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Bridging Business to Entrepreneurs


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Danish Reyaz

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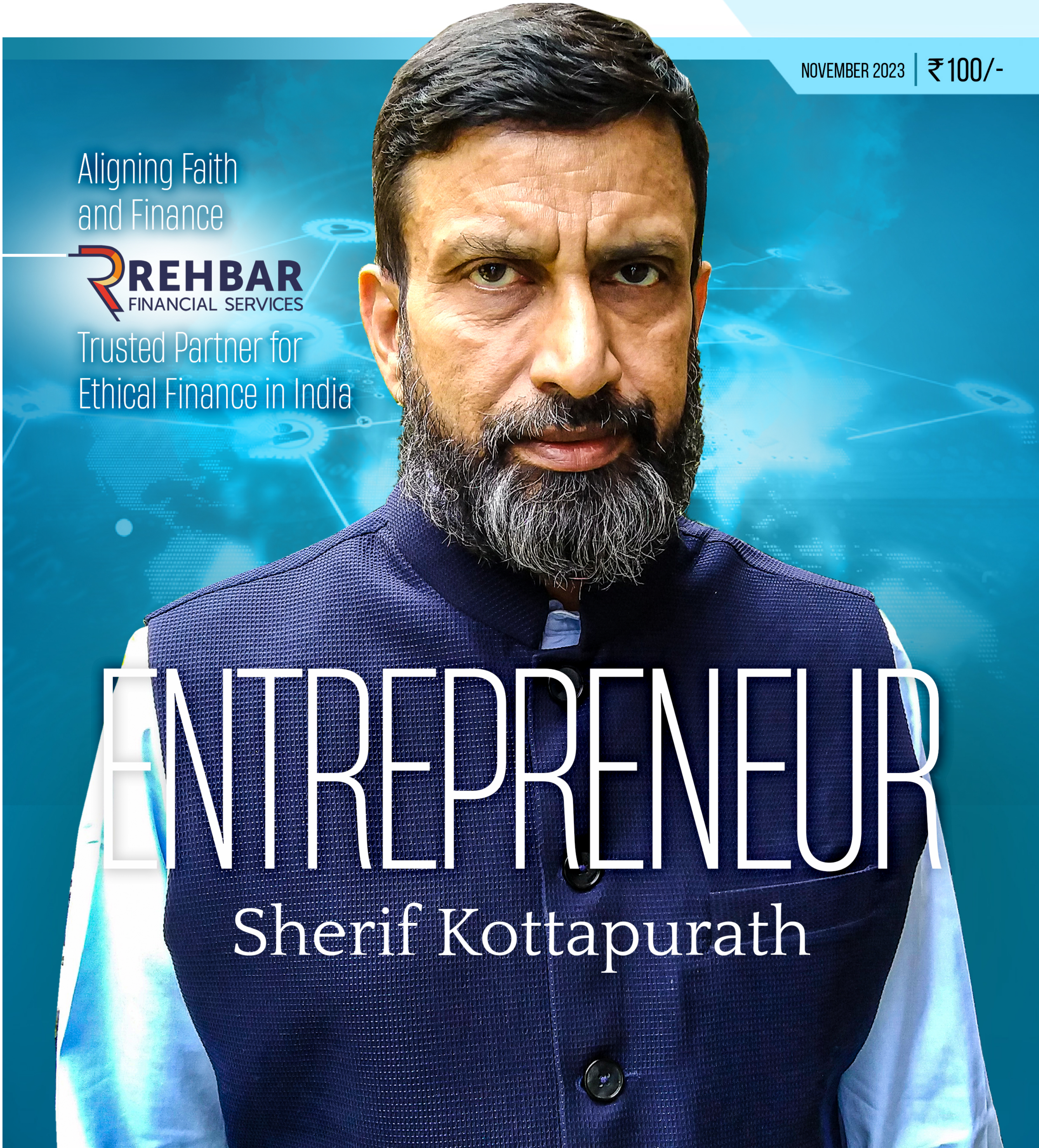


