



Our business is to build their business

Hafee Atyub  
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Hassan Bukhari  
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Lahore University of Management Sciences

## **Idea Summary**

There is a very low penetration of credit availability which results in a trap of low income for poor households. Furthermore charity is given in small consumable amounts and does not cure this problem in a sustainable manner. We will promote and support NGOs to give micro loans and fund this activity by crowd sourcing credit. We plan to spread all over Pakistan.

## **Sector/Industry identification:**

Improvements in microfinance has helped take (get stats) people out of poverty all over the world. The revolution took place right here in our neighborhood in Bangladesh with the Grameen Bank and has had exceptional results in both India and Bangladesh. Pakistan however has been unable to enter this sector with the same scale. In fact we rank in among the countries with the lowest access to credit (stat and picture) sharing this place with (countries).

The low penetration is possibly due to the low amount of players. Those who have tried have been very successful for example Akhuwat (akhuwat stats). That means there is no inherent problem in Pakistan just a lack of initiatives. Therefore, it makes a lot of sense to enter this sector.

Due to the prevalent lending practices of existing lenders we want to bring a revolution even where micro lending is widespread. (Talk about India problems, and Grameen problems) We want to help scale the Akhuwat model all over the world.

Microfinance is not the only sector we want to improve. Unlike Kiva which only works with micro finance institutes which have years of experience in the field we will target charities that have no experience with the field. This is because firstly, microfinance institutes working in Pakistan run with interest which we do not want to incorporate in our model and secondly there are not enough institutes operating in a large scale in microfinance and we want to encourage them to enter this field. As we are focusing only on Pakistan and are located here we are in a position to take this stance. Thereby we will try to increase the involvement in sustainable ventures of existing NGOs as there are a large

Yet there are a lot of sectors that need attention and have potential. We chose this sector because we were greatly inspired by Dr Amjad (Akhuwat) and his stories about the micro-entrepreneurs in Pakistan who are very passionate and talented but just require an opportunity to overcome poverty. The success of Kiva got us to thinking that we could really make a mark in this sector. Prevalent interest in society always troubled us. Lastly, we used to help beggars on the street but knew that this money was not used in the best way (but donating to organizations did not bring the same feel)

## **Problem statement:**

In Pakistan people give a lot of charity to an extent that huge sections of society almost run solely on it. We are aware of the disparity in income that is around us and work to correct it. But we do this in a disconnected way. Many people allocate a significant portion of their income for charity, partly for religious requirements such as zakat, meat on eid, fitra etc and otherwise. However, this is often very disconnected. Even though we give a lot we often do not know where it is going unless it is to someone directly involved in our household. We count on charitable organizations that we trust to distribute our contribution.

Perhaps the only point where we interact with the poor is with beggars on the street. This interaction is very unhealthy as we have become conditioned to ignore children, old people and everyone else who tap on our windows.

## **Theory of change:**

### **Borrowers:**

If the poor are given micro loans they will be able to start successful businesses. Once a majority of the BoP have access to small loans they will be able to engage in the economic activity which is going around them in a more equal footing and hence be able to come out of poverty or improve their previous living standard.

### **Lenders:**

We envision that using our website these Pakistanis will get a chance to interact in a very positive way with the those living at the bottom of the pyramid. They will read their stories and proposed business ideas and will be able to aid in achieving their goals. It will not a one off donation of money. It will be an engaging and continued experience which will change the way people think about charity. To reiterate people will start believing charity should be focused onto sustainable enterprises rather than handouts and will take greater ownership of the process of distribution.

## **Solution**

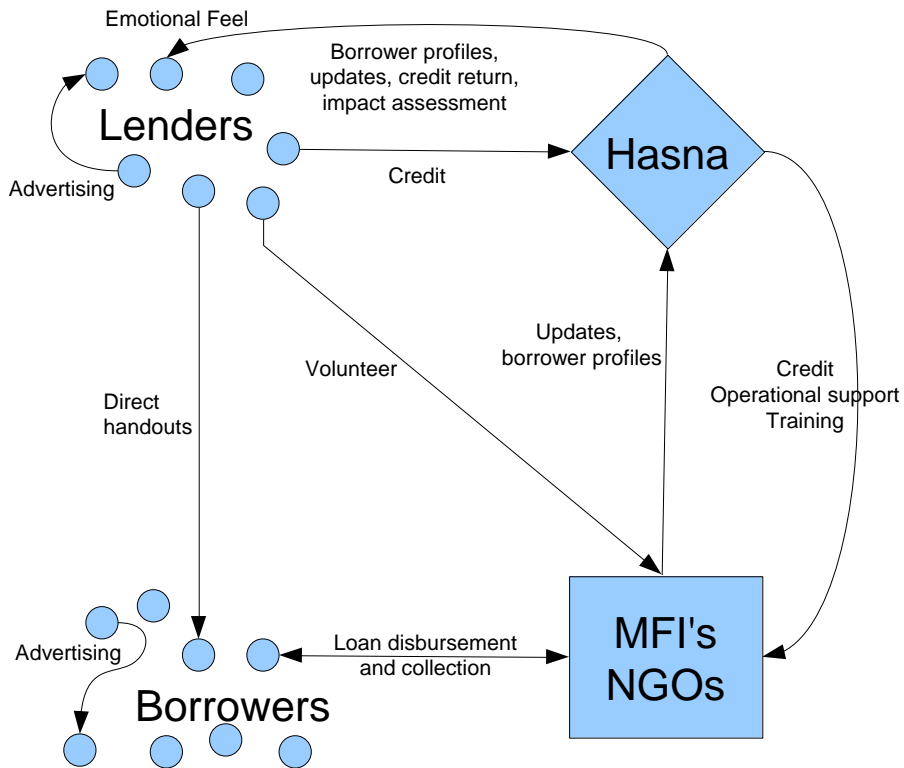
Hasna provides micro loans, which are accessible and interest free for micro entrepreneurs at the BoP, allowing them to drastically increase their income. The critical part of our solution is a website that will help crowd source a credit pool that can be lent to micro entrepreneurs. The solution is based on the very successful existing crowd sourcing models used by Kiva.org and Rangde.org. We will make most of their functionality available on our site.

Our other operations will go as follows. Hasna will approach an NGO or charity to start a micro-finance department. Once they agree we will provide basic training about micro lending with regard to borrower selection, payment schedules etc along with Hasna specific instructions such as the story and pictures of the borrower. Using this the NGO will locate potential entrepreneurs in their locality and forward them to Hasna. Hasna will then advertise them on its website. Lenders will lend to these entrepreneur on the site and funds will be forwarded on to the NGO who will pass it on to the entrepreneur. Regular report will be given to Hasna which will be published on the site. As the loan is returned to the NGO they will forward it on to Hasna which will be made available for relending, donation for operational costs or withdrawal to the lender. These connections are shown in the figures on the following page.

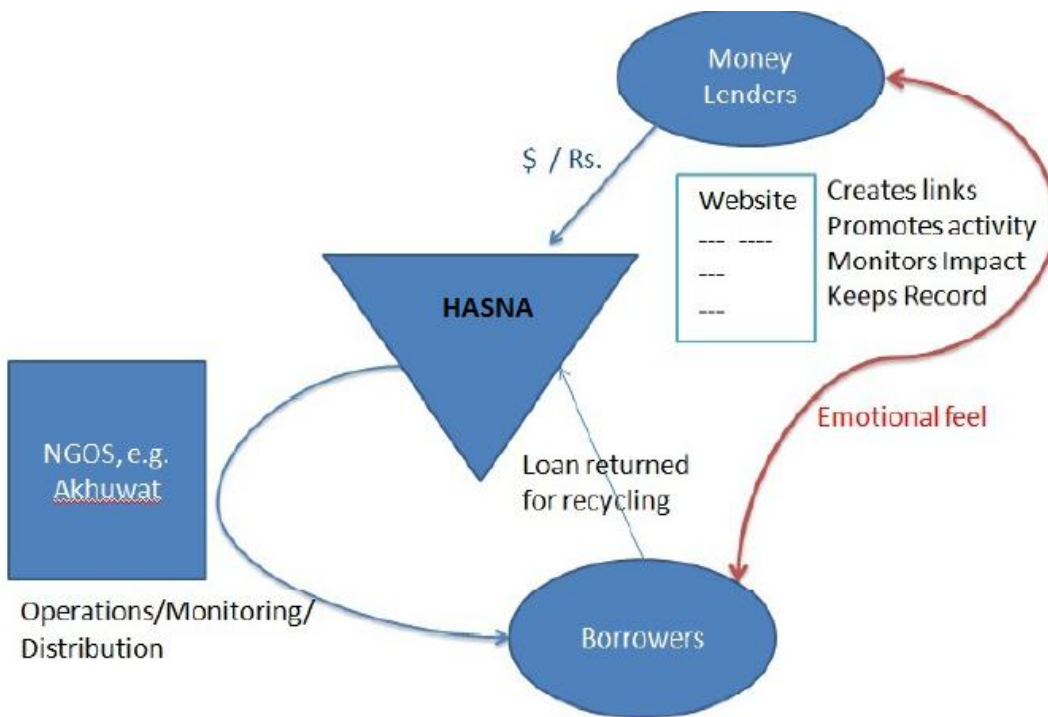
Once scale is achieved and the NGOs have been in the field for a while they will hand out the loan when they approve it and get a reimbursement through Hasna at a later date when the funds are collected.

The site itself will have a range of features.

1. The critical part of the site is the listing of potential micro entrepreneurs as shown in Figure 3.
2. Each lender will have their own profile where they can see the loans they have given out and the ones that they have received back etc. It will be there personal loan portfolio. They can choose to make it private or publically viewable.
3. Statistics. There will be an immense resource of our total statistics made available. We know the power of data and so we will make public maximum possible records. While loan repayment rates, amounts etc will be available facts like the increase in income of a milk man in Hyderabad will also be shared both to showcase impact and help people make decisions on lending and helping people.



Summarized Flow Diagram:








	<p><b>Swapna Halder</b> Artificial Flower Making West Bengal</p> <p>Loan amount : ₹ 5,000 Still needs : ₹ 3,000</p>	<p><b>40%</b> raised</p>	<p>50 weeks</p>	<p>2 weeks left</p>	<input type="text"/> <input type="button" value="Invest"/>
	<p><b>Rashmi Subhash Panpatte</b> Milk business Maharashtra</p> <p>Loan amount : ₹ 10,000 Still needs : ₹ 5,200</p>	<p><b>48%</b> raised</p>	<p>12 months</p>	<p>2 weeks left</p>	<p>Borrower Selected</p> <input type="button" value="Checkout"/>
	<p><b>Jyoti Santosh Londhe</b> Saree business Maharashtra</p> <p>Loan amount : ₹ 10,000 Still needs : ₹ 6,500</p>	<p><b>35%</b> raised</p>	<p>12 months</p>	<p>2 weeks left</p>	<input type="text"/> <input type="button" value="Invest"/>
	<p><b>Lata Rajesh Panpatte</b> Milk business Maharashtra</p> <p>Loan amount : ₹ 10,000 Still needs : ₹ 6,300</p>	<p><b>37%</b> raised</p>	<p>12 months</p>	<p>2 weeks left</p>	<input type="text"/> <input type="button" value="Invest"/>
	<p><b>Sarika Gajanan Chaudhari</b> Tailoring Maharashtra</p> <p>Loan amount : ₹ 10,000 Still needs : ₹ 7,700</p>	<p><b>23%</b> raised</p>	<p>12 months</p>	<p>2 weeks left</p>	<input type="text"/> <input type="button" value="Invest"/>

Figure 3: website snapshot.

**Competitors:** There are several competitors at both ends of our operation. At the lending end we must compete against a host of charity options (for example Edhi, Shaukat Khanum Cance Hospital, SIUT, simple charity handouts, beggars etc) who also vie for the lenders resources. As we also support most of these competing causes it will be hard to argue against them and make sure that specific causes don't run completely dry of resources. We would like to divert some of the funds people give as handouts and not the funds they give to say Shaukat Khanum or Edhi as they are meeting a different need altogether. There may be backlash due to this competition. We hope to stifle predatory money lenders in our activity.

At the borrower end, borrowers may not want to go through the trouble of starting their own business if they think they get enough through small jobs and social support. It may also cause trouble when a community's direct handouts are stopped in favor of micro loans. However, there are certain types of donations that make communities dependent and under productive and we hope to change this.

**Partners:** Our model needs field partners who can distribute loans through their already developed infrastructure and connections on the ground. These are mostly Charities and NGOs. We will help them expand their operations and impact by funding a microfinance department and they will give us a presence on the ground. Furthermore we require help from existing micro finance institutes in the form of training for these new players in the field.

For our operations we will enlist the help of as many volunteers as we can muster for jobs such as borrower story collection and editing, website maintenance, sending reminder, fund collection etc.

“It is a very good suggestion and we can start helping people if we have a proper system and support of qualified people.”

-Dr. Farhat Hashmi, Founder of Al Huda International on starting micro finance at Alhuda

Table 1 summarizes the people who are working in the field

Stakeholders involved/interested	Involvement	How we can cooperate
Charities/ individual and groups	Give charity occasional charity	Divert their funds to our operation
Micro finance institutes	Give high interest loans	Learn from their experience in the field
Kiva + Asasah	Crowd sourced credit from international lenders	Learn from their experience in the field, develop partnership
Akhuwat	0% interest loans with credit pool based on charity	We would like to spread their operational expertise and need their help in this regard
Volunteers and Students	Want gainful experiences	Give involved internships and volunteer opportunities
Government schemes. Employment and handouts	Give small scale employment (taxi) and handouts (BIS) on a large scale	

### Competitive advantage

We can offer the lowest loan rates (0% with no service charge) as we obtain capital from a crowd sourced credit pool. Even the risk of default will be borne by the lenders. Operational costs are minimal as we will work through NGOs who are already active in their localities and hence have employees who will do the loan scrutiny and local offices. Furthermore, those who take loans need to interact with a charity they are familiar with as opposed to a bank or money lender.

As for the lender we provide direct accessibility to motivated but poor people. We give the lender deep involvement in his or her donation. Furthermore, there is an option of getting money back. Easy mode of payment with options of reminders and detailed updates. Previously there was no way to significantly give low amounts as Rs. 30 (other than put in charity drop boxes) and know exactly where it is going. We will keep a record of each amount lent which will accumulate over time. Although charities allow one to select a cause for one's donation initially there is no other way to be continuously involved in medium sized donations. Furthermore there is a clear choice to give no money for our operational costs.

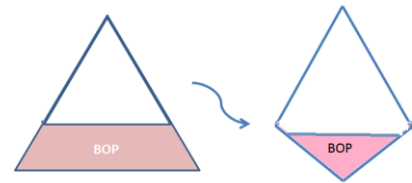
## Business Model

This is a non-profit organization and therefore no interest is charged on the loans. We have developed our model in such a way, that the operational costs are kept minimum by distributing the work among local NGOs. Money lenders are given option to contribute in operational costs if they want, along with donating for charity. The survey showed that 40% of the people are willing to contribute in the operational costs of HASNA. We have also planned to generate operational costs through advertisements on websites. In the pilot stage, our operational costs are minimal but when scaling up we may have to charge minute service charges temporarily.

## Social impact

Our ultimate social goal is to mold the economic pyramid into an economic diamond as shown.

We are looking forward for a time when borrowers will stop begging, neglect charity and demand for microloans to sustain themselves and cross the poverty line.



## Team

We will require limited human resources to maintain the website. Possibly once medium scale is achieved 1-2 employees (school dropouts) or student volunteers will be in charge of updating the site, sending reminder and updates emails/messages to lenders and other miscellaneous administrative work. Stories will be edited by a team of voluntary editors and translators. These will be derived from the lender pool, or from friends and volunteers. They do not need to be physically present. Our survey indicated that a majority of people would like fund collection from a drop box. For example we may start with a drop box in LUMS, and some places in Karachi. We would require a volunteer in these locations to collect this. We don't want to scale with this model but it may be needed in the early stages.

The permanent core team will consist of us only. We will be involved in assisting new connections, promotion and overseeing operations at medium scale, and all of the above activities in the pilot.

As for the disbursement of the loan our partner NGOs requires intense training in micro finance. We hope to get dedicated advisory help from established micro finance institutes particularly Akhuwat so that we can replicate their distribution model.

As for site development some of our friends are on board in helping to develop it.

## Financial summary

As mentioned earlier, we have developed the model in such a way to keep the operational costs minimal and so do not require huge budget. After pitching idea to friends, families and colleagues, we have gained enough support to start up. Akhuwat has also agreed to help startup. The survey conducted earlier showed that people generally like the idea and are looking forward for this sort of initiative. This takes care of initial costs. We may require extra budget while scaling up, but we believe that we would have obtained much credibility till then and so will not have financial issue at any point in time. We are aware that we must be sustainable to run HASNA.

## **Pilot**

The R&D pilot will be small with about 5 borrowers (loan amount under 1 lakh) and one to two field partners namely Alhuda International and Akhuwat. We hope to have 2-3 borrowers in each Lahore and Karachi. These borrowers will be displayed on a self-made Facebook page. Advertisement will be done to friends and family. Fund collection will be direct collection from lenders or bank transfer. It will be a simple test of the system. While people have been very motivated talking about it we want to know if even our friends and family will trust our credibility, believe our model and deliver in real.

The pilot will be a full-fledged test of the system but with a small number of target borrowers in limited geographic localities. We will construct the fully functional site. It will include all the functionality stated in the solution section. Secondly we will also incorporate more payment options, i.e. credit transfer, credit card payment, atm transfer and drop boxes at a few locations.

We will test whether NGO's and individuals not experienced with micro-finance learn it quickly if given basic outlines and practices. We would a few partners to scale fast so this is essential. For example Akhuwat took x years (give stats) to reach its current scale. Secondly, we want to know if our operational model can go viral in Pakistan, with its limited penetration of computers. We can gauge this from the response of the pilot. We will also find out which segment of society is more interested in this from school children university students to professionals so that we can focus on their preferences.

Lastly, our operational costs will be the greatest fraction of our operation at this stage. We will test whether we can meet these operational costs from voluntary donations from our lenders.