specialized on the Microfinance sector in different regions but also require MFIs to have collateral. Generally, source of funds for MFIs can be banks, investors and bonds. The financing structure of MFI is diverse in countries where it is oldest, and borrowing dominates where it's new. Along with, Nicaragua, Bosnia, Morocco and Pakistan the system of microcredit emerged in 2009. In India, also the microfinance has been financed primarily by borrowings from domestic banks (Roodman, 2010).

2.2. Microfinance as Development Tool

Most MFI target individuals that live below poverty line and act as a “liberating force in societies where poor people in particular have to struggle against repressive social and economic conditions especially women” Bayulgen (2008), This goal of liberating poor (women) is advantageous in that it reduces their dependency on external support (Campbell, 2010). Literature indicates that credit gives individuals a better opportunity to access technology, healthcare, and innovative farming techniques (Campbell, 2010). With the development of MFIs, governments can work towards eliminating poverty, increasing employment and reducing the divide between the rich and poor (Mahjabeen, 2008).

According to Ledgerwood (2000), the focus of MFIs is to provide general financial services to the clients based on insurance and payment services. According to Campbell, (2010) it allows for individuals who live in developing countries and are unable to obtain financing through traditional means to be extended credit . This credit is important for individuals, as well as underdeveloped societies as a whole. Not only does credit allow entrepreneurs to obtain the required working capital to run a small business, but it encourages them to become more self-sufficient. Funds provided to clients generally consist of small, short-term loans for the purpose

of working capital or to act as a small housing loan. The loans are generally provided as a group loan, which is a single loan provided to two or more clients or entrepreneurs (Mahjabeen, 2008). The size of microfinance loans in developing countries tends to be small in comparison to North American loans, usually ranging from US\$25 to US\$200 (Bunzl, 2006).

Along with financial intermediation both social intermediation and social services has been an important aspect of MFIs. As they often enhance the communities they operate in through the provision of various services. In addition to financial services, MFIs inform individuals about education, hygiene, and disease prevention (Mahjabeen, 2008).

However, financial intermediation is the prime objective of MFIs because in absence of monetary transactions social intermediations cannot work. Based on prior discussions it is analyzed that poor face barriers to access finance and are excluded from commercial banking institutions. Therefore MFIs, in this regard, serves as a bridge to access finance and results in poverty alleviation, better health care and increased in education literacy (Ledgerwood, 2000). The services offered by MFIs are not limited to lending only, but also provide other financial services related to credit, savings, insurance cards, payment services etc. However it is not mandatory by MFI to provide all these service to their customers, and decision mainly based on the objectives of MFIs, target market demand and institutional structure (Ledgerwood, 2000).

Development is considered as a fundamental component of sustainable growth both in poor's and society. Social intermediation is a development of both human and social capital and is a vital element of sustainable financial intermediation for poor (Ledgerwood, 2000). This social capital can be acquire and strengthen on the basis of interaction between borrowers and MFI, and are based on strong foundation of cooperation and trust (Aghion & Morduch, 2005). Thus increased business activities among members of the group and frequent financial transaction between MFI and borrowers will increase the ratio of social capital.

Microfinance is not the only issue faced by poor they needs more than that in order to address the poverty issues and ease of access to other life requirements like, health, education, food, socio and economic acceptance and so on. Therefore, along with financial intermediation MFIs provide other additional social services to their clients (Ledgerwood, 2000). Group activity is considered to be the best practice by MFI to contact their clients, as

it will be is easy to literate them, provide health care and other facilities through group activity. In that sense, MFIs on the basis of financial services and supportive services they offered, plays a positive role in life of poor people. As to achieve sustainable human development and livelihood for the poor, the role of these supportive services cannot be under estimate (Khan & Rahman, 1998).

The objectives of all these services, social, financial and social intermediation are different and cannot be mix with each other, as financial intermediation is a basic service that is provided by MFIs (Ledgerwood, 2000). On the other hand, social intermediation and social services provide trainings, services for management development, and enhance financial literacy of the poor's. Along with, mentoring is done through experienced people by arranging special events by many MFIs, providing business ideas, suggestions, guidelines and other tactics (Mustafa & Ismailov, 2008). Therefore microfinance institutions are providing both financial services with social services, which are normally, are not part of general banking system.

Today system of microfinance can be associated with many characteristics; provision of small and short term loan, social rather than financial collateral, lend larger amount based on the performance, search and access to the real poor and their business demand, provide continuous monitoring of business, loan on higher interest rates, high risk factor, easy way to access finance, offer services for savings, training and literacy orientation to borrowers in order to deal effectively with their daily business problems. So, microfinance is a development tool having both financial and social intermediation tool and not only simple banking system (Ledgerwood, 2000).

2.3. Models in Microfinance

Circumstances faced by poor people vary in every country in world. These circumstances comprise of cultural, social, religious, and political concerns (Weiss & Montgomery, 2004). Therefore, there are some distinct differences between basic philosophy and objectives of microfinance, some of them are explained below.

Grameen Model

Grameen model is based on group lending approach, where individuals are not entertained. Initially first two members received loan and on 100% repayment of first loan the next two member receive loan after 5 to 6 weeks and the last member receives loan only if the previous two member repay the complete loan. If any of the members fails to pay her loan, results in disqualification of the

whole group for any further lending. The approach used in this model was social rather than the financial collateral. The bank granted the first loan at 10% rate on the loan of \$100, with weekly repayments schedule keeping 5% of loan by bank in group account for emergency purposes. This gives loan security and makes them confident to save as well (Sengupta & Aubuchon, 2008). The group has its own president and secretary for communication and coordination within and outside the group and bank. Later bank official deals with each (eight) group (s) which is then organized at center level and each group is comprised of eight members select its own chief and group leader (Khan & Rehman, 2007).

According to Sengupta & Aubuchon (2008) this approach of group lending has many benefits. Firstly, group member mostly knows each other and therefore understand and recognize each other needs. Secondly, in absence of one member in meeting, other member can pay installments of the other group member which shows the level of trust and understanding amongst all members. Thirdly, the risk of loan default is minimized because of pressure put by group on defaulting member to pay due installments. This model was effectively implemented in Zambia, where the default rate remains at only five percent which is significantly lower than the US Small Business Administration rate (Campbell, 2010).

2.3.1. Progressive Lending-Banco Sol Model

The philosophy of progressive lending (Aghion, & Morduch, 2005) is to serve individuals. This model is very helpful both in low or high population diversity areas, as in such areas group forming is not so easy because of having both safe and risky borrowers. Based on different circumstance the model was first adopted by Banco Sol in Bolivia. The model initially addresses the problem of urban unemployment and provides credit to the cash-strapped informal sector. Later to fulfill the need of time, microfinance approach was adopted with progressive lending approach. The concept of commercial profitability was embraced. While microfinance was initially established through the Grameen model as a not-for-profit, for-profit models, such as Banco Compartamos in Mexico have become more prominent. For-profit microfinance models create controversy, as people question whether profits should be made at the expense of poor individuals (Campbell, 2010).

2.3.2. Microfinance with a Difference: Islamic Microfinance

In practice, the focus of MFIs is both urban and rural poor and those who are above poverty lines. Those living below poverty lines cannot be regarded as clients for micro credit schemes. The reason of their exclusion is because they are living under extremely

poor conditions because they will further be pushed into a vicious circle of debt and poverty due to non repayments of loans (Burney, 2008).

The main emphasis of Islamic teachings based on social, ethical and moral teaching for wealth distribution and guides towards social and economic justice. According to Islamic law, charging interest on loans are prohibited and profits are considered to be more close to its sense of integrity and justice, and is based on sharing risk and profits between lending agency and borrower (Dhumale & Sapcanin, 1999). The objective of Islamic Microfinance or Interest free Microfinance (IFM) is to have social benefits rather than only maximization of profits, and to have collective wisdom for business development, and helps in development of both microfinance and micro entrepreneurship. Today among many the four most famous interest free microfinance models comprise of Mudaraba, Musharaka, Murabaha and Qard-e-Hasana (Segrado, 2005).

Mudaraba: In this model transaction is carried out between financial institution that is bank/ lender (capital provider) and borrower (entrepreneur) on the basis of profits and loss sharing without any pre decided interest rate. Mudarba financing agreement is based on trust, where Islamic bank (investor) grants capital to the Mudarib (agent) for project (Segrado, 2005). This relationship is based on contract with agreed ratio on profits, and is based on western style of limited partnership in which one member provide capital and other provide services and profits are assigned on the basis of mutually agreed percentage. In case of a loss, lender will not receive return on its investment and similarly the agent will not be compensated for his efforts.

Musharka is similar to joint venture. According to Segrado (2005) in musharka both parties manage project as well as capital, profits are shared based on agreed ratios but losses are based on percentage to equity participation. Therefore businesses are based on capacity and role of management in business, and not on profit and loss sharing.

Whereas in Murabaha, the items are first bought by MFIs and then sold to borrowers with some rational profit/markup percentage (Habib, 2002) which will be considered as administrative cost and should be as minimum according to Islamic practices. Further agreement for the payment of loan in installments is signed with the parties with a pre-defined time limit; however MFI will have complete ownership of goods until full liquidation of credit (Mustafa & Ismailov, 2008).

The objective of Qarz-e-Hassna is to grant loan without any profit or interest with pre decided date of repayments, however the lender will not forced the borrower to return soon (Mirakhor & Iqbal, 2007). The Prophet Muhammad (PBUH) has said that “the inmates of Paradise are of three types: one who wields authority and is just and fair; one who is truthful and has been endowed with power to do good deeds and the person who is merciful and kindhearted towards his relatives and to every pious Muslim, and who does not stretch out his hand in spite of having a large family to support [Sahih Muslim]” (Hussain, 2004).

Islamic teachings encourage the affluent to help poor, in order to the uplift the standards of living of those who are economically inactive. The basis function of Qarz-e-Hassna and conventional MFIs is the same, the only difference lies in zero interest and zero fine on default or delay in payment of loan in Qarz-e-Hassna. Following rules are related to Qarz-e-Hassna (Hussain, 2004).

The terms and conditions of agreement should properly be documented between lender and borrower.

- The payment date must be mentioned.
- Contract of loan should be in written form.
- At the time of giving loan there should be two witnesses as per Shariah.
- The lender may charge membership or administrative fee.

Today donor organization like UNDP and DFID offer financial services on the basis of Islamic philosophies of Mudarabah and Murabaha, in which repayment rates are linked with transaction than to time (Houtman, 2006; Dhumale & Sapcanin, 2006). According to Obaidullah & Latif (2008) microfinance models of interest free banking are successfully copied and running by many banks for e.g Grameen model was successfully copied by Islamic Bank Bangladesh Limited, whereas FINCA and UNDP copied the village bank model in Afghanistan, similarly Muslim community cooperative ltd (Australia) and Islamic NGO's in Indonesia copied credit union model and self help group model. In Islam the poorest of the poor are eligible for receiving charity. The Institute of Microfinance Development, India successfully implemented model (Zarka, 2007), which use monetary waqf (benevolent fund) and divide the poor into the group of economically active and economically inactive. For those who are economically active a trade-based financial model is designed and for the later group interest-free loans as well as trainings were recommended for improving technical skills. Similarly in Iran Gharzul-Hasaneh Fund function on a mutual help basis and legislation is used for securing

interest free loans, and full payment of loan has to be returned whenever demanded by the lender (Sadr, 2007).

Interest free microfinance (IFM) differed from conventional MFI not only in its principle of profit based systems and interest-based systems, but also in their accountability and capital structure. Unlike MFIs that depend on interest free or low interest foreign aid, the source of fund for Interest free microfinance institutions (IFMFIs) are based on contributions made by religious institutions of Awqaf, Zakat, and other charities (Ahmed, 2002).

According to Kaleem & Ahmed (2009) benefits of Islamic MFIs are huge for the poor and will help in raising their standards of life, on the basis of funds raised by IMFI in form of Zakat, Sadaqat and Qard Hasan (Habib, 2002). These funds also decrease the cost of raising capital, and are used for consumption and production purposes. The IFMFI and charity based MFI helps in providing interest free loans to skillful, sincere, and meticulous people to become entrepreneurs. These funds solves the issues related to shortage of funds for borrowers, but also encourage them by giving incentive to work attentively for the repayment of principal amount, without paying any extra charges (Zarka, 2007).

Along with many benefits the IMF increased economic opportunities in society by creating enabling environment and reduce the stress of recipients about the risk in business. Although there is no time limit set by Holy Quran on which the interest-free loans should be returned, however the Islamic MFIs (based on charity) set time line with mutual consideration of borrowers (Ahmed, 2002). These basic features of IFMFI further strengthen the relationship between its borrowers and organization, which help reduces the defaults and sustainability issues for organization, and helps organization to raise its sources of funds.

2.3.3. Limitation of MFIs Model

Microfinance institutions are acknowledged as poverty alleviation tool as loans distributed in it is considered to minimize poverty based on the loan provided in succeeding years have been used in industrious economic activities by the members, that makes people self sufficient by increasing their income and saving and enable them to raise their own capital. This helps them to graduate from the status of economically inactive to economically active member of the society by developing as a full-fledged microenterprise. According to Hulme & Mosley (1996), Muhammad Yunus explain this is process of graduation from poverty to sustainable livelihood as virtuous circle , i-e from low income leads to credit, which increased investment resulted in more income leads to more credit, leads to more investment, and

resulted in more income". Although substantial literature on MFIs appreciates its success in poverty alleviation, some of the most recent researches indicate about the failure MFIs in fulfilling some of their objectives.

Along with many benefits the model of MFIs has been seriously criticized on the basis of its sustainability and viability. According to UN Secretary-General, Kofi Annan, individuals who succeed to get microfinance may lack in necessary skills and competence in order to succeed as entrepreneur. This became a major issue, because in developing nations individuals may not have necessary knowledge and access to use technology, sufficient opportunities for business or counseling, which are considered to be fundamental units for microfinance operational success and development of necessary skills to succeed.

According to United Nations Capital Development Fund, only one percent of Microfinance Institutions are stable and able to have self-sufficient operations. Since majority of institutions are not self-sustainable, therefore charge high interest and fee on its loans in order to achieve financial stability. For MFIs it is difficult to establish suitable interest rate that makes them capable of meeting all the organizational operating expense, this can be hold true for both not for profit and for profit models of MFI, it is mainly noticeable in for profit microfinance models (Bunzl, 2006).

Due to high operational cost and lack of funds generation, many MFIs became economically unviable. MFIs receive finances through investments and public commitments; in 2009, \$3.2 billion are received from cross-border, while a total of 21.3 billion dollars was committed to microfinance in the year. However, despite of all the funding and subsidies, it is believed that only five percent of MFIs would exist without the external funding (Craxton & Rathke, 2011). According to Bennett (1998) In South Asia administrative cost on per dollar lent of five MFIs ranges between 24% to more than 400%. According to Hashemi (1997) and Khandker *et al.*, (1995) without any grants the Grameen Bank would operate at a loss. According to Yaron's (1992) Subsidy Dependence Index (SDI) which indicates that in 1996 in order to reach at breakeven without subsidies the Grameen Bank needs to increase its interest rate by 21 percent (Hashemi, 1997). Likewise, from six countries out of 13 MFIs 12 have positive SDI that is above 32 % and less than 1884% (Hulme & Mosley, 1996).

Therefore, due to high interest rates and imperfect information collected by loan officers leads to the problem of credit rationing, which results in selection of those projects that have higher profit probability, therefore dropping poor out of the credit scheme. Thus

damage the true spirit of MFIs i.e poverty alleviation and overall economic welfare of people (Dhumale, 2006).

Another important issue faced by MFIs is to obtain collateral on the loans in order to run successfully. This becomes a huge challenge for MFIs, as in developing countries due to limited options collateral often come in the form of a farm animal, which is difficult to collect. This results in limited distribution of new loans, in case of non repayments loans and absence of collaterals (Hertz, 2006). Further, in current microfinancing system clients in order to make payments must needs to travel to the institution, as this travelling is expensive therefore raises cost of the micro borrower and thus results in lost productivity, the collection of payments may become difficult for MFIs if they are not strategically located (Hertz, 2006).

