ISLAMIC MICROFINANCE FOR YOUTH EMPLOYMENT: A TENTATIVE MODEL

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Abstract

This is a proposed model aims at establishing educated but unemployed poor/middle class youths on the basis of Zakah & Qardh Hasan. Firstly, they will be given capital for simple businesses through Zakah. Secondly, loans as Qardh Hasan will be given on the basis of their eagerness/enthusiasm and success over the business. Thirdly, an effort is to be made to establish five families within five years where loans will be given to them from 2nd year and onwards. Fourthly, loans taken from former families will be redistributed under a Waqf foundation, which will be in charge of the whole monitoring process. Thus the whole process will follow a cycle, ensuring employment of educated unemployed youths of Bangladesh. The Waqf is to be sponsored by the philanthropists and as well to get financial support from Zakah fund under the sanction of ‘Ameleen (collectors of Zakah). Upon the successful completion of this project, a major and bigger program may be undertaken for further research on this issue to eliminate impediments, like unemployment and poverty, that prevail the society.

**Keywords:** IMF, IMM, PLS, Zakah, Waqf, Qard Hasan

INTRODUCTION

Unemployment is a central issue in economics. The effects of unemployment are many. It may cause psychological and even physical disorders, divorces, suicides and crime. Social harmony may be disturbed. Moreover, the economy is deprived of the possible production that could be produced by the unemployed persons if they are employed. Definitely, unemployment is a problem and policy makers pay a great deal of attention to both the causes of and cures for unemployment.
The rate of unemployment does not give us a vivid picture of its severity in the society. Unemployment scenario in different age group is not same and particularly young people are working longer hours in the informal sector. As productivity in the informal sector is low, they earn little in return with little social protection, and as a result young workers are more exposed to poverty than people in other age groups.

The rate of unemployment in the country, particularly youth unemployment is rising at a significant rate. Moreover, national rate of wage is still below the poverty bar of USD 2.00 per day. In 2010, Bangladesh’s unemployment rate was 5.1% (refer to Figure 1).


**Figure 1: Unemployment rate in Bangladesh (2006-2014)**

Youth unemployment or employment crisis is a global challenge, though its social and economic characteristics vary considerably in size and nature from one country and region to another (ILO, 2012). In Bangladesh, the nature and extent of employment of the youth is an important indicator of the additional employment generating capacity of the economy. Alternatively, the extent of unemployment of youth labour indicates the failure of the growth process to create enough jobs for the new entrants to the labour force and, consequently, the loss of potential income and welfare (Bangladesh Bank, 2008).

In 2010, 20.90 million (36.86 percent) out of 56.70 million of the total labour force were youths (15-29 years) although the share of youth was about 41.15 percent of the total working population (15 years and above). Between 2006 and 2010, although the total labour force increased by 7.20 million, the number of youth labour increased by 3.10 million.
Considering the total labour force, male and female labour force increased by 2.20 and 5.10 million respectively.

A cursory study of the recent youth unemployment rate reveals that the condition of youth employment in Bangladesh is very poor. So this paper aims at solving the unemployment problem among the poor/middle class youths of Bangladesh upon successful application of Islamic Microfinance. And the objective of this paper is to propose an institutional structure for an Islamic Microfinance that simultaneously deals with several facets of poverty, and depends on combining the Zakah and Qardh Hasan principles together. It will focus on the theoretical structure of the new institutional form and benefit from the experience of the Zakah and Qardh Hasan in Islamic Microfinance. Since the experiment is to be based on Islamic microfinance, Zakah and Qardh Hasan under the monitoring of Waqf foundation, a brief introduction is needed for each of these topics to show how they impact the project.

The paper is divided into four sections: Section I gives a brief introduction to Microfinance and Islamic Microfinance, Section II briefly reviews the relevant Shari’ah rulings of Zakah over the causes of poverty in Muslim countries, Section III discusses Qardh Hasan, and Section IV outlines how the proposed institutional structure and its functions are to be implemented with the help of Waqf foundation.

A BRIEF INTRODUCTION TO MICROFINANCE AND ISLAMIC MICROFINANCE

Microfinance

Microfinance is a financial service of small quantity provided by financial institutions to the poor. Microfinance institutions are those which provide thrift, credit and other financial services and products of very small amounts, mainly to the poor in rural and semi-urban to enable them to raise their income level and improve their standards. Micro entrepreneurs value the opportunity to borrow and save with MFIs (Microfinance Institutions since they provide services that are cheaper than those that would normally be available to poor clients or that would be entirely unavailable to them. Microfinance includes within its gamut both microcredit and micro savings. (Sarkar, 2011, pp. 8-9). Microfinance is a financial service of small quantity provided by financial institutions to the poor. Microfinance institutions are those which provide thrift, credit and other financial services and products of very small amounts, mainly to the poor in rural and semi-urban to enable them to raise their income level and improve their standards. Micro entrepreneurs value the opportunity to borrow and
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**Islamic Microfinance**

The Islamic Microfinance is a concept gaining ground across the world as a Shari‘ah-compliant alternative, which provides the poor population with access to basic financial services at low costs. It accommodates two rapidly growing sectors: microfinance and Islamic finance. Hence, it has the potential to combine the Islamic values and principles with microfinance’s power to provide the poor with an access to financial services.

Islamic Microfinance is a new market in Islamic finance: Islamic banks provide financial assistance to people excluded from the banking system. Islamic Microfinance complies with the principles of Islam, involving in Halal projects (allowed by Shari‘ah). They must be charitable projects or projects that can help develop the economy of a country.

Islamic finance, being Shari‘ah-compliant, strictly prohibits payment or receipt of any fixed interest (riba). These institutions earn profits in three major areas: trading, leasing and direct financing based on profit-loss sharing (PLS) contracts. Islamic Microfinance institutions (MFIs) also abide by these rules.

**Need for Islamic Microfinance**

A comparison between the conventional and Islamic MFIs may help make the concept clearer. Islamic microfinance offers major products like Murabaha (cost plus markup sale contract), Musharaka and Mudarabah (profit and loss sharing), Ijarah (leasing contract typically used for financing equipment) and Takaful (mutual insurance contributed by participants).

Whereas, traditional microfinance pays prefixed interest to its depositors and is based on the debtor-creditor relationship where the ultimate aim is profit.

One of the main problems of the traditional micro financing is its use of interest which is contradictory to Islam. On the contrary, Islamic microfinance is a sector with a great potential to expand. It is estimated that 72% of the population living in predominantly Muslim countries do not use financial services, because they do not follow the precepts of Islam (Honohan, 2008, pp. 2493-2500). Muslims use conventional financial products, but various
surveys show that if they had a choice they would use Shari‘ah-compliant financial products (http://www.microworld.org/en/news-from-the-field/article/what-islamic-microfinance). Islamic financial principles will not only serve the need of the Islamic value imbued poor but also contribute to socio-economic development, ensuring their participation in the market mechanism. Underprivileged Muslims would be encouraged to accept Islamic microfinance products which comply with the Islamic financial principles.

In Bangladesh, Islamic microfinance is at its infancy stage. Conventional MFIs have small access to low-income Muslim communities because these communities would prefer to adopt Islamic compliant Microfinance. As conventional microfinance is not helping a good number of poverty stricken people with Islamic values, Islamic microfinance has shown great concern in solving this problem.

**Islamic Microfinance concepts**

a) Murabaha (sale of Islamic Microfinance services) is the Shari‘ah-compliant contract that is most commonly used to finance goods. When the client requests a specific product, the lender acquires it directly in the market and resells it after applying a fixed margin payment for the service provided.

b) Qardh Hasan is a loan extended on a goodwill basis, and the debtor is only required to repay the amount borrowed. Some Muslims consider this to be the only type of loan that does not violate the prohibition on ‘riba’, for it is truly a loan that does not compensate the creditor for the time value of money.

c) Musharaka and Mudaraba are contracts which share risks and benefits. Musharaka is a relationship between two parties or more that contribute capital to a business and divide the net profit and loss pro rata. The parties share the profits or losses in a predetermined percentage. This type of financing can be used for the assets or funds bearing. Mudaraba is a trustee financing instrument in which one is a donor and the other brings management expertise to the project.

d) Salam is an advance payment in exchange of a future delivery. It is often used in agricultural settings, allowing farmers to finance production in exchange for future delivery cultures. To respect the sharia, the quantity, the quality of future goods and effective date of delivery must be specified explicitly.

e) Istisna’ is an exchange contract between a seller and a buyer. The sellers can either produce the goods themselves or buy them from a third party. The buyer can pay the sale
price once the contract is signed, or subsequently at other stages of the manufacturing process.

f) Micro-leasing is where the MFI allows the customer to use an asset that belongs to him. Risks remain within the MFI, unlike a conventional leasing (all damages caused by involuntary means or in case of force majeure are supported by the MFI, to avoid leasing as a disguised sale with interest). Cash flows are adjusted so that costs and risks of MFIs are covered. The terms of the lease are set in advance to avoid speculation.

g) Takaful is a mutual insurance. Each person participates in a fund that is used to help the group in case of need, for example, death, agricultural losses, accidents, etc. Premiums paid are reinvested to avoid the mechanism of interest.

Zakah

Zakah is one of the five fundamental institutions of Islam. It is an essential article of the faith next to prayer. Zakah forms an integral, compulsory and inseparable part of the Islamic way of life. The non-observance or neglect of Zakah is tantamount to a negation of the faith itself. The early Makkan revelations emphasized the moral aspect of Zakah and persuaded Muslims to offer it voluntarily. It was not until the second year of Hijrah that Zakah was made obligatory on all Muslims.

Muslims having resources beyond a certain limit are to pay considerably low amount of Zakah on an annual basis. The low limit on the ownership of resources that qualifies the owner to discharge Zakah obligation is meant to keep a broadened base to generate resources for the poor. The rate at which Zakah is to be paid out of one’s resources is too low (which is only a reflection of the objective for encouraging the payment). Injunctions are very strong relating to the payment of Zakah obligation of which a few are as follows: Allah says in the Qur’a’n: … And there are those who hoard gold and silver and spend it not in the way of God; announce unto them a grievous penalty. On the Day when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads, their flanks and their backs [and it will be said to them], “This is what you hoarded for yourselves; taste ye, then, what you hoarded (9: 34–35). Allah also says, “Eat from their fruits, and give the due alms on the day of harvest” (Quran: 6:141). In other verses of Qur’an (2: 215), Allah says, “They ask you about giving: say, the charity you give shall go to the parents, the relatives, the orphans, the poor, and the travelling alien. Any good you do, God is fully aware thereof.” Allah further says in the Qur’an (2:3) that who believe in the unseen, observe the contact prayers (Salat),
and from our provisions to them, they give to charity. Allah further says, “And We made them leaders guiding by Our command. And We inspired to them the doing of good deeds, establishment of prayer, and giving of Zakah; and they were worshippers of Us (Quran: 2:73). Allah also says: You shall give the due alms to the relatives, the needy, the poor, and the travelling alien, but do not be excessive, extravagant. The extravagant are brethren of the devils, and the devil is unappreciative of his Lord. Even if you have to turn away from them, as you pursue the mercy of your Lord, you shall treat them in the nicest manner. You shall not keep your hand stingily tied to your neck, nor shall you foolishly open it up, lest you end up blamed and sorry (Quran:17: 26–29).

The importance of the obligation of Zakah and its ranking appears in many Ahadith of the Prophet (SAAS). Declaring Zakah as one of the five Pillars of Islam comes in the well known Ahadith reported by Muslim, Tirmithi, Abu Dawud, Nasa’i and Ibn Majah, in which ‘Umar (R) narrates the story when the Angel Jibril (Gabriel) came to the Prophet (SAAS), and asked him, in a way of teaching the audience, about ‘Iman (faith), Islam and Ihsan (uplifting/perfection) (Ibn al ‘Athir, VI, pp. 208 & 213; al Haithami, VI, p. 40). There are reports of similar Ahadith from the narration of Abu Hurairah (R) in Bukhari, Muslim, Abu Dawud, Nasa’i, Ibn Majah and Tabarani. A similar Hadith is reported by Bukhari, Muslim, Tirmithi and Nasa’i from ‘Abd Allah bin ‘Umar (R), “Islam is founded on five (Pillars): Giving witness that there is no god but Allah and that Muhammad is His servant and messenger, establishing prayers, giving zakah, Going for pilgrimage to the House (of God) and Fasting (the month of) Ramadan.” (Ibn al ‘Athir, VI, p. 207 as quoted in Kahf, 2006).

Zakah is meant to reduce poverty essentially by direct distribution (or better redistribution) of funds/goods in response to immediate needs. Its distribution is not limited to consumables but may also include capital goods or income entitlements e.g. dividend/rental properties. The principle of Tamlik (giving to recipient in a way that she/he becomes the owner of what is given) is a focal point of Zakah in spite of its different Fiqhi interpretations and applications. In fact these differences help throw light on potential uses of Zakah funds relevant to Microfinance activities whereby you can pay the debt of a poor, under the title of Gharimin (persons under debts) directly to the creditor. (Kahf, 2006, p. 41).
Zakah and its distribution

The Holy Qur'an (Sura Al-Tauba: 60) classifies the due recipients of Zakah under the following eight categories.

"Zakah is for the poor, and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All-Knowing, the Wise”.

The Zakah is to be distributed among people of the following categories (Quran: 9:60), depending on need such as:

1. The Destitute: Those who don’t have material possessions nor have means of livelihood.
2. The Poor: Those with insufficient means of livelihood to meet basic needs.
3. Zakah Workers: Those whose job it is to collect and re-distribute Zakah money, get their salary from the Zakah money.
4. New Muslims: Those who are new to Islam and require help to integrate themselves into the Muslim community.
5. To Free Slaves: Zakah money is to be used to purchase slaves and free them.
6. The Indebted: Those who are in debt and have difficulty repaying it.
7. In the Path of Allah: Zakah money can also be spent in the path of Allah. This can include many things, basically any project that helps Muslims or Islamic causes.
8. Stranded Traveler: The traveler who does not have enough money to complete their journey.

Zakah as a means of developing entrepreneurship

Zakah is an important institution in the socio-economic framework of Islam (Kusuma & Sukmana, 2010), underutilized for poverty reduction in many poor Muslim countries though considered as the third pillar of Islam. The main objective of Zakah is to achieve socio-economic justice (Wahab & Rahman, 2011). It is considered as an effective divine tool for alleviation of poverty and unemployment of youths because Islam looks upon poverty as a religious and social problem, since poverty pushes a person to lowliness, sin, and crime. As a divine tool, Zakah fund can alleviate poverty, remove unemployment effectively and promptly when it is used as seed (investment) money and not as spent (consumption) money for the greater and better benefits of the poor of society; otherwise, it will produce no fruitful
And only due to effective and efficient implementation of Zakah-based economic system, the world had experienced a poverty-free society in human history in the domain of Islamic State (where there was not a single poor to receive Zakah) under the leadership of Prophet Mohammad (SAAS) and his successors (Khulafa’)(Hoque et al., 2015, p. 9).

**Causes of poverty in Muslim countries**

Empirical studies revealed that the problems faced by Muslim countries are chronic absolute poverty, high unemployment, inequality of income distribution, low levels of productivity in primary sectors, increasing inequality of living standards, less optimal fulfillment of public facilities (education and health), worsening balance of payments, and the most severe is the foreign debt and the weakening of the institutional structure and system of values and customs which are increasingly disappearing due to external influences (Affandi & Astuti 2013; Djumiarti, 2005). According to Hanafiah (2009), the causes of high poverty rate in Muslim majority countries as compared to non-Muslim countries are acceptable since the majority of Muslim countries were former colonies of the colonial western countries that resulted in a sluggish national economy. This is evident from the unequal distribution of resources and huge gap between the poor and wealthy people (Affandi & Astuti, 2013). Indeed, poverty in the Muslim world is the outcome of many factors, of which lack of effective policies and strategies to develop entrepreneurship is one of the key factors (Hoque et al., 2014).

**Improper distribution of the resources**

Due to improper distribution of the resources, poverty and unemployment exist in the world in general and the Muslim world in particular. In fact, the resources of the world are sufficient to fulfill the needs of all people but resources of the world are not sufficient even to fulfill the greed of a single person. Sheikh Sa’dee, a great Persian poet remarks, “two kings can’t be accommodated even within the state, while two sages can sleep within the same blanket!” Allah has created sufficient resources for His creatures (Qur’an: 41:10). Allah says: “And He hath made subject to you the sun and the moon, both diligently pursuing their courses; and the night and the day hath He (also) made subject to you. And He giveth you of all that ye ask for. But if ye count the favours of Allah, never will ye be able to number them. Verily, man is given up to injustice and ingratitude” (Qur’an: 14: 32–34).
In another verse Allah says: “Verily thy Lord doth provide sustenance in abundance for whom He pleaseth, and He provideth in a just measure. For He doth know and regard all His servants” (Qur’an: 17:30). Allah further says: “But seek, with the (wealth) which Allah has bestowed on thee, the Home of the Hereafter, nor forget thy portion in this world: but do thou good, as Allah has been good to thee, and seek not (occasions for) mischief in the land: for Allah loves not those who do mischief” (Qur’an: 28:77).

**Owning majority of world’s resources by a few greedy people**

Though Allah has created sufficient resources, still there is poverty and one of the key reasons is that a few greedy people own majority of the world’s resources. The word greed appears eight times in the Qur’an. The greedy rich have more thirst for resources. Allah says: “The craving for ever-greater worldly gains and to excel others in that regard keeps you occupied and which continues until you reach your graves” (Qur’an: 102:1–2).

The Prophet (SAAS) says: “Watch out for greed because the people before you perished from it. Greed led them to be miserly so they became miserly. Greed led them to break the ties (of kinship) so they broke it. Greed led them to sins so they committed sins” (Abu Dawud).

Ibn Abbas narrated that he heard the Prophet saying, “If the son of Adam (the human being) had two valley of money, he would wish for a third, for nothing can fill the belly of Adam’s son except dust, and Allah forgives him who repents to Him” (Bukhari).

Surely, if all rich play their effective and efficient role in removing poverty, within a short span of time the word poverty would be no more in this world.

The significant level of poverty and unemployment that exists in Bangladesh can be reduced by developing small business entrepreneurial skills with the help of Zakah mobilization.

Resources are to be mobilized and increased for fulfilling the needs of people through business (Ariff, 1991) and business enterprises are also to be developed and properly managed by the entrepreneurs. So, for developing business enterprises, entrepreneurial skills should also be developed properly. Allah the almighty says: “Business is lawful for you” (Quran: 2:275). Chapra (2008) opined that ‘need fulfilment’ of all in a society is of utmost importance in Islamic jurisprudence. Prophet Mohammad (SAAS) was himself engaged in trade and commerce before he became a Prophet. He was a successful businessman, known for his integrity, and bore the honorific title Al-Ameen (the trustworthy). The Prophet (SAAS) says: “Search for your livelihood much below the soil- at every layer of the earth
surface”. It is in the spirit of Islam that no piece of cultivable land is allowed to be left unused, because Islam directs its followers to be productive and efficient in all spares of life. Allah says: “Don’t waste your wealth; those involved in misusing wealth are the brothers of the devil” (Qur’an: 6: 141). Allah also says: “When your prayer is over, spread over the earth and seek the bounty of Allah” (Qur’an: 62:10). Prophet Mohammad (SAAS) says that nine-tenth of the livelihood lies in business activities and one-tenth in cattle raising (agriculture).

Indeed, without having entrepreneurial skill, no business enterprise can be developed. Again, sufficient numbers of business enterprises (preferably small business) can be developed by Zakah fund if proper policies and strategies are devised by the Zakah management organizations (individual/group/ institution).

Consequently, poverty and unemployment can be reduced significantly and dramatically from the society in general and the Muslim society in particular. So, Zakah fund can be used for developing entrepreneurship as a tool for poverty alleviation, reducing unemployment from the Muslim society.

Qardh Hasan

Qardh Hasan is not a word coined by anybody. It is from Allah (SWT) Himself and is found in the Holy Qur’an itself. The relevant citations from the Holy Qur’an are as follows:

“Who is he that will loan to Allah, a beautiful loan, (Qardh Hasan) which Allah will double and multiply many times? It is Allah (SWT) that gives (you) want or plenty and to Him shall be your return”- (Qur’an: 2:245).

“If you loan to Allah a beautiful loan, (Qardh Hasan) He will double it to your (credit) and He will grant you forgiveness; For Allah is Most Ready to appreciate (service), most forbearing” (Qur’an: 64:17).

Having satisfied ourselves that the concept of ‘Qardh Hasan’ is in the Qur’an and hence is from Allah Himself, it is necessary to understand the meaning and spirit of it in its proper perspective.

‘Allama Abdullah Yusuf Ali has translated ‘Qardh Hasan’ as a “beautiful loan”. Whereas Mohd. Ali Pickthall, Moulana Maududi (Maududi. Vol. I, n#267, p. 187) & many other learned authors have translated ‘Qardh Hasan’ as a “Goodly Loan”. The meaning and spirit of both the terminologies are the same and there is hardly any difference as far as the meaning of these words is concerned (‘Abdullah Yusuf Ali, n#275, p. 97).
Many learned authors have explained it as “Goodly loan”, given to another person selflessly and absolutely with pure motives. Allah (SWT) describes whatever man spends in this manner as a loan made to none other than Him, and He undertakes to repay it several folds. The stipulation however, is that the loan should be a “goodly” one, that is, it should not be influenced by selfish designs and it should be given for the sake of Allah, for the purposes of pleasing Him”.

Allama Abdullah Yusuf Ali in his commentary of the Holy Qur’an, which is widely read all over the world by English knowing Muslims and also by other communities, describes the phrase ‘Qardh Hasan’ as “spending in the cause of God” is called metaphorically “a beautiful loan” (Abdullah Yusuf Ali, n#275, p. 97). It is excellent in many ways:

1) It shows a beautiful spirit of self denial.

2) In other loans, there may be doubt as to the safety of your capital for any return thereon; here given it to the Lord of all, in Whose Hands are the keys of Want or Plenty.

Giving, you may have manifold blessings and with holding, you may even lose what you have. If we remember our goal is Allah, can we turn away from His cause?

Based on the above quotations from the well known commentators, we know that ‘Qardh Hasan’ means the amount spent in the Way of Allah and in the name of Allah, with very good and pure intentions and expecting in return nothing from the recipients. Allah has assured us of return in manifolds and also assured us of His Forgiveness. Help rendered is ‘LILLAHI’ as it generally means “for the sake of Allah”.

**Waqf pl. ’Awqaf**

As a special way of dispensing charity, Awqaf is certainly included under the general terms of Sadaqah and Infaq. Sadaqah is mentioned in the Qur’an about 19 times and Infaq about 64 times. Waqf is a perpetual or temporary holding of a Mal (asset) that produces repeated services, products or revenues for an objective of general or private righteousness” (Kahf, 2000, pp. 62-63).

There are several actions and sayings about Awqaf in the Sunnah of the Prophet (SAAS). “Awqaf” includes properties used to produce religious services as well as charitable services/revenues. Hence, one can rightly argue that the first Waqf-creating action by the Prophet Muhammad (SAAS) was the purchase of the land and the construction of the mosque of Madinah, that is known today as the Prophet’s Mosque. It is reported that building the mosque was one of the earliest things the Prophet (SAAS) did after his arrival (Ibn Hisham,
V.I, p 496). Ibn Hisham, the famous Prophet’s biography writer, explains Waqf as the seven orchards that were left to the Prophet by Mukhayriq upon the latter’s death in the battle of Uhud in the third year of Hijrah (Ibn Hisham, V.2, p 87-88). The Prophet (SAAS) assigned them as Waqf and he used to spend their fruits on his household and for buying defence weaponry and equipment (Al Kettani, V.I, pp 401-401).

THE FIVE YEARS PLAN FOR ESTABLISHING THE EDUCATED BUT UNEMPLOYED POOR/MIDDLE CLASS YOUTHS USING THE CONCEPT OF MICROFINANCE WITH ZAKAH AND QARDH HASAN

The failure to provide adequate employment opportunities especially to youths has significant economic and social implications in Bangladesh. In 2010, the share of unemployed youth labour out of the total unemployment was 61.54 percent, revealing that 1.6 million out of a total of 2.6 million unemployed people were youth. Clearly, youth employment has become a burning issue that needs to be addressed. Moreover a remarkable portion of the educated youths are unemployed leading to a serious economic degradation in Bangladesh. This economic degradation can be solved by using IMF concept with Zakah and Qardh Hasan. For this, the following method could be applied.

METHODOLOGY

The aim of the research is to propose a process model for developing small business entrepreneurship, by mobilizing Zakah with a view to arrest the unemployment of educated middle class or poor youths of Bangladesh with universal application. In the progression of the proposed process model, this research will use a mixed method approach which combines the Zakah, Islamic Microfinance, Qardh Hasan and Waqf. This research is an experimental study based on hypothesis.

Capital collection & distribution

 a. Firstly Zakah collection: A targeted amount of Zakah will be collected from the Sahib Nisab (eligible for paying Zakah) and the benevolent rich persons of the society and from some philanthropic organizations of both home and abroad for the estimated five (5) years (suppose, tk. 200,00000 out of which tk. 1,2500000 worth for distribution + tk. 7500000
worth for maintenance and others) project. Collection of Zakah is not an easy job, rather a lot of activities are to be performed. As part of Zakah collection, awareness should be developed among all Muslims including businessmen, farmers, industrialists, professionals and service holders especially the Khatib (Imam), and clerics of the mosques (Imam) who have influential position in the Muslim society, can play a vital role in this regard. Zakah collectors (‘Ameleens) will be nominated to ensure the proper collection of Zakah.

b. Selecting the right person: Five youths from five poor/middle class families who are educated but unemployed will be chosen carefully.

c. Distribution procedure: Each of the five youths will be given Tk. 3,00000/- (three lac) as a first instalment (for the first two years) as seed money for a start up of a small business. But this instalment is on the condition that, they will not just consume it but will also try for self establishment. Of course, they will be under close monitoring and guidance of the responsible concerned.

Loans as Qardh Hasan

Qardh Hasan is a faith-based concept and the benefits of this facility are to be enjoyed by those who are committed to faith and are hard working. On the basis of two-year monitoring of those five youths, the enthusiasts, hard working and successful young entrepreneurs will be given more tk. 2,00000/- (two lac) loans as Qardh Hasan. These loans are returnable on a monthly instalment basis from the 3rd year to 5th year according to the concept of Microfinance i.e monthly @5500x36=198+2000=200,000, to be deposited to the account of Waqf foundation and an additional tk. 2000 will be paid along with the last instalment. Thus the total 200,000 amount of Qardh Hasan will be collected from each of the five youths and returned to the account of Waqf foundation. Subsequently each of them will be self sufficient.

Establishment of the five families

All these step-by-step instalments will help the entrepreneurs to be established within five years. The establishment process as well as the whole procedure will be monitored under a Waqf foundation.

6.1.4 Redistribution & total monitoring under a Waqf foundation
Redistribution of loans: The loans obtained on the basis of monthly instalment will be redistributed to another five new families with a view to establish them subsequently.

Monitoring methods of the Waqf-foundation: The Waqf is to be sponsored by the philanthropists as well as to get financial support from Zakah fund under the sanction of ‘Ameleen (collectors of Zakah). The total procedure of the project is to be organized and monitored closely and efficiently by some executives working for the Waqf foundation. The total expenditure of the executive committee will be spent on the project under the provision of ‘Ameleen. Henceforth a large number of people will also get employment opportunity and engage themselves in the nation building. Since the youths are the key factor in developing a nation and have the opportunity to take part in the overall development process, they must be selected with proper care and attention.

THE EXPECTED OUTCOMES OF THIS PROJECT ARE

Figure 2: Islamic Microfinance Modes for Youth Employment Generation and Economic Development
IMM stands for Islamic Microfinance Modes. The modes will be used for entrepreneurship development, skill development of youth, development of formal sector and self employment, aiming towards conformity of the youth employment which will ultimately benefit the economy, ensuring socio-economic and political stability through the attainment of equity and justice.

CONCLUSION

This proposed idea is based on a hypothesis which has yet to be materialized through experimentation. If the experimentation supports the hypothesis and the project is successful, youth unemployment in Bangladesh will be reduced dramatically. A reduction in the unemployment rate will eventually help alleviate the rate of poverty in Bangladesh.

This research suggests that upon the successful completion of this project, a major and bigger program may be undertaken for further research on this issue to eliminate impediments like youth unemployment and poverty that cripple the society.

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