

## ИСЛЯМСКО МИКРОФИНАНСИРАНЕ В ЛИВАН

(на примера на град Ел Мина, Северен Ливан)

**Хани Жан Мобайед, докторант,**

Варненски свободен университет „Черноризец Храбър”

**Резюме:** Пътят към постигането на най-съкровената за мюсюлманите цел – Раят, минава през прилагането на ислямските закони. Ислямската свещена книга „Коран“ посочва петте стълба на исляма, един от стълбовете е „Zakat“ или „даване“ на процент от парите на нуждаещите се, за да се пречисти богатството.

С други инструменти за подкрепа на бедните разполагат микрофинансиращите институции, които играят важна роля за изкореняване на бедността чрез създаване на възможности за работа и подобряване на стандарта на живот на населението в неравностойно положение. Ислямските банки и ислямското микрофинансиране в Ливан са ограничени, но в дългосрочен план се изисква по-адекватно задоволяване на финансовите нужди на ливанското население, което би допринесло и за установяването на социално равенство сред хората – прокламирано от ислямските закони.

В тази статия се прави опит за характеристика на ислямското микрофинансиране, както и за оценка на потребностите от микрофинансиращи институции в град Ел-Мина в Северен Ливан.

**Ключови думи:** микрофинансиране, инструменти за ислямско микрофинансиране, град Ел Мина, Ливан

## ISLAMIC MICROFINANCE IN LEBANON: CASE OF EL-MINA CITY, NORTH LEBANON

**Hani Jean Mobayed, PhD student,**

Varna Free University “Chernorizetz Hrabar”

**Abstract:** In Islam, everything belongs to God, who created and provided to all Muslims. For the Muslim individual, the most wanted wish after death is Paradise. The path to this end is throughout the application of Islamic laws. The Islamic holy book “Qora’an” stated the five pillars of Islam, one of the pillar is “Zakkat” or “giving” in cash a percentage of your money to the needy in order to purify your wealth.

This is one of the other instruments which Islam can support the poor and fighting poverty likewise the target of microfinance institutions which play an important role in poverty eradication by creating job opportunities and improving the standard living of the underprivileged population. The Islamic banks and Islamic microfinance in Lebanon are limited, but in the long run more dynamic is required to satisfy the financial needs of the majority of Lebanese population in one hand and from the other hand to set up the social equality among the people according to the scripts and Islamic laws.

This article is trying to describe the Islamic microfinance and its products from one side and from another side to measure the city's(El-Mina) need for such institutions in North- Lebanon.

**Keywords:** *Microfinance, Islamic microfinance products, El Mina city, Lebanon.*

## **1.Introduction:**

The main concept of the Microfinance is helping the needy people around the world and especially the poor to lift themselves out of poverty circle by providing them microcredits since they have lacking access to regular financial services<sup>1</sup>. Microfinance institutions “MFIs” have gained its huge positive reputation over the past few years for only one main reason which is: financing people in order to develop small self-businesses that can increase their income. Thus, microfinance is a very important instrument, not only to decrease poverty effects but also to support business development worldwide.

Moreover, even within the same nation, the Mfi's are not geographically expanded enough to compass or to really reach the people in need. Foreign or private whether banks or other financial institutions who are looking to maximize their benefits are mainly concentrating their activities in the urban cities. Poor projects are left to governmental institutions and some of Ngo's due to the high risk that is associated with the borrowing process to the poor.

Though, even its many advantages, microfinance institutions are facing face a set of challenges, typically in countries where Islam dominates<sup>2</sup>. The most important challenge is supplying microfinance services under Islamic Law sharia, where the interest on loans or other financial services related to interest, is forbidden<sup>3</sup>. While traditional microfinance concept is successful in many predominately Muslim countries, including Lebanon, still many people who want to benefit from microfinance but cannot take the risk to access to the services offered because they are not sharia-compliant.

---

<sup>1</sup> ( G.J.C.M.P.,Vol.6(3):16-33).

<sup>2</sup> Islamic microfinance – prospects and challenges June 2013 financierworldwide.com

<sup>3</sup> Al Qora’an Al Karim, Sourat Al Baqara, Aya 275-280

Since the majority of Muslim people in the Islamic world are Muslim by its birth like others, Islamic Microfinance would be the best tool to satisfy their financial needs. However, Islamic microfinance it can provide microloans for poor people even for the non-Muslim who are living in the same area and share the same needs. As opposed to conventional microfinance, Islamic microfinance had drawn its mission and vision from the Islamic point of view. Therefore, it finances the poor and needy for self-employment based on al shari'a. According to a 2017 case study of Sudan, a vast majority of Muslims refuse using traditional microfinance services because they are not sharia-compliant, meaning they are not in line with sharia law<sup>4</sup>.

Based on the “Hadith” referred to the prophet Mohamad”peace upon him”, Islam always motivates self-employment where providing production instruments to the people in need is much better than granting money or food. This kind of poor will be able to care for himself and its family. Islam has many means of decreasing inequalities between the Muslim's incomes such as zakat and sadaqa (amount of money) given to the needy in person in order to solve its urgent need. Hence, Islamic microfinance, like the conventional microfinance, targets the poor people in order to empower them throughout funding their business, while sadaqa and zakat should be paid only to specific people.