2.3.4. Problems Faced by MFIs

MFIs target women for bulk of their loans, however in reality loan taken by females are controlled by male members of the house hold. Furthermore, the loans issued by banks are often used for non productive purposes (Rahman, 1999) which increase the chances of defaults. The 46% borrowers of Malawi Mudzi Fund's (MFI in Malawi) were in arrears as funds were used for consumption purposes (Buckley, 1996). Due to low productive economic activities the repayment rate is low (Hossain, 1987; Rahman & Khandker, 1994).

Another biggest concern for MFI is higher drop-out rate of poor and as well as their non graduation from poverty, as MFIs don't serve those who are extremely poor and economically inactive are dropped out of loan policy (Ditcher, 1996, Hulme & Mosley 1996, and Montgomery, 1996). According to Karim and Osada (1998) increasing trend of dropout rate is observed from Grameen bank i.e 15% in 1994 and total 88 % of the poor borrowers did not graduate from the status of economically inactive to economically active or non poor. Therefore, the current operations of MFIs failed to improve the lives of the extreme poor. Similar results were observed by Hulme & Mosley (1996), which shows that poor who borrowed third time from Bangladesh Rural Advancement Committee (BRAC) have less average income as compare to those who borrowed only once. According to Ahmed (1998) reduction in household income is observed for those who have longer association with Grameen Bank.

In Muslim communities conventional MFIs faced the issue of nonconformance of loan policy with Islamic beliefs. As Islam prohibits interest (riba) on any type of loan, therefore conservative

Muslim societies and clergy in the rural areas shows resistance in accepting conventional microfinance system (Goud, 2007).

Another challenge faced by MFIs, particularly in its personal loan programs, is because borrowers are highly risky. They are considered to be low net-worth individuals having no collateral that can be acquired in case of default. From 1950's through 1980's many countries provided subsidized credits schemes for poverty alleviation, but this turns to be a disaster as loan repayment rates dropped below 50 percent (Morduch, 1999). Along with Kenya rural enterprise programme (Suffered default in two of its schemes), other countries that suffered a bad portfolio due to loan defaults are Ghana, Benin, Guinea and Tanzania (Munene & Guyo, 2013).

2.3.5. Ethical Concerns in Microfinance

Microfinance provides many benefits for the micro-borrowers they finance as productivity increases; it makes individuals capable to pay back their debt, reinvest the excess monetary growth and saved (Campbell, 2010). The opinion regarding the impact of micro finance in developing societies differ, as some researcher suggest that it function as a “micro-band-aid” (Campbell, 2010), which put people in debt circle and develop more complex economic problems in the future. According to Rehman (1996; 1999) borrowers of Grameen bank in order to pay their installments often take loans from other sources, thus get trapped in a vicious debt cycle. The hidden fees, high interest rates, and alarming collection policies of many microfinance institutions highlight the ethical concerns in this expanding industry (Ghate, 2007).

Despite, which opinion on microfinance holds correct, there are numerous ethical concerns underlying MFIs and microfinance practices around the world. Transparency has become one of the significant issues for MFIs. This is because individuals are not aware of hidden costs or repayment periods and interest on which loans were taken are much higher than expected. For example, MFI in Krishna district India, individual who paid their previous loans to acquire large loans were charged with interest on new loan, along with the interest on the prepaid loan for the entire period (Ghate, 2007). This placed micro-borrowers into a vicious debt circle because of repayment of installments, it is observed that 18% of them obtain loan from a money lenders on relatively very high interest rates.

Another concern is that the focus of MFIs is solely based on growth therefore excessive loans were extended to those

individuals who are unable to fulfill institution's repayments terms and condition (Ghate, 2007).

2nd most important issue is high interest rates that are charged from poor borrowers in shape of direct interest and on the basis of variety of repayment terms and extra costs (Craxton & Rathke, 2011). Average interest is 26% that is different for different MFIs, for example Grameen bank charge 10% annually where as Banco Compartamos charge interest at 73% (Campbell, 2010).

Overall in microfinance industry interest rate ranges between 25- 55 %, however this interest rate is further increased through extra charges that are applied on loan, in terms of administrative cost, forced savings and forced deposits. Forced savings are done by forcing individuals to leave certain amount of loan in the bank accounts, where as interest will be charged on full loan. Because of lengthy repayment policy, with restriction of early repayments of loan, resulted in increased expense on interest (Craxton & Rathke, 2011).

This becomes a significant problem; because in developing countries individuals do not fully understand the interest rates or how they are calculated and how it will impact their repayments of loan (Craxton & Rathke, 2011). It developed such a wild environment in which incompetent lender exploit the borrowers who have limited financial experience (Howard & Thierry, 2006). Because of this Akiba MFI in Kenya was closed in 2005, for taking customer deposits unlawfully and reneged on payments by borrowers (Mullei & Bokea, 1999).

However many MFIs entail that in developing countries their interest rate is lower than the moneylenders (ranging from 100 to 200 percent). While interest rates of moneylenders are high but the duration of loans tend to be for short. Whereas, the interest rates of MFIs are lower, but the restriction on early repayment and long loan terms increase overall cost of lending (Craxton & Rathke, 2011).

4th the most important ethical concern faced by borrowers is receiving loans in form of group, as in developing countries 90 percent of people have limited access to credit amenities, makes it difficult for people to be self sustainable by operating their own businesses. To solve this problem, group lending policy is adopted by many MFIs , which put joint liability on all the members to improve collection rates (Woolcock, 1999). The group is hold responsible for the payment of loan incase if one person failed to pay loan (Ghate, 2007). This is form of 'social' collateral; which not only increase the rates of repayment but also puts a lot of pressure on the micro-borrowers. As this policy resulted in

destroying family and friend relationships, as many MFIs don't give another loan until all the members of the group clear their debt (Kodongo & Kendi, 2013).

5th discrimination between poor and rich becomes one of the worst problems for micro borrowers. Poor people are excluded from main stream commercial banking system and limit their access to finances. Because it will not be possible for them to repay, as they live in riskier environment, with no collateral, jobs and have limited credit history for acquiring loan from traditional banking system.

According to Yunus (1994) traditional banks explained that poor are excluded from financial services as they are unable to offer collateral and the bank needs the one in order to grant a loan, and moreover, the poor are not to be trusted. According to "culture of poverty" presented by Oscar Lewis (1961) says that beliefs and values shared by poor people are more or less monolithic and predictable, they are unmotivated and have weak work ethics, do not value education, linguistically deficient, involved in drugs and alcohol (Gorski, 2008; Collins, 1988) says that the reason why poor people are poor is due to their own moral and intellectual deficiencies, this is why poor people are considered to be selfish and less trustworthy by both conventional banks and MFIs.

2.3.6. Role of Ethics in low class individuals

Lower social class individuals are considered to demonstrate a less prosocial behaviors, as they are have fewer resources, greater exposure to threat, and have low sense of personal control. Therefore, they are considered to prioritize their self-interest over the welfare of others.

However many scholars states that poor people are more trustworthy and honest, according to P. Chidambaram Indian finance minister (2013) says that poor are more bankable, trustworthy and are good borrowers and are much better then rich because of their high repayment rate, therefore banks should focus on poor borrowers who are more trustworthy and bankable as compare to large borrowers (Kropp, 2009). Further it is stated by P. Chidambaram (2013) "We have an explosion in banking wherein a bank's most trusted customers are not the rich but the poor, and that it is "completely wrong" on a bank's part to pursue only the rich". Frank Flynn (professor at Stanford university) reviewed 7 experiments and conclude that poor people are more trustworthy, more generous, and more compassionate than richer ones (Weisul, 2011), and rich behave more unethically as compare to poor people (Piff, 2012). Overall poor people are more trustworthy and orient to the welfare of others. Across 4 studies, lower class individuals

proved to be more generous, charitable, trusting, and helpful compared with their upper class counterparts (Piff *et al.*, 2010). According to The Chronicle of Philanthropy report Poorer and middle-class Americans are more likely to donate than are the wealthiest people in the country. This is because rich people prioritize their own self-interests above the interest of other people (Piff; Newyork times), and large portion of their income is being spend on costly consumer goods (e.g., automobiles) and less on helping others in need (Frank, 1999; 2001).

Poor people demonstrate such behavior because of strong commitment to egalitarian values and feelings of sympathy and compassion (Bennett, 2011). In a surveys carried out in America, it is observed that low income group give proportionally more of their incomes to charity as compare to their higher income counterparts (James & Sharpe, 2007). For instance, based on a study carried out by Independent Sector in 2002 found that people who earned less than \$25,000 contributed 4.2% of their income to charity, whereas households earning more than \$100,000 contributed only 2.7 %. Vast literature shows that poor donate large portion of their incomes to charity as compare to those who are financially sound (Banks & Tanner, 1997; Wiepking, 2007; Brooks, 2008; Vazquez, 2011).

As conventional microfinance industry faced the issues of mutual adverse selection and moral hazard. In relationship lending loans are granted on the basis of soft information gather through contact with the local community of the client such as neighbors, business customers or suppliers. The local community can give specific information about the history, the creditworthiness of the owner (Morduch 1999). According to Macey & O'Hara (2003) for the success of the bank depends on the relationships between depositors and borrowers are equally important similarly to the managers' and the board's relationship to its owners. The literature shows that the credit system based on relationship model have less default rate as compare to the ones that are based on transaction based lending. As relationship lending helps to minimize adverse selection and moral hazard problems raised by new borrowers (Boot, 2000). It is observed that probability of defaults are higher in collateralized loans, as these loans provided by savings banks are riskier and only a close bank-borrower relationship increases the willingness to take more risk (Gabriel *et al.*, 2003).

According to Economic theory market failures arise when contracts are difficult to enforce or observe. Social capital can help solve these failures. The more individuals trust each other, the more they are able to contract with each other (Joel, 2002). Hence,

many believe trust is a critical input for both macro- and microeconomic outcomes.

3. Conceptual & Theoretical Framework

To study that how poor borrowers of Akhuwat became donors of the organization, Theory of Social class as culture seems more appropriate. The theory states that lower class individuals are more attuned to the social context, invested in their interactions with others and demonstrate increased prosocial behavior as compare to their upper class counter parts.

This shows that given their dependence on others, poor people demonstrate greater pro sociality because of an increased concern for others' welfare. Whereas upper class individuals can use their material wealth and access to buffer themselves against life's disruptions, lower class individuals are more reliant on the strength of their social bonds and, as a consequence, are more prosocial (Piff *et al.*, 2011).

Social class has been center of attention of many theorists for many years (Durkheim, 1933), and is referred as constant environment, which differentiated people on the basis of their lives engagements with neighbors, schools, their visit to recreational and religious places (Domhoff, 1998). Bennett (2012) study states the social class and charity giving behavior in lower class people is high.

Therefore, by focusing on how poor borrowers become donor of the organization. The study will trace the rationale behind the cause.

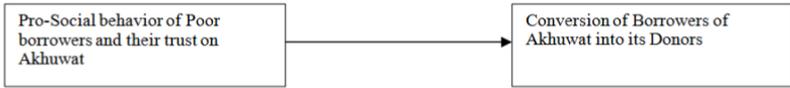


Figure 3.1. *Theoretical Framework*

3.1. Propositions

1: Poor borrowers (clients) of Akhuwat would be extremely satisfied with the organization, in its efforts to assist borrowers in breaking the vicious circle of poverty.

Proposition 2: Being beneficiary themselves, and encouraged by their value system, the borrowers of Akhuwat saw it as an opportunity to contribute towards the society in their limited financial capacity and hence became donors.

3.2. Akhuwat Case

In order to get the answer of the research question, it is important to understand the mechanics of Akhuwat. Having 500 branches across Pakistan, this is one of the few financial institutions in Pakistan that gives complete Shariah-compliant product line to its customer. This is because Akhuwat vision is to create “a poverty free society built on principles of compassion and equity” (Akhuwat). Dr. Saqib, CEO Akhuwat, the objective of interest free loan is to ensure that the hard work of borrowers does not go to waste (Saqib, 2012). Akhuwat believe that use of money to earn money, not only concentrate the wealth in hands of few but also the money will route from poor to rich.

Based on the principal of equity and social justice, it is against the goals of poverty alleviation to over burden the poor borrowers with exorbitant interest rates. Based on its charitable ideology, Akhuwat maintain 90% “Family enterprise loan” based on interest free loan in name of Qarz-e-Hassan, which is completely derived from Islamic teachings, people who have viable business plans are eligible for family enterprise loans. Whereas education, health, housing, emergency and liberation loans are covered with rest 10% loan portfolio.

Akhuwat is innovative in many ways apart from its alignment with Islamic philosophy. Its close association with religious place is one of its distinctive features that differentiate it with rest of counterparts. All activities revolve around the mosques and involve close interaction with the community. There are no independent officers and loans are disbursed and recovered in the mosque. It uses collateral-free group and individual financing based on mutual guarantees. Subjective evidence suggests that the fact that loans are

disbursed in a mosque, also attaches a religious sanctity to the oath of returning it on time (Karim, Tarazi & Reille, 2008).

Akhuwat use religious places not only for loan introduction and disbursement but also to raise awareness in poor localities by giving them social and religious guidance. Akhuwat is innovative in its approach of using religious places, however the main objective of the institution is to “look beyond one-self” and thus harness sense of community and solidarity among people.

So far Akhuwat is able to achieve enormous success, and it is assumed that this journey will continue because Akhuwat has adopted three most important aspects that are considered crucial to achieve its objective.

1. The first and most important thing is that it adopted Islamic philosophy as its lending system which is rooted deep in culture of the people of Pakistan.

2. Secondly based on Islamic philosophy, its lending system is dependent on social capital as compared to financial capital.

3. Third, Islamic values of tolerance and acceptance are adopted and it developed sense of community and solidarity among its members.

Akhuwat initiated its Member donor program in 2008 when one of the borrowers shows his willingness to make donation to Akhuwat”. Since then Member Donor Program becomes 4th principal of Akhuwat foundation and it is expected that today’s borrowers to become tomorrow’s donors. Akhuwat Founder said “Pay back a good deed is better than Good dead”. So Akhuwat philosophy of converting borrowers into donors is another distinctive feature that differentiates it from other institutions. The success of its MDP is evident from the growth of donation it received since 2008.

The ratio with which Akhuwat is converting its borrowers into donors is nothing less than phenomena. From 2009 to 2010 Akhuwat manage to increase the donation by 78 %, however from 2010 to 2014 it maintained at 71% and it remained 70-75% in year 2015. According to Dr. Saqib Akhuwat able to cover around one third of its operating cost from borrower’s donation given in 2011-2013 alone. These ex and current borrowers voluntarily contribution not only predict long term sustainability for institution, but also an indicator for program efficiency, as it shows financial stability of ex borrowers. MDP Donations:

Table 3.1. *Donations from Borrowers*

Year	Amount collected RS
2008	20730
2009	10338
2009-2010	6,107,570
2011	13,106,806

Source: Decade Report (Akhuwat Website)

Further, it is stated that Akhuwat raised around 13 million rupees since 2008, where in 2014 it able to raised 100 million (claim at disbursement ceremony at Mian Meer darbar) and it is continuously receiving from its borrowers in the form of small donations of Rs. 1-10 rupees per day. This donation helps Akhuwat to cover part of its operational expenses.

Therefore in order to understand the reasons for such a huge number. It is necessary to know what motivates borrowers to make donation to Akhuwat. As its seems with the speed its growing it may not be wrong to say that Akhuwat will soon be able to cover its complete operational expenses alone from its borrowers donation.

4. Research Methodology

This chapter seeks to understand which philosophy and techniques will be more suitable to carry out and to find correct findings for the research work.

4.1. Paradigm

Among various data techniques and research methodology the widely used are interpretive, positivism and realism (Saunders *et al*, 2007). However the two widely using approaches are positivism and interpretivism, and both required different techniques.

In interpretivist approach a detailed observation and interaction with people is required, which may consist of long interviews for data collection and analysis. In this type of research the subject will be focus of researcher and not the external object, and therefore results will not be compared with any external objects, and meanings emerge from the process of research (Neuman, 1994). While, researcher using positivistic approach focuses on object, use experimental methods and compares facts and figures specifically with other studies while analyzing results. The main objective of positivism research inquiry is theory-testing based on deductive logic (Layder, 1993), and statistical Generalization.

This research was carried out by using interpretive approach, however it is realized that qualitative research doesn't always required interpretivist philosophy (Myers, 2013). By using interpretivist paradigm it is believed that reality can only be witness through social construction of shared meanings, and these

shared meanings and interpretations are instruments to see reality. As people's experience will be different from each other based on their unique value system, therefore to make its contribution in the body of knowledge; this research needs interpretivist paradigm. Because the phenomena investigated was unique and focused on unique attribute of poor borrowers of Akhuwat Foundation who later became donors. This paper thus explored the rationale behind the conversion.

4.2. Philosophical assumptions

4.2.1. Ontological

This research based its ontological assumption on fact that nature of reality is subjective, because the respondents on the basis of their different personalities will perceive reality differently. Therefore the objective of this research is to report reality in various forms.

4.2.2. Epistemological

The epistemological assumption of this study is based on the way the researcher and participants are linked, and how they construct the relevant valid knowledge together.

4.3. Type of research

Social science research projects can be categories as exploratory, descriptive, and explanatory research. Exploratory case study is used in situation when a phenomenon under study has no clear single outcomes (Yin, 2003). Descriptive case study will be used to describe a phenomenon within its real-life context (Yin, 2003).

Explanatory case study will be used when the research objective is to answer a question that explains the supposed causal links in real-life scenarios. In evaluation language, the explanations would link program implementation with program effects (Yin, 2003).

For current study exploratory approach is used. As this study explores that why poor borrowers become donor of the organization, and weather their social class or organization play any role in motivating them for such act.

4.4. Research Approach

There are two strategies to carry out research that is inductive and deductive; both differ from each other in terms of how these strategies are designed and availability of literature on the research topic.

While using deductive approach, researchers first off all, consider and study theory, develop and test hypothesis with the

help of empirical data and then results are compared with previous researches. Conclusion is based on available data and information while conducting research (Bryman, 2004). Thus increase the reliability of the study if more data is available. Normally, this approach is used and linked with quantitative research (Bryman, 2004).

Other approach that is widely used is inductive. In inductive approach, human observation plays a keen role to pursue research, as at first observation and findings are drawn which further helps to build hypothesis, resulted in advancement in developing new theory or making addition in existing theory (Bryman, 2004).

In this research, inductive approach is used as no prior research is done and available literature is limited to provide any empirical or theoretical observation on psychological impact of MFIs on poor's lives that transform them to the new role of donors. (Bryman, 2004). However some part of research work has plenty of literature to support this study, regarding the role of relationship lending and Microfinance, issues faced by MFIs and borrowers. However limited literature is found in favor of poor people i.e poor people are more generous and trustworthy. But so far no such research is done that study the changes in behaviors of stakeholder of MFIs (poor borrowers) who became donors of the program.

4.5. Research strategy

Based on research question (Why), paradigm (Interpretive) and logic (Inductive) of the research, this paper used case study method. According to (Yin, 2003) when the research needs to answer questions like How and Why, and behaviors of those who are involved in the process cannot be manipulated and contextual condition cannot be ignored then it is appropriate to use case study method. Therefore the research question of this study requires an extensive and "in-depth" description of reasons that motivates poor borrowers to become donor of the organization.

For this research single holistic case study design is used, as this paper study group of those poor borrowers who become donor of the organizations in context of MFIs. As the case represent a unique and extreme situation in context of Microfinance industry, and in such situation holistic single case study will be consider (Yin, 2003). While embedded case study involve more than one unit of analysis. This occurs when, within a single case, attention is also given to a subunit or subunits.

4.6. Unit of Analysis

Another important component of case study is to define what the “case” is? It can be an individual, an event, an entity or a program. Appropriate unit of analysis or case can only be selected if the primary research questions are appropriately specified (Yin, 2009).

In current case study, unit of analysis or the case is the Program under which Poor borrowers of the organization (Akhwat foundation Pakistan) became its donor. The research questions of this study i.e. why borrowers choose to be donors and how Akhwat persuaded the borrowers to become donors. This makes it more appropriate to study the views of those poor borrowers who later became donor and over all working of the program, in order to collect required information on the phenomenon to be investigated.

4.7. Interpreting Results

Explicit techniques of data interpretations are available in statistical analyses, such as p-value is used in social science research that if α is less than .05 then results are significant. However, this cannot be applied to qualitative case study design, and required different criteria for interpreting results. According to Yin, this issue can be resolved by addressing and identifying rival explanation for the findings of the study (Yin, 2009).

Rival explanation for this study is that probably Social class culture of poor borrowers is not the actual force in making and motivating them to be donors of the organization and is only factual. It is expected that religious orientation of people by Akhwat foundation can be source of motivation for poor borrowers to become donor of the organization.

The propositions will be accepted based on the thorough analysis of the information that is collected on the subject matter. If the analysis will support proposition, it will be interpreted that Poor borrowers have strong pro social behavior, egalitarian values and feeling of compassion for others and it will be assumed that low social class individual tends to be more generous and helping. While, on the other hand if rival explanation will be selected through analysis than it will be interpreted that the reason of poor borrowers in becoming donor of the organization are purely based on the values of religion, due to the fact that loans were provided in mosques, shrines and churches and further meetings were held in mosque develops religious values of brotherhood in them, and thus motivated them to become its donors. The priming theory of religion supports this idea that religion activates both behavioral

schemas and concepts related to prosociality (Shariff, Willard, Andersen, & Norenzayan, 2016).

4.8. Ensuring Quality

Various validation strategies are being used by qualitative researchers' in order to increase the rigor and credibility of the study (Creswell & Miller, 2000). Validity and reliability are one of the most important tools for quality assurance while conducting case study research, and will help in reducing researcher bias during the process.

4.8.1. Construct validity

Construct validity is used to ensure that adequate operational measures are taken while studying the phenomenon under investigation (Emory & Cooper, 1991; McDaniel & Gates, 1991). This approach is used as it evaluate the results obtained based on the use of measure that goes well with the theories around which the study is designed" (Sekaran, 1992).

For the current study data triangulation method is used to achieve construct validity. Different form of data is collected through interviews, observations, websites, social media pages, and field notes. Along with this study protocol, interview guide is developed; this will help in designing systematic processes during interviews. From start till end a chain of evidence is established for this research (Yin, 1994).

4.8.2. Internal validity/credibility

Internal validity in quantitative research deals with causal relationship, where certain variable influence the other involved in the study (Emory & Cooper, 1991; McDaniel & Gates, 1991). Whereas qualitative research dose not necessary deals with causal relationship, but rather focus to establish a phenomenon in a credible manner, through a generative mechanism (Guba & Lincoln 1994; Miles & Huberman 1994; Tsoukas 1989; Yin 1993).

For this study internal validity is achieved through analytical generalizability and by distinguishes the unit of analysis (Yin, 1994). Similar to internal validity, credibility in the case method can be enhanced through triangulation, researcher reflexivity, by giving detailed description, and peer debriefing (Lincoln & Guba 1985; Hirschman 1986). Using Stake's "critique checklist", the researcher will rely on it to assess the quality of the report (Stake's, 1995).

4.8.3. External validity/transferability

Define as the scope of the study to which research finding can be gernalize (Yin, 1994). Case study research carries out analytical generalization in which particular findings are generalized into a

broader theory (Tsoukas, 1989; Yin, 1994). Other techniques that can be used include ‘thick’ descriptions for a case study data base, cross-cluster and cross-case analysis, intended interview protocol, and the use of procedures for coding and analysis (Lincoln & Guba, 1985; Miles & Huberman, 1994).

For this study, the theory is used to achieve external validity as the research is based on single holistic case.

4.8.4. Reliability/dependability

Reliability is defined in a case study as “it is demonstrated in a way that the operations of a study, such as the data collection procedures can be repeated, with the same results (Yin, 1998). The reliability of the research can be achieved if other researchers conduct same research and get similar results (Cassell & Symon 1994; Miles & Huberman 1994; Singleton *et al.*, 1993).

In current study it is achieved by developing a case study protocol along with interview protocol while collecting data, by designing case study data base (Eisenhardt, 1989; Merriam, 1988). The data base will then help other researchers to access the files (Yin, 1994). However, the reliability of research may depend on the creativity of the researcher.

4.9. Data collection

The method of data collection is largely based on the nature of research topic (Brewerton & Millward, 2001) and data availability (Yin, 2009). The difference between quantitative and qualitative research method is that, the quantitative simply report about the object and reality, and the qualitative covers both the behaviors and value of the research (Silverman, 2000), and also facilitate researcher in in-depth data collection. Normally, the choice of method is based on research strategy but according to Fisher (2004), while conducting research; the research may use either qualitative or quantitative, or combination of both method as data collection tool.

When the questions are in How & Why then qualitative methods will be used as they facilitate researcher in term of flexibility in data collection. Potential source of data collection are documentation, archival records, interviews, direct observation, participant-observation, and physical artifacts (Yin, 2003).

For this research paper, data/information is collected by using qualitative method, because of the need of comprehensive study about behavior and features of research topic. To collect in-depth and detailed information semi-structured interviews and direct observation was conducted this was primary source of data collection, and more over to rationalize the results of this research,

a number of other resources; books, journals; thesis and articles were reviewed. While for secondary data, the paper this paper looked into organizational website, social media pages.

Interview method provides flexibility in conducting and gathering information and helps in providing huge of information. It can be used along with other data collection methods (Brewerton & Millward, 2001). By using open interview, interviewer and interviewee (Managing Director of Akhuwat and some experts) both were able to communicate openly with each other in a discussion format. For this detail plan was designed along with specific questions. During interview open room and ample time (approximately 20min) for discussion is provided so that the respondents can provide answer with much flexibility, as it will help in getting some huge information.

Interview question were based on working methodology of Akhuwat micro finance, problem faced by Interest free microfinance, how Micro finance especially IFMFI is transforming beliefs and value system of its consumers, Akhuwat history, motive and financial position, Akhuwat model of IFMF. How the institution brings change into social value system of its respondent, what are those organizations policies that motivate its borrowers to become its donors?

The borrowers were also interviewed in line with the objective of research. Objective of these interviews was to collect information about working methodology of Akhuwat model, problems faced by borrowers, future aspects, effect on poverty alleviation, social and psychological impact on member's behaviors and their emotional well being, values and beliefs and what motivates them to be donor of the organization. In this part, most questions were open ended, because I want to give full room to respondents to express their views that motivate them to become donor.

This part follows to questions about role of IFMFIs in developing or encouraging becoming donor of the program? Or what other reason motivates them to be donor. Objective of this part was to access thoughts of user about Interest free micro finance, its benefits and ethical impact and its impact on member's life by bringing any psychological change in their beliefs etc. Interviews were conducted in Urdu language so that borrowers can respond easily and full information can be received.

The objective of this research was to identify the factors that bring a change in social status of borrowers into donors in context of Akhuwat.

As the unit of analysis is Akhuwat MDP, the data was collected from borrowers, management and staff of Akhuwat. Akhuwat Foundation is a Lahore based organization with 500 branches across Pakistan. The data was collected from following branches of Lahore: Town ship Branch; Choong Branch and Mian Meer Branch, Badshahi mosque.

The decision to collect the data from the above branches was made on the basis of availability of borrowers and where there were loan disbursement activities and monthly meetings were carried out. It was considered important to attend these meeting in order to understand the process and system through which borrowers become donors.

The present research is carried out by using convenience sampling techniques, because due to limited time and cost it is considered appropriate for drawing sample from large population through convenience sampling. It is a “non-probability sampling technique where subjects are selected based on their accessibility and proximity to the researcher”.

At the time of data collection there were various important activities were going on, like grand disbursement of loan at badshahi mosque where 10,000 people were given loan which continued with the training of staff further, this was one of the reason to opt for convenience sampling as the loan officers were also engaged in that task.

The entire process of data collection took almost one month based on the availability of the loan officer, borrowers and management. Interviews are conducted in Township area, Choong and Mian Meer shrine. In order to remove the bias, respondents were included from both the genders and from all age groups. We Interviews total 13 females and 12 Males, the age groups of respondent were between 25 years to 65 years. Except few all the respondent were married and doing their own business.

4.10. Data Analysis

For analysis of data, pattern matching logic is used. In pattern matching logic results compared have an empirically based pattern with a predicted one (Trochim, 1989). If the patterns matched, the results help the case study to enhance its internal validity (Yin, 2009). For descriptive case study, pattern matching will be relevant if predicted pattern of specific variables is defined before collecting data (Yin, 1998).

For this research data was collected from borrowers of Akhuwat through interviews. The interview was comprised of different sections as per dimensions; the first part focused on borrowers

characteristics as name, age, education, marital status, financial status, which then followed by general about the need and use of IMF.

The rest of the interview covered later in the section, firstly questions related to religious factors were asked that is borrowers belief, religious affiliation and opinion about interest free microfinance, how they feel about use of mosque for loan collection was gauged.

The second part was about organizational factors, what organizational factors motivate borrowers; third human factors were explored following by the general questions about Akhuwat policies and changes in their thinking and behavior.

In present study as the main focus was on exploring the role of Akhuwat MDP on behavior of borrowers, the researcher also focused on exploring the influence of other factors on various dimensions that can increase prosocial behavior among people. For this reason, Nvivo 11 software was used and first node and then sub notes were developed, by keeping in mind all the dimension and aspects relevant to borrowers change in behavior by keeping all the important themes and responses of respondents.

Then during the course of data collection it was recognized that four factors are important to consider for analyzing data, these are borrowers belief, religious factors, Human factors and organizational factors. So first of all these factors were analyzed based on nodes and child nodes. Then tree maps were developed that are used to compare nodes based on the number of reference they contain and the distinguish feature is use of color and size of the boxes for showing the trend based on the responses of respondent.

To get the important pattern with regards to certain words, a text search queries were run and to visualize words in context word tree query was run.

4.11. Reporting Structure

For this paper linear - analytical structure is used for report writing. In linear analytical structure the sequence of subtopics starts with the issue or problem being studied and a review of the relevant prior literature. The subtopics then proceed to cover the methods used, the findings from the data collected and analyzed, and the conclusions and implications from the findings (Yin, 1994).

4.12. Time Horizon

A research could be cross-sectional & longitudinal (Saunders *et al.*, 2000). For cross-sectional study data is obtained at one point in time from people and organizations. In longitudinal study the population involved will be referred to as the group and is based and data is collected at different time (Hilton & Patrick, 1989). Both approaches have their pros and cons as cross-sections cannot show direction of associations; are subject to extraneous factor and omitted outcomes, the longitudinal study are based on years of analysis, higher cost of data collection (Geoff & Payne, 2004). For current study cross sectional approach was used.

4.13. Ethical Considerations

Apparently there were no risks involved for participating in this study; a couple of measures that were kept in mind during interview. All of the participants were treated in accordance to the ethical guidelines of research and University of Management (Policy).

As the poor borrowers were interviewed so there was a possibility that they may feel uncomfortable discussing their experiences or provide personal information about their families. So, permission prior to interview was taken to mention their names in interview transcripts.

The borrowers were treated with respect, being part of lower social class there was possibility that participants may feel the pressure to answer all the questions designed for the interview given that the researcher holds a position of power.

Last, while designing question, it was make sure that no such question should be asked that damage the self esteem of the participants.

All these considerations were incorporated during the research design stage. Every caution was taken to ensure that the all participant felt safe, comfortable, treated respectfully and had the freedom to withdraw from the study if they felt the need to.

5. Results and Interpretation

Doing qualitative analysis is an iterative process as the objective is to get closer to the desired results by increasing number of iteration to develop themes. Themes that emerged from this iterative process represent key characteristic of verbal information provided during semi structured interviews. Later a structure was formed based on parent nodes and child nodes. To reach the desired results inductive and fairly deductive approach are used, by doing line by line analysis over and over again of the information given and also through preliminary organizing framework through start-to-list method, that identify the place where actually nodes were linked. This leads to identify some broad themes and then sub themes were identified based on thorough reading of the information available.

In order to reach the desired results, all the data available in form of transcripts, pictures and secondary sources were comprehend with open mind without any prior supposition. Initially after reading each data set twice, themes were generated and after that text was then re-read several times. This resulted in emergence of several themes which are then identified and improved. That make possible to point out those factors that were considered important to the participants devoid of any researcher partiality. Then by using start list method final themes were categorized and sub categorized.

