



Entrepreneurial Developments of Indian Muslims and Role of Muslim Funds

Dr. Shariq Nisar
Investment Consultant,
Idafa Investments Pvt.Ltd., Mumbai)

What is Entrepreneurship?



Entrepreneurship can be defined as a process of recognising an economic demand in an economy, and supplying the factors of production (i.e. land, labour and capital) to satisfy that demand. It has been proved that entrepreneurship is a major contributing factor to economic growth.



What Causes Shortage of Entrepreneurship?

- ◆ Limited Profit Opportunities
- ◆ Poorly Developed Capital Market
- ◆ Poor Infrastructure
- ◆ Social, Cultural and Religious Reasons
- ◆ Unfavorable Economic and Political Climate

Prof. M. Yunus

(Founder Bangladesh Grameen Bank)

Says;

“If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. **Money is power.**”



Why Credit?



Credit invested in an income generating enterprise leads to establishment of a new enterprise or growth of an existing one.

Micro-Finance!



Micro-credit and savings is widely recognized as an effective way to help poor generate income, create assets, manage risk, and work their way out of poverty.

Access to Financial Services!



❖ Minorities do not have access to formal finance and financial services.

❖ Small entrepreneurs, traders, artisans or farmers are very often excluded from the mainstream economic growth.

Role of Muslims Funds!



In Providing Financial Services to;

- ❖ Minorities;
- ❖ Small entrepreneurs, traders, artisans and farmers.

What is a Muslim Fund?



Muslim Funds are financial institutions registered as charitable trusts or societies. They induce thrift among their members and offer loans to them at cheaper rates.

Modus Operandi



- They accept interest-free deposits from their members through Pigmy Deposit Agent “*Mohassil*” and Offer Loans to their members at nominal Service Charge.
- They also provide Locker Facilities to their members at nominal charge.

Financial Strengths of Muslim Funds: 1998-2002 (Table 1)

(Rs. Crores)

Year	1998		1999		2000		2001		2002	
	Depo sits	Advan ces	Depo sits	Advan ces	Depo sits	Advan ces	Depo sits	Advan ces	Depo sits	Advan ces
Muslim Fund Najibabad	12.59	3.83	14.59	4.45	17.75	4.76	22.02	5.29	26.31	6.10
Muslim Fund Deoband	4.72	1.22	5.39	1.49	6.69	1.75	6.98	1.99	8.25	2.10
Muslim Fund Nehtaur	1.69	1.19	2.02	1.27	2.48	1.41	2.39	1.51	2.97	1.65
Muslim Fund Kirtpur	4.14	1.48	5.49	1.51	6.0	2.50	6.26	2.50	7.50	3.48
Muslim Fund Sherkot	1.49	1.09	1.78	1.23	2.02	1.32	2.22	1.43	2.63	1.57

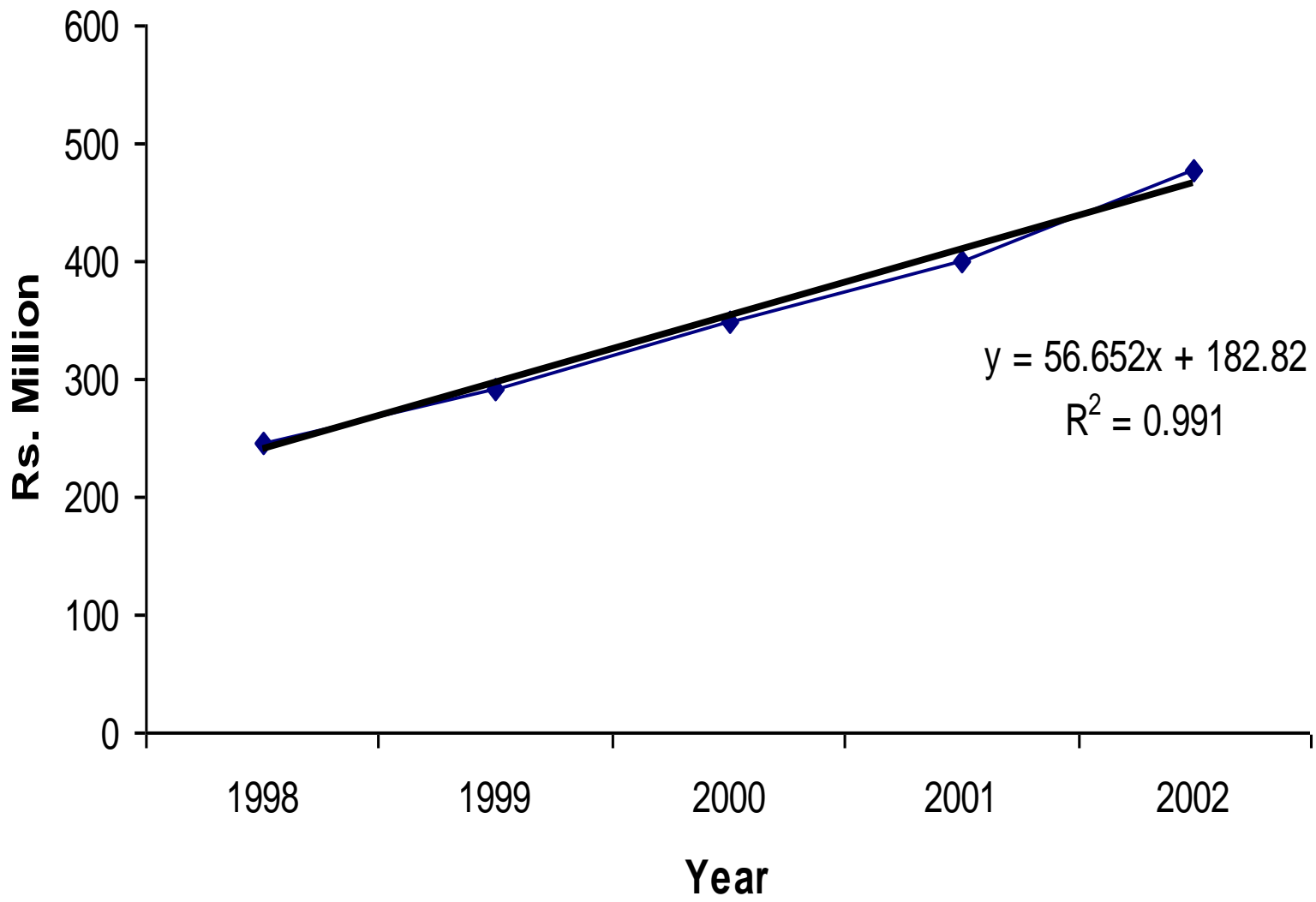
Trends in Deposits, Advances and Public Welfare

Year	Deposits	% Growth	Advances	% Growth	Public Welfare	% Growth
1998	246.37	---	88.11	---	2.05	---
1999	292.68	18.8	99.5	12.93	2.60	26.83
2000	349.42	19.39	117.48	18.07	3.70	42.31
2001	398.88	14.15	127.28	8.34	4.03	8.92
2002	476.53	19.47	148.68	16.81	2.83	-29.78
CAGR	17.69	---	13.80	---	11.44	---