While fighting poverty is an international phenomenon and it is not limited only to the Muslim countries, the structured funding, the implementation of the proper funding programs, and the strategies to alleviate it is very urgent. Despite the World Bank has been planned to end extreme poverty by the end of 2030<sup>5</sup>, the Islamic sharia-compliant microfinance showing an increase in recognition for its reducing poverty role that it can play inside the predominantly Muslim community, which could be a good tool for the world bank to meet the 2030 strategy. This is a very important consideration in Lebanon and other predominantly Muslim Country, where a huge number of people committed to sharia, and therefore may not accept conventional microfinance services.

---

<sup>4</sup> Islamic Microfinance in Sudan Helping to Reduce Poverty October 23, 2017

<sup>5</sup> <https://www.worldbank.org/en/events/2017/03/21/ending-poverty-the-road-to-2030>

## **2.Literature Review:**

In the world arena, Islamic microfinance showing rapid and progressive growth<sup>6</sup>, especially among poor countries, as a trustworthy instrument that allows poor populations access to essential financial services in a reasonable or at low cost. “Islamic Microfinance is considered as an efficient instrument to encourage entrepreneurship and facilitate the creation of Small to Medium Enterprises . The Islamic microfinance obtains the potential as well as the tools to combine the Islamic social principles of caring for the needy with the power of conventional microfinance in order to provide financial access to poor households.

According to Honohan (2008) about 72% of people living in Muslim majority countries do not use formal financial services<sup>7</sup>. Although the availability of numerous conventional microfinance, many people, and due to the incompatibility with the Islamic shari'a they do not use them. Recently, many microfinance institutions have started to serve low-income Muslim clients with Islamic financial products which led to the emergence of Islamic microfinance as a new market. With the rapid growth of Islamic banking market studies have investigated the performance of Islamic banks and have compared it to conventional banks, however, there is still a gap in empirical studies analyzing the performance of Islamic MFIs. Yet, a large portion of the poor Muslims, are unable to take advantage of conventional microfinance which involves the payment of interest<sup>8</sup>. Therefore, Islamic Microfinance can play an important role in promoting socio-economic development of the poor and small entrepreneurs. Based

---

<sup>6</sup> <https://mettisglobal.news/islamic-banking-industry-witnesses-rapid-growth>

<sup>7</sup> A Shariah Perspective Review on Islamic Microfinance Shaheen Mansori<sup>1</sup> , Chin Sze Kim<sup>1</sup> & Meysam Safari<sup>2</sup> Asian Social Science; Vol. 11, No. 9; 2015 ISSN 1911-2017 E-ISSN 1911-2025 Published by Canadian Center of Science and Education

<sup>8</sup> Islamic vs Conventional Microfinance Institutions: Performance analysis in MENA countries Ines Ben Abdelkader and Asma Ben Salem <https://www.scribd.com/document/181961782/21-39-1-SM-pdf>

on the ethical and moral attributes of Islamic financing, micro-entrepreneurs will be motivated to be succeeded.

Microfinance concept has developed its connection with economic and social development in several ways. It reduces and fighting poverty by creating relationships with customers, trying to solve their financial problems throughout easy and subsidized credits. The availability of such loans supports the poor in smoothening their consumption pattern also it rising their income levels. MFI helps people in fighting poverty by providing access to social and human capital. This kind of actions leads these institutions to minimize the vulnerability of the poor. At a macro level extended credit availability increases the investment and gross domestic product ratio and reduces income inequalities. MFI's have participated in creating a lot of employment opportunities. Most of the successful microfinance organizations have created work for thousands of people. It is anticipated that these jobs can have a multiplier effect<sup>9</sup>.

### **3.1 Conventional type of Microfinance Institutions:**

Microfinance as a financing service, basically designed to help the poor, where the household living on less than 2 Usd per day (world bank). Small loans are given to poor to meet their needs, and the loans could with or without collateral and to be reimbursed through monthly payment with interest.

At the beginning of the 1970s, the first modern form by "Grameen Bank" has been implemented for helping needy Bangladeshis. Years after, microfinance has been increased dramatically in terms of the number of customers reached and the diversity of products offered. Nowadays it is a principal development instrument promoted in the worldwide to tackle poverty in the world throughout supporting small enterprises. It originally provided by non-governmental organizations (NGOs), but the microfinance has drawn more players to the field and now there is a wide set of suppliers such as commercial banks, insurance companies, telecommunications

---

<sup>9</sup> Socio-economic Perspective of Microfinance as a poverty reduction tool Jaffery, Ada and Mamoon, Dawood University of Management and Technology, University of Islamabad (A Bahria Town Project) 1 January 2015

companies, etc... Some of these contributors have emphasized on the social impact only, while the others relied in their models on both social, economic impact and performance. The central point In conventional microfinance lending model is the interest. This type is often criticized for its high interest rates on loans that were mainly formulated to help in poverty decreasing, which looks unjust for MFI customers. High-interest rates are a very important element to cover the cost of money lending, default losses, and the costs of the transaction. For example, the average interest rate in 2017 was  $\pm(28\%)^{10}$ . Despite this product has formulated for promoting sustainability and reducing poverty, the ending interest rate cost is very higher than the cost rate on standard loans in many developed countries.

Could be the easiest way to reduce the high-interest rates is by operating in high efficiency and minimizing administrative costs, where it is very high for small institutions. Unfortunately, this could push MFIs to provide more loans to the upper-class customers so the needy, per capita overhead, is lesser. Therefore, an accurate balance in managing interest rates is needed.