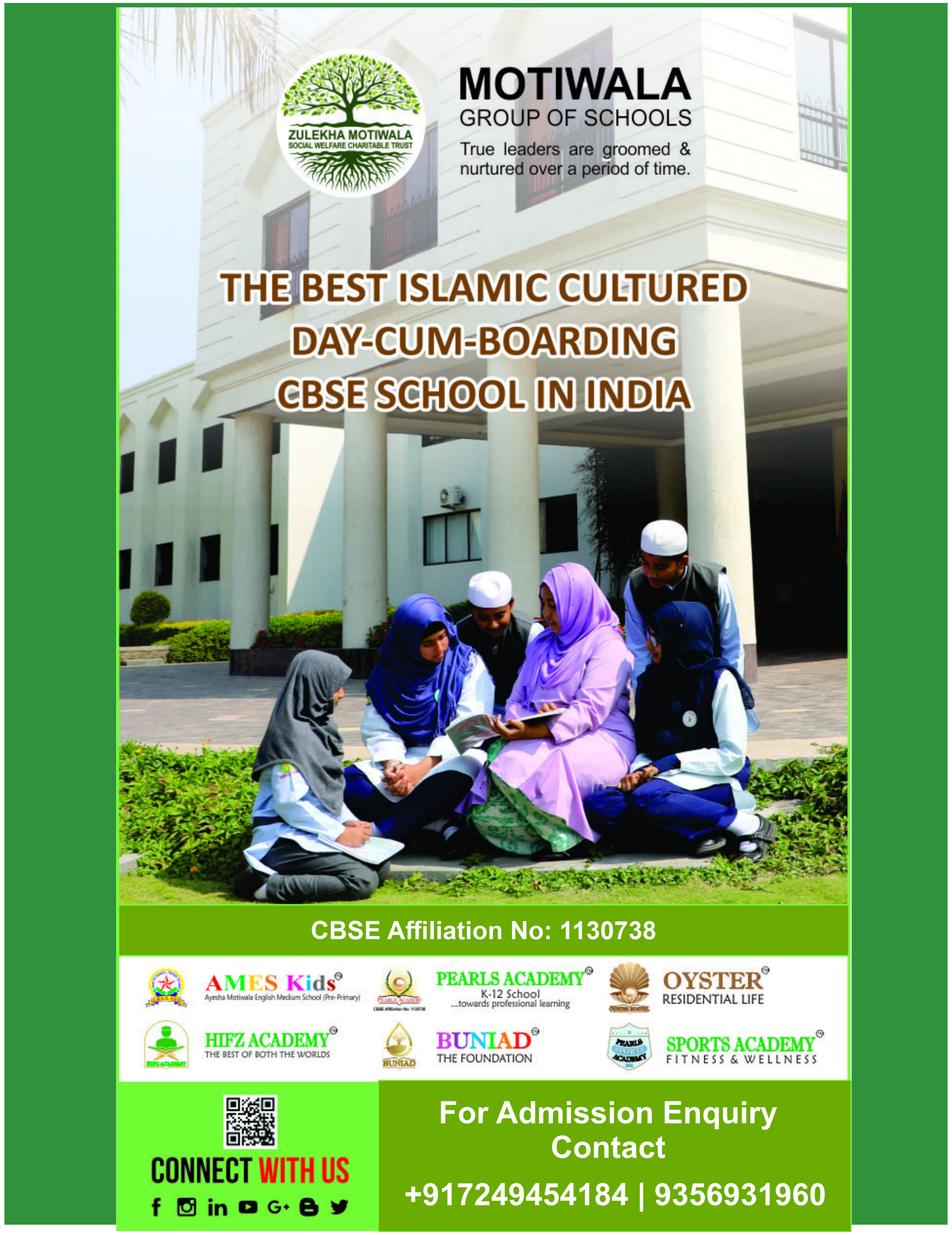
Aligning Faith and Finance

REHBAR FINANCIAL SERVICES

Trusted Partner for Ethical Finance in India

ENTREPRENEUR

Sherif Kottapurath



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From The Editor's Desk

By: Danish Reyaz

It is a dicey situation for Muslims when it comes to investing. On the one hand, investing makes sound sense to earn a profit; on the other hand, it is a matter of a moral quandary because accepting or offering interest is strictly haram in Islam. This dilemma leads to many Muslims refraining from investing entirely and sitting idle with their money.

Nevertheless, to ameliorate the situation, Bengaluru-based Rehbar Financial Services has created a Sharia-compliant Islamic finance model that does away with the practice of interest yet offers lucrative returns to investors. This approach has gained popularity since Rehbar was founded in 2013.

Investors invest in Rehbar through Special Purpose Vehicles (SPVs) that it has created. Rehbar judiciously deploys investors' money into a group of businesses seeking funding. When these businesses profit from the investment, they give a share to Rehbar, which then distributes it to investors as returns.

Over the years, Rehbar has been giving its investors a healthy and consistent return almost without fail. Its choosing of businesses makes it apart, which is done through rigorous due diligence so that the businesses don't go bust and investors loose money.

Since Rehbar has been able to create a splash in Bengaluru with its unique model of Islamic finance and commendably serving sharia-conscious investors and businesses together, we decided to do a cover story on it and its founder, Sherif Kottapurath, an accomplished IT professional, who came forward to put in place a productive and sustainable finance model in stern accordance with Sharia principles.

The story thoroughly details Rehbar's inception, objectives, working model, and future, along with a glimpse into Mr. Kottapurath's life, commitment, and vision towards establishing this alternative finance model.

Apart from the inspiring cover story, this new edition features a host of informative articles and opinion pieces. At the same time, it is rich with news from around the globe impacting the Muslim Ummah and humanity as a whole.

We hope this month's edition of Maeeshat is going to interest and inspire you as much as it has done in its previous editions. So, let's dive into it and quench your thirst for enriching your knowledge and awareness. Thank you, and happy reading!

First Private Ayurvedic Medical College of NE Approved: IAAMC at USTM

The IA Ayurvedic Medical College (IAAMC) at the University of Science and Technology Meghalaya (USTM) has received all the approvals of the statutory body namely the National Commission for Indian System Of Medicine (NCISM), Ministry of Ayush. A grand celebration took place at the Central Auditorium of USTM today with the participation of Doctors, faculty members, students, officials as well as USTM Chancellor Mahbubul Hoque, Vice Chancellor Prof GD Sharma, and others.

Addressing the media persons gathered on the happy occasion at USTM, Shri Mahbubul Hoque said, "We are happy to announce that admissions for BAMS will commence soon at IAAMC. Though we are starting with 60 seats capacity now, the number will be increased next year. In the near future, before 2030, all healthcare divisions—Allopathy, Unani, Siddha and Homeopathy—along with research will exist in the USTM campus." Dr Anil Kumar Sharma, Principal of IAAMC also expressed his feelings and said that the hospital and the college have all modern facilities to meet the needs of patients and students.

Located near the multi-specialty University Hospital of Ayurveda & Naturopathy (UHAN) at the USTM campus, this Academic Complex of the college has teaching as well as research facilities. On the other hand, the 100-bed hospital provides facilities like OPD consultations, medicines, laboratory facilities for routine haematological and biochemistry for the paediatric, geriatric and general population. The hospital at the IAAMC campus is well-equipped with accident and emergency care private wards, labour room, Operation Theatre, Yoga center, Physiotherapy unit, Panchkarma unit etc. The investigation facilities like ECG, USG, X-ray, Laboratories, are also available.

The various sections at the hospital are Kayachikitsa (Ayruveda Medicine), Shalya (Surgery), Prasuti Tantra & Stree Rog (Obstetrics & Gynecology), Shalakya (ENT), Netra Roga (Opthalmology), Kumarbhritya (Paediatrics), Swastavritta (Yoga & Wellness Centre), Geriatric Care Clinic, 24 hours pharmacy services, 24 hours ambulance services and canteen services. The round-the-clock Laboratory services include USG, ECG, X-Ray, Panchakarma Therapies, Abyanga, Snehan, Swedan, Vamana, Virechana, Nasya, Vasti, Shirodhara and Raktamokshana.

Jamia Hamdard signs MoU with African-Asian Rural Development Organization (AARDO) for joint development programs

Jamia Hamdard signed an MoU with the African-Asian Rural Development Organization (AARDO) on October 12, 2023 in presence of Prof. (Dr.) M. Afshar Alam, Hon'ble Vice Chancellor, Jamia Hamdard and Dr. Manoj Nardeo Singh, Secretary General African-Asian Rural Development Organization (AARDO), New Delhi.

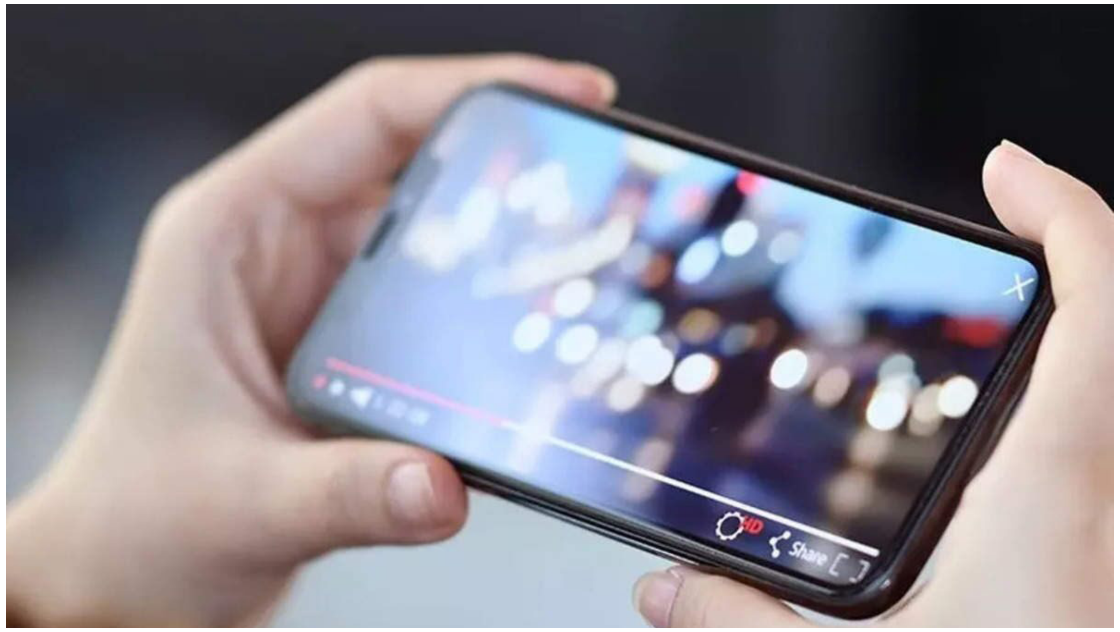
AARDO is an organization created in 1962 for South-South Cooperation and African–Asian solidarity and presently it has 34 members' countries from Africa and Asia including India. AARDO acts as catalyst and provide a forum for the member countries to jointly discuss their problems, exchange views, ideas, experience and information in the field of research and rural development. The objective of the MoU is to conduct joint development programs, research program, capacity building, knowledge transfer, rural development and upliftment measures for the marginalized society and Asian and African countries empanelled in AARDO.

On the occasion, Dr. Manoj Nardeo Singh, Secretary General and Mr. Rami Qtaishat, Assistant Secretary General and Dr. Khushnood Ali, Head Research Division, from AARDO were present. From the Jamia Hamdard side Dr. M. A. Sikandar, Registrar, Prof. S. Raisuddin, Director, IQAC, Mr. S. S. Akhtar, Controller of Exams (COE), Prof. (Dr.) Reshma Nasreen, Chairperson, Centre for Training and Development (CTD), Dr. Syeedun Nisa, Director, CTD were present besides other officials.

The AARDO Secretary General stated that Jamia Hamdard, with its commitment to sharing of pain has resonance with the basic tenets of AARDO which is the upliftment and welfare of rural population in African –Asian countries.

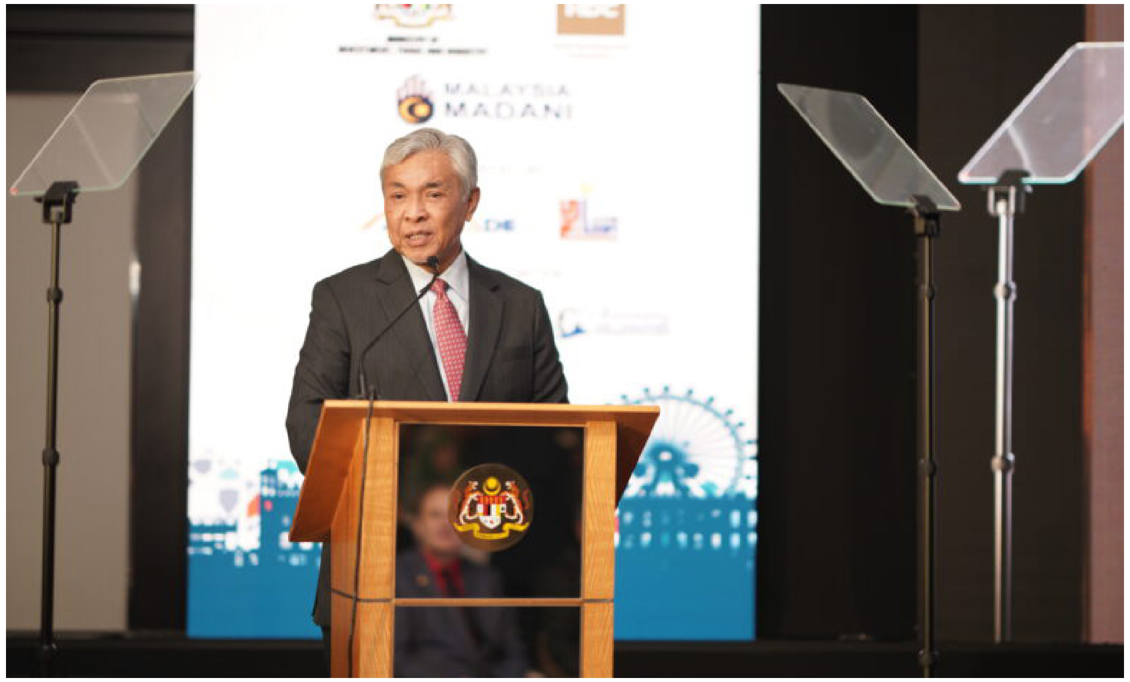
Prof. (Dr.) M. Afshar Alam, Vice Chancellor reiterated the commitment of Jamia Hamdard to the implementation of the MoU in letter and spirit. He further stated that Jamia Hamdard is committed to inter – disciplinary research and welfare of the marginalized sections of the society. Mr. Rami Qtaishat stated that a new narrative in the pioneering history of AARDO and Jamia Hamdard has been crafted with the signing of this MoU which would yield fruitful results mutually for India and African nations.