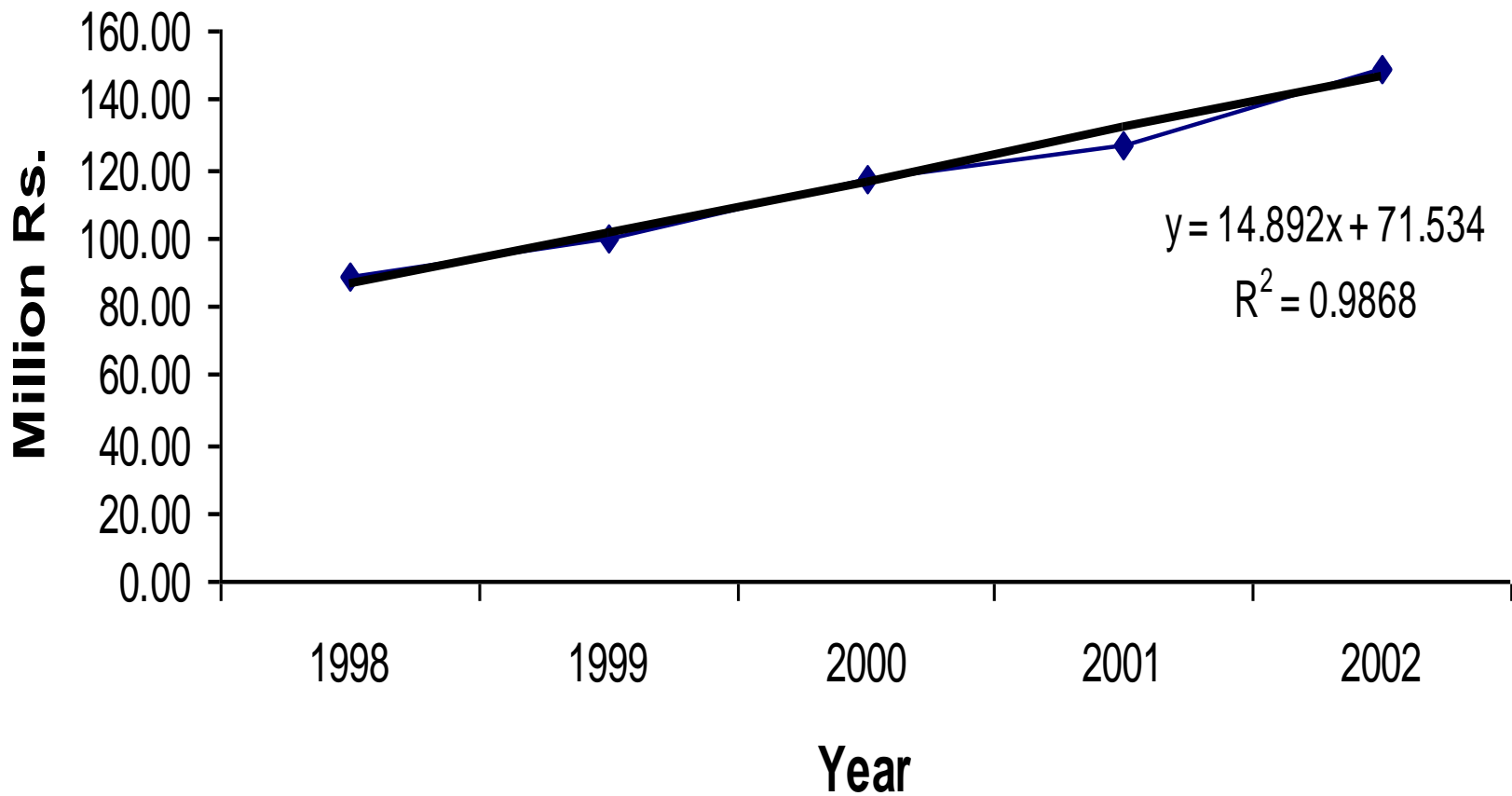
Deposits of Muslim Funds

◆ Deposits
— Linear (Deposits)



Advances of Muslim Funds

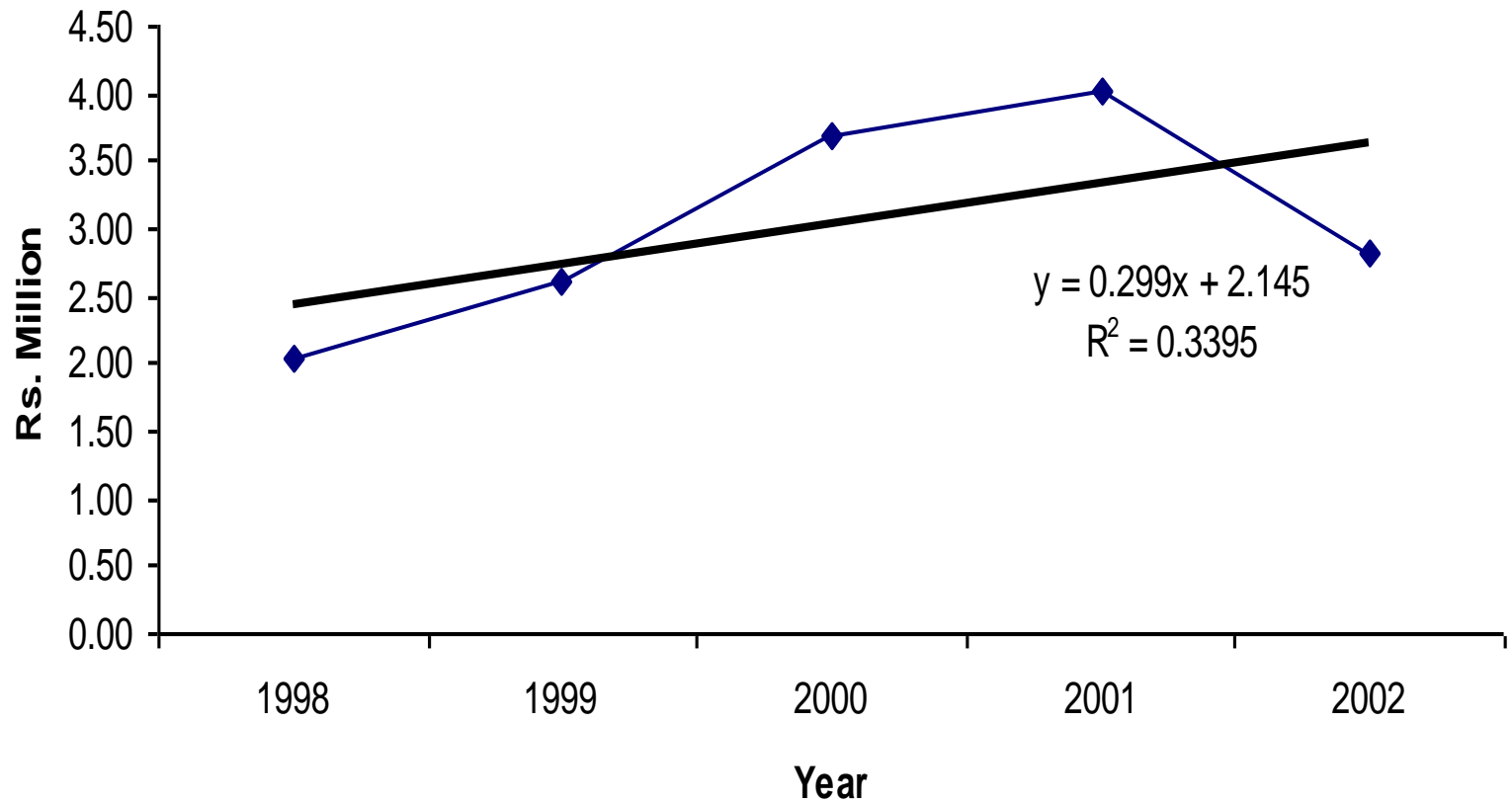
- ◆ Advances
- Linear (Advances)



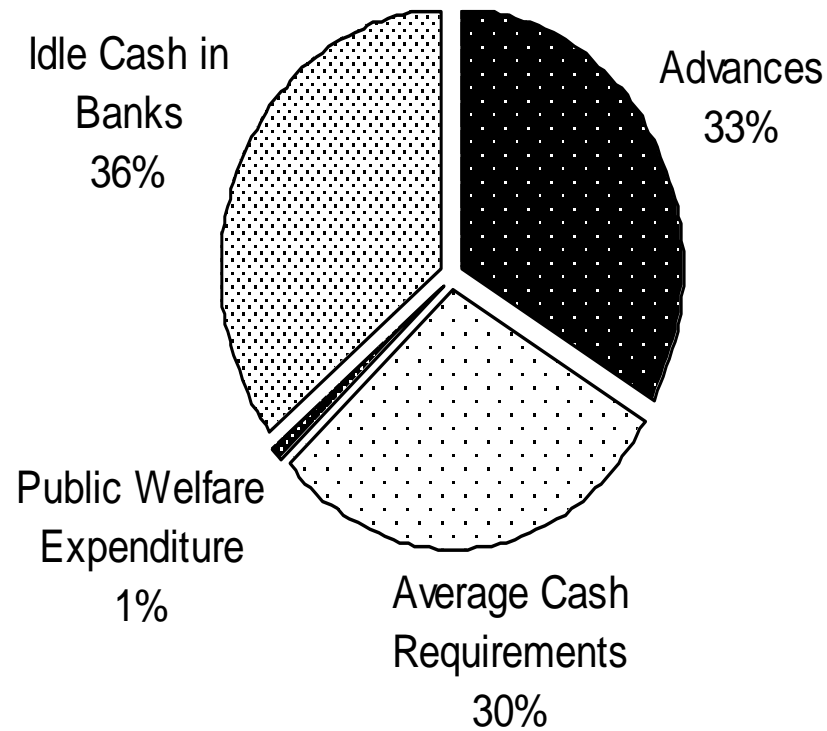


Public Welfare

◆ Public Welfare
— Linear (Public)



Resource Utilization by Muslim Funds





Challenges Before Muslim Funds!

- ❖ Financial problems leading to setting up of inappropriate legal structures.
- ❖ Lack of commercial orientation.
- ❖ Lack of proper governance and accountability.
- ❖ They are isolated and scattered.



Conclusion!!

- Muslim Funds-type institutions can be a powerful instrument initiating a cyclical process of growth and development.
- Muslim Funds activity improved access of Muslims to financial services, both savings and credit.
- Increased access signifies overcoming isolation of Muslims in terms of access to financial services and alleviating denial of credit to them due to various reasons.
- It has also helped in strengthening poor families' resistance to external shocks and reducing dependence on moneylenders.



Suggestion!

- ◆ Government policies such as, provision of credit facilities, tax relief, subsidies, and other incentives can encourage entrepreneurial activities, but this has to be tailor-made according to the socio-economic and socio-religious requirements of the recipients. Very often the bankers inform us that quota allotted to Muslims remains unutilized to a great extent. We have to go deeper into the reasons for this. Simultaneously, every sincere effort has to be made to maintain an economic, social and political climate, which is conducive for entrepreneurial development.