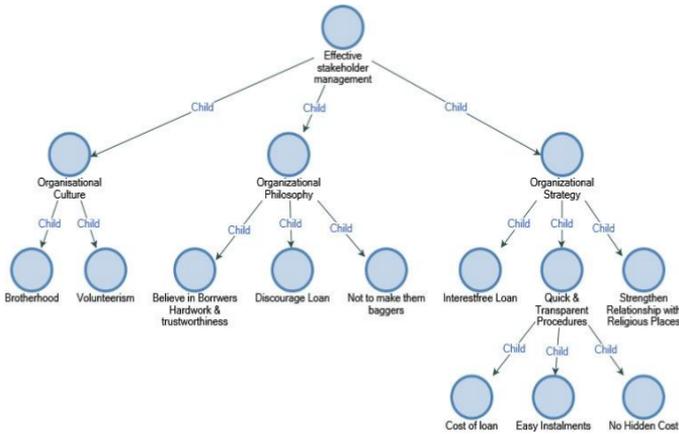


Figure 5.1. Organisational role in inculcating Pro-social behavior
Data Source: Interviews

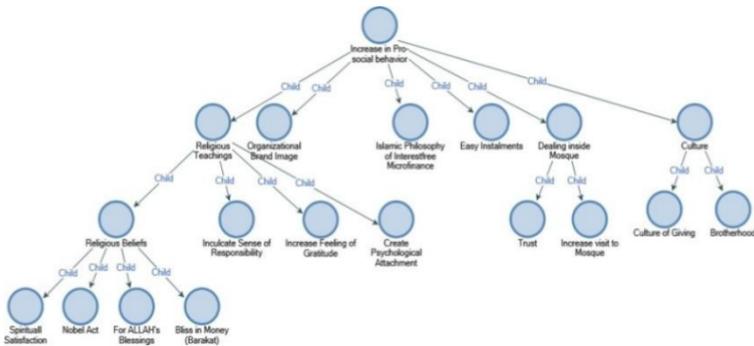


Figure 5.2. Factors Influencing Pro-social Behavior
Data Source: Interview

Total 33 themes were identified through analysis of the data set, but later they were reduced to 12 by merging the closely linked codes together. The nodes that received maximum reference are ‘Impact of religious education’ (216) followed by ‘Organisational Culture of helping’ (98) and the least references were in support of the code ‘Dealing inside mosques’ (80) Followed by Organisational Image (25). The above themes are obtained from the analysis of data collected during semi structured interviews, as described in chapter 5. The information provided then is merged further into three main categories that impacted on borrower’s behavior in Akhuwat Foundation. As several themes that emerged, in each category, from the literature review and analysis of data are then reduced to 3 categories and 10 sub categories.

The research design included the interviews of 30 Borrowers who later become donor for the program and 7 management staff including CEO, COO, Area managers, Branch managers and Loan officers. Further to get the feel of the real scenario and how this member Donor Program (MDP) works, disbursement ceremonies were attended at Badshahi Mosque, Hazrat Mian Mir Darbar Lahore along with a monthly meeting at Chong Branch Lahore. As Akhuwat has its presence around 500 branches across Pakistan but focus of current study is limited to Lahore. The areas covered were Choong Lahore, Township and Sha Jamal. Before starting the interview consent of members and staff was taken and to keep the confidentiality codes are assigned to borrowers and management staff.

The results are analyzed by using Nvivo 11 software in order to effectively manage the data set. Table 1 shows the detail coding of references against each node.

Table 5.1. References on Nodes

Increase in Pro- social behavior		
Religious Teachings	20	216
Religious Beliefs	20	82
Spiritual Satisfaction	17	24
Nobel Act	18	26
For ALLAH's Blessings	12	15
Bliss in Money (Barakat)	14	17
Inculcate Sense of Responsibility	20	51
Increase Feeling of Gratitude	16	20
Create Psychological Attachment	20	63
Organizational Image	20	25
Islamic Philosophy of Interest free Microfinance	20	55
Easy Installments	15	19
Dealing inside Mosque	20	80
Trust	20	31
Increase visit to Mosque	19	49
Culture	20	98
Culture of Giving	20	80
Brotherhood	15	18
Effective stakeholder management By Organization	11	126
Organizational Strategy	8	72
Strengthen Relationship with Religious Places	7	14
Quick & Transparent Procedures	6	22
No Hidden Cost	6	8
Easy Installments	6	8
Cost of loan	4	6
Interest free Loan	8	36
Organizational Philosophy	10	18
Not to make them baggers	1	1
Discourage Loan	3	3
Believe in Borrowers Hard work & trustworthiness	9	14
Organisational Culture	9	36
Volunteerism	7	15
Brotherhood	8	21

Data Source: Interviews

As information provided by majority of the borrowers were similar and generate same themes, therefore only 20 selective interviews of borrowers were transcribed on the criteria of detailed information provided. To see how results are emerging and how information provided by the interviewers is linked with each other, researcher run certain check by using NVIVO 11.

At the beginning of each interview, borrowers were asked about their experience with Akhuwat and what is that one word that comes to your mind when you think of Akhuwat? This question took the discussion to the capturing of experiences, views and opinions of individual borrowers regarding Akhuwat over all philosophy and working style and their relationship with it.

Most borrowers dwelt a lot on the challenges as well as frustrations experienced while dealing with other conventional MFI's. All the interviews with borrowers, area managers and branch managers were conducted in Urdu, although some participants switched to their local language (Punjabi) to explain their experience and views in a more relaxed manner. Interviews with management staff were conducted in English and Urdu both. The term managers in this chapter were used to refer both area and branch managers in Akhuwat. For readability and to ensure a reasonable length of this chapter, the findings are only presented in this chapter and discussed in Chapter 7.

The demographic profile of respondents is comprised of age, financial status, education, marital status. Almost all the respondents were married except the few. The age group of respondents was between 28-65 years. The education level of majority of respondents was from middle to metric and maximum intermediate. All the respondents have taken group loan. Financial status of the respondents was good and they mentioned the increase in business after taking loan from Akhuwat. The themes then emerged are categories into three main categories that is religious factors, Organisational Factors and Human Factors.

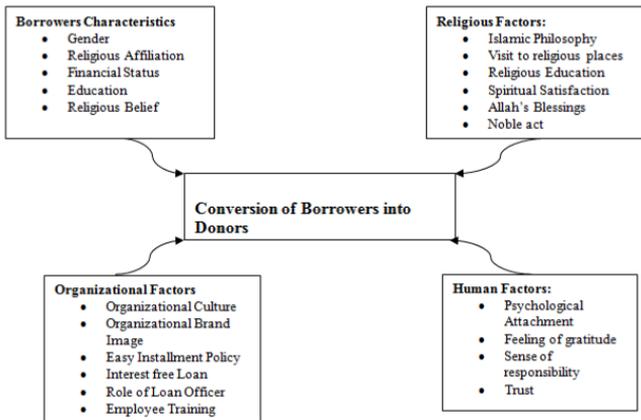


Figure 5.3. *Determinants of borrower's conversion into donor*

Source: Authors

Despite the fact that the model has various variables identified after analysis of data, the focus of the paper was on those variable that get maximum coding. Result indicated that religious factors gets maximum coding therefore the focus of this paper is to evaluate the impact of religion on borrowers behavior and how Akhuwat foundation inculcate pro social behavior by adopting religious attributes and philosophy through use of mosque, religious education, Islamic philosophy, Allah's blessings, noble act, Psychological attachment, sense of responsibility, organizational culture, Organizational brand image., that play effective role in conversion of borrowers into donors in Akhuwat context.

5.1. Emerging Themes

5.1.1. Religious Factors

Islamic Philosophy; Use of Religious Places; Religious Education/Teaching (Social & religious guidance); Nobel Act; Trust; Spiritual Satisfaction; For Allah's blessings.

5.1.2. Organizational Factors

Organizational Culture; Organization Brand image.

5.1.3. Human Factors

Psychological Attachment: With the concept of Muwakhat-e-Madina; Increased sense of responsibility.

5.2. Interpretation of Themes

5.2.1. Religious Factors

5.2.1.1. Islamic Philosophy of IFM

It seems surprising, that how Islamic Philosophy of giving interest free loan can bring such a huge change in borrower's behavior. The idea of giving interest free credit to the poor's by Akhuwat is highly appreciated by all the members, and is claimed to be the most important reason for their long term relationship with Akhuwat. According to some borrowers:

"You know" we are Muslim and its mandatory for us to follow our religious teaching, this is why I choose to become member of Akhuwat as they follow Islam; they give interest-free credit and consider interest illegal. This is my third loan I took it again is because of their Islamic Philosophy of interest-free credits, ... believe me I seek penitence from Allah that I will not get myself involved in any such business which involved interest (Borrowers interview, 10).

For me the most important thing is that they give interest-free loan and follow Islamic rules and regulations...other institutions takes interest which is prohibited in Islam so we don't deal with any such institutions in any form and Akhuwat as they promised, didn't take even the smallest amount in terms of interest so I think along with me it's the main reason that people still want to get benefit from its credit schemes. (Borrower Interview, 11).

The most important thing that motivates me to be its members is its interest-free loan, and based purely on Islamic philosophy (Borrower Interview, 14).

The most important aspect of this relationship is trust because no relationship can flourish without trust. And the binding force of this trust is that they follow Islamic philosophy (Borrower Interview, 2).

In this particular table it can be analyzed that how much the members appreciate the Akhuwat philosophy of giving interest free loan. It can be argued that the Interest free micro finance is one of the main reasons for borrowers to maintain such a long term relationship and commitment because its philosophy didn't contradict with their religious beliefs. Therefore this alignment between Akhuwat Islamic philosophy and borrowers religious beliefs is the basic bounding force between them.

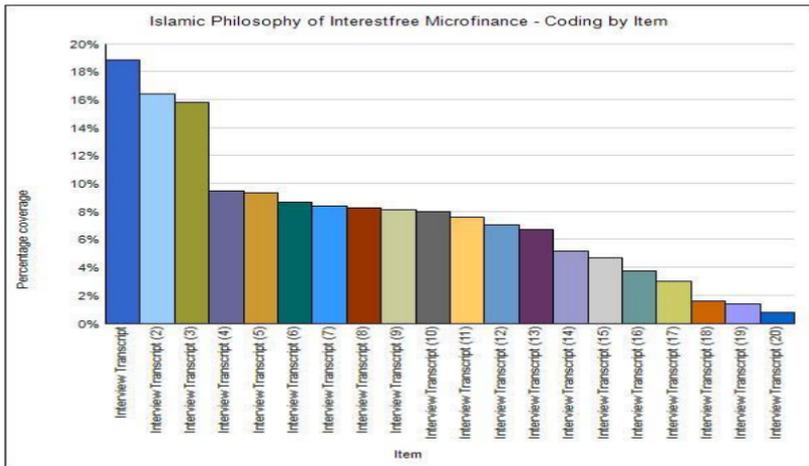


Figure 5.4. *Coding by Node Islamic Philosophy of IFM*
Data Source: Interview

We spread its message to other people who take loan from other organization, educate them that interest is illegal (Haram) and as Muslims we should avoid it. Look Allah said clearly that those who deal in interest he or she will directly do war with Allah. So we try our best to spread its message to others. As Akhuwat don't charge any kind of interest on its loan, and I have no burden of paying interest, so after every month I am able to save a handsome amount and therefore in a position to make a generous donation to the organization voluntarily. (Borrowers Interview, 17)

“You know” there are many banks that run after you and request you to take loan from them but they have interest on their loan. So the most important thing that motivates me to be its members is its interest-free loan, and based purely on Islamic philosophy of brotherhood and interest free credit, secondly after giving interest I hardly had any amount left to spend, I always remained psychologically under pressure, and when you don't have anything left in your pocket, how come one think of giving donation to any one... Now I am thankful to Allah for His blessing in shape of Akhuwat (Borrower Interview, 15).

From this it can be argued that Interest based loan put borrowers under both psychological and financial pressure that after making their repayment, the borrowers hardly have any amount with them to make donation, because the percentage of interest is so high. Therefore, it is analyzed that congruence between borrower's belief and Akhuwat philosophy is the most important aspect that strengthen this relationship.

5.2.1.2. Use of religious places

As most of the borrowers interviewed were Muslims, so according to them religious places (Mosques) are sources of great motivation and satisfaction for them. It became a place of social and religious guidance and enhances their prosocial behavior in a way that we start volunteering for organization along with giving donations. For this particular section

Yes, I am satisfied, As I think that by sitting in Allah's House (mosque) whatever task will be carried out it must be good, and that whatever promised will be kept should be fulfilled by both the parties, so this use of mosque for disbursement of loan and its repayments is good (Borrowers Interview 1).

Yes, Mosque is such a place which brings peace to you. That peace of mind forced you think about what Allah wants from you (Borrower Interview 16).

Yes, I am satisfied, As I think that by sitting in Allah's House whatever task will be carried out it must be good, and that whatever promised will be done there need to be and should be fulfilled by both the parties, so this use of mosque for disbursement of loan and its repayments is good (Borrower interview 17).

Yes, we go to mosques, but this is the first time we went there for loan collection and now it becomes a place of social and religious guidance for us (Borrower interview, 18).

I do go to Darbars for prayers, but this is first time I am coming here to get my loan and after becoming member of Akhuwat my visits to mosques increased due to meeting.

Yes, I am satisfied, Allah house is full of bliss and I believe whatever task will be carried out in mosque must be good, and that whatever promised will be done there need to be and should be fulfilled by both the parties, so this use of mosque for disbursement of loan and its repayments is good (Borrower Interview, 10).

Their strong association with Mosques and religion makes this relationship even stronger as we know that they are doing good and helping people the way Allah-Almighty guide us and take no interest on its credits. This is one of the main reasons that we donate to the organization. As you know Allah is watching us and all our actions, so by sitting in mosque I make my intention during loan disbursement ceremony that I will help Akhuwat in every way possible (Borrower Interview, 1).

It can be argued that, use of religious places and then borrowers visit to mosque is also one of the basic reasons that convert the borrowers into donors. As it increase their *trust* and keep them satisfied that whatever task is being done in mosque it must hold something good into it. It is analyzed and confirmed by the

borrowers that after becoming members to the program, their feel like to help others and not to fraud with their customer on quality and quantity of product purchased, because now they makes promise in mosques. And fulfillment of this promise is considered mandatory by them. Secndly they can feel the divine help that Allah send to them in form of Akhuwat.

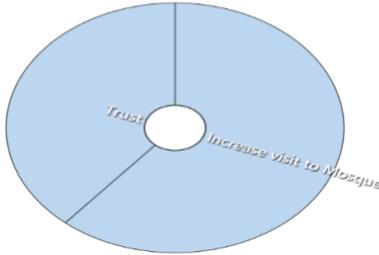


Figure 5.5. *Coding By Node “Use of Religious Places”*
Data Source: Interviews

5.2.2.3. Religious Education/Teaching (Social & religious guidance)

The importance of religious teaching and education cannot be ignored, all the borrowers narrate that religious education given by Akhuwat increase their prosocial behavior thus their passion to make donation also increased. According to them when they narrate event from life of our Prophet (PBUH), it motivates us, as for us He is our leader and role model. When the great example of Madina Agreement is narrated in front of member it not only

They give us social and religious guidance, which increase our faith on Allah. They tell us about the importance of helping other and how Allah Almighty return it to us by multiplying it unlimited time, encourage us to get education and to educate our children too and to ask Allah for help rather than any other human being. Allah says in Quran "that whoever recommends and help a good cause becomes a partner therein" (Borrower Interview, 11).

They give us social and religious guidance, which increase our faith on Allah. They tell us about the importance of helping other and how Allah Almighty return it to us by multiplying it unlimited time, encourage us to get education and to educate our children too and to ask Allah for help rather than any other human being. We

are young people and I think it is very much important for us that we should be given such knowledge that make us better citizen and Muslims too. Quran said “And what will explain to you what the steep path is? It is the freeing of a (slave) from bondage; or the giving of food in a day of famine to an orphan relative, or to a needy in distress. Then will he be of those who believe, enjoin fortitude and encourage kindness and compassion (Borrower Interview, 12).

The Akhuwat team also makes us realized that we need to educate ourselves, and our children, should measure accurately while doing business. After listening to all these good things we think twice before taking any action that whether our action is legal or can it might give harm to someone. “You Know” only those people can enter Allah’s home whom He loves, So if Allah Loves us and helped us then it is also our duty to be a good Muslims (Borrower Interview, 3).

From it can be argued that when Akhuwat staff narrates perching of Quran and events from life of Prophet (PBUH) boost borrower’s morals and gives them the food for thought to correct their behaviors and think about others.

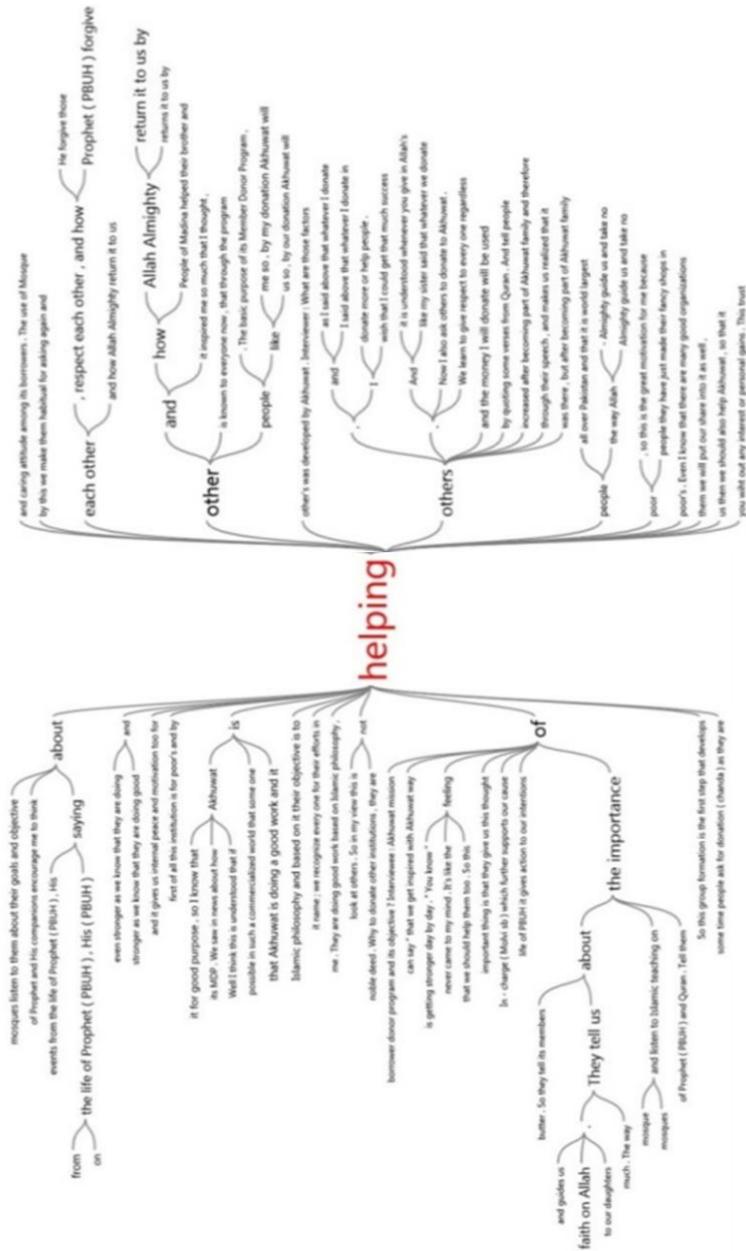


Figure 5.6. Word Tree "Helping"
Data Source: Interviews

In Figure 5.6. important word “helping” has been displayed which shows how this word has appeared and how social and religious guidance motivates people to help other and what are other factors that further enhance helping behavior among borrowers. The above figure shows that they help to have Allah’s Blessings because Allah Almighty promises to return it with double the amount.

Another important aspect of religious education given by Akhuwat by sitting in mosques or branch offices (where mosques are not active) is that it develops sense of community and solidarity among its members. All the borrowers state that after listening to events from Islamic history and what Allah wants from us is to live like brother and same is practice by our Prophet (PBUH); we feel motivated to look after other in our neighbors and society.

Akhuwat Philosophy is so beautiful, it is simply that they don't evaluate people on the basis of religion, cast and races, they told us that in Allah eyes we all are equal and the only difference that it is based on Taqwas. They make us realized that before Muslims, Hindu, Christian we are first Human. We learn to respect each other and never hurt our other brother and sisters (Borrower Interview, 13).

After listening that what Allah wants from us and how much He love those who help their poor brother and sister (Borrower Interview, 14).

They develop spirit of brotherhood among its borrowers, we live as community, and the tool use to develop our behaviors is through Islamic teachings, we can make group with our neighbors only. This brings us close to our neighbors and we are now aware of each other problems and try to accommodate our group member incase he/she failed to pay installment on time (Borrower Interview, 17).

So the objective of Akhuwat MDP is to encourage its members to help other people like them. So I know that by my donation Akhuwat will help other people like me, and that is the basic purpose of its Member Donor Program. That instead of asking other to help poor like us, we need to help each other too. Before that I was not much aware about my neighbors and their circumstance, but after becoming member we are very close to each other , all the group member are now live like family. We try to solve each other problem and in case my member doesn't have food for night (or any other neighbors) we as group provide food to that family. This give such a satisfaction that you won't be able to understand until and unless you experience it. Akhuwat tie us all in a knot, before that we were living in isolation now we live as a

family. We feel for each other and take care of each other (Borrower Interview, 10).

It can be argued that this sense of community and solidarity among borrowers increase their sense of responsibility, and psychologically attached them with the narratives that are presented to them in every meeting. Based on those narratives they start feeling empathy for their neighbors due to similar circumstances.

Another aspect of religious education given by Akhuwat is that it increases the faith of its members on their creator. As for this research majority of respondents were Muslims. So majority of them expressed that Allah showers His countless blessings upon those who help others and whatever they donate Allah return it by multiplying it hundred times.

The feeling to help other was there but after listening about religious teaching, this feeling increased day by day. So we give to Akhuwat because they helped us and whatever we are giving is from what Allah has blessed us with, and the more we spent in his way the more he will bless us. So for me this is worship (ibadat) and this gives me peace and happiness. I am spiritually satisfied that i am part of such an organization that operates on Islamic rules. And it is said in "Quran that the most beloved to Allah's are those who are most beneficial to the people" (Borrower Interview, 10).

We donate them because it is profitable for us, as Allah Almighty return it to us by making it double and triple the amount (Borrower Interview, 13).

So I personally feels that now when I spent money for Allah, He returned it to me by multiplying it triple the amount I donated (Borrower Interview, 16).

So we give to Akhuwat because they helped us and whatever we are giving is from what Allah has blessed us with, and the more we spent in his way the more he will bless us. When we listen to Akhuwat staff, the speech they give was so impressive that it motivates us to act prosaically and how Allah Almighty return it to us by making it double and triple the amount (Borrower Interview, 9).

It is in Quran in Surah Baqra, “who among you want to give donation to Allah so that He can return you by multiplying it unlimited time”. It is our Iman that Allah always fulfills His Promise. Our 4th principal is MDP, and what do you think whom Allah almighty like them the most who give in His way. Today we are here to take money so don't we want to give it too later on. There is no obligation to you to make donation rather it is a request

to you to give any amount you want to donate even a rupee is worth able and become part of this Nobel act. Benefit of making donation is that you will have bliss in your money, you money will be safe and you money will be clean from this donation. All your act are based on your intentions and you get reward of it, similar there are people who are promoting interest and there are people who are decreasing it, at least we will be among those who try to decrease the interest (Speech at Disbursement Hazrat Mian Meer Darbar).

It can be argued that religious teachings are great source of inspiration and that when people visit mosques, every time they listen these positive words about Allah and how helping other will benefit them too. This ultimately increases their prosocial behavior. Sermons prior to loan disbursements in religious centers have proved to be a vital mechanism for increasing prosocial behavior among people.

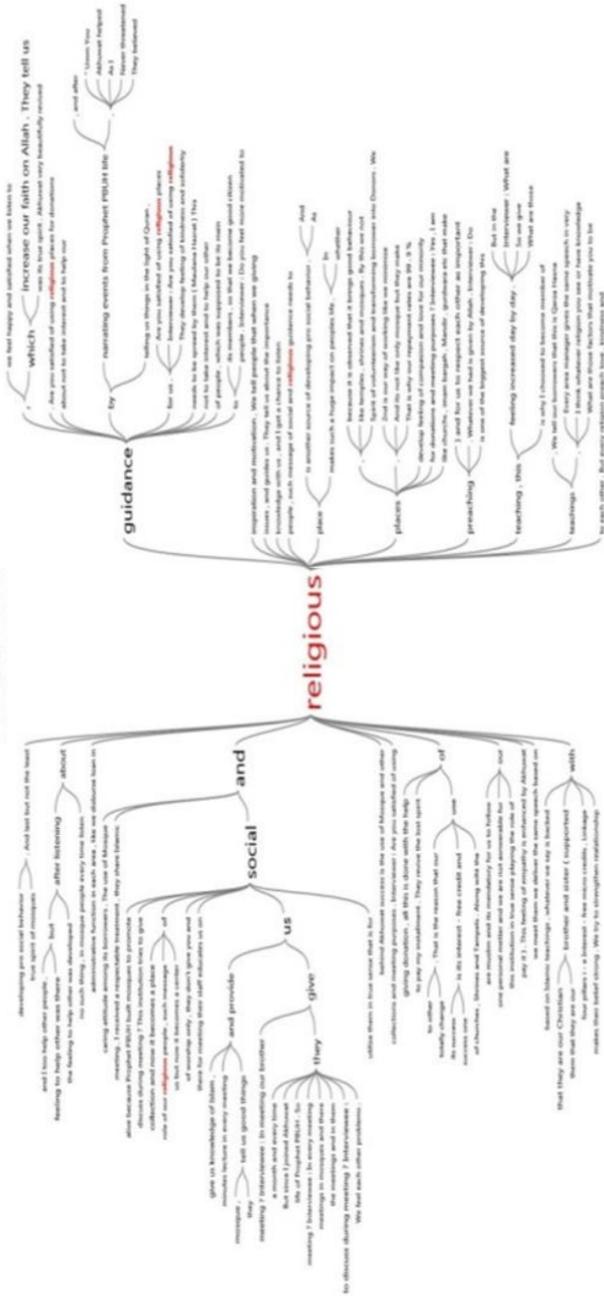


Figure 5.7. Word Tree "Religion"
Data Source: Interviews

The Figure 5.7 shows that how the religious education impacting borrowers behavior through sermons and conversation etc.

5.2.2.4. Nobel Act

When borrowers were asked about why they make donations? Some of them responded that because it's a Nobel act.

I donate to them so that I too become part of that noble deed. Allah says in Quran "that whoever recommends and help a good cause becomes a partner therein" (Borrower Interview, 11).

I always give my donation to Akhuwat as they are doing good and noble work, based on (Akhuwat, Muwakhat) brotherhood and by making donation I think I too become part of the noble work (BI,3)and that Allah never waste any act of kindness no matter how much small it may be.

Nobel acts are not only limited to give food to hungry person and shows someone a right path is also a noble act (Amjad Saqib).

We give them knowledge how their this small act of kindness will be appreciated by Allah and how they too become part of this Nobel act (A.M,1).

Based on above results it is analyzed that Akhuwat by using reference and narratives from life of Prophets, religion and religious teaching motivate its borrowers to become part of this noble act. Therefore, religious awareness influences borrower's prosocial behavior.

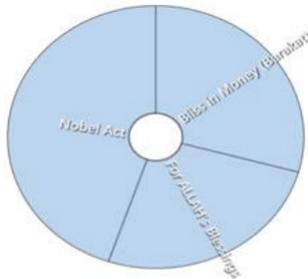


Figure 5.8. *Coding at Node" Religious Teaching"*
Data Source: Interview

5.2.2.5. Spiritual Satisfaction

Majority of borrowers explains that after making first donation to Akhuwat it gives extreme sense of satisfaction and internal happiness, that after that it becomes source of motivation. It is

explained that when they feel little down or low in life they give donation and this act of kindness bring peace and satisfaction to them.

You know life is hard; full of difficulties and then to get relaxed I trade with Allah in a way I donate money to Akhuwat, and it makes me satisfied and contented, and therefore I would like to donate to Akhuwat even more, and this feeling that you get after helping someone is so beautiful that it became source of motivation for me (Borrower Interview, 1).

I feel myself relaxed and so peaceful and I hope that Allah will accept my small contribution for this noble cause. It make me spiritually more satisfied (Borrower Interview, 12).

Therefore both our mind and soul are at peace that we are not dealing with any such institution that takes interest or whose foundation is laid on lies. So we are so satisfied and thankful to Allah for his blessings. Yes of course, I am satisfied with Akhuwat, the use of mosque makes us spiritually connected to Allah, This motivation is also because after making donation i feel myself spiritually contented and satisfied, that i did a good job today and that Allah will be happy with me (Borrower Interview, 14).

This makes our more satisfied and gives us inner peace (Borrower Interview, 7).

5.2.2. Organizational Factors

According to borrowers organizational culture is so much supportive for them from top management and to lower staff; as it is faith inspired organization so it very closely follows the Islamic philosophy of *Mwakhat* (creation of brotherhood), justice and equality for everyone.

I have no complaints from them, but some time they have as I am unable to pay installments on time but even then they never scold us or insult us, in fact they cooperate us and understand our problem. Other institution when your installments are late they took very harsh measures, in extreme cases they throw your furniture out from home, give you threats (Borrower Interview, 20).

Never threatened me in case I failed to pay my installment on time and that is why I took loan again after my husband death, never scold me or threatened me for making late payments. But I too try my level best to pay my installments on time, but some time delays come due to illness or other reasons (Borrower Interview, 6).

I would say this relationship is as beautiful as flowers, built on trust and respect. So Akhuwat is like a flower that is spreading happiness and wellbeing among those who are deprived. I have no

complaints from them, they are good people. I faced no difficulty in all these 3 years. Very good Institution, they don't over burden their member.... No, I took my first loan from Akhuwat and now this is my second loan and the reason that I took it again is because of their Islamic Philosophy of not taking interest on credits, give respect to its members, never scold me or threatened me for may making late payments (Borrower Interview, 3).

You know in this world what poor people need is trust and respect because people don't give respect to us and think that we poor have no moral values. The other MFI don't consider us even human. Today there is no one thinks about the betterment of poor, everyone is becoming selfish. But u can say that Akhuwat is such a Institution that made for people by people (Borrower interview, 12).

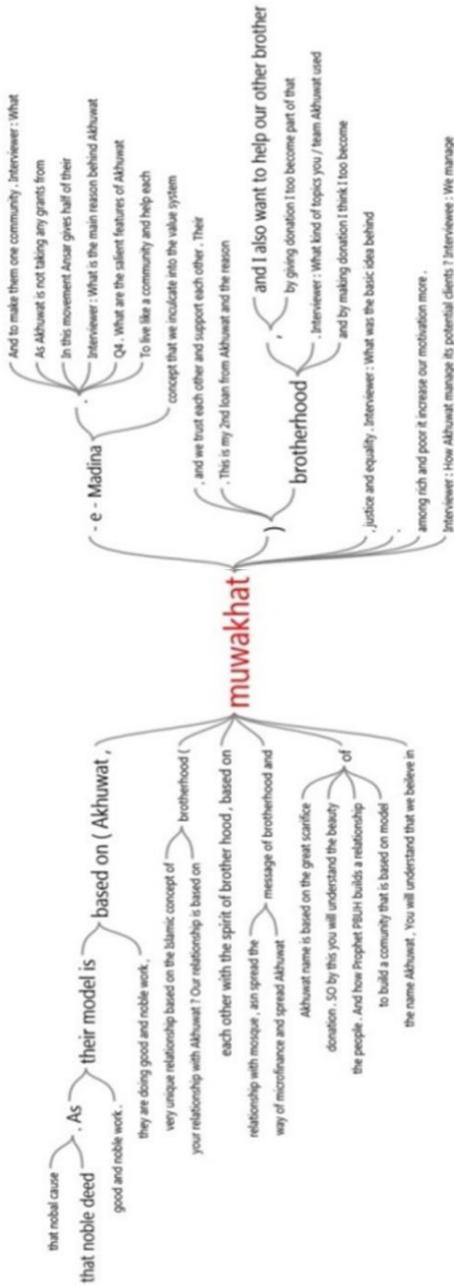


Figure 5.9. Word tree “Mwakhat”
Data Source: Interviews

The word “Mwakhat” explains the complete philosophy of Akhuwat. Akhuwat culture promotes and encourage act of volunteerism not only from borrowers but from its staff and society at large. So over all it can be argued that organizational culture is promote the culture of giving and brotherhood.

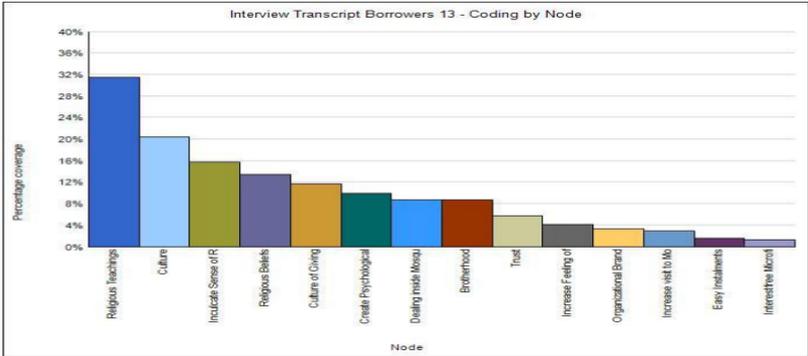


Figure 5.10. Information from borrower interview 13
Data Source: Interview

You know” I consider it to be a blessing of Allah on me that I am part of Akhuwat, In such circumstance when my husband passed. During all that time my only hope was Akhuwat and I knew that it’s a good organization and I can trust it and that it will not leave me and family alone in hard times. This is one reason that I am still part of it because Akhuwat never leave me alone (Borrower Interview, 6).

They are very much caring towards their borrowers, not only the Institution but also its staff is very cooperative (Borrower Interview, 7).

They through their action make us realized that we need to be kind to others and help other in every way possible, and we too can transform from borrower to donors. Akhuwat never treat us like customers or in fact our relationship is based on brotherhood, they literary care for us and love us. We need to help each other and respect our fellow brother and sisters (Borrower Interview, 18).

We start our relationship on trust, some people come and says that this person is wrong, we say that nobody is wrong on body is immoral unless he proves otherwise. So our work is based on mutual trust and highest moral values. We believe that when we love someone, be kind to them and show solidarity to him, He tries to prove him right. So going against conventional banking we involve social behavior into our work (Amjad Saqib).

The way organization deals with its members is totally different, I had experience of working with another MFI, but after hectic routine when I reached home at night , I feel a burden on my soul as if I have done something wrong by threatening people who failed to pay installments. And it forced me to think twice whether its right or wrong. But here I am satisfied and thankful to Allah that when I go home at night I feel so relaxed and light that what I did a good deed today and helped people. It is not that easy to collect loan, we some time face small hurdles in this regard. But unlike other institution we don't scold, threaten or misbehaved with our borrowers in a way that we take some of their asset for security (Interview Area Manager# 1).

We take no harsh measure if in case there is late installments or no installments or if the person move to another area after taking loan it just that we put their names in black list (Interview Area Manager#3).

We tend to be kind and compassionate with them, as we think that the most important thing that is missing in our society. We believe in compassion and benevolence and work with the spirit of brotherhood. So as you can understand with the name Akhuwat, You will understand that we believe in Muwakhat, justice and equality (COO).

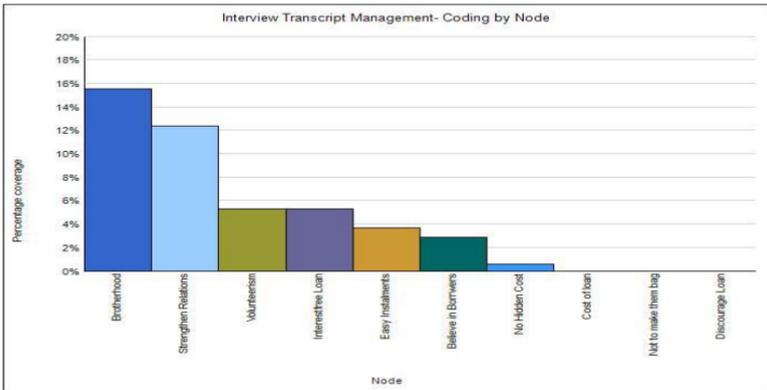


Figure 5.11. Coding by node "Management Interview"
Data Source: Interview

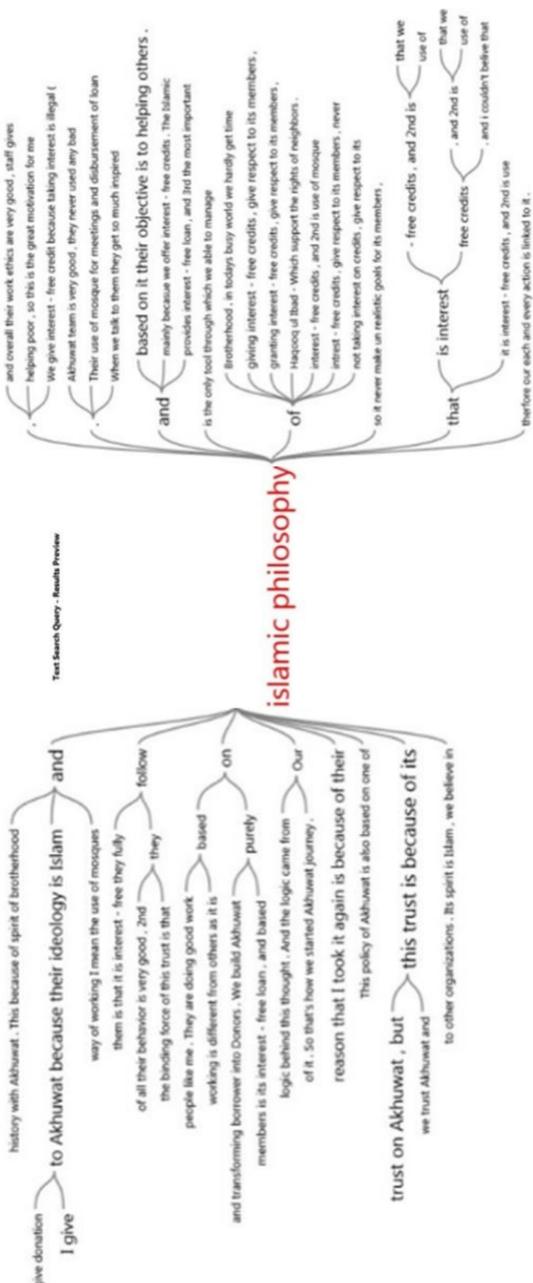


Figure 5.12. Islamic Philosophy Word Tree
Data Source: Interviews

It is analyzed that Akhuwat based its philosophy on Islamic principles of compassion and benevolence, therefore able to maintain a very healthy relationship with its members. Akhuwat culture promotes volunteerism and culture of giving from top to lower level. This helps the organization to build a relationship of trust. This act of kindness motivates people to help organization in return. Therefore it is considered a huge psychological incentive for the borrowers of Akhuwat as it's not in Akhuwat policy and culture to use force for loan collection.

Organizational brand image:

Majority of borrowers revealed that they donate to the organization because its objective is to help poor. Among 20 transcribed interview 18 borrowers' mentions that they give donations to Akhuwat because its intentions are good and they genuinely would like to help poor people and not to make money from them and this is apparent from its name "Akhuwat". So the general impression of Akhuwat in the mind of its members is that this the only institution that sincerely would like to help them.

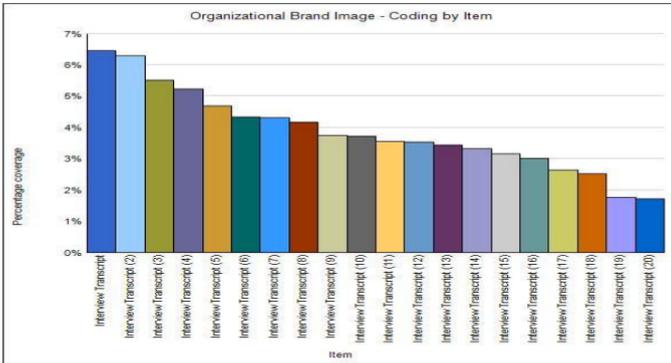


Figure 5.13. Organizational Brand Image
Data Source: Interviews

Well, I think the main difference is in the basic philosophy of business, Both Akhuwat and interest based MFI have different objective. For others it a commercial business and therefore to cover their losses they opt such ways for lo collection that are totally unethical. First they trap you and when people failed to make installments they start threatening them. Akhuwat is totally different as it's a welfare institute (Borrower Interview, 5).

for Akhuwat it was difficult to gain trust of the people for e.g in choong its Branch manager Mr. Adnan mentioned told that it took him quite a long time to let people believe that Akhuwat has no hidden objectives and it is purely made to help others” and for that

purpose he said by standing in the street and using mike (loud speaker) and by visiting people home to home me and my team gain trust of people (A.M, Choong).

So the objective of Akhuwat MDP is to encourage its members to help other people like them. I know it's intentions are good and by my donation Akhuwat will help other people like me, and that is the basic purpose of its Member Donor Program. That instead of asking other to help poor like us, we need to help each other too (Borrower Interview, 10).

I have respect for the organization, know that Akhuwat is doing a good work and it is helping other people like me so, by my donation Akhuwat will help other people like me, and that is the basic purpose of its Member Donor Program, that instead of asking other to help poor like us, we need to help each other too (Borrower Interview, 13).

It can be argued that organizational maintain a strength of character in eyes of its borrowers and leaves a long lasting impression in minds of its both ex and present borrowers, which in return motivates the borrowers to become its donors. It brand itself as a faith inspired organization other than just interest free loan its philosophy is depicted in every action and even in its name.



Figure 5.14. Word Cloud
Data source: Interviews

This figure is built by using data source and explains maximum time's words are used in interviews. Also indicates how themes emerged in the analysis. This figure truly depicts organization brand image in eyes of its members. As when asked respondents what comes to mind when they heard the word Akhuwat, most of them said that it's all about brotherhood and solidarity, and helping others and some of them narrate the example of Mwakhat with

that. So it is analysed that Akhuwat leaves a strong impression in minds of its borrowers that keep them motivated to help the organizations.

5.2.3. Human Factors

5.2.3.1. Psychological Attachment

Majority of borrower respond that Akhuwat objective of MDP is so clear that it want to help people get out of poverty and that instead of asking other we (poor) also need to help each other.

“Allah helps those who help themselves”. It’s been 8 years, I have seen this institution growing and I know that Akhuwat is doing a good work and it is helping other people like me so, by my donation Akhuwat will help other people like me, and that is the basic purpose of its Member Donor Program, that instead of asking other to help poor like us, we need to help each other too (Borrower Interview, 14).

Basic purpose of its Member Donor Program, that instead of asking other to help poor like us, we need to help each other too (Borrower Interview, 5).

Visiting mosques and listening to their sermon that they deliver on disbursement ceremony and then in almost every meeting we attend, it develops a feeling of ownership for the program. It won’t be wrong to say that I feel strong affiliation with concept of Muwakhath-E-Madina, told by Akhuwat staff. That is another reason for me to give donation to Akhuwat (Borrower Interview, 10).

I strongly feel connected with Akhuwat mission of eradicating poverty, as they follow foot step of Prophet (PBUH), and became part of the noble cause, similarly I think by making donation I will also be among those who follow Prophet (PBUH) foot step (Borrower Interview, 15).

You know” we are Muslim and its mandatory for us to follow our religious teaching, this is why I choose to become member of Akhuwat as they follow Islam; they give interest-free credit and consider interest Illegal. Disburse their loan by sitting in mosque, tell us good things and provide us social and religious guidance by narrating events from Prophet PBUH life (Borrower Interview, 10).

You know” as a Muslim it is very important for us to differentiate between Halal and Haram from which our religion stopped us. Therefore the most important thing is that they follow Islamic rules and regulation; they give interest-free credit and consider interest Illegal. Disburse their loan by sitting in mosque, tell us good things and provide us social and religious guidance by narrating events from Prophet PBUH life (Borrower Interview, 3).

I work as volunteer for Akhuwat that is we spread its message to other people who take loan from other organization, educate them that interest is illegal (Haram) and we as Muslims should avoid it. Look Allah said clearly that those who deals in interest he or she will directly do war with Allah. So we try our best to spread its message to others. We also give our old cloths to Akhuwat cloth bank that we don't need at all, give them donations. Also encourage others to make donation to Akhuwat.”

It can be argued that this change in borrower behavior is due to religious orientation given to them in every meeting, borrowers were made to realize that instead of asking other to help we “poor people” need to help each other. Secondly organization through its religious orientation makes borrowers their partners in their goal and makes them partner in alleviating poverty. As based on their past they feel the miseries of their fellow human being and psychologically feel connected to objective of MDP and over all organizational values. Therefore to help their fellow human beings they make donation to organization.

5.2.3.2. Increased Sense of Responsibility

Many borrowers say that now it is their responsibility to help others in need, because Akhuwat made us realized that it's not poor people right to take loan but it is responsibility of those who are well off to take care of their poor brother and sisters.

I am thankful to Allah for His blessings and also to Akhuwat because without their support, it won't be possible for me to achieve so much. Allah send this help to me in shape of Akhuwat, so i feel that its my duty to support my other poor brothers and sister, and the only way I can help them is through Akhuwat. Also Allah asks us to take care of those who are poor (Borrower Interview, 17).

I think if all of us understand that those who are financially well off had responsibility towards their poor relatives then, we can eradicate poverty right from home. Then there will be no need for these banks. But the problem is people don't realize it. So I feel as Allah shower His special blessing on me. Allah in Quran said to take care of your poor relatives. so this is my responsibility to take care of those who are not well off, don't have food to eat (Borrower Interview, 3).

Akhuwat give us a new vision that we should be thankful to Allah for his blessings and the way Akhuwat helped us we also need to help other because this is our responsibility to take care of those who are not financially well off. With time I think as my business is growing my responsibility towards poor is also increasing. Initially I give them 10 , 20 Rupees (which is

considered huge amount back in 2008) but now I give them more than 400 Rupees to Akhuwat and this is not fix it varies (Borrower Interview, 16).

Why I donate to Akhuwat is because, it helped me to stand on my own feet, therefore I feel now this is my duty to help it in return so that it can help the others in the same way, being muslim, Allah has given us this responsibility to take care of those who are poor (Borrower Interview, 5).

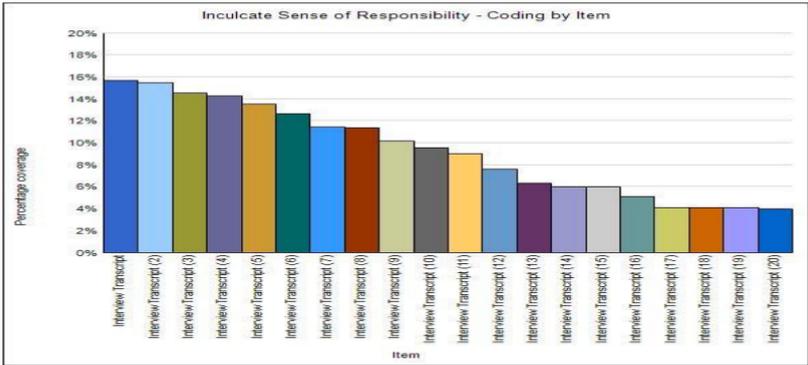


Figure 5.15. *References Coded at Node*

Data Source: Interview

It is analyzed that borrowers of Akhuwat take it as their religious obligation to help poor. As Akhuwat through religious teaching inculcate this sense of responsibility among its borrowers.

Almost all borrowers shows a positive behavior about minority groups i-e Hindu, Christian and Sikh, When asked that do you ever feel” why the money you donate be given to Sikh or Christian” ? For that majority of the borrowers responded that before becoming part of the Akhuwat we sometime have this feeling in mind that we are Muslim and we consider ourselves superior, but after having religious enlightenment, we realize that above all the differences we are humans, and that’s what is preached by our Prophet (PBUH).

Through Akhuwat we get a chance to meet our Hindu and Christian brother and sister, as some times loan are distributed in temples or shrines like if Muslim are in minority and Hindu are in majority then we were called to collect loan at mandir (temple). By this we get to know each other, i now become friend with few. So this is very good practice as it will eliminate the element of hatred among people, and will make Pakistan a peaceful place to live. We learn so many thing from life of our Prophet (PBUH) about having faith in Allah, benefits of living together and about the rights of

neighbors, friends, family and our those brother and sister who belong to other religion. That we need to be kind and helpful to each other, this is the only message of Islam (Borrower Interview, 19).

We also learn to help our Christian; brother and sisters; we give respect to each other. Some time they visit mosque for loan collection and some time we visit church for loan collection. Akhuwat enlighten our understanding about religion and our minorities (Borrower Interview, 3).

Akhuwat Philosophy is so beautiful, it simply that they don't evaluate people on the basis of religion, cast and races, they told us that in Allah eyes we all are equal and the only difference is based on Taqwa. They make us realized that before Muslims, Hindu, Christian we are first Human. We learn to respect each other (Borrower Interview, 13).

Along with the use of religious places develop feeling of compassion and love for our minority group. Now we respect each other based on life of Prophet (PBUH) that how merciful he was towards the minorities (Borrower Interview, 17).

So this is another important aspect of religious place and religious education that cannot be ignored is that they develop interfaith harmony among various religious groups. It is analyzed that when people from different religion visit each other places of worship it helps them to think beyond their religious differences and help each other. And thus inculcate sense of responsibility among them and tolerance as well.

5.2.3.3. Feeling of Gratitude

When talked to borrower's majority of them say that they are thankful to Akhuwat and Allah for helping them in graduating out from poverty.

I am thankful to Akhuwat that they hold our hand in that time when our blood relation refused to help us, although I cannot make huge donation to Akhuwat so whatever extra amount I have I put it in a box and give to them at the time of repayment. To me it is understood that if Akhuwat is helping me then we should also help Akhuwat, so that it can help other people like me (Borrower Interview, 13).

Akhuwat give us a new vision that we should be thankful to Allah for his blessings and the way Akhuwat helped us we also need to help other. Initially I give them 10, 20 Rupees (which is considered huge amount back in 2008) but now I give them more than 400 Rupees (Borrower Interview, 16).

Why I donate to Akhuwat is because, it helped me to stand on my own feet (Borrower Interview, 5).

So I took her to Akhuwat Office and she get loan for her daughter marriage and she is very thankful to me and Akhuwat that we save her for paying extra amount on loan. Now she also give donation to Akhuwat as we all believe that Akhuwat has done good to us , so we all should help the organization in return so that it can also help others like us (Borrower Interview, 6).

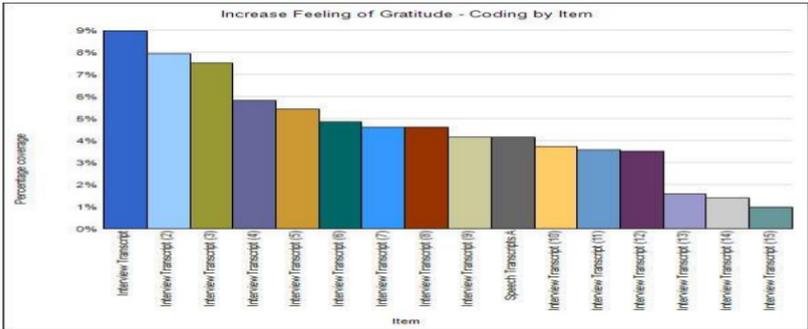


Figure 5.16. *References coded at "Increase feeling of Gratitude"*
Data Source: Interview

It can be argued that feeling of gratitude motivates borrowers to return same good deed to the organization. As they feel thankful enough to Akhuwat that they want to return the same benefit to the organization.



Figure 5.17. *Nodes compared by number of coding references*
Data Source: Interview

In this hierarchy chart, it is demonstrated that how Akhuwat with the help of religion and religious factors develop such feeling and behavior that convert them into donors. Size of each box represents the trend of responses of borrowers. It is indicated that religious education and visit to mosque playing a strong role in

converting borrowers into donors. For example it is evident that the frequent visit to mosque increase borrowers trust on Akhuwat.

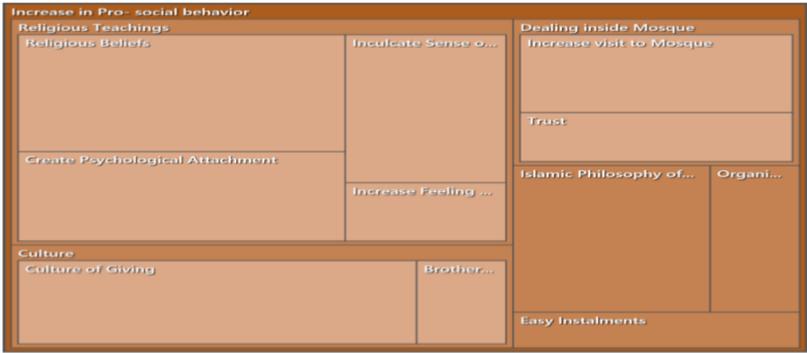


Figure 5.18. “Increase in Pro-social Behavior”
Data Source: Interview

In this hierarchy chart, the overall scenario can be analyzed, that is how Akhuwat effectively managed its stakeholders not only to achieved borrowers long term commitment, but also able to increase their prosocial behavior and motivate them to become donor for organization. In all the four factors it is evident that Akhuwat develop a culture of giving by adopting various aspects of religion e.g volunteerism, brotherhood, by strengthening the relationship with mosque, Islamic philosophy and its working methodology. Increase prosocial behavior based on religious teachings and thus able to get some donation purely due to Islamic reasons.

5.3. Additional Observations

There are various observations that need to be report; all the interviews were conducted in field only interviews at Sha-Jamal was conducted at Hazrat Mian mir Darbar; where borrowers were present for loan disbursement ceremony. It was worth noticing that all most all the borrowers were anxious and willing to give their interviews at Mian Mir Darbar and waited for their turn. Similarly in township during the field interviews borrowers willingly and voluntarily participated in the research.

While interviewing borrowers it was noticed that not only borrower but also the rest of the families welcome the loan officer. All of them refer to Akhuwat staff as brother and son (depends on age of the respondents). This is a significant depiction of community support and harnessing solidarity on part of Akhuwat.

This shows that Akhuwat works as a natural support system rather than as impersonal and formalized institution.

Furthermore, borrower's willingness to participate in the research shows that how much they are happy and satisfied with the organization and enjoying the cordial relationship with their lending agency. Also it observed that Akhuwat develops sense of self-worth and confidence in its members, by believing in their hard work and trustworthiness and motivate them to graduate out of poverty.

Another important observation is that at the entrance of Choong branch it is written "who among you would like to trade with Allah".

Additionally, the role of Loan officer cannot be ignored in this regard, as describe "as agent of change" and he solely accompanied around 300 families. From personal observations in the Town Ship Lahore, Shah Jamal and Choong Lahore, it was observed that when we approached borrowers they were very comfortable and there was no fear of expression or any anxiety on borrower's faces, instead on seeing the loan officer they smiled and greeted him. This is vice versa of conventional microcredit practices, for example in Grameen bank where the loan officers use coercive measures for loan collection and are referred to as "sir" (Karim 198). Infact some of the borrowers in front of loan officer said "we have only one complain with Akhuwat as its loan size is very small and it should increase its loan".

Additionally, Akhuwat branches are very small in size and in some cases there are extension of the religious places or located near to them. One reason behind this is that organization wants to keep its operational cost low so that maximum benefit can be given to the cause.

It is worth mentioning that these branches had no chairs or table, and most of the interactions carried out by sitting on the floor and this; in my view point build an instant image of mosque. As members when recall their meeting with Akhuwat, mentioned that when we go to branch office "we sits on floor just like we sits in mosque". Another important finding is that management makes sure its employees are comfortable with organizational philosophy and they are not force to ask members for making donation unless they themselves feel comfortable with the working of its Member Donor Program.

Table 5.2. References on Nodes

Name	Sources	References
Observations	1	16
Believe in Borrowers Hard work & trustworthiness	1	1
Bliss in Money (Barakat)	1	1
Discourage Loan	1	1
Management Role	1	1
Organisational Culture	1	5
Organizational Brand Image	1	2
Psychological Attachment	1	1
Religious teachings	1	3
Role of Loan Officers	1	1

Data Source: Participant Observation

The above table 3 shows coding on each node in observation as data source. It is seen that maximum coding is at the nodes ‘Organisational Culture’, followed by ‘Religious Teachings’.

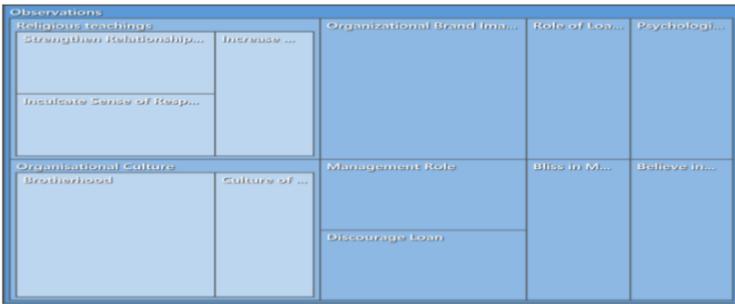


Figure 5.19. Coding on Node "Participant Observation"

Further the third data source i.e. Secondary Documents & Pictures analysis also supported that Religious teaching and relationship with mosque is the most important factor influencing borrowers’ behaviors, actions and interactions thus it may have sound effect on their donating behavior.

Table 5.3. References on Nodes

Secondary sources	16	36
Believe in Borrowers Hard work & trustworthiness	1	1
Bliss in Money (Barakat)	1	1
Discourage Loan	1	1
Management Role	1	1
Organisational Culture	5	9
Brotherhood	3	4
Culture of Giving	3	3
Volunteerism	1	2
Organizational Brand Image	2	3
Psychological Attachment	5	5
Religious teachings	7	8
Increase Feeling of Gratitude	1	1
Inculcate Sense of Responsibility	6	6
Role of Loan Officers	1	1
Strengthen Relationship with Religious Places	6	6

Data Source: Pictures, Articles



Figure 5.20. *Coding of Nodes Secondary Sources, Data Source Pictures & Articles*

In this chapter, finding from the analysis of data were presented using categories derived from research literature and from the themes that emerged from data itself.

6. Discussion

This book sets out to explore the rationale behind the conversion of borrowers into donors and therefore dig deep into the process through which Akhuwat managed to engage its borrowers in a way that they opted to become donor of the organization. This conversion of borrowers into donors makes Akhuwat ‘Member Donor Program’ a unique phenomenon, where MFI’s around the world are facing problems of loan defaults, Akhuwat not only managed to maintain 99.9% loan repayment rate but also able to convert its borrowers in to its donors. The general theoretical literature available on microfinance institution specifically focused on effectiveness of microfinance institution in poverty reduction, women empowerment, economic gains, and borrower’s trustworthiness and loan defaults. However, the research on microfinance didn’t focus on how behavior of borrowers of microfinance can be changed or influenced in order to resolve the issue of asymmetric information.

In order to find those factors that bring such an enormous change in borrower’s behaviors, the present study was aimed to explore how Akhuwat managed to engage its borrowers in a way that they opted to become donor of the organization.

Analysis of data, literature on microfinance and the research concerns indicated that two or more factors playing their role behind this conversion of borrowers into donors. As consumer behavior for buying or consume a product or service; or to promptly pays installments involved several factor rather than on

single motive (Karamagi, 2011). The study findings are based on facts drawn from borrower's interviews, field visit, disbursement ceremony, participant observation, secondary sources and management interviews shows a positive influence of all three factors religious, human and organizational on conversion of borrowers into donors. However, religious factors received highest number of references, and strong influence of religious factors can be seen on both organizational and human factors.

The results prove our 1st proposition that is:

Poor borrowers (clients) of Akhuwat would be extremely satisfied with the organization, in its efforts to assist borrowers in breaking the vicious circle of poverty. Thus becomes donor of the organization.

However, the results reject second proposition i.e: Being beneficiary themselves, and encouraged by their value system, the borrowers of Akhuwat saw it as an opportunity to contribute towards the society in their limited financial capacity and hence became donors.

Despite of poor's value system the result shows that Akhuwat based on its Islamic philosophy, religious teachings and relationship with religious places able to enhance borrower's prosocial behavior and thus influence their actions and thoughts.

Religious Teachings: Based on its Islamic philosophy and religious teaching Akhuwat not only educate its members about benefits of helping others but also informed them worst repercussion of interest based on Quranic verses. Thus strengthen their religious beliefs; based on that borrowers prefer to take loan from Akhuwat despite the fact they are very small. Previous researches shows that the most important reason that people don't access conventional loans because it contradicts with their religious beliefs (Karim, Tarazi & Reille, 2008), and those who take it from local conventional MFI's find it very conflicted (Jelmer, 2013; Obaidullah, 2014; Khan & Thaut, 2010).

Results of this research also shows that Akhuwat inculcate prosocial behavior among its members through religious teachings and harness sense of community, importance of charitable giving, morals and code of ethics (Natasha, 2013). Based on great example of Madina agreement. In which Prophet Mohammad PBUH made the residents of Madina brothers with the migrants from Makah. So much so that they (residents of Madina) shared their wealth, belongings and even gave right of inheritance in the property of the brother (resident of Madina who accepted the migrant his brother). This selfless brotherly relationship solved the problem and migrants did not become a big burden on any single resident of

Madina. Same value of brotherhood and prosocial behavior is nurtured and expected among all members of Akhuwat.

Through this and other similar examples Akhuwat create psychological attachment of borrowers with the cause, develop feeling of gratitude, sense of responsibility, and made them realized the importance of noble act, to have Allah's blessings and bliss in money and how much Allah Almighty love those who help other. Through this borrowers feel compelled enough to give back to the organization without any explicit or implicit compulsion to do so (Harper, 2011).

This mechanism used by Akhuwat is called religious priming, in which thoughts about supernatural is activated and thus result in increase in prosocial behaviors. (Shariff & Norenzayan, 2007) Alternatively, it activated thoughts of religious personalities, their goals and behaviors such as helping others or behaving prosaically (Randolph-Seng & Nielsen, 2007). The effects of priming religious technique cannot be denied as research shows that it has an impact on prosocial behaviors because it can increase the accessibility of prosocial concepts (Pichon *et al.*, 2007).

Based on priming religious teachings the borrowers then internalize the ideas and values of helping others into their own identity through the language of sermons and conversations with the staff. Sermons based on Islamic teaching prior to loan disbursements in religious centers have proved to be a vital mechanism for this change (Christopher, 2011).

Previous research support our this findings, many studies carried out by using religious priming techniques concluded that priming people with religious concepts may give positive results that is; reduction in sinful stimulus that may otherwise interfere with their goals (Fishbach, Friedman, & Kruglanski, 2003; Laurin, Kay, & Fitzsimons, 2012). The study on religious priming shows that when respondents were exposed to religious prime words (God, sacred, prophet) it resulted in decrease of anxiety and sorrow associated with uncertainty by improving their emotional regulation (Inzlicht & Tullet, 2010; Inzlicht, Tullet, & Good, 2011), further it controls the selfish impulses, causing increase in honesty (Randolph-Seng & Nielsen, 2007). The religious primes in economic task such as the dictator game and prisoner dilemma resulted in charitable giving behavior (Ahmed & Salas 2011; Shariff & Norenzayan, 2007).

However, in contrast to this some of the researches base on religious primes shows decrease in prosocial attitudes and behavior in some context (Ginges, Hansen, & Norenzayan, 2009; Johnson, Rowatt, & LaBouff, 2010; Saroglou, Corneille, & Van Cappellen,

2009). Researchers in this field so far cannot develop a consensus on the basic mechanism that is driving these experimental effects (Riter & Preston, 2013).

In case of Akhuwat this religious priming technique inculcate various attributes in borrower's behavior which motivated them to become donors for the organization. For example, felling of gratitude is inculcated in members by using the great example of Madina agreement where Muslim of Makah after receiving financial help from residents of Madina, return the whole amount they are given with to their benefactors out of feeling of gratitude.

The results are consistent with the previous research conducted by McCullough *et al.*, (2001) & Tsang (2007) in which feeling of gratitude not only motivates people to acknowledge those benefits verbally and non verbally but also to extend benefits to their benefactors in response of help they received. According to Tsang (2006) that feeling of gratitude increase proportionally with the intentionality of the benefactor who helped and would be more likely to behave generously toward their benefactor in response than were people who received the benefit by chance (Tsang, 2006). Research shows that people who had higher scores on both self- and peer-report measures of the "grateful disposition" also scored higher on measures of prosocial behaviors as compare to those who scored lower (McCullough, Emmons, & Tsang, 2002). In addition, Bartlett & DeSteno (2006) discovered that participants made to feel grateful toward a benefactor exerted more effort to help the benefactor on an unrelated task than did non grateful participants. This is also supported by David Ikin (2013) that when borrowers of Akhuwat were asked why you give donation to Akhuwat they said "it would be wrong to have been granted a gift from God and keep the all benefits to themselves".

After every meeting and listening about various religious aspects and sermons, the result indicates that Akhuwat develop sense of responsibility/duty in its borrowers towards the society at large. Borrower of Akhuwat takes it as their social and religious obligation to help the poor in return. This is supported by previous research that increased sense of responsibility makes people more prosocial as they feel empathy for others (Penner *et al.*, 1995).

The sense of responsibility is inculcated through social and religious guidance during meetings and loan disbursement ceremonies. Contrary to common belief, which considers that helping other are act of charity, altruism and beneficence, rather these are actually indicators of releasing one's rights for the repayment of obligation (Iqbal & Mirakhor, 2013).

Results shows that, during meetings and loan disbursement ceremony's the sermon further motivate its borrowers to become part of the noble act and inculcate the feeling of righteousness among its members. Further, borrowers confirmed that they give donation to Akhuwat because by doing so they will also become part of the noble deed, this finding is not supported by literature that how the feeling to become part of the noble act enhance peoples prosocial behavior behaviors.

The results also indicate that borrowers of Akhuwat out of psychological attachment with organizational objective make donation to Akhuwat. This attachment was built through religious priming technique. Akhuwat develops psychological attachment of member with the goal of poverty alleviation and interest free society by narrating the event from life of Prophet Ibrahim (When He was thrown in fire) and second by sharing example of Madina Agreement .

This attachment is based on two levels first they feel themselves affiliated with the great example of Muwakhath-e-Madina, as they by giving donation are also helping their poor brother and sister in the same way like residents of Madina did. Secondly they are psychologically attached with overall organizational cause of poverty alleviation as they based on their past experience can feel the issues of poor's. The research also proved that psychological attachment based on identification (affiliation) and internalization promotes prosocial behavior among people. According to Kelman's (1958) internalization occurs when influence is accepted because the induced attitudes and behaviors are congruent with one's own values; that is, the values of the individual and the organizations thus resulted in prosocial behavior among people.

According to O'Reilly & Chatman (1986) in order to develop prosocial behavior among people their needs to have some psychological attachment through motivational force. In case of Akhuwat this motivational force is religious values and its Islamic philosophy which create psychological attachment. In case organization failed to develop this psychological attachment it may not be able to cover its operational cost and thus may face sustainability issues and may result in increased cost on marketing and promotion.

Further results also indicate that Akhuwat during its meetings and loan disbursement ceremony makes people realize that by donating in Allah's way they will gain even more and will have Allah's blessings with them. Further they were made to realize that by this they to become part of noble act and will have bliss in their money. This is confirmed that people in order to seek Allah's

blessings and part of this noble act give donations to Akhuwat. However the paper unable to find any similar study in support of the argument that these variables to have Allah's blessing and to be part of noble act increase pro-social behavior among people.

The limited literature found support the fact that the one who will spend his/her wealth in the cause of Allah will not lead to its reduction but to its expansion (Babar, 2011). So the borrowers were also made to understand the significance of their contribution and how they will get double the reward this is also proved by previous research that giving to the needy from one's surplus income increases the welfare of not only those who receive the donation, but also those who donate. (Sen, 1970; Mohanty, 2011). According to Khan & Mirakhor (1992) finds that such acts of kindness will return to the giver some multiple of its original expenditure (Khan & Mirakhor, 1992).

Use of Religious Places: Further Akhuwat use of religious places enhance borrowers pro-social behavior, as the result shows that borrowers who makes frequent visit to religious places tend to be high in prosocial behavior and give donation often, this is because they feel themselves connected with Allah. This finding is consistent with previous research in which Wuthnow (1991) by using both survey and interview data found that those who regularly attend church often reported the influence of divine love and were more likely to do volunteer work. Further in Akhuwat not only Muslim borrower make donation but also borrowers from minorities group also make significant contribution to Akhuwat donation, this is because most organized religions showed their concerns for poor's (John, 2012). Akhuwat borrowers as they regularly visit mosques for meeting tend to be regularly exposed to a sub-culture that reinforces this concern for those who are less well off. Many previous researches mention regular attendees as tend to be high in prosocial behavior (Menchick & Weisbrod, 1987).

Another important factor that emerges and is associated with religious places is trust, based on the results it was observed that borrowers give donation to Akhuwat as they trust it, but this trust is due to relationship with religious places. It is because religious places borrower believes that, whatever contribution they will make will be used for the help of others. The result is consistent with the finding of previous research; which says that place and context of the mosque added a sense of holiness, truthfulness, trust and responsibility among borrowers (Ghaffari *et al.*, 2011; Last & Kay 1999; Rennick, 2005, 2011; Harvey 2006; Moore, 2008).

According to Harper (2011) bond of trust in credit and saving society get strengthen with social and religious activities.

Other most important aspect that motivates its borrowers to become donors is organizational brand image based on Islamic philosophy, promote and associate itself with the great example of *Mwakhath-e-Madina* leaves strong and firm impressions on its members. Brand image plays an important role in this regard. Michel & Rieunier (2012), by using analogy of functional and symbolic image state that association with brand image affect purchase intention of branded product (Park & Srinivasan, 1994), proves that brand image influences the attitude of individuals and impacts donation (money &time) behaviors in the context of nonprofits (Keller, 1993; Hankinson, 2001; Aaker, 1991).

Where, for nonprofit organizations, functional associations refer to the characteristics of the organization, its missions and tangible qualities. Akhuwat use the symbolic association by linking it with great example of “*Muwakhath-e-Madina*”. Symbolic associations are abstract cognitions that translate the values of the organization, personality traits associated with the brand and even emotions (Michel & Rieunier; 2012). These findings converge with those of Venable *et al.*, (2005). Therefore, Image of Akhuwat foundation further motivates people to help organization so that it can further extend its services to the less affluent citizen of the society.

Results shows that Akhuwat culture put a strong impact on borrowers prosocial behavior. Akhuwat being faith inspired organization, adopted religion as its sub culture from its basic philosophy of giving interest free loan to promoting compassion and benevolence and volunteerism, purely emphasizes solidarity on all levels; borrowers, donors, staff and volunteers. Its supportive culture instills a sense of solidarity and hones notions of self-worth, confidence, trust and faith in one self as custodians of community and based on Islamic philosophy it reminds individual’s about their responsibility to the collective, and encourage spirit of giving (Natasha, 2013). The presence of such a strong culture can be immediately felt when you meet the work force of Akhuwat, and is clearly reflected through such statements as „this is the only place where I get paid for earning spiritual rewards (swab) (Rizvi, 2011).

Previous research show such results in which religion is used as dummy variable to examine the determinants of time and money (Simmons & Emanuele, 2007). Therefore the success of Akhuwat member donor program is deeply embedded into its culture. As borrowers have long term association with organization (culture of giving) therefore, they exhibit attitude and behaviors that are more

conducive to giving money and time. The fact that all the borrower exhibit the same behavior may be because most organized religion teach a concern for those who are less well off (Simmons & Emanuele, 2012). Hart and his associates (2004) have proposed that both personality factors and social structures (e.g., family, culture) played roles in the incidence of volunteering, but this relationship was mediated by intrapersonal cognitive processes (e.g., attitudes, identity, commitment to ideals).

Similarly, Wilson & Musick (1997) presented a model in which along with other human, social capital, cultural capital based on religiosity and valuing helping promote prosocial behavior inform of volunteering and informal helping. The reason why minorities are giving donation to Akhuwat while there are huge religious differences, it can be argued that norm of reciprocity apparently exists in every culture and every religion in the world (Schroeder *et al.*, 1995).

Therefore borrowers of Akhuwat as regularly exposed to a sub culture that shows a concern for others, encourage its members to become its donors. As people exposed to the culture of giving tend to be high in volunteering and giving donation (Simmons & Emanuele, 2012).

Therefore, microfinance institutions in order to alleviate poverty and increase their donor profile needs to design such products that are more suitable to their clients (Siddiqi, 2008), and should develop such practices that fits with the social and cultural environment and with peoples belief they are trying to serve (Segrado, 2005).

7. Conclusions

“The promise of microfinance is that it encourages entrepreneurship and empowers borrowers to help themselves”. This statement holds true for Akhuwat foundation as the organization not only helped its borrowers to graduate out of poverty but also change their social status from borrowers to donors. Thus allow us to draws attention towards a unique phenomenon of Akhuwat in which its borrowers become its donors. Analysis of qualitative information led to important conclusions to comprehend the phenomenon of converting borrowers into donors in greater detail.

In terms of increase in prosocial behavior among borrowers the impact of religion and religious education and religious places is more influencing as compare to others. The religious education inculcates feeling of gratitude, psychological attachment and sense of responsibility among its members. Whereas being faith based organization adopted religion as its sub-culture which is clearly evident from its name, policies and principles. It associated its brand with the Islamic concept of brotherhood (Akhuwat) which explains the founding philosophy of the organization.

This study identifies three, factors religious, organizational and human that motivate borrowers to become donors. However, a religious factor is a major source of motivation and strongly influences other two factors. The data triangulation based on participant observation and secondary sources further supported

the influence of religious teaching on borrower's prosocial behavior.

The themes emerged from the analysis of data also highlight that borrowers of Akhuwat make donation to have blessings of Allah, to be part of noble act and for spiritual satisfaction. The study also highlights many other factors that show influence on borrowers donating behavior, however due to minimum references on those themes they were not discussed here. However importance of those factors cannot be ignored and can be analyzed in future researches.

8. Limitation and Future Research Directions

In addition to its contribution to the body of knowledge, this study also has some limitations that will help to open new horizon for future researches in the field of microfinance and non-profit organization.

The data were collected at a single point in time and making it cross sectional in nature and limit its generalizability. Now it will be beneficial if researcher explore this relationship in more detailed by making a longitudinal analysis of data.

Case studies are assumed to provide less generalized conclusion as it is not like a sample taken from a known population. Similarly the respondents who are interviewed in qualitative research are not meant to be representative of a population (Bryman, 2008). This research is conducted in Lahore only, thus limit its generalizability.

Future work by using larger data from across the country and by incorporating minorities will also extend the generalizability of the research and will be helpful to have alternative interpretations

The present study is not an end in itself rather it highlights some aspects that focus on; how borrowers become donor, whereas there are many aspects that need further studies in this area. First, the present research was confined to one city only, so there is a room for its expansion to other cities of Pakistan to observe the variation donating behavior because of social and cultural difference. Secondly; the present study further limited to Muslim borrowers due to unavailability of minorities representatives, therefore it can also be conducted by incorporating non-Muslim borrowers into this

research. Third; the present study identified many variables but due to time constraint it incorporate only religious factors because of highest references it received. But same study can be done by focusing on other aspects that how they influence borrowers behavior.

Fourth; a comparative study can also be done by taking into account the Akhuwat urban poor borrowers and rural borrowers analyze the affect of religion on charity-giving behavior among them. Fifth; the impact of religion on Akhuwat active members and non active members (difference in giving behavior) will not only enhance the gernalizability of our research but it will also be interesting to know that those borrowers who have no active loan still donate to organizations and if yes then is religion is the basic source or some other factors like psychological attachment or feeling of gratitude influence the borrowers behavior. Sixth; Upcoming MFI's or developmental organization researchers can also statistically analyze that how religion & religious aspects can minimize issue of asymmetric information and help it to increase its donor profile by increasing prosocial behavior.

Last but not the least, researcher can also check the mediating and moderating and effect of these factors psychological attachment, feeling of gratitude, trust, organizational culture and organizational brand image, interest free loan and easy repayments policy on borrowers prosocial behavior along with religious factors. Also direct affect of these factors can also be checked.

Further extension may also be done to the fields with this study if researchers and scholars show interest in analyzing whether and how the results of this study vary if other factors like 'leadership role' and the concept of 'Relationship lending' are taken into consideration.

Appendix

Questionnaire From Borrowers to Donors: The rationale behind the Change From Management

Interviewee's Name _____

Current position _____

Experience _____

Age _____

1. What was the basic idea behind Akhuwat "Borrower Donor Program", how management thinks of such a unique idea?
2. What are the salient features of Akhuwat "Borrowers Donor Program"?
3. Is there any problem Akhuwat is facing while dealing with its clients?
4. Is Akhuwat educating its clients about why to donate? Is there any role played by Akhuwat in encouraging its borrowers to become its donors?
5. How many borrowers becomes donor, % age if any?
6. How Akhuwat Model transforming beliefs and social value system of its consumers?
7. What strategies Akhuwat is using in developing pro social behaviors among its clients? And hence to become donors?
8. How Akhuwat manage its potential clients?
9. How frequently organization meets its borrowers?
10. What medium is used for meeting?
11. What are the topics under discussion?
12. What kind of issues clients (Social, religious) use to discuss?
13. What strategies were used for loan collection?
14. How Akhuwat is developing its borrowers?

From Borrowers

Interviewee's Name _____

Current position _____

Experience _____

Age _____

1. How you define your relationship with Akhuwat?
2. What are those factors that motivate you to be part of Akhuwat?
3. How often you meet with Akhuwat Team?
4. How old you relationship is with Akhuwat?
5. Are you satisfied with organization loan disbursement policy and method of loan collection?
6. Why you donate to Akhuwat?
7. Have you ever thought about the need to donate?
8. How often you donate before becoming clients to the organization and after?
9. Dose any one in your closed relations make donations?
10. How much you are familiar with organization's mission and its borrower donor program and itsobjective?
11. Tell us in your own words why you chose to donate to Akhuwat?
12. What other reason motivates you to be donor?
13. You feel more satisfied after making a donation?
14. How likely are you to donate to Akhuwat or any other organization again?
15. How likely is it that you would recommend Akhuwat to a friend or colleague for making donations?
16. Dose organization ask its borrowers to make donations or for fund raising?

17. What kind of topics you / team Akhuwat used to discuss during meeting?
18. Is there any role played by organizations in developing pro-social behavior among its clients, and motivating borrowers to help other in any way?
19. Do you have experience of dealing with other IFMFI in your area as client? If yes then. What is the basic difference between them and Akhuwat regarding effective stake holder management/ difference in dealing with borrowers?
20. Are you still client of any other MFI? If yes then why and If not then Why not?
21. How often you go to religious places before becoming member of the program?
22. Are you satisfied of using religious places for donations and meeting purposes?
23. Do you think use of religious places for granting loans and meeting purposes impact and develop prosocial behavior among people?
24. Do you feel more motivated to donate every time you come to religious places for meeting?
25. How Akhuwat model of IFMF impacting their lives?
26. How soon they become able to earn their bread and butter without taking any more loans?
27. When you give your firts donations to the organizations?
28. Do you feel any spiritual satisfaction after making donation?

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ISBN: 978-605-2132-43-2 (e-Book)

KSP Books 2018

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This study is carried out to analyze the factors that results in conversion of borrowers into donors. The findings assist the microfinance institutions in coming up with the most appropriate measures to apply in order to eliminate not only defaults but also gain some financial sustainability by improving its donor profile. The study establishes that religious education and organizational religious philosophy influence borrower's prosocial behaviors. Through religious teaching Akhuwat inculcate sense of responsibility, feeling of gratitude and psychological attachment, along with spiritual satisfaction to motivate borrowers to become donors. Being faith inspired organization; Akhuwat culture and its brand image depict strong association with Islamic value. The study recommends that the MFIs in order to enjoy a cordial relationship need to align their business philosophy with the local culture.

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e-ISBN
978-605-2132-43-2
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