### **3.2 The Islamic Microfinance and products**

The Islamic microfinance definition and according to "Edib Smolo" "Islamic microfinance can be defined as an investment of capital (in cash or in-kind), based on Islamic modes of finance, to the low-income clients, low-income entrepreneurs in order to help them start or maintain their businesses" <sup>11</sup>

"Microfinance and Islamic finance have much in common. Both emphasize the good of society as a whole. Both advocate entrepreneurship and risk-sharing and believe that the poor should take part in such activities. Both focus on developmental and

---

<sup>10</sup> MICROFINANCE BAROMETER 2018

<sup>11</sup> AN OVERVIEW OF ISLAMIC MICROFINANCE "Edib Smolo

[https://www.researchgate.net/publication/317063251\\_An\\_Overview\\_of\\_Islamic\\_Microfinance#pf1](https://www.researchgate.net/publication/317063251_An_Overview_of_Islamic_Microfinance#pf1)

social goals. Both advocate financial inclusion. Both involve participation by the poor. There are, however, some points of difference between the two.”<sup>12</sup>

Islamic microfinance is a new area within Islamic finance, whereby Islamic banks provide financing to financially excluded individuals.

Islamic microfinance fits into the asset-based economic paradigm and equity objective of Islamic moral economy as well as fulfilling all other social expectations. Thus, there is compatibility and complementarity between the objectives and operational mechanism of microfinance and Islamic finance.

Based on, there no specific definition for The Islamic Microfinance , but we can define it throughout its targets and aims and consequently by its products , basically must and should be compliant to the Islamic Sharia’a by its first and most important condition “NO Riba”<sup>13</sup> .

Islamic Microfinance is an important and necessary tool for giving hope for the poor the same as the conventional microfinance in the community. However, Muslims who are in extreme poverty staying excluded throughout conventional microfinance for many reasons. They are freely denied because due to the interest rate by traditional financing institutions which they considered riba is forbidden in Islam from one side and another side, they can be excluded due to inability to pay back the provided credit.

The nowadays showing that the situation in most Muslim countries political and economic is in unrest and especially in Arab countries, such as Syria, Algeria, Egypt, Tunisia, Libya, Jordan, Sudan, Palestine, Iraq, Yemen, and Lebanon. This political situation In most of Muslim region (Mena) area along with the drawbacks of the war leads to discouraging microfinance activities and foreign investors. This becomes a

---

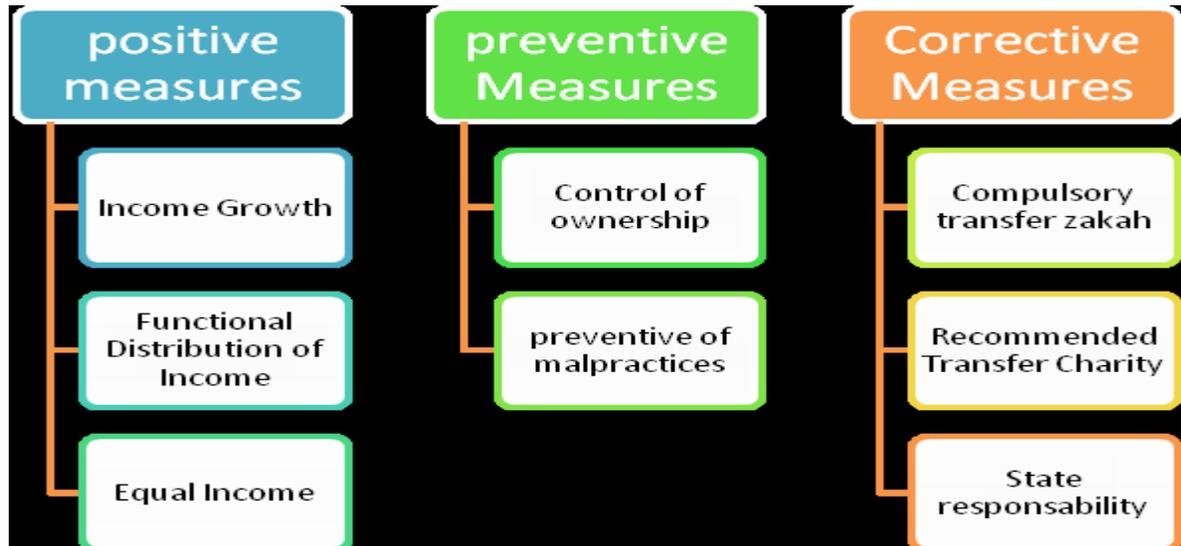
<sup>12</sup> Intro. to Islamic Microfinance, Mohammed Obaidullah, IBF

[https://www.academia.edu/5919373/INTRODUCTION\\_TO\\_ISLAMIC\\_MICROFINANCE](https://www.academia.edu/5919373/INTRODUCTION_TO_ISLAMIC_MICROFINANCE)

<sup>13</sup>Case Studies in Islamic Banking and Finance Case Questions & Answers Brian Kettell 2011

<https://nurulichsanaan.files.wordpress.com/2015/10/introduction-to-islamic-banking-and-finance-case-studies-case-questions-answers-brian-kettell-2011.pdf>

very strong obstacle to reach needy people to be empowered to alleviate their extreme poverty.



#### 4. Islamic Products:

These products can be divided into 4 main concepts:

1-Partnership includes: Musharaka and Moudaraba, are contracts which share benefits and risks.

**Musharaka**: is a relationship between two parties or more that share in capital to a work and split the net profit and loss. The partner sharing the losses or profits in a prearranged percentage.

**Moudaraba**: is a trustee financing contract in which one party or donor contributes capital and the other provides effort(work, management, etc..) or expertise. Profits are divided according to a predefined ratio and the investor is not guaranteed a return and engages any financial loss.

2-Trade includes: Murabaha, Mousawama, Salam and Istisna'a.

**Murabaha**: the most commonly used contract and most Sharia-compliance, it used to finance goods. where the client requested a precise product, the lender purchases it directly from the market and sells it to the client and applying a fixed margin payment for the provided service.

**Mousawama**: Is the sale in which the seller does not show his capital.

**Salam**: Salam is a contract in which the person made an advanced payment for goods and be delivered later. The seller engages to provide some predetermined goods to the buyer at an after time date in return of a fully paid price in advance at the time of the due contract. this is an ideal tool for agricultural production activity where the customers can be funded for the raw material purchase and cash requirement.

**Istisna'a**: it is an Exchange contract between the seller and the buyer. The Sellers can make goods or can buy them from a third party. The end client can pay the sale price when he signed the contract , or while stages of the manufacturing process.

3-Rental includes: Ijara and Diminishing Musharaka.

**Ijara**: one of the most flexible in Islamic finance is ijarah, which is a contract used to funding items of high capital expenditure. Ijara enables persons, organizations, and institutions to own fixed assets such as locations, facilities, appliances and buildings, which are technically sophisticated and often costly. Ijara contracts are divided into two categories:

a-**Operating Leases(ijarah)**: The lender will lease these assets and deliver them over to the tenant to work on its own cost and to benefit from its services for a predetermined period, in return for a rent specified by both parties. The lender will recover the leased assets from the client on the due lease date and could re-lease them to other clients in the same way.

b-**Ijarah Muntahia Bittamleek**: the Ijarah Muntahia Bittamleek is a sale contract of the assets at the end of the duration of the lease to the lender at an agreed price between the parties. The Ijarah Muntahia Bittamleek is used to funding the

acquisition of properties, appliances, machinery, and equipment, for a period of three to seven years.

4-Other includes:Qared Al Hassan, Wakef, Takafoul,Soukoug and Zakat.

**Qared Al Hassan:** This is interest-free loan and the only extra cost could be charged on these types of loans is the required amount of money to cover the cost of operating and processing or other administration fees.

Qard al Hassan is a loan provided based on goodwill, and the client only required to pay back the borrowed amount<sup>14</sup>. However, the client could and based on his or her own will pay an extra amount beyond the basic amount of the credit, without any promises from his or her part, as a kind of appreciation to the borrower. In the case that the client does not pay any extra amount, this kind of transaction is a true free interest credit. Many Muslims consider this type maybe is the only types of credits that do not violate the riba's forbiddance.

**Wakef:** The classical definition of the waqf is given by Imam Abu Al Hanifah saying the appropriation of any particular things in such a way that the founder's right in it shall continue and the advantage of it go to some charitable object<sup>15</sup>.

**Soukoug:** are types of equal valued certificates that representing undivided shares in property of tangible assets, usufruct, and services, or (in the ownership of) the assets of specific projects. The returns on these kinds of certificates are directly connected to the returns produced by the fundamental assets.

**Takafoul:** is a mutual insurance process through a fund, where every participated person can use it in a need case, for example, death, accidents, etc... The paid Premiums are to be reinvested to avoid the interest mechanism.

---

<sup>14</sup> Islamic Finance: A Practical Perspective by Alam, Nafis, Gupta, Lokesh, Shanmugam, Bala pp 225-227

<sup>15</sup> Obstacles of the Current Concept of Waqf to the Development of Waqf Properties and the Recommended Alternative 1 Mohammad Tahir Sabit b. Haji Mohammad, Ph.D. 2 Abdul Hamid b. Hj. Mar Iman, Ph.D.

**Zakat**: is one of the five pillars of Islam.

According to Islam, zakat is meant to be paid to purifying the individual's wealth. Therefore, the wealthy Muslims have to give a precise amount i.e. 2.5% of its wealth to needy and poor. This is an obligation of wealthy Muslims to help the deprived in the Muslims community in every possible way. Muslims pay zakat on a yearly basis order to purify their money and to seek god blessings<sup>16</sup>. These products are the main instruments, not only for Islamic microfinance, but also can be used for the Islamic banking as well.

Despite the spectacular increase in the number of providers and clients of the Islamic microfinance sector, yet suppliers still, in some countries rely primarily on just two products (Murabaha and Qard Hassan ). Thus, Islamic microfinance concept needs cooperative action among all its instruments.

### **5.1 Lebanon overview and microfinance**

According to (tipyan.com 2017)37% of the population of the Arab world is under the poverty line, living in less than \$2 per day, and in total the population of Muslims in the Arab world is around 350 million, thus the Islamic microfinance has a huge potential to serve the majority of 63% in need, if the Islamic microfinance is capable to supply and handle such a big number. This is a tough challenge because the Islamic microfinance is a new concept and complies with the sharia'a and involved only in (halal) projects which should be charitable or helping to develop the country economically.

Lebanon, or the Lebanese Republic, is a Democratic Republic in the East Mediterranean. since 1932 and due to the critical balance between the country's religious groups, no official census has taken place. In Lebanon, The current population is 6,071,541 as of, April, 2019, based on the united nation estimates

---

<sup>16</sup> <https://www.nzf.org.uk/blog/knowledge-bank-post-stle-lorem>

71.5%<sup>17</sup> living in the urban areas. 54% of the population is Muslims and 40.5% is Christians the rest of them is Druze with 5.6% along with minority of other religion.

In Lebanon there are dozen of microfinance , some of them acts as an official financial institutions and the others as an Ngo's , the only Islamic microfinance is “Al Qard Al Hassan” which is till now acts as an Ngo.

According the BDL<sup>18</sup> the list of working institution in Lebanon as Financial Institutions is: \* Published yearly by BDL

- 1 Arab Finance Corporation S.A.L.
- 5 Credit Commercial Et Foncier S.A.L. (C.C. & F.)
- 6 SOGELEASE Liban S.A.L
- 7 Société d'Investissements Financiers SAL.
- 8 Societe Financiere du Liban S.A.L.
- 9 BEMO Securitization S.A.L.
- 10 FIDUS S.A.L.
- 11 Capital Investment Services S.A.L.
- 12 Lebanon Invest S.A.L.
- 13 Gulf Finance & Investment Company SAL
- 14 Libano-Francaise Finance S.A.L.
- 17 Audi Investment House S.A.L.
- 19 FNB Capital SAL.

---

<sup>17</sup> <http://www.worldometers.info/worldpopulation/lebanon-population>

<sup>18</sup> Banque Du Liban 2019

- 23 BLC Finance S.A.L.
- 24 Halawi Investment Trust S.A.L.
- 26 Credit Financier S.A.L.
- 27 KAFALAT S.A.L. – Guarantees for Loans to Small and Medium Enterprises
- 28 FNB Finance S.A.L.
- 29 Société Libanaise de Factoring S.A.L. – SOLIFAC S.A.L.
- 32 Credit Trust S.A.L.
- 34 MENA Capital S.A.L.
- 35 HSBC Financial Services (Lebanon) S.A.L.
- 36 Capital Investment Corporation S.A.L.
- 39 AMEX (Middle East) B.S.C. (Closed)
- 40 Credit financier Invest S.A.L.
- 41 International Company for Finance – Lebanon S.A.L.(Arzan Group)
- 42 Credit Suisse (Lebanon) Finance S.A.L.
- 43 “INVESTA” Financial Planning Services S.A.L.
- 44 CA Indosuez Switzerland (Lebanon) S.A.L.
- 46 Bogofinance S.A.L.
- 48 Credilease S.A.L.
- 49 VITAS S.A.L.
- 51 Med Securities Investment S.A.L.

- 53 “LCB Finance” S.A.L.
- 57 Ahli Investment Group S.A.L.
- 58 ECE Capital S.A.L.
- 61 CSC Finance S.A.L.
- 62 Excillis Finance Co. S.A.L.
- 65 Emkan Finance S.A.L.
- 67 IBDA’A – Microfinance S.A.L.
- 68 Lebanese Leasing Company S.A.L. “Leasing”
- 70 Optimum Invest S.A.L.
- 72 CC Investment S.A.L.
- 74 Arz S.A.L.

The list of Microfinance institution in Lebanon who acts as Ngo:

- 1 Al Qard Al Hassan NGO
- 2 Al Majmoua NGO
- 3 Vitas NBFi \*
- 4 Emkan NBFi \*
- 5 IbdAA NBFi \*
- 6 CFC NBFi \*
- 7 ADR NGO

8 Makhzoumi Foundation NGO

9 AEP NGO

10 EDF NGO

11 PAWL NGO

12 UNRWA UN Organization

13 CLD Cooperative <sup>19</sup>

(\*)these institutions are now acting as microfinance institution SAL.

## **5.2 El Mina:**

Tripoli is the second largest city after the capital Beirut the capital of Lebanon and it considers as the second capital of Lebanon with 27.3kilometres sq. the population of Tripoli is about 500,000 and the number increases today due to the human flowing from neighborhood areas, while El Mina its population number is around 53,000 with 3.8 kilometers sq<sup>20</sup>.

The majority of the population of both cities are Muslims but there is no official census regarding this issue , thus this percentage is based on many local tv reports , news papers articles such as :Mtv report Doumoh Al Asmar October 2017,Dr Jean Touma researcher in El Mina history, and my own observation since I am living in the area.

Many of Mfi's have branches in Tripoli and El Mina but the only Islamic Microfinance Institution which is Al Qard Al Hassan has no branch in Tripoli and Al Mina neither in the north area of Lebanon. There are only two Microfinance

---

<sup>19</sup> The above list is according to study (Are Microfinance Borrowers in Lebanon Over-Indebted? September 2017

<sup>20</sup> <http://el-mina.com/> and <http://www.tripoli.gov.lb/>

institutions serving and meet the financial needs of the population of El Mina which are Ibdaa sal and recently Vitas sal .Moreover, there are only 6 bank branches in El Mina serve the whole main financial city activities which constitute of wood manufactures and trading (carpenters),shipping builders, fishing, restaurants along with many private ,public schools and other services.

The poverty in city,including Tripoli , is considering as high level “Poverty is at its worst in the area of Bab al-Tabbaneh and Suwaiqa (87 percent of households), followed by the Old City (75 percent), Al-Quobe and Jabal Mohsen (69 percent), Al-Mina (63 percent), Al-Tal and Zahrieh (36 percent), Basatin Al-Mina (26 percent), and Basatin Trablous (19 percent).

Highly deprived households were located in Bab al-Tabbaneh and Suwaiqa (52 percent), followed by the Old City (36 percent), Al-Mina (28 percent), Al-Quobe and Jabal Mohsen (28 percent), Al-Tal and Zahrieh (11 percent), Basatin Al-Mina (10 percent), and Basatin Trablous (5 percent)”<sup>21</sup>

Based on these numbers we conclude that around 65% of El Mina population is poor with around 30% are highly deprived (El Mina and Basatine Al Mina),while the only two resident in El Mina and acting as Microfinance Institutions sal ,Ibdaa and Vitas only serving not more than 2% of the needy population.

Beside these two resident Mfi’s the population of El Mina has reached another concept to meet and fulfill their financial needs which is “ Al Jamiyeh” or “Association” .

“Al Jamiyeh” is a local mutual fund where the participated in, usually, friends or individuals know each other, are around 10 people with a fixed sum to be paid on a monthly basis, free of charge and interest, and it is granted the whole amount to each one by sequence.for example 10 persons participate in 100 usd each for 10 months , he or she will pay 100 usd monthly for 10 months and received once 1000 usd. And so on for all participated.

---

<sup>21</sup> (<http://www.businessnews.com.lb/cms/Story/StoryDetails/4593/Tripoli%E2%80%99s-poverty-rate-at-57-percent>)

Also there are numbers of citizens who received loans from other companies from outside the city especially from those in Tripoli which about 5 kilometers away from the city and mainly from :Emkan sal and Al Majmouaa(Ngo).

### **6.1 Al Qard Al Hassan concept:**

Definition of Good Loan”Al Qard Al Hassan:The good loan, in general, is a loan given to other person and to be returned without increasing, as per God Almighty purpose<sup>22</sup>.

“ مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضَاعِفَهُ لَهُ أَضْعَافًا كَثِيرَةً وَاللَّهُ يَقْبِضُ وَيَبْسُطُ وَإِلَيْهِ تُرْجَعُونَ

The fuqaha said that "a specific contract that one of the contractors takes from the other under which money will be returned if it is returned, or its value if that is not possible. Al Qard Hassan is a socio-economic and humanitarian service that achieves social solidarity and reduces poverty rates, and its economic functions, contribute to the development of society. Islamic banks assist entrepreneurs, especially small ones, in their projects, which gives economic strength to national projects. Al Qard Al Hassan is one of the tools practiced by Islamic microfinance institutions in order to contribute to economic and community development.

### **6.2 Al Qard Al Hassan In Lebanon:**

Al Qard Al Hassan. Established by Hussein Al Shami in 1983, Al Qard al Hassan, a microfinance foundation, keeps on being the primary institutions of Islamic microfinance in Lebanon. Shami started loaning little measures of cash out of his apartment giving 150 small credits its first year<sup>23</sup>. Seeking of building up itself a steady establishment, Shami changed the name from "Bayt-al-Mal", meant "Place of Money", to Al Qard Al-Hassan(Islamic concept), "The Good Loan Association" in 1987, Al Qard al Hassan is seen as an association working for the Lebanese individuals. Unable to get credits from Lebanese banks, residents resort to Al Qard al Hassan for help. Also, installments must be made at the bank, which urges customers

---

<sup>22</sup> Al Qora'an Al Karim Sourat Al Baqara 245

<sup>23</sup> MICROFINANCE IN ALGERIA, TUNISIA, AND LEBANON by ELAINE CHAMBERLAIN 2015

to build up banking history with the bank after the credit is reimbursed. Currently, legal forms and laws influence the development of microfinance in Lebanon. Political turmoil is the fundamental factor hidden lacking microfinance advance. Lebanese law enables any organization to take part in loaning practice, without obtaining endorsement from the legislature. Many of the microfinance establishments in Lebanon acting as NGOs, under supervision of the Ministry of Interior instead of Ministry Of Finance till now, highlighting all microfinance institutions acting in Lebanon must change their legal status to be SAL at the end of 2020 under supervision of Central Bank Of Lebanon(BDL) . Regulations for NGOs are very limited, enabling the institutional opportunity to work as an individual. Monitored through the Central Bank, financial establishments and banks have the authority to grant credits separately, or through an association with a microfinance institution. Al Qard al Hassan has had access to poor individuals offered help on many occasions. For instance, after the war with Israel in 2006, Al Qard Al Hassan dispersed more than \$180 million to the individuals who were influenced by the war, trying to pick up the help of the Lebanese residents. Today, Mr. Shami, the founder of Al Qard al Hassan, gives social help, extending to medicinal help.

With its 26 branches in Lebanon mainly in Beirut, Bekaa and South Lebanon, Al Qard Al Hassan served over than 1,400,000,000 USD with over 923,000 clients from 1983 till 2014 according to (<http://www.qardhasan.org/statistics.html>) official website.

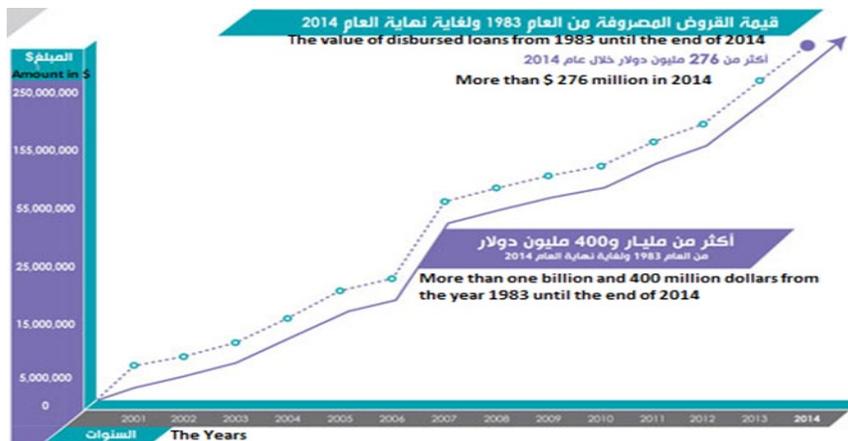


figure no 1(Charts translated by Mr Jean Mobayed QA Manager,Quality Assurance in Vbout Inc).

#this statistics is according to Mr Ihab Hedroj Al Qard Al Hassan employee and does available on the association official website .figure no 2

**جدول بعدد وقيمة القروض المطروفة**  
**من العام 1983 ولغاية نهاية العام 2018**  
**Table of quantity and value of disbursed loans from 1983 until the end of 2018**

متوسط القرض \$ Average Amount	قيمة القروض المطروفة \$ Value of disbursed loans	عدد القروض المطروفة Quantity of disbursed loans	السنة Year
639	25,872,398	40,463	1983-2000
708	6,206,822	8,761	2001
735	8,918,014	12,135	2002
748	12,150,289	16,233	2003
768	16,264,114	21,165	2004
856	22,368,862	26,142	2005
825	24,858,048	30,130	2006
1,536	76,518,174	49,818	2007
1,484	89,430,121	60,262	2008
1,619	117,300,329	72,463	2009
1,760	132,865,581	75,476	2010
1,865	163,388,452	87,596	2011
2,077	208,435,691	100,346	2012
2,215	245,132,103	110,677	2013
2,236	276,532,702	123,696	2014
2,321	334,473,181	144,084	2015
2,331	370,145,167	158,785	2016
2,377	415,804,891	174,904	2017
2,447	More than 465,000,000 أكثر من 465,000,000	More than 190,000 أكثر من 190,000	المجموع المتوقع خلال العام 2018 Total expected during 2018
	3,011,664,939 دولار Dollar	1,503,136 قرض Loan	الاجمالي حتى نهاية العام 2018 Total until the end of 2018

**عدد المساهمين والمشاركين 372,135**  
**The number of shareholders and stakeholders is 372,135**

**Al-Qard Al Hasan Association**  
 الإدارة العامة - بيروت - مقر الجمعية - سبلحانة - مركز سبلحانة - طابق 1  
 Headquarter, Beirut - Sfeir - Al Moullem - Sbelty Center - 1st floor  
 هاتف - Phone: 01 - 270 370  
[www.qardhasan.org](http://www.qardhasan.org)

## **7. Methodology:**

The nature of this study: Our work is descriptive, its aim is to present and enlightening information about the Islamic Microfinance Institutions in Lebanon, in general, emphasizing on North Lebanon, El Mina City. Quantitative information obtained from the Islamic Microfinance Institutions as well as conventional MFI's and from other studies related to MFI's. The qualitative information will be presented to measure the knowledge of Microfinance in general and Islamic Microfinance concept in specific. This information will be presented by interviews conducted with MFI's officials.

### **Samples and Data Collection:**

This study has started by contacting the Microfinance Institutions to have information of their statistical responsible. The sample was formed from the following Microfinance Institutions: VITAS SAL, IBDAAL SAL, EMKAN SAL, AL MAJMOUAA (NGO) and THE ONLY ISLAMIC MICROFINANCE AL QARD AL HASSAN.

This study has begun in March 2019 and ended in May 2019. The duration of each interview was between 20 to 30 minutes to explain the nature of this study to the officials. I have been provided by data from: Vitas, Ibdal, Emkan, Al Qard Al Hassan, along with answers on my questions, but not from Al Majmouaa even after more than phone contact and emails regarding this subject, but I would like to mention that Miss Sara (customer services) was very helpful.

The questions were:

1-How many borrowers do you have from El Mina City?

2-How much is the total amounts granted to them?

3-What is the defaulted percentage of them ?

According to Mr. Ibrahim Al Bacha the north region director in " Vitas sal" they serve till now 75 individuals in El Mina city with a total average of granted loans is

180.000 USD, with less than 0.2% as defaulted , also I would like to highlight the fact that “Vitas sal “has recently opened its branch in the city, in 2018, the branch basically contains 9 employees severing not only El Mina but also Tripoli, Zgharta and Al Koura districts , yet without manager which could be weak point and relegate its capability to boost up and achieve its aim, from one side and from another side the economic activities, nowadays, are very slow, not only in the city but nationwide.

Based on Mr. Alaa Al Rafehi, “Ibdaa sal” Branch manager in El Mina, this Mfi is serving around 350 active borrowers, for now, with a total average of granted loans is around 350.000 USD as per today date with less than 0.3% as defaulted , and he added that throughout the past 6 years they served around 2.000clients with average amount is around 2.000.000 USD, I also would like to highlighting that “Ibdaa sal” has opened its branch in El Mina city 7 years ago. The branch consists of 14 loan officers and 7 administrators.

Mr.Ahmad Al Sarraj,”Emkan sal” branch manager in Tripoli , he declared that they have approximately 500 active borrowers from El Mina city. He also added , due the banking secrecy he can not reveal the amounts granted to its clients as well the defaulted percentage as he claimed.

The first contact with Al Qard Al Hassan Association(the main branch) was with Mr. Youness Atwieh and he referred me to Mr.Mohamad Nahleh , he declared that”Al Qard Al Hassan” did not open any branches in north Lebanon area including Al Mina city and there are no clients from that area, even though they are considering to penetrate it in the future. I would like to highlight the figure no 2 provided by Mr. Ihab Hedroj thru out my Email.

Regarding Al Majmouaa my first contact was with Miss. Sara Al Riz and Mr.Hassan Al Ali Tripoli Branch Manager he asked to contact the main branch, Miss. Nassamat in the main branch referred my inquiry to Miss. Sara (customer services), she asked to send an Email and explain my purpose, despite my initial Email and reminders regarding this subject no answers have been provided.

## **8. Conclusion.**

In Lebanon, the Islamic Microfinance had a positive effect on poverty reduction as shown the data of Al Qard Al Hassan. The article concluded that this loan program has a significant role in poverty-fighting where it is extended. Islamic Microfinance has won its reputation as a good strategy to support poor and needy population based on the social role of Islamic financial products.

This article recommended and urge the presence of Islamic microfinance institution to cover the territory of the Lebanese Republic in particular in the north Casa like Akkar, Tripoli and of course El Mina City where its presence is zero while dozen of conventional Microfinance is well acting with almost 0.2% are defaulted which is a very good indicator that these clients are reliable and the margin of risk is very low. Such program encourages business development and expansion; providing complete and standardized Islamic financial services reducing the transaction costs, meet the various needs of the clients with of course no interest or riba, should be taken in consideration.

## ***References:***

1. Imène Berguiga, Yosra Said, Philippe Adair (2017) The social and financial performance of microfinance institutions in the MENA region: Do Islamic institutions perform better?
2. Mohammad Tahir Sabit Haji Mohammad1, David Martin @ Daud Juanil, Sabariah (2018) AFFORDABILITY OF ISLAMIC MICROFINANCE Eni. journal of Technology Management and Business (ISSN: 2289-7224) Vol 5, No 3
3. Ines Ben Abdelkader and Asma Ben Salem (2013) Islamic vs Conventional Microfinance Institutions: Performance analysis in MENA countries International Journal of Business and Social Research (IJBSR), Volume -3, No.-5, May, 2013

4. Iyad Dhaoui. (2015) The role of Islamic Microfinance in Poverty Alleviation: Lessons from Bangladesh Experience
5. Ahamad and Dr. Rosni Bakar and Dr. Zulkarnain Lubis. Islamic Microfinance and Its Impacts on Borrowers: A Systematic Review From 1995-2015 suddin
6. Muhammad Naveed ASLAM (2014) Role of Islamic Microfinance in Poverty Alleviation in Pakistan: An Empirical Approach.. International Journal of Academic Research in Accounting, Finance and Management Sciences Vol. 4, No.4, October 2014, pp. 143–152 E-ISSN: 2225-8329, P-ISSN: 2308-0337© 2014 HRMARS [www.hrmars.com](http://www.hrmars.com).
7. Salhab\* and Ali Abu Ali (2015) A Qualitative Analysis of People Views of Microfinance in Lebanon Mohammad
8. Rima Bizri, Ph.D. and Ihab El Bizri (2017) Challenges Facing the Islamic Banking Industry in the MENA Region: A Comparative Study
9. Definition of Islamic microfinance [ft.com/lexicon](http://ft.com/lexicon)
10. Kabir Tahir Hamid (2016) Islamic Microfinance Products and Models
11. Abd Elrahman Elzahi Saaid Ali (2015) ISLAMIC MICROFINANCE: MOVING BEYOND FINANCIAL INCLUSION, PhD European Scientific Journal April 2015 edition vol.11, No.10 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431-297
12. Hiyam Sujud and Boutheina Hachem (2018) Reality and Future of Islamic Banking in Lebanon European Journal of Scientific Research ISSN 1450-216X / 1450-202X Vol. 149 No 4 July, 2018, pp. 410-422 <http://www.europeanjournalofscientificresearch.com>
13. Mohammad Ashraful Mobi and Mansur Masih and Syed Othman Alhabsh (2017) Religion of Islam and microfinance: does it make any difference?
14. Sarah Soutoul (2017) Islamic Microfinance in Sudan Helping to Reduce Poverty

15. What is Islamic Microfinance? Microworld.org 2013
16. Kajia Hurlburt (2012) What is Islamic Microfinance?
17. Institute of banking studies. Idaat. 2015.www.kibs.edu.kw
18. United Nation Habitat. Tripoli profile. 2016.
19. MICROFINANCE BAROMETER 2018
20. [www.worldbank.org/en/programs/sdgs-2030-agenda](http://www.worldbank.org/en/programs/sdgs-2030-agenda)
21. Banque Du Liban (BDL) official website.
22. Inaya Wahidi (2017) Microcredit in Lebanon: First Data on Its Beneficiaries, International Business Research; Vol.10, No.4