India now has 25 crore users of short-form video platforms: Report



India now has reached 250 million (25 crore) users on short-form video platforms, with around 70 per cent of them coming from tier-2 cities and other semi urban and rural centres — often from middle and high-income backgrounds, a new report showed on Wednesday. About 64 per cent of the user base on Indian SFV platforms comprised individuals up to the age of 25 years. Less than 3 per cent of Indian SFV users are mature users. according to the report by market research firm Redseer. The user-generated influencers (UGC) content platforms have helped create an ecosystem of 3.5 million influencers or new-age celebrities who serve as the growth engine of SFV platforms in the country. The TikTok ban in 2020 left a major content gap that was quickly filled by the rise of both Indian and international short-form video platforms. As 40 per cent of the users have been conducting online transactions on these platforms, the opportunities for monetisation are manifold. It has been observed that monetisation facilities across ecommerce, online gaming and OTT video streaming sites are gaining popularity among users, the report noted. "The growing popularity of Indian SFV platforms is a welcome development as it has furthered the ambit of digitisation in India and is maximising value for platforms, brands and end-users through its data-led and language-inclusive approach," said Mukesh Kumar, associate partner at Redseer. New-age models like live commerce and live gifting can prove to be feasible in raising the bar for monetisation, he added. While global SFV platforms may be popular among urban users, Indian SFV platforms have witnessed greater uptake among audiences in non-metro and semi-urban areas mostly owing to the availability of quality regional-language content created by local talent. Around 45 per cent of Indian SFV users reside in semi-urban and rural centres and interact with a diverse set of internet platforms ranging from gaming to e-commerce. "Content led by the 'hook and hero' narrative is effective in reaching out to diverse user demographics. SFV platforms are home to original and relatable content which is seen to have grown to 99 per cent in 2023, in comparison to 92 per cent in 2022," the report mentioned.

WHBC fostering the rapid evolution of halal industries everywhere in the world: Ahmad Zahid Hamidi



The Rt. Hon. Dato' Seri Dr. Ahmad Zahid Hamidi, Deputy Prime Minister of Malaysia, expressed, "The World Halal Business Conference (WHBC) isn't just another event on our calendar. For Malaysia, it's a commitment, an anchor that solidifies our position at the forefront of the Halal industry, driving our nation's economic growth forward". Looking outward, for our global partners, WHBC is an opportunity. Its where international collaborations are forged and knowledge exchanged, fostering the rapid evolution of Halal industries everywhere. This isn't just a local phenomenon; this is where global industry leaders converge, eager to glean insights and introduce innovations that shape industries and access new markets. He added

Think of WHBC as a door—a door that opens to a vast, untapped market, ready with potential. It's here that growth, innovation, and collaboration intersect, crafting the blueprint for the future of a trillion dollar Halal industry. This isn't just business as usual; this is a chance to promote mutual understanding and shared prosperity.

Malaysia & Global Halal Economy; Perspectives, Background, History and Journey

In the mid-1970s. Malaysia made a pragmatic decision, introducing the Halal verification mechanism. Fast-forward 50 years and see how we've grown—not just in compliance but in excellence, from basic shariah verification to comprehensive standards in food preparation.

We didn't just achieve a milestone and call it a day. We innovated, creating awareness, setting new standards, and raising the bar for Halal products and services.

Our efforts bore fruit. The keen awareness among Malaysians spurred a demand for reliable and credible Halal certification.

As the then Minister of Religious Affairs, I knew the task ahead. By the 2000s, we fortified our commitment, establishing a robust Halal governance framework, backed by new legislation. The formation of the Halal Development Corporation,

or HDC, was a testament to this, supporting JAKIM in its certification endeavours.

But we also looked beyond our borders. Collaborating with entities like the Organization of Islamic Countries, or OIC, we amplified Halal awareness, capturing the attention of Muslim consumers worldwide.

The result? Our industries responded. From food and beverage to consumer goods, there was a marked inclination towards Malaysia's Halal certification.

Every Malaysian journeying abroad—for pilgrimage, studies, business, or leisure—became an ambassador, furthering the global quest for Halal certification and assurance.

Our dedication, our unwavering efforts in leading Halal certification on the world stage, didn't go unnoticed. Global players responded, aligning with our vision.

Malaysia's journey—from our initial steps to global recognition of our Halal standards—has witnessed an incredible trajectory. The demand for Halal goods and services, today valued at an impressive USD3 trillion, stands as a testament to our vision and determination.

Current Halal Certification & Standard

We're living in a world that seeks unity in diversity, and right at the heart of this quest is Malaysia, driving forward the global movement of Halal certification. Our role isn't just about participation; we're the architects of a standard that the world looks toward, a benchmark that guides many.

I want to talk about Malaysia's decisive journey, a journey of establishing Halal certification bodies that impact our economic fabric and global consumers' choices. It's a narrative of leadership and proactive engagement in a global dialogue, creating standards that are not confined to geographical or cultural boundaries.

The leadership we demonstrate through Halal Malaysia is inclusive. It's a message to the world that Halal is more than a religious label — it's a quality mark, valuable to all, regardless of faith.

Malaysia Madani Leadership & Halal Industry Master Plan 2030

Our recent launch of the Halal Industry Master Plan (HIMP) 2030, 'Prominent, Visible & Globalised Halal Malaysia', is a testament to this commitment. It's a strategic blueprint designed to navigate the challenges of today and the uncertainties of tomorrow.

The goal of HIMP 2030 is clear-cut: to solidify Malaysia's position as a global frontrunner in the Halal industry by 2030. For our domestic landscape, this translates into an instrumental economic contributor, accounting for 10.8% of our GDP.

At the heart of this Master Plan are three essential pillars. First, we are devoted to sustainable growth that benefits everyone in our society. Second, we emphasize bolstering the performance and reach of our local enterprises. And third, we are steadfast in enhancing a Halal Industry defined by its quality, innovation, and competitiveness. These are not just pillars; they are our commitment to building a resilient and prosperous future.

These pillars are more than internal guidelines. They are Malaysia's contribution to a global framework. They are the foundation upon which markets across countries can thrive. For industry stakeholders, this is an invitation to be part of a journey, a narrative of growth, and shared success.

SYNERGY AT HOME

Ladies and Gentlemen, when we talk about a "Whole of Government" approach, we're talking about something tangible. It's more than just words; it's a practical, active synergy. Imagine over 300 government agencies, all aligned in purpose, all supportive of businesses and foreign partnerships. This is not an abstract concept; this is what's happening in Malaysia today.

Now, our objective is clear: we're not just participants in the global Halal economy; we're aiming to be pioneers. And how do we do that? Through deliberate, multifaceted strategies that position Malaysia not just on the map but at the forefront of the global Halal stage.

But, let's be practical; it starts at home. We needed our house in order, a seamless, efficient internal process. That's why we urged our key agencies to simplify the Halal certification process. Today, that process is more streamlined than ever, taking just 23 working days. That's a concrete achievement we've made for our businesses at home and partners abroad.

Our journey doesn't stop with streamlining; we're innovating. We're in the process of launching the National Halal Digital Platform (NHDP), integrating technology like Artificial Intelligence, Big Data, Blockchain, and IoT into our certification process. We're not just talking about modernization; we're actively pursuing it to ensure a practical, efficient, and reliable system.

With the NHDP, we're making a realistic commitment: to provide a smoother, more reliable Halal certification journey. This is about credible, verifiable progress, ensuring that what Malaysia offers the world is nothing short of excellence.

In line with the latest global trends, Malaysia is embarking on a transformational journey from a traditional fossil fuel-based economy to a high-value green economy, as outlined in the National Energy Transition Roadmap (NETR). As the world's third-largest Islamic Banking Market and the top-ranking nation in the Global Islamic Fintech (GIFT) Index, we are uniquely positioned. This, combined with our deep commitment to Islamic social finance, including Waqf, Zakat, Ar Rahnu, Takaful, and Sadaqah, makes Malaysia an ideal destination for multinational companies looking to accelerate their endeavors in both the Halal and ESG domains.

Our role as a center for Multinationals' Halal Centers of Excellence didn't happen overnight. It's a product of practical standards and consistent upgradation to meet international requirements. Companies like Nestle, Hershey's, F&N, and Coca Cola didn't choose Malaysia by chance; they did so because of the pragmatic environment we've established for growth, innovation, and excellence.

Today, we're stepping onto the global stage with the Halal Diplomacy Framework, a real-world strategy designed to expand our partnerships. Halal Diplomacy is a collaborative effort between Malaysia's Ministry of Foreign Affairs, HDC, and the Ministry of Investment, Trade, and Industry. We're honoured to have our Foreign Minister, Dato' Seri Dr. Zambry Abdul Kadir, here to discuss this practical approach further.

Halal Diplomacy isn't about lofty goals; it's about building tangible, beneficial relationships. It's about working with nations to practically access the burgeoning Halal market, creating a pathway that benefits us all economically and culturally.

So, to nations looking to forge a realistic path in the Halal economy, Malaysia is here. Through HDC, we offer practical help, real-world experience, and a track record of success. We're not just offering advice; we're offering a partnership for sustainable, mutual growth in the Halal sector.

SPECIAL ANNOUNCEMENTS

Today, I'm pleased to inform you of a new collaboration between the Halal Development Corporation and the Malaysian Palm Oil Certification Council. This collaboration is well-aligned with HDC's mission to champion a sustainable Halal ecosystem, one that fosters ethical and environmentally responsible practices. The acceptance and promotion of palm oil and its downstream products within the USD3 trillion global Halal market are not merely business decisions; they are ethical imperatives that resonate with global consumers who demand transparency, sustainability, and ethical sourcing.

Today, through HDC (Halal Development Corporation), the government has demonstrated that the country's financial institutions are ready to collaborate in strengthening the nation's halal economy, including providing quicker, more flexible, and Sharia-compliant financing opportunities to local lical halal industry players. Therefore, today, I am pleased to announce that six banks, namely SME Bank, Hong Leong Islamic Bank, Standard Chartered Bank, Alliance Bank, and Bank Islam Malaysia, have expressed their commitment to provide a combined fund of RM2.67 billion or USD560 million starting next year. This fund is intended, among other things, to support local halal companies in taking their goods and services to the global halal market.

Lastly, I want to address our concrete steps in workforce development. We are investing significantly in Technical and Vocational Education and Training (TVET) to ensure we have the right skills in place. This investment in TVET isn't just about education; it's about preparing our workforce for the specific needs of the Halal industry, ensuring job creation, and bolstering our economy in the long run.

CONCLUSION REMARKS

Ladies and gentlemen, when we look at Malaysia's journey in the Global Halal Economy, what we see is an array of strategy and dedication. We're not just checking boxes. We're laying down foundations built on our rich history. Understanding the intrinsic value of Halal as more than just a label, but a global, ethical standard. Guided by our Halal Industry Master Plan 2030, we're weaving together synergy, modern technology, diplomacy, and, above all, a promise of setting new standards.

Today I stand here, not just in the capacity of the Deputy Prime Minister but as a true believer in our cause, I want you to see beyond the formalities and grasp the soul of our mission. Think about this: when people across continents pick up a Halal product from Malaysia, they're not just seeing a certification – they're seeing a promise. A promise of unmatched ethical standards, sustainability, and the highest quality.

My hope, my dream, is that Malaysia doesn't merely remain a name associated with Halal products. Instead, I want it to be a symbol of trust. A trust that when you see "Malaysia" and "Halal" together, you know that there's a rich legacy of innovation, integrity, and sheer excellence standing firmly behind it. I want Halal, when spoken of in the global context, to be synonymous with a lifestyle that champions ethics and sustainability at its core.

Imagine a world where our Halal Industry Master Plan 2030 isn't just words on paper, but a living, breathing testament to our commitment. It's a compass that points to a world of harmonious stakeholder synergy, of industries reborn through cutting-edge technology, of bridges built between cultures through diplomacy, and of pioneering new standards that set us apart.

Through our alliances, like the one between the Halal Development Corporation and the Malaysian Palm Oil Certification Council, by unlocking significant financial avenues, and by reinforcing our workforce's skills, we aren't just sketching dreams. We're laying down concrete steps to turn this vision into our reality, ensuring a future that speaks not just to our wallets but also to our souls.

So, as we stand here today, let's not just view the Global Halal Economy as another industry. Let's envision it as our opportunity to lead by example, to herald a new era of ethical consumption, and to carve out a space in history.

Aligning Faith and Finance:

REHBAR
FINANCIAL SERVICES

Your Trusted Partner for Ethical Financial Solutions

Sherif Kottapurath

By: Danish Reyaz

Team Members : driving the vision of Rehbar

In a financial world driven solely by an insatiable greed for amassing wealth at all costs, there exists a parallel universe that intertwines faith with financial well-being . In this cosmos, financial activities such as investments and fundraising as well as savings are guided by a set of principles based on rulings derived from Divine law. These rulings are not just rooted in the Quran and Sunnah, they, of a necessity, align with the higher objectives of Islamic Law, referred to as Maqasid al-Shari'ah.

At the core, this model seeks to eliminate the exploitive practice of usury or interest (riba) by embracing ethical and equitable methods in financial dealings.

This alternative model comes to the rescue of not just Muslims who wish to faithfully adhere to their religion which unequivocally prohibits interest in financial matters, but also all those who wish to avoid debt-traps and unethical means of earning money.

Elements of Islamic Finance

Islamic finance is guided by principles derived from revealed scripture, as mentioned above, that encourage ethical, socially-responsible, and sustainable investment practices. These principles are governed by the following tenets:

Prohibition of Riba (Interest): Islamic finance's fundamental thrust is on prohibition of interest, which is viewed as exploitative and harmful. Islamic law condemns not only those who demand interest but also those who pay it.

Avoidance of Uncertainty (Gharar): Investments that are based on excessive speculation and uncertainty are discouraged. Clarity and transparency before and during any economic venture is a prerequisite.

Prohibition of investment in Unlawful (Haram) Businesses: Investments have to be consistent with Islamic values, and must exclude business activities involving liquor, narcotics, gambling, pornography, and pork-based products.

Sharing of Profit and Loss: In Islamic finance, risk-sharing is promoted among the parties involved in financial transactions, considering that no party be burdened in case of loss. Both, profit and loss, should be shared with fairness and mutual consent.

Why Interest-Free Finance is Needed in India?

Due to the strict Islamic injunction prohibiting interest, a large population of Muslims have chosen to refrain from involvement in the conventional banking system. This group approximately represents 14.2% of the total population of India..

According to the Sachar Committee, Muslims in India have a share of 7.4% in saving deposits and claim only 4.7% in loans. An RBI estimate says Muslims in India loose around INR 63,000 crores annually, which is 27% of their deposits. Moreover, given the reluctance to put their money in conventional banks, the country is deprived of a huge chunk of money which could have been deployed for the nation's growth.

Given the above facts, interest-free financial institutions will alone ensure that Muslims plough their savings into the formal sector. This inflow of money in the financial system, if deployed in a manner that does not conflict with their values and ethos, can be utilised in various developmental projects, inevitably benefitting both the community and the country.

Additionally, such institutions, which are participatory and non-exploitative in nature, would be appealing for investors and businesses looking for ethical financing options.

History of Interest-Free Finance in India:

The history of interest-free finance in India is relatively recent having gained momentum only towards the late 20th century and early part of the 21st century. Incidentally, pre-Independence India had a history of trade and commerce which was not, in most part, in contravention of ethical principles dear to Muslims.

The first significant step towards establishment of interest-free banking was taken in 1991 in Kerala, with the launch of the Islamic Investment and Financial Cooperative (IIFC). It was among the first to have offered financial products and services that were Sharia-compliant.

In 2008, the Reserve Bank of India (RBI) issued guidelines allowing banks to deal in Sharia-compliant financial activity. This relaxation in the rigid RBI rules was a major milestone since these guidelines provided a framework for interest-free banking operations in India.

However, there are no full-fledged Islamic banks in India yet, as the Reserve Bank of India (RBI) has not yet allowed their establishment in view of the fact that interest is an inseparable part of the prevalent banking system. Any major changes in the rule book of RBI will necessitate the government passes new legislation in parliament.

Besides the regulatory issues, opposition to interest-free banking from certain quarters on communal and political grounds, has been a significant factor in the slow growth of interest-free finance in India.

It is worth noting that a bulk of the regulatory changes had taken place during the UPA government. And much as the present political dispensation aversion to the idea of Islamic banking due to its brand of politics, it still has allowed certain leeway to RBI which has brought in regulations that could potentially pave the way for interest-free finance.

Following these relaxations, numerous financial organisations are active in the country, carrying out financial transactions on an interest-free basis, albeit with many restrictions. These institutions are called, Non-Banking Financial Institutions (NBFCs) that operate on a profit and loss basis. But the ambit of their operations is severely limited.

The Kerala-based Cheraman Financial Services and Gujarat-based Tadhamon Capital were among the pioneers.

Despite the restrictive ecosystem, Islamic financial consultancies and services continue to spring up and these bodies serve as beacons to investors and businesses that are seeking to navigate the intersection of faith and finance without compromising their values.

Enter Rehbar Financial Services!

One of the many such institutions that have risen to the occasion is Rehbar Financial Services, situated in the bustling city of Bengaluru. It spearheads interest-free financing services in a metropolis where hundreds of other financial entities are competing for a portion of the stakes.

What makes Rehbar outstanding and trustworthy is its robust professional approach to managing the interests of its stakeholders, apart from an unwavering commitment to Sharia compliance. These features, tested over time, have attracted a large number of clients who prioritize belief, integrity, and social responsibility even as they are keen on pursuing their own financial well-being.

Starting as Rehbar Financial Consultants in 2013 they adopted the name Rehbar Financial Services in 2021 to provide a broader range of financial services, thereby offering better opportunities for growth to their stakeholders. Looking back over the last decade, what becomes evident is that Rehbar has added glorious new chapters in the success stories of many an investor and business entity in the regions where it operates.

So far, Rehbar has evaluated over 1,000 deals and funded over 100 companies. Rehbar also extends its expertise to such businesses to ensure optimal utilization of funds invested. These deals have resulted in Rehbar being able to disburse over INR 80 crores to its investors in the last ten years alone.

Team Members at Rehbar office

"Rehbar didn't spring into existence with a profit-making motive like many other financial institutions. In fact, much deliberation and thought preceded its establishment," says its founder-chairman Sherif Kottapurath. "The whole idea behind Rehbar is to provide peace of mind to investors and businesses. This encompasses not only the assurance of reliable funding and satisfactory returns, but most importantly, its commitment to ethical principles, ensuring that all financial activities are in perfect harmony with scriptural requirements."

Sherif Kottapurath: Shepherding Rehbar to Glory

Sherif Kottapurath is a versatile person; he has vast professional experience in a global marketplace featuring cutting-edge technology, combined with an unwavering dedication to the community's welfare. His commitment to providing people with ethical financial solutions which are in consonance with the faith he shares with them, laid the foundations of Rehbar. The continuing robust growth of Rehbar is a testimony to his sincere intentions as also his professional integrity and ingenuity.

Rehbar is celebrating its 10th anniversary on November 18th this year (2023) with a well-deserved sense of achievement: having successfully enriched thousands of investors by profitably deploying over INR 200 crores of investor funds in businesses and industry. These enterprises, too, have reaped the benefits of the investments as evidenced by their balance sheets; and in the lessees' ability to adhere to repayment schedules without defaulting.

Rehbar has over 3000 registered investors. Of these, over 1000 are investing with Rehbar recurrently and receiving attractive returns consistently. Mr. Kottapurath says, "Our investors have stayed with us because they believe in our expertise and financial acumen, especially the way we manage our portfolio that virtually nullifies chances of losses."

Inclusivity

Spearheading a decade of financial innovation and unwavering commitment to the highest ethical standards, Mr. Kottapurath has tirelessly worked to shape Rehbar into an institution that embraces inclusivity by offering alternative financial products and services to all communities— not just Muslims.

Mr. Kottapurath says, "We have been able to showcase an alternative model to both Muslims and non-Muslims, which can provide better returns on their investments despite not being bound to interest-based instruments."

He avers, "It is a matter of pride and

satisfaction for us that we have earned the trust of non-Muslims, who form more than 50% of our investors and businesses, and who have discovered that Rehbar, on account of its adherence to the Sharia, is a better way to do business than going to banks or other conventional financial institutions."

Mr Azhar Ali, Mr Raashid Sherif and Zaid Razvi

Rehbar clientele today mainly comprises venture-capital-funded companies rather than the normal local mom-and-pop stores or small businesses. Thus demonstrating its ability to serve demanding enterprises.

Kottapurath proudly points out, "From Furlenco to Kaapi Machines, and Everest Fleer to SecurAX, these are all businesses run by non-Muslims which have turned to Rehbar for their financial needs to fuel their ambitious goals and aspirations."

Additionally, Kottapurath emphasizes that Rehbar's success is rooted in its ability to demonstrate that the interest-free finance model sanctioned by Allah SubhahanuWaTa'ala and exemplified by Prophet Muhammed SallallahuAlaihiWasallam is not only beneficial for Muslims but for all of humanity.

From IT to Finance: The Inspiration

Based on his endeavours in the field of finance, particularly Islamic finance, one might assume Mr. Kottapurath to hail from an academic background in finance. He is, in fact, an IT professional through and through, who transitioned to finance only later in his career.

Mr. Kottapurath is an Electronics graduate from Birla Institute of Science and Technology (BITS) Pilani (class of 1982). He joined Wipro Information Technologies Limited, a fledgling IT company back then, after his graduation. "I was among its first 50 employees," Mr. Kottapurath says, smilingly.

After a fulfilling career at Wipro, he bid farewell in 1992 and joined Sun Microsystem in the US. After working there for eight years, he returned to India as the Chief Technology Officer (CTO) for Sun Microsystem for another five years before calling it quits.

"I love to take challenges," says Mr. Kottapurath, "I realized that I had enough of a career in IT, and wanted to explore newer avenues."

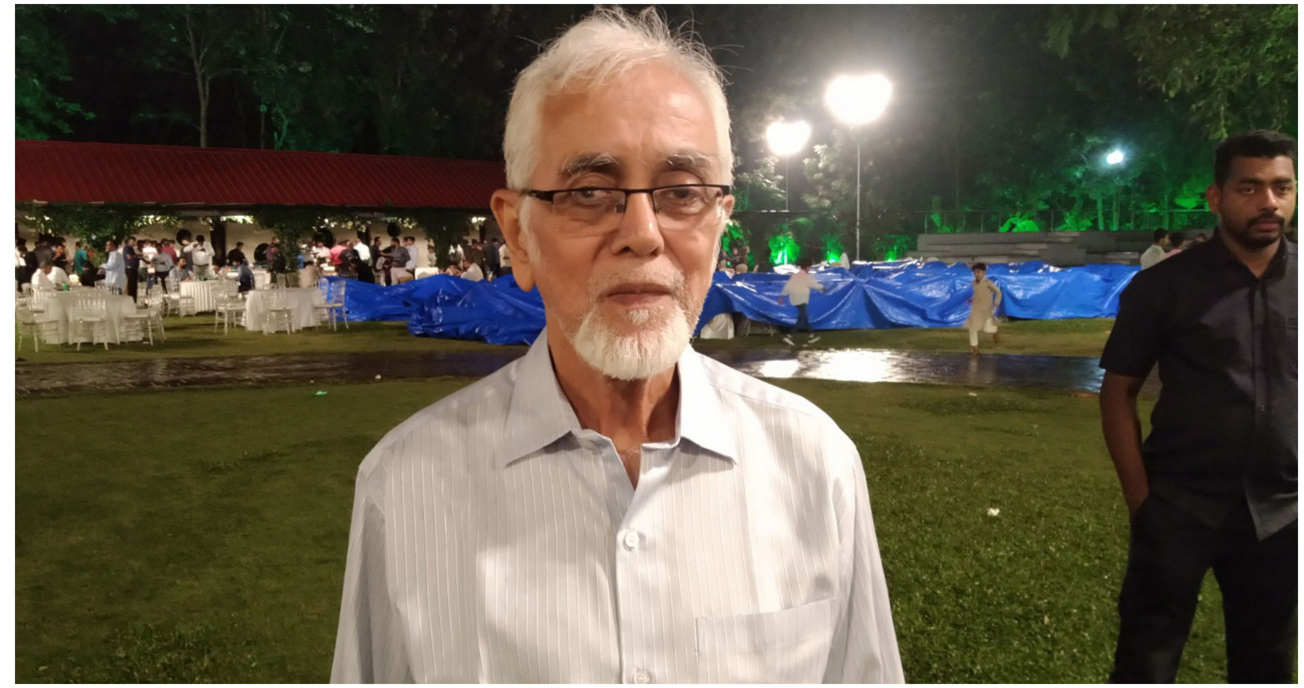
His inclination towards finance began during his stint with Sun Microsystem in Bengaluru when he was made one of the trustees of Lifeline Foundation, which launched a community initiative in the form of a micro-credit organization that provided loans to women living in slums.

He says, "During this time, the power of money and how it can transform lives became clear to me, and it led me to gravitate towards the idea of creating a financial institution that could give better returns and help businesses to grow faster."

How Rehbar Came Into Existence

Rehbar happened out of the necessity of professionals to use their money to earn returns in accordance with Islamic principles without resorting to conventional savings in interest-based banks, according to its founder.

Mr. Kottapurath says, "When I was open to the idea of exploring the field of finance, I discovered that many



M H Khatkhaty

working professionals in Bengaluru were seeking Islamic investment options."

According to him, they deliberated on various approaches to address this need. On one hand, there was the option of investing in stocks, but the volatility of this domain concerned them. On the other hand, joint ventures in real estate, which were Islamically acceptable, seemed viable. However, in a city like Bengaluru, the joint venture was not feasible for them unless they could gather huge sums for investment. Hence, they had to explore other viable options.

Brainchild of MH

"During our search, we discovered that M.H. Khatkhatay, an IITian from Mumbai and a seasoned expert on Sharia compliant investment, had already addressed these issues by structuring a model of Islamic investment which ensured healthy returns," says Mr. Kottapurath.

He invited M.H. Khatkhatay, known to many simply as MH, to Bengaluru and engaged with him in intensive discussions regarding the model's pros and cons. Ultimately, this earnest exercise resulted in the emergence of Rehbar.

Mr. Kottapurath states that, in a way, Rehbar is the brainchild of MH. "We began to put this concept into practice, gradually built on it, and diversified it in terms of its operations and reach", says Sharief.

Transforming into a Professional Institution

When Rehbar was conceived, the discussion was on whether people should volunteer their services for free or that paid professionals should manage it.

Eventually, the second option, which Mr. Kottapurath passionately supported, was accepted. He notes that he has always been a big votary of professionalism. When managed professionally, an institution builds trust, establishes a long-term relationship with clients and makes the whole endeavour effective and enduring, he asserts.

Mr. Kottapurath firmly believes that we should strive to establish targeted institutions that serve the community and people for a long time with far-reaching benefits.

He says it is great to have 'jazba' (passion) to do works in the cause of Allah, such as community work or charity, but people tend to think it should be done secretly rather than by publicizing it. Mr. Kottapurath, however, doesn't fully subscribe to this view.

He reasons that in this scenario, when a person dies, his noble project also dies with him. But if he develops it into a professional institution, it will outlive him and go on to serve multiple generations.

Rehbar was founded on this tenet to function as a professional, enduring institution.

Team Members : driving the vision of Rehbar

Rehbar: Strong Bridge Between Investors and Businesses

Rehbar, from its very inception, operates as a bridge connecting investors and businesses. It serves as an intermediary between those looking to invest their funds, and businesses seeking financial support.

To this day, it continues to help investors find suitable opportunities for deployment of their funds by identifying businesses with the right potential and credentials, through a robust process, as profitable avenues of investment.

The Rehbar model was structured with a comprehensive understanding of the needs of investors and businesses.

On one hand, Mr. Kottapurath explains, businesses desire funding for growth without diluting their equity, and on the other hand, investors seek opportunities to invest their money in companies that use their funds purposefully and maintain profitability to ensure consistent returns. Investors are not burdened with the task of continuously monitoring these businesses' performance, since Rehbar plays that role. They are also not necessarily in for the long-haul.

"Once we comprehended the diverse needs of both investors and businesses, it became easier for us to develop a model that benefits both parties," says Mr. Kottapurath.

The Rehbar model, in short, creates a relationship between investors and businesses based on partnership and risk-sharing, and it clearly avoids interest-based transactions, speculation, and unethical activities.

How the Rehbar Model Works?

Rehbar maintains a database of investors who prefer investing in businesses rather than keeping their money idle. When businesses approach Rehbar with funding proposals, it carefully assesses the viability of these proposals and conducts thorough background checks on the businesses. These checks involve gathering feedback from various sources, including customers, suppliers, and peers in the market.

Mr. Kottapurath underscores the importance of evaluating a business's track record. He says, "We request the businesses to provide their financial record books for the past two years. This information allows us to determine whether the businesses are generating profits or if there are any concerns about their financial transparency.

In a previous model, Rehbar would conduct due diligence of a prospective business which presents an opportunity to potential investors. Once the business was considered viable, those who express interest could invest at their own discretion. Rehbar's role was to facilitate the connection between investors and businesses, for which it charged a fee for its services from both parties. After the investment, Rehbar continues to monitor the business's profitability and ensures that a suitable return is paid to the investors on time.

This is how Rehbar used to operate earlier—acