

## Journal of Islamic Thought and Civilization (JITC)

Volume 9, Issue 2, Fall 2019

pISSN: 2075-0943, eISSN: 2520-0313

Journal DOI: <https://doi.org/10.32350/jitc>

Issue DOI: <https://doi.org/10.32350/jitc.92>

Homepage: <https://www.umt.edu.pk/jitc/home.aspx>

Journal QR Code:



Article:

### Islamic Microfinancing by the Banking Sector of Pakistan: Problems and Solutions

Author(s):

Mohammad Ayaz, Hassan Shakeel Shah,  
Amat ul Mateen Noor, Sadaf Shaheen,  
Jibrail Bin Yusuf

Published:

Fall 2019

Article DOI:

<https://doi.org/10.32350/jitc.92.08>

QR Code:



Mohammad Ayaz

Ayaz, Mohammad, Hassan Shakeel Shah, Amat ul Mateen Noor, Sadaf Shaheen, and Jibrail Bin Yusuf. "Islamic Microfinancing by banking sector of Paksitan: Problems and solutions." *Journal of Islamic Thought and Civilization* 9, no. 2 (2019): 148–171.

To cite this article:

[Crossref](#)

Copyright Information:

This article is open access and is distributed under the terms of Creative Commons Attribution – Share Alike 4.0 International License

Publisher Information:

Department of Islamic Thought and Civilization,  
School of Social Science and Humanities, University of  
Management and Technology, Lahore, Pakistan.

Indexing Partners



For more

[please click here](#)

# Islamic Microfinancing by the Banking Sector of Pakistan: Problems and Solutions

**Mohammad Ayaz\***  
**Hassan Shakeel Shah**  
**Amat ul Mateen Noor**  
**Sadaf Shaheen**

Institute of Islamic Banking and Finance  
University of Management and Technology, Lahore, Pakistan

**Jibrail Bin Yusuf**

Department of Religious and Human Values,  
Faculty of Art, College of Humanities and Legal Studies,  
University of Cap Coast, Cap Coast, Ghana

## Abstract

This study highlights the obstacles which limit the penetration of the banking sector in the field of Islamic microfinance in Pakistan, keeping in view the practitioners' perspective as to how these obstacles can be overcome. In Pakistan, where approximately sixty percent (60%) of the population is living below the international poverty line, Islamic microfinance has the potential to play a vital role in alleviating poverty. Unfortunately, the banking sector of Pakistan is reluctant to contribute in Islamic microfinance due to some limitations from the bankers' perspective. Qualitative approach has been followed in this study in which semi-structured interviews were conducted with twenty-six participants from all over Pakistan, including five from Islamic, seven from conventional, thirteen from microfinance and one from an Islamic microfinance bank. Interviews were conducted with the board of directors, *Shari'ah* board members, senior management, and microfinance heads. According to the experts, the mindset of bankers, lack of collateral, weak role of the State Bank of Pakistan (SBP) and the government of Pakistan in setting targets, limited availability of sector targeted products, lack of customer awareness, lack of initial capital, time consumption and documentation problems are among the issues faced by the banking sector. These experts emphasized the crucial role of the SBP and government support to promote Islamic microfinancing through banks. State Bank of Pakistan (SBP) as regulator and other commercial banks, Islamic microfinance banks and their boards of

---

\*Correspondence regarding this article should be addressed to Muhammad Ayaz, Assistant Professor, Institute of Islamic Banking and Finance, University of Management and Technology, Lahore at [mohammad.ayaz@umt.edu.pk](mailto:mohammad.ayaz@umt.edu.pk)

directors, *Shari'ah* board members, senior management, and microfinance heads can implement the outcomes of this study.

**Keywords:** Banks' practitioners, Islamic microfinance, problems, State Bank of Pakistan

## Introduction

Microfinance is defined as “the collection of banking practices built around providing small loans (typically without collateral) and accepting tiny savings deposits.”<sup>1</sup> Microfinancing is considered an important tool used to reduce poverty but it works on the basis of *riba*, which is against *Shari'ah* rules and regulations. Set against interest-based microfinance, Islamic microfinance has received attention as an emerging field and has been the topic of debate for the last two decades. Islamic microfinance can play a significant role in the reduction of poverty in an Islamic way.<sup>2</sup> It is the key to providing financial access to millions of poor Muslims who are reluctant to buy conventional microfinance products that do not comply with the Islamic law.<sup>3</sup> Unfortunately, Islamic microfinance has captured a minimal share of the financial market of Pakistan as compared to conventional microfinance as well as mainstream Islamic finance. Although scholars have been writing about the significance of Islamic microfinance and have forwarded some models; still, the penetration of Islamic microfinance is low in financial markets all over the world including Pakistan.<sup>4</sup>

In the last two decades, microfinance institutions have grown and expanded their operations across the globe. Unfortunately, Islamic Microfinance Institutions (IMFIs) are still lagging behind. There is a need to establish more of them to cater the needs of Muslims all over the world. Previous literature highlights some obstacles which limit the penetration of Islamic microfinance, which include the

---

<sup>1</sup>Beatriz Armendáriz, and Marc Labie, *The Handbook of Microfinance* (Singapore: World Scientific Publishing, 2011).

<sup>2</sup>Muhammad Obaidullah, *Introduction to Islamic Microfinance* (India: IBF Net Limited, 2008); Asyraf Wajdi Dusuki, “Banking for the Poor: The Role of Islamic Banking in Microfinance Initiatives,” *Humanomics* 24, no. 1 (2008): 49.

<sup>3</sup>Nimrah Karim, Michael Tarazi, and Xavier Reille, *Islamic Microfinance: An Emerging Market Niche* (Focus Note; No. 49. Washington, DC: World Bank. 2008). <http://documents.worldbank.org/curated/en/500601468177566653/Islamic-microfinance-an-emerging-market-niche>

<sup>4</sup>Abdul Rahim, “Islamic Microfinance: A Missing Component in Islamic Banking,” *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 38; Eissa Hasan Abo Hulaika, “Islamic Microfinance Institutions in Yemen: Problems and Prospects,” *International Journal of Business and Management Invention* 6, no. 12 (2017): 29.

lack of government support, high administrative cost, group-based financial services, product diversification, access to branching network, and high operational cost.<sup>5</sup> This study will attempt to take into consideration the banking practitioners' perspective about the issues faced by the banks in Pakistan, which restrict them from rendering Islamic microfinance services to their customers. Furthermore, solutions have been sought from the above mentioned perspective in order to overcome the issues and to facilitate the greater penetration of Islamic microfinance by banks in the market.

## 1.2. Microfinance Models in the World

### 1.2.1. Conventional Microfinance Models

Conventional microfinance is working on four models: (a) Group lending / Grameen Bank model with more focus on women, in which group members guarantee each other as an alternative to collateral. This model originated in Bangladesh; (b) Village Bank model working through an implementing agency, which establishes individual village banks of thirty to fifty members. The agency provides external capital to village banks which further provide financing to individual members. The individual members repay the amount on a weekly basis to their respective village banks, which are responsible to repay the amount within four months to the implementing agency. This model is widely used in Latin America and Africa; (c) Credit Unions are non-profit financial cooperatives based on the concept of 'mutuality' and owned by credit union members. This model is notably used in Sri Lanka; and (d) Self-Help Groups, where ten to fifteen members who are relatively homogenous in income pool their savings together and use them for lending. This model originated in India.<sup>6</sup>

---

<sup>5</sup>Muhammad Sohel Rana, Muhammad Aslam Mia, Izlin Ismail and Nazari Ismail, "Evaluating Productivity of Microfinance Institutions in Palestine and Jordan," (Research Seminar on Palestinian Issues-2, 26 May, 2017); Rashidah Abdul Rahman and Faisal Dean, "Challenges And Solutions In Islamic Microfinance," *Humanomics* 29, no. 4, (2013): 293; Aasmaan Anam, Najeeb Jamal and Muhammad Azhar Sheikh, "Challenges Faced by the Model of Islamic Microfinance For The Development of Micro Entrepreneurs And SMES In Rural Pakistan," *International SAMANM, Journal of Finance and Accounting* 1, no. 3 (2013):17.

<sup>6</sup> Obaidullah, *Introduction to Islamic Microfinance*, 2008; Muhammad Khalid, "Building a Successful Business Model for Islamic Microfinance," (Global Microcredit Summit Commissioned Workshop paper, Valladolid, Spain, November 14-15, 2011).

### 1.2.2. Islamic Microfinance Models

Although the above mentioned models are working for the betterment of the poor but financing by them is done through interest-based loans. As interest is prohibited in Islam, therefore, some alternative models need to be put forward which may not only fulfill the basic needs of the poor but may also work for the enhancement of their skills to be used in sustainable profit earning activities. Muhammad Obaidullah has discussed Islamic microfinance under two broad categories: mission-based model and market-based model. Mission-based model is a not-for-profit model and is used for the extremely poor, those who have to fulfill their basic needs only. Mission-based model is further divided into two categories: a) *Zakat* (obligatory charity), *Sadqa* (voluntary charity) and *Waqf* (charity with continuous benefits); and b) *Qard-e-Hasana* (interest free loan). On the other hand, the market-based model is a for-profit model which includes different earning modes such as *Ijarah* as a rental mode, *Diminshing Musharkah*, *Musharkah* and *Mudabah* as partnership based modes, *Murabahah* as a financial mode, *Salam* (advance payment deferred delivery sale), and *Istina'* (contract of manufacturing). *Takaful* is also used for risk mitigation.<sup>7</sup> All these are mainstream Islamic modes of finance and can be used for Islamic microfinance by banks as well.

### 1.3. History of Microfinance Banks in Pakistan

Commercial banks in Pakistan started providing microfinance services in two ways: (1) providing loans to Microfinance Institutions (MFIs) and Non-Governmental Organizations (NGOs); and (2) providing direct services to customers. In 1999, Habib Bank Limited started its services of microfinancing by providing loan to National Rural Support Program. In 2000, Pakistan Poverty Alleviation Fund (PPAF) was created. Its main purpose was to provide loans to MFIs and NGOs in the country. As a result, the role of microfinance banks as loan providers was reduced.

In 1995, the Bank of Khyber (BOK) started microfinance services with the help of many international organizations such as Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD), German Development Bank (KFW), Swiss Agency for Development Cooperation (SDC) and Pak-Swiss SSEP. Barani Area Development Program (BADP), Malakand Region

---

<sup>7</sup>Ibid.

Development Project (MRDP), and Dir Area Support Program (DASP) were funded by ADB through BOK which introduced many microfinance products at individual and group level and initiated many projects including Tea Development Program at Shinkiari (Mansehra), Eco Friendly Tourism at Mahodund (Swat), Sardaryab Fishermen Cluster Pilot Projects, Women Saving and Credit Associations (Swabi and D. I. Khan) and Promotion of Agriculture Tools and Machinery (Mardan and Takhtbhai).<sup>8</sup>

Pakistan Microfinance Network was established in 1995, which is currently working with a group of microfinance practitioners to strengthen the microfinance industry. Microfinance banks were established under the Micro Finance Institutions Ordinance 2001 of Pakistan. Currently, eleven (11) full-fledged microfinance banks are working in Pakistan. Tameer Microfinance Bank Limited (TMFB), later named as Telenor Microfinance Bank was established in 2001. This was the first scheduled microfinance bank in Pakistan. The first microfinance bank was established in 2002 by transforming the Aga Khan Rural Support Program (AKRSP) for Gilgit–Baltistan founded in 1982. It has 145 full-fledged branches with 29 permanent booth and 22 sub offices. Under Pakistan’s poverty reduction strategy, Khushhali Microfinance Bank Limited, formerly known as Khushhali Bank, was established in 2002. In 2003, Rozgar Microfinance Bank, also known as U Microfinance Bank, was established under the Companies Ordinance Act 1984. This bank is a subsidiary of Telecommunication Company. It has 140 touch points in 108 companies in Pakistan. APNA Microfinance Bank Limited was also established in 2003. It is headquartered in Lahore with 116 branches all over the country. Pak-Oman Microfinance Bank was established in 2006, jointly sponsored by the Sultanate of Oman and the Pak-Oman Investment Company, with 28 branches working in Pakistan. FINCA was founded in 2008 and currently it has 108 branches in Pakistan. NRSP Microfinance Bank Limited started working in 2011. In 2009, Telenor Microfinance Bank launched the first mobile banking platform called ‘*easypaisa.*’ Later, in 2017, Telenor Microfinance Bank was declared the best microfinance bank.<sup>9</sup>

NRSP is privileged to be the first regulated provider of Islamic microfinance services in Pakistan. It is providing services on the basis of *Mudrabah* and

---

<sup>8</sup>“Micro Finance Scheme Details: The Bank of Khyber,”. [www.bok.com.pk](http://www.bok.com.pk).  
<https://www.bok.com.pk/islamic/islamic-personal-micro-finance-scheme-details>  
Accessed at: January 16, 2019.

<sup>9</sup>For further details please see  
<http://www.microfinanceconnect.info/microfinanceproviders/banks>  
<http://www.sbp.org.pk/ecib/members.htm>

*Murabahah*. The Advance Pakistan MFBL was incorporated in 2012. Its headquarter is in Islamabad with all branches working in Sindh. Mobilink Microfinance Bank started working in 2012. Sindh Microfinance Bank was established in 2015. It is currently working with 47 branches. It has planned to introduce Islamic microfinance in Pakistan on the basis of *Salam*, *Murabahah*, and *Istisna*. It is Pakistan's largest digital bank with over 15 million mobile wallets. With a hybrid banking system, it has 61 branches and 70,000 branchless banking agents. Currently, only one Islamic bank in Pakistan, that is, MCB Islamic is providing Islamic microfinancing services on the basis of *Murabahah* financing for up to PKR150,000/- bank.<sup>10</sup>

SBP has issued guidelines according to which Islamic microfinancial services and products can be offered by various banks in the following different forms,

- Full-fledged Islamic Microfinance Banks (IMFBs)
- Islamic microfinance services by full-fledged Islamic Banks (IBs)
- Islamic microfinance services by Conventional Banks (CBs)
- Islamic microfinance services by Conventional Microfinance Banks (CMFBs)<sup>11</sup>

Under the guidelines, Islamic microfinance services by full-fledged Islamic and conventional banks can be offered by: (a) developing Islamic microfinance counters in existing branches; (b) establishing standalone Islamic microfinance branches and mobile banking; (c) establishing independent IMFBs as subsidiaries of conventional banks; and (d) developing linkages between IMFBs and microfinance institutions.<sup>12</sup>

Despite the guidelines and the banks' apparent inclinations, as can be inferred from the above discussion, so far they have not practically started offering Islamic microfinance products. The information about Islamic microfinance as an option is available only on the websites with no practical steps initiated. Consequently, the total market share of Islamic microfinance is less than one percent in Pakistan.<sup>13</sup> This shows the minimal interest of the banking sector in offering Islamic microfinance services to the poor. This, indeed, is a worrisome situation for a

---

<sup>10</sup>Ibid.

<sup>11</sup>For further details please see [www.sbp.org.pk](http://www.sbp.org.pk)

<sup>12</sup>Ibid.

<sup>13</sup>Muhammad Zubair Mughal, "Islamic Microfinance is an Ignored Segment of Islamic Finance Industry," *Islamic Microfinance News*, August 10, 2016, <http://imfn.org/islamic-microfinance-is-an-ignored-segment-of-islamic-finance-industry>

country where 60% of the total population (according to the international poverty line) is living in poverty (39% in multidimensional poverty).<sup>14</sup>

The reasons behind such a low penetration of the banking sector in Islamic microfinance have not been investigated in the Pakistani perspective. Most of the literature available on Islamic microfinance is related to poverty alleviation, such as the work done by Dusuki<sup>15</sup> in 2018 and Rahim in 2014.<sup>16</sup> Negligible amount of literature is available that highlights the issues faced by the banking sector while doing Islamic microfinancing. Hulaika<sup>17</sup> identified the problems with Islamic microfinance in Yemen's perspective in 2017. Similarly, Rahman and Dean<sup>18</sup> studied the problems faced by Islamic financial institutions in Malaysia. To the best of the researchers' knowledge, no study has been conducted yet to investigate the reasons that hinder the banks from doing Islamic microfinance in Pakistan. The current study is an attempt to fill this gap.

Therefore, the purpose of this study is to find out the reasons behind the low penetration of Pakistani banks in the Islamic microfinance sector of the economy. The study also strives to present solutions from the practitioners' perspective for greater penetration in the Islamic microfinance sector by offering more Islamic microfinance products to include the low income sector of the society in the financial system (financial inclusion).

Qualitative approach has been followed in this study. Primary data was collected through semi-structured interviews from twenty-six participants (sufficient experts' sampling according to Cresswell, 2014) working in the banking sector all over the country. There are thirty-four (34) scheduled banks in Pakistan, out of which five are full-fledged Islamic banks and eleven are microfinance banks, while the rest are conventional banks having Islamic branches or windows. At least one relevant participant was selected from each Islamic as well as each microfinance bank. From the remaining conventional banks, only those participants were selected who were working in banks which have full-fledged Islamic branches. The practitioners included *Sharī'ah* advisors, members of board of directors, regional officers, and microfinance heads of the banks. Due to limited

---

<sup>14</sup>Jazib Nelson, "Why Poverty Hasn't Reduced Significantly in Pakistan," *The Express Tribune*, January 15, 2019, <https://tribune.com.pk/story/1614607/2-poverty-hasnt-reduced-significantly-pakistan/>

<sup>15</sup>Assyraf Wajdi Dusuki, "Banking for the Poor: The Role of Islamic Banking in Microfinance Initiatives," *Humanomics* 24, no.1 (2008): 49.

<sup>16</sup>Rahim, "A Missing Component in Islamic Banking," 38-53.

<sup>17</sup>Hulaika, "Islamic Microfinance Institutions in Yemen," 29-43.

<sup>18</sup>Rehman and Dean, "Challenges and Solutions in Islamic Microfinance," 293-306.



time and resources, the interviews were mostly conducted telephonically. The main questions of the interviews were designed to know the underlying reasons behind the low penetration of Islamic microfinance in the local financial market. It was also attempted to know how these hurdles can be removed to ensure greater penetration.

## 2. Literature Review

Most of the literature on Islamic microfinance is related to poverty alleviation, such as work done by Dusuki in 2008, Hassan in 2014 and Rana and Ismail in 2015. Some scholars like Hulaika and Rehman have discussed Islamic microfinance issues in Yemenese and Malaysian perspectives, respectively.

Dusuki reviewed the schemes of microfinance which can be used by Islamic banks. The objective of his paper was to develop a design for Islamic banks to participate in microfinancing. According to him, social intermediation and group-based lending can be used to reduce cost, especially for the rural poor. He suggested some internal resources such as deposits and equity as well as external resources such as *Zakat*, donation and *Waqf* for this purpose. In his view, Islamic microfinance needs demand oriented financing such as *Musharkah* and *Mudarbah*. He further suggested that IMFIs should take opportunities to meet the increasing demand of Muslim clients who seek *Sharī'ah* based microfinance services.<sup>19</sup>

Fareed *et al.* studied the impact of microfinance on poverty reduction. The study was based on four hypotheses. Primary data was collected through questionnaires. A sample of 85 respondents was taken through active borrowers. The results of the study showed that all hypotheses were accepted and that microfinance has a positive impact on income level, savings, and standard of living.<sup>20</sup>

Miled and Rejeb used quantitative techniques to analyze the relationship between microfinance and poverty reduction by taking data from 596 microfinance institutions for the years 2005-2011, as well as panel data of 1132 institutions from 57 developing countries at macro level. The results showed that countries having

<sup>19</sup>Dusuki, "Banking for the Poor," 49-66.

<sup>20</sup>Z. Fareed, F. Shahzad, M. Arshad, R. N. Lodhi, and Umm-e Amen, "The Impact of Micro-Finance on Poverty Reduction, (A Case Study of Okara, Southern Punjab, Pakistan)," *European Academic Research* 1, no. 10 (2014): 3196.

a higher microfinance loan portfolio per capita have a lower level of poverty head count ratio and a higher level of per capita income.<sup>21</sup>

In 2007, Abdul Rahim assessed the potentials of Islamic microfinance schemes for microfinancing purposes. He further highlighted the importance of Islamic finance in the socio-economic development of the poor and micro-entrepreneurs. Since Islamic financing schemes have moral and ethical attributes that can effectively motivate micro-entrepreneurs to thrive.

Hassan examined the growth and role of Islamic microfinance in Andaman Island in India. The researcher used the non-random survey technique and developed questionnaires to examine the effects of Islamic microfinance and cash *Awqāf* on physical and financial capital and human resources in group form. The results of the study showed that group microfinancing causes economic betterment of members.<sup>22</sup>

Rana, Ismail and Ismail reviewed the Islamic microfinance system in Palestine and also suggested a model to alleviate poverty. Secondary data was used to analyze the system. A financial framework was suggested to utilize funds at different poverty levels. The paper also recommended some suggestions for entrepreneurs in Palestine.<sup>23</sup>

Mahmood, Kausar and Fatima conducted a study on the impact of Islamic microfinance on household welfare. The impact was observed on health, education, income, expenditure and assets of the poor who were using Islamic microfinance. Primary data was used from 'Akhuwat,' 'Farz' and 'Naymat' Foundations. It was observed that borrowing from IMFIs did not only significantly raise monthly income, expenditures on food, education and health, and incremented households' assets; it also surprisingly raised the borrowed amount of loan which negatively affected income.<sup>24</sup>

---

<sup>21</sup>Kamel Bel Hadj Miled, and Jalel-Eddine Ben Rejeb, "Microfinance and Poverty Reduction: A Review and Synthesis of Empirical Evidence," *Social and Behavioral Sciences* 195 (2015): 705.

<sup>22</sup>Abdul Hassan, "The Challenge in Poverty Alleviation: Role of Islamic Micro-Finance and Social Capital," *Humanomics* 30 no. 1, (2014): 76.

<sup>23</sup>Rana, et al., "Evaluating Productivity of Microfinance Institutions in Palestine and Jordan," 2017.

<sup>24</sup>Hafiz Zahid Mahmood, Kausar Abbas and Mehreen Fatima, "Islamic Microfinance and Household Welfare Nexus: Empirical Investigation from Pakistan," *Journal of Global Entrepreneurship Research* 7 (2017).

Eissa identified the problems faced by IMFIs in Yemen. Both primary and secondary data was used. The findings of the study identified some issues such as lack of rules and regulations, warranty required for loans, and lack of microproducts.<sup>25</sup> Similarly, a study was conducted by Rashidah and Dean in 2015 in Malaysia which highlighted the challenges faced by IMFIs and suggested solutions. The challenges included market penetration and sustainability among others. They suggested increasing bank participation in Islamic microfinance, diversifying their portfolio, training and skill development, providing technical assistance using *Waqf* and *Zakat* funds, and a better regulatory system.<sup>26</sup>

Bhuiyan, Chamhuri and Rashid reviewed the Islamic microcredit schemes of Bangladesh in 2011. Most of the findings of their study show that microcredit borrowers of Islamic banks are doing well to reduce their vulnerability and poverty, as well as enjoying an improved socioeconomic status by availing the microcredit facilities. Mobolaji and Yusuf explored the practices of micro-insurance banks of Nigeria after the Nigerian Federal Authority gave license to many conventional banks including Al-Baraka Micro-insurance Bank to start its operations on *Shari'ah* compliant basis. The study used qualitative approach based on primary and secondary data to explore the performance of Al-Baraka in providing services for those living below the poverty line.

In 2001, Habib Ahmad in his paper<sup>27</sup> provided theoretical, operational and empirical support for the establishment of IMFIs. The theoretical part of the paper shows that there is a great potential in IMFIs to cater for the needs of the poor. IMFIs have some inherent characteristics that can mitigate some of the problems faced by conventional MFIs. Empirical evidence from three IMFIs operating in Bangladesh, in general, support some of the theoretical assertions. The case studies, however, reveal that IMFIs have not yet tapped certain sources of funding, nor have they used a variety of financial instruments in their operations.

Usman and Tasmin conducted a study to explore the role of Islamic microfinance in human development. The results of the study showed that Islamic microfinance has a positive relation with improving human economic conditions. *Zakat* and *Awqāf* institutions are improving socioeconomic conditions. They also

---

<sup>25</sup>Hulaika, "Islamic Microfinance Institutions in Yemen: Problems and Prospects," 29-43.

<sup>26</sup>Rahman and Dean, "Challenges and Solutions in Islamic Microfinance," 293-306.

<sup>27</sup>Habib Ahmad, "Financing Microenterprises: An Analytical Study of Islamic Microfinance Institutions," *Islamic Economic Studies* 9, no. 2, (2001): 28.

suggested that these institutions should play a role in knowledge, technical skill building and wealth creation.<sup>28</sup>

Ahmed and Ammar analyzed the role of Islamic microfinance in the perspective of Sudan. They highlighted the role of conventional microfinance as an important tool to enhance economic development but they also criticized it since it is based on *riba*. Instead, they emphasized Islamic microfinancing.<sup>29</sup>

Abbas and Shiraz (2015) focused in their study on the micro-entrepreneurial perspective about Islamic and conventional microfinance. The study also discussed the issues faced by entrepreneurs. The data was collected through questionnaires from a sample of 270 people comprising 218 males and 52 females belonging to Lahore, Peshawar, and Rawalpindi. The results showed that for the sake of poverty alleviation, Islamic microfinance is the better choice.<sup>30</sup>

In 2013, Jamal and Sheikh in their study<sup>31</sup> analyzed the conventional system of microfinance and concluded that the rural credit system was unable to cater social and economic growth and development of rural areas in Pakistan. Hence, they suggested Islamic microfinance as an alternative to this system. Also, after discussing Islamic microfinance models, certain issues were highlighted including non-affordable prices of the products being offered, lack of trained and skilled management and administration, operational inefficiency, low management of business risks, and the institutions' inability to access the poor.

In 2009, Waheed et al. did a case study about the role of *Akhuwat* foundation as an IMFI helping in poverty reduction. The study found that the growth of loan portfolio had been decreasing over the last five years. Therefore, they suggested that financial issues were needed to be resolved. The issue of loan portfolio could be resolved by integrating non-profit organizations with Islamic microfinance.

---

<sup>28</sup>Abubakar Sadiq Usman, and Rosmaini Tasmin, "The Role of Islamic Micro-Finance in Enhancing Human Development in Muslim Countries," *Journal of Islamic Finance* 5, no. 1 (2016): 53.

<sup>29</sup>Elsadig Musa Ahmed, and Anwar Ammar, "Islamic Microfinance in Sudanese Perspective," *Journal of Business and Financial Affairs* 4 no. 3, (2015).

<sup>30</sup>Kausar Abbas, and Nasim Shah Shirazi, "The Key Players' Perception on the Role of Islamic Micro Finance in Poverty Alleviation: The Case of Pakistan," *Journal of Islamic Accounting and Business Research* 6, no. 2 (2015): 244.

<sup>31</sup>Asmaan Anam Najeeb Jamal, and Muhammad Azhar Sheikh, "Challenges Faced by the Model of Islamic Microfinance for the Development of Micro Entrepreneurs and SMEs in Rural Pakistan," *International SAMANM, Journal of Finance and Accounting* 1 no.3 (2013): 17.

Trainings, awareness and the implementation of Islamic microfinance models like *Zakat*, *Awqāf* and *Takaful* are needed to uplift the living standard of the poor.<sup>32</sup>

The review of the existing literature shows that most of the above literature is related to Islamic microfinance and its relationship with poverty alleviation. However, some studies have also highlighted other issues in the perspectives of Yemen and Malaysia, although no study has so far been conducted to identify the underlying reasons behind the low penetration of the banking sector of Pakistan in the Islamic microfinance sector. Furthermore, banking practitioners' perspective has not been covered in previous studies in order to suggest solutions to improve the low penetration of the banking sector of Pakistan the in Islamic microfinance.

The current study has its own importance as it particularly looks at the issues related to Islamic microfinance in the Pakistani perspective. This study is also important as it takes the banking practitioners' perspective on the issues faced by the banks in Pakistan which limit them from rendering Islamic microfinance services to their customers. This study is thus an effort to cover the above mentioned research gap.

### 3. Islamic Microfinance Issues Faced by the Banking Sector of Pakistan

This section thoroughly explains the problems and challenges of Islamic microfinance faced by the banking sector of Pakistan. The proposed solutions to these problems have also been discussed. Lack of collateral, minimal interest in Islamic microfinancing shown by the banking industry of Pakistan, non-availability of funds to IMFIs, lack of coordination between *Sharī'ah* advisors and board of directors, lack of research and product development in the field of Islamic microfinance and many other problems and their solutions are explained thoroughly. At the end, a model is proposed ensuring the collaboration of banks with IMFIs.

#### 3.1. Lack of Collateral / Security and Risk of Recovery

The philosophy behind microfinancing is that no collateral / security in the form of assets is kept against the financing. However, this makes it riskier. In the case of the Bank of Khyber, while acting as an agent of the government of Khyber Pukhtoonkhwa for the distribution of rupees three (3) billion to micro-customers, no social collateral was demanded. The government allowed distributing 1-3 lac rupees as *Qard-e-Hasana* (without extra mark up or guarantor) to each micro-

---

<sup>32</sup>Waheed Akhtar, Nadeem Akhtar, and Syed Khurram Ali Jaffri, "Islamic Micro-Finance and Poverty Alleviation: A Case of Pakistan," (*Proceedings 2nd CBRC*, Lahore, Pakistan, 2009).

customer for businesses like general stores, rikshaw, sewing machines etc. The duration of the *Qard-e Hasana* was three (3) years and the customers had to return an amount of rupees three thousand and two hundred (3200/-) only, per month. The customers were unable to pay back and the bank had no plan of recovery. The reason was that financing was un-secured for which no security / collateral was kept, nor any guarantee was taken from the customers.

**Solution** After the worst experience of non-recovery from the customers, the bank then required customers to provide two guarantors; one of them a government officer of not less than grade 17. The reason behind selecting grade 17 government officers as guarantors was that they may give guarantee only after a thorough assessment of the customers' financial condition and repayment capacity. Being a government employee, and in this case its representative, the officer is more reliable for the government as a guarantor. Further, in case of default by the micro-customer, the amount can easily be recovered from the salary of the government officer.

The risk of recovery can be mitigated through a thorough study of the financial condition of the customer, his business type and bank account details, business partners and business environment, family situation and the market. Further, Imam Masjid is considered as the most trustworthy personality in the Pakistani society, who can play the role of social guarantor in this case. Normally, they are aware of the overall conditions of the people of a particular locality. Furthermore, a scheme of group-based lending should be developed in which members should be jointly liable for the individual member's payment. Additionally, micro-*takaful* pools should be developed by offering different micro-*takaful* products. These pools will guarantee the repayment of the amount in case of any single member's default.

### 3.2. Lack of Interest in Islamic Microfinance Shown by the Banking Industry of Pakistan

As is clear from the case of the Bank of Khyber, microfinance involves no collateral, hence it is a risky transaction. This contradicts the mindset of bankers who are more interested in highly collateralized financing. Hence, the banks' main customers are industrialists, property dealers and big corporations. Moreover, these customers have an interest in profit making and have no interest in charity. So, banks involve themselves in those activities only that are profitable. In this scenario, we can neither expect from these customers nor from the banks to play any role in poverty alleviation, that is, to develop microbusiness relationships with the poor who are in need of microproducts. Since the mindset of the corporate customers and the bankers is more inclined towards profit maximization as

opposed to poverty alleviation. Therefore, banks are interested in financing those projects only which are potentially highly profitable at low risk.

**Solution** Keeping in view the high level of poverty in Pakistan, where 60% of the population is living under the international poverty line, it becomes necessary for profit-making organizations to set up directions for mission purposes. In this regard, the SBP has to play a proactive role in promoting Islamic microfinancing by banks in Pakistan. The role of SBP is discussed below in detail.

### 3.3. Role of the State Bank of Pakistan (SBP)

In 2007, SBP issued detailed guidelines on licensing criteria for banks, including full-fledged Islamic banks, Islamic microfinance banks, conventional banks and conventional microfinance banks, to commence Islamic microfinance business in Pakistan. Later on, in 2014, while highlighting the importance of Islamic microfinance as included in the strategic plan (2014-2018) of SBP, it undertook that support will be provided to the Islamic microfinance industry for capacity building, coordination and collaboration among various stakeholders, focused research and pilot projects to develop this sector.

However, there are two issues with these guidelines: (1) these guidelines are non-mandatory in nature, hence they cannot bind the financial institutions to do Islamic microfinancing; and (2) SBP has not set a specific target for Islamic microfinancing. Indeed, it hasn't set any solid base for it. More specifically, SBP has not specified any reserve requirements for Islamic microfinancing by banks. It has not required the banks to distribute a certain percentage of their deposits and capital for this purpose. On the other hand, the banking institutions are not doing so on their own.

**Solution:** In order to increase penetration in the Islamic microfinance sector by the banks, it was unanimously agreed by the interviewed experts that SBP should require from the banks that a certain percentage of their capital and deposits should be appropriated for Islamic microfinance and should issue a circular / notification for this purpose. The experts stated that the required percentage should be between 15% to 19% of the total capital and deposits. Further, they stated that the SBP should subsidize the Islamic microfinance programs to encourage the banking industry for Islamic microfinancing.

### 3.4. Lack of Trained Staff

The lack of interest in Islamic microfinance by bankers leads to another issue, that is, the staff of banks is not sufficiently trained in this regard. In other words, it lacks expertise in the specialized field of Islamic microfinance.

**Solution** SBP should support and facilitate the banks of Pakistan in training their staff in Islamic microfinance for which it should arrange proper human resource. Further, it should make it mandatory for the banks' staff to enhance their skills in Islamic microfinancing. Islamic Microfinance Network (IMFN) is a not-for-profit organization which brings together (to a limited extent) the Islamic microfinance providers, trainers and researchers. SBP should engage IMFN more rigorously in providing trainings to the staff of banks.

### 3.5. Lack of Customer Awareness, Training and Skill Development

About sixty percent (60%) of the population in Pakistan lives below under the international poverty line (Nelson, 2018) and does not have exposure to banking services. Also, approximately seventy percent (70%) of the total population lives in the rural areas and does not have easy access to banking services. This is why they lack awareness about the Islamic microfinance services provided by banks. In this regard, awareness hasn't been developed among them to an optimal level. Even if they are aware, they are not properly trained, which is another issue that hinders banks from entrusting them with money through Islamic microfinance. When a customer has neither been educated about Islamic microfinance services nor has been trained about them, how can we expect that his / her skills would be developed? It is awareness that provides the base to their training and skill development. Without proper training and skills, the only way left for a poor person at the time of financial need is to get help from friends, family and relatives. Further, due to the presence of banking services' advertisements as awareness tools in English, customers are left in ignorance because common man is unable to understand them.

**Solution** Banks should campaign through conferences, public programs and guest lectures for customer awareness. The significance of Islamic microfinance should be highlighted to them. Here again, *Imam Masjid* can be helpful in educating the prospective customers about Islamic microfinance products. This is not strange for Islamic microfinance programs as *Akhuwat* is already involved in mosque set up for Islamic microfinance. The same is suggested for the banks as well. Further, local government representatives should also be involved in the awareness programs about Islamic microfinance. Furthermore, incentives should be given to the customers in the beginning. In this way, they can be persuaded towards availing Islamic microfinance products. In the second step, they should be given proper training so that their necessary skills are developed for conducting productive activities.



### 3.6. Lack of Coordination between *Sharī'ah* Advisors and Board of Directors

According to *Sharī'ah* Governance Framework for Islamic banks issued by the SBP, it is compulsory for the BODs to meet at least twice a year with the *Sharī'ah* Board but this rule is often neglected. Actually, the BODs do not consider *Sharī'ah* Board at par with themselves; rather *Sharī'ah* Board is considered as a part of management, the role of which is advisory and not authoritative.

The board does not allow *Sharī'ah* advisors to participate in top decision making. All business decisions are made by the BODs in which *Sharī'ah* Board has a negligible role and this is why it cannot direct the BODs to distribute some of their banks' funds through Islamic microfinancing. It can only advise the board in this regard.

**Solution** BODs should allow *Sharī'ah* advisors to participate openly in board meetings. BODs should give authority to *Sharī'ah* advisors to give their point of view and should give due consideration to their opinions. Board of Directors should involve *Sharī'ah* advisors in decision making.

### 3.7. Bulk of Documentation and Time Consumption

Currently, the procedure and documentation process is the same for both mainstream finance as well as Islamic microfinance. The banks have to follow the same procedure for few thousands of Islamic microfinancing schemes that is being followed in huge financing schemes which involve millions and billions of rupees. For few thousand rupees, approximately twenty types of documents are used. The same number of documents are used for corporate financing. This not only engulfs micro-customers in unnecessary formalities but also is a time consuming exercise for the banks keeping in view the cost of lower returns.

**Solution.** The best alternative to resolve the issue of the bulk of documentation and time consumption is the use of mobile technology, biometric system and linkages with different government information departments.<sup>33</sup> A mobile application form should be submitted to the bank that should be linked with National Database Registration Authority (NADRA), from where data shall be collected for the identification of the customers. Biometric system can be used for finger print verification. Mobile applications can also be used to provide

---

<sup>33</sup> National Data Base and Registration Authority (NADRA), Federal Board of Revenue (FBR), Pakistan Economic Survey, Ministry of Planning, Development and Reform Centre for Rural Economy and Pakistan Bureau of Statistics.

information about available products. Further, mobile accounts can be used for financial transactions.

### 3.8. Lack of Access to Banks and High Cost of Operations

This issue has two aspects. On one hand, there is the lack of accessibility to banks from the customer side due to their concentration in urban areas. Approximately 80% of bank branches are located in Lahore and Karachi. Due to poor conditions, usually banks' staff does not want to work in rural areas. On the other hand, it is very costly for banks to open branches in remote areas. Acquiring information about customers, branch expenses at distant places and inspection team expenses increase the cost of operations.

**Solution:** In order to overcome this issue, two solutions have been suggested by experts. Firstly, they have suggested that the banks willing to open branches in rural areas should be given some monetary support by SBP in the form of initial capital for Islamic microfinance customers on the basis of *Mudarbah*. Similarly, SBP should give relaxation in documentation as well. Also, the issue of non-accessibility of customers to banking services and the reluctance of banks in opening branches in remote areas due to high operational costs can be resolved by the increased use of mobile technology as mentioned above. In this way, not only banks will be saved from incurring high operational costs due to opening branches but the customers will also get access to their services without physically visiting branches and indulging themselves in extra formalities.

### 3.9. Lack of Business Plans

The problem with microfinance is that the surplus for business activities is low as compared to the corporate sector. The reason is the lack of feasible business plans for customers at micro level. The government of Pakistan is constitutionally<sup>34</sup> responsible to fulfill the basic needs of citizens and to alleviate the curse of poverty from the country. However, it has not taken rigorous actions to alleviate poverty by supporting entrepreneurial activities. Sixty percent (60%) of the rural population of Pakistan is living below poverty line. Poverty alleviation should be the government's top priority; however, the government is lacking in optimally detailed planning.

**Solution:** To make microbusiness plans successful, the government, SBP and banks have to play a collective role. They should jointly develop projects for agriculture, manufacturing, services, and entrepreneurial activities. Along with the

---

<sup>34</sup>Article 33 of the constitution of the Islamic republic of Pakistan declares the state is responsible for the eradication of the poverty from the country.

initial capital, a business plan should be provided also to the customers. For instance, for the agriculture sector, the government should provide plans as to which crop should grow in the customer area. It should also provide seeds, training and fertilizers to the farmers. Further, a market should be created for the customers to sell the crops at the best rates. A business plan for poultry can be developed at micro level. The government should provide birds to the customers, teach them how to care for them, where to vaccinate and when to vaccinate them, and the right price on which they can be sold. The government should also develop relevant authority/department like Small and Medium Size Enterprises (SMEDA), which can evaluate, monitor, and control the business activities of micro-customers throughout the project.

### 3.10. Lack of Research and Product Development

Negligible research is available in the field of Islamic microfinance in Pakistan. The field has a great potential to contribute in the economic development of the country. Unfortunately, very few Islamic microfinance products have been developed that can be best suited for the banking sector of Pakistan.

**Solution:** Currently, only *Murabahah* is used to a large extent and *Salam* is used in the agriculture sector. The problem with *Murabahah* is that it is not suitable for all customers at all times. Through *Murabahah* only goods are provided to the farmers. It does not take care of the liquidity needs of the farmers, such as the payment of labor charges for hiring tractors, purchase of water and transportation of products cannot be financed through *Murabahah*. Therefore, it is suggested that suitable products should be developed that could meet the needs of the microfinance customers. For example, in case of the agriculture sector, *Murabahah* and *Salam* can be combined; physical inputs (goods) can be provided through *Murabahah*, while all the other liquidity needs can be fulfilled through *Salam* financing. Similarly, *Murabahah* in urban areas only meets the demand of supply to microenterprises. Therefore, *Mudabah* and *Musharakah* are more appropriate for microenterprises in urban areas. Together, they can meet most of the needs of microenterprises as well as their customers. These and other similar products can be developed for the banking sector to meet the demands of different categories of Islamic microfinance customers in different localities.

There is a huge potential for research in Islamic microfinance industry. Its needs are different from mainstream Islamic finance. Therefore, researchers need to develop products from the perspective of customers' needs. Marketing based research is called for on the basis of different localities and business types. Banks should use *Mudabah* and *Musharakah* instead of *Murabahah* in the urban sector.

For the initial capital, crowd funding and venture capital *Sukuk* can be used. To secure the capital, micro-*takaful* products should be introduced. *Sukūk* can be used for liquidity purposes. For finished products, warehouses can be pledged.

### 3.11. Non-Provision of Funds to IMFIs

There are many IMFIs working in Pakistan but they have limited resources available for Islamic microfinance. They cannot cater the needs of all the Islamic micro-customers. Further, due to the risk-avert and profit-earning mind set of the bankers, the banks do not provide funds to these institutions.

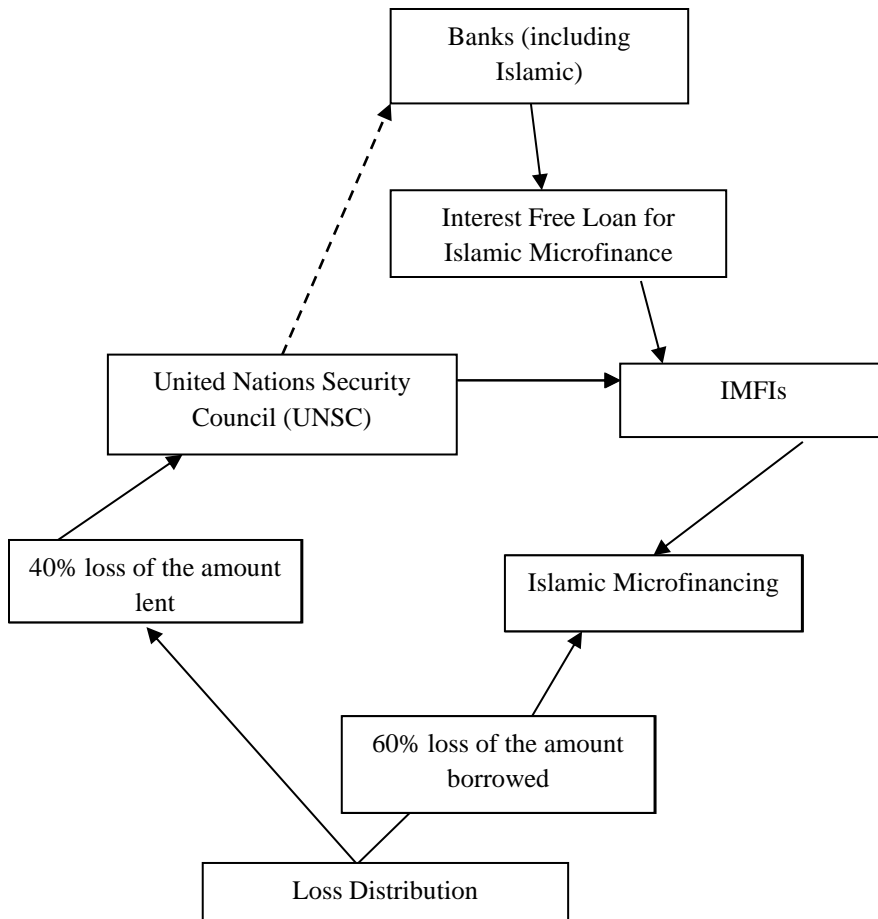
**Solution:** One of the interviewees suggested the following model to enhance the Islamic microfinance services in Pakistan.

### 3.12. A Proposed Model for Banks Working in Collaboration with IMFIs

Based on the findings of the study, a model (figure 1) is suggested for Islamic banks to contribute in microfinance activities by providing interest free loans to IMFIs, duly mitigating their operational and recovery risks. As a result of engaging banks with IMFIs, the financial capacity of IMFIs will increase. IMFIs have expertise, skills and access to customers which will indirectly support Islamic banks to participate in microfinance activities and poverty alleviation. The United Nations<sup>35</sup> has agreed to share up to 40% of the total loss incurred by the banks while offering services for poverty reduction. This not only increases the financing capacity of IMFIs but also guarantees that 40% of the potentially incurred loss is covered by the UN through banks. This may in turn increase the participation of banks in Islamic microfinance activities, which will ultimately help them in playing their role in poverty reduction.

---

<sup>35</sup>The Government of Pakistan and the United Nations in Pakistan has signed the UN Sustainable Development Framework (UNSDf), also known as the One Program III (OPIII) 2018-2022.



**Figure 1.** A Proposed Model for Banks Working in Collaboration with IMFIs **Source:** Self construct

#### 4. Conclusion

In Pakistan, 60% of the total population lives below the international poverty line but there is no proper financial system for poverty alleviation. Islamic microfinancing can play a significant role in improving the lives of the people. Unfortunately, in Pakistan, only one full-fledged Islamic microfinance bank is working. The purpose of the current study was to find out ways to make it possible for banks to penetrate the Pakistani financial market by offering more microfinance products. The low penetration of banks has some underlying reasons due to which banks are reluctant to do Islamic microfinance. The most important underlying

reasons behind such reluctance have been identified by practitioners. The weak role of the SBP and less support from the government's side have been identified to be the main factors behind the low penetration of banks in the Islamic microfinance industry. Other reasons include the lack of bankers' interest in Islamic microfinance, lack of collateral / risk of recovery, lack of research in product development, lack of customer awareness, lack of training and skill development, lack of trained staff with the banks and lack of successful business plans. These issues can be resolved by putting forth necessary regulations by the SBP, setting specific targets for the banking sector and requiring them to allocate a certain percentage of their capital and deposits to Islamic microfinance activities. The involvement of government support for making business plans and the development of suitable and sector-oriented Islamic microfinance products by the researchers will surely persuade banks to adopt Islamic microfinance products. Further, a model is developed that allows the banks to collaborate with IMFI to minimize their risks. The implication of the research is that the proposed solutions of the underlying problems can be implemented in the banking sector by the regulator, that is, the SBP. The bankers will also make policies for Islamic microfinance business in the light of the regulators' requirements. This will help in poverty alleviation, economic growth, financial inclusion and especially the growth of Islamic microfinance.

#### 4.1. Future Areas of Research

This research can be further developed from customers' perspective regarding the problems they face in Islamic microfinance. The current paper is based on the banking practitioners' perspective. Customer perspective and their requirements in policy making and regulations can bring forth a clearer picture. In future studies, different models previously used by various Islamic microfinance banks across the world can be analyzed and the best model can be developed.

#### Bibliography

- Abbas, Kausar., and Naseem Shah Shirazi. "The Key Players' Perception on the Role of Islamic Micro finance in Poverty Alleviation: The Case of Pakistan." *Journal of Islamic Accounting and Business Research* 6, no. 2 (2015): 244-267.
- Abdul Rahim. "Islamic Microfinance: A Missing Component in Islamic Banking." *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 38-53.
- Abdul Rahman, Rasheedah., and Faisal Dean. "Challenges and Solutions in Islamic Microfinance." *Humanomics* 29, no. 4 (2015): 293-306.

- Ahmed, Habib. "Financing Microenterprises: An Analytical Study of Islamic Microfinance Institutions." *Islamic Economic Studies* 9 (2001): 28-64.
- Akhtar, Waheed., Nadeem Akhtar, and Syed Khurram Ali Jaffri. "Islamic Micro-Finance and Poverty Alleviation: A Case of Pakistan." Proceedings 2nd CBRC, Lahore, Pakistan, 2009.
- Armendáriz, Beatriz., and Marc Labie. *The Handbook of Microfinance*. Singapore. World Scientific Publishing, 2011.
- Bhuiyan, Abul Bashar., Siwar Chamhuri, Abdul Ghafar Ismail, and Basri Abdul Talib. "Islamic Microcredit is the Way of Alternative Approach for Eradicating Poverty in Bangladesh: A Review of Islami Bank Microcredit Scheme." *Australian Journal of Basic and Applied Sciences* 5 (2001).
- Dusuki, Assyriif Wajdi. "Banking for the Poor: The Role of Islamic Banking in Microfinance Initiatives." *Humanomics* 24, no. 1 (2008): 49-66.
- Hassan, Abdul. "The Challenge in Poverty Alleviation: Role of Islamic Micro-Finance and Social Capital." *Humanomics* 30, no. 1 (2014): 76-90.
- Hulaika, Eissa Hassan Abo. "Islamic Microfinance Institutions in Yemen: Problems and Prospects." *International Journal of Business and Management Invention* 6 (2017): 29-43.
- Jamal, Asman Anam Najeeb., and Muhammad Azhar Sheikh. "Challenges Faced by the Model of Islamic Microfinance for the Development of Micro Entrepreneurs and SMEs in Rural Pakistan." *International SAMANM, Journal of Finance and Accounting* 1, no. 3 (2013): 17-38.
- Khaled, Muhammad. "Building a Successful Business Model for Islamic Microfinance." *Global Microcredit Summit Commissioned Workshop Paper*. Valladalid, Spain, November 14-15, 2011.
- Karim, Nimrah., Michael Tarazi, and Xavier Reille. "Islamic Microfinance: An Emerging Market Niche." (Focus Note; No. 49. 2008. Washington, DC: World Bank). <http://documents.worldbank.org/curated/en/500601468177566653/Islamic-microfinance-an-emerging-market-niche>
- Mahmood, Hafiz Zahid Mahmood., Kausar Abbas and Mehreen Fatima. "Islamic Microfinance and Household Welfare Nexus: Empirical Investigation from Pakistan." *Journal of Global Entrepreneurship Research* 7 (2017).
- Mobolaji, Abdul Hakim., and Tajudeen Olaleka Yusuf. "The Role of Islamic Micro Insurance in Economic Growth and Development: The Nigerian Experience: A Case Study of al-Barakah Microfinance Bank." *International Journal of Business and Commerce* 1, no. 10 (2012).

- Miled, Kamel Bel Hadj., and Jalel-Eddine Ben Rejeb. "Microfinance and Poverty Reduction: A Review and Synthesis of Empirical Evidence." *Social and Behavioral Sciences* (2015): 705-712.
- Mughal, Muhammad Zubair. "Islamic Microfinance is an Ignored Segment of Islamic Finance Industry." *Islamic Microfinance News*. August 10, 2016. <http://imfn.org/islamic-microfinance-is-an-ignored-segment-of-islamic-finance-industry>
- Musa, Elsadig., and Anwar Ammar. "Islamic Microfinance in Sudanese Perspective." *Journal of Business and Financial Affairs* 4, no. 3 (2015).
- Nelson, Jazib. "Why Poverty Hasn't Reduced Significantly in Pakistan." *The Express Tribune*. January 15, 2019. <https://tribune.com.pk/story/1614607/2-poverty-hasnt-reduced-significantly-pakistan/>
- Obaidullah, Mhuammad. *Introduction to Islamic Microfinance*. India, IBF Net Limited. (2008).
- Pakistan Microfinance Connect. *Microfinance Review 2006*. January 16, 2019. <http://www.microfinanceconnect.info/microfinanceproviders/banks>.
- Rana, Muhammad Sohel., Muhammad Aslam Mia, Izlin Ismail, and Nazari Ismail. "Evaluating Productivity of Microfinance Institutions in Palestine and Jordan." Research Seminar on Palestinian Issues-2 (2017).
- Shirazi, Naseem Shah. "Targeting and Socio-Economic Impact of Microfinance: A Case Study of Pakistan." *The Islamic Research and Teaching Institute (IRTI) Working Papers*. 2015.
- State Bank of Pakistan (SBP). *Guidelines for Islamic Micro-Finance Business by Financial Institutions* 2007. [www.sbp.org.pk](http://www.sbp.org.pk)
- The Bank of Khyber (BOK). *Micro Finance Scheme Details* 2019. January 16, 2019. <https://www.bok.com.pk/islamic/islamic-personal-micro-finance-scheme-details>
- Usman, Abubakar Sadiq., and Rosmaini Tasmin. "The Role of Islamic Micro-Finance in Enhancing Human Development in Muslim Countries." *Journal of Islamic Finance* 5, (2016): 53-62.
- Zeeshan, Rarrukh Shahzad., Muhammad Arshad, Rab Nawaz Lodhi, and Umm-E-Amen. "The Impact of Micro-Finance on Poverty Reduction: A Case Study of Okara, Southern Punjab, Pakistan." *European Academic Research* 1, no. 10 (2014):3196-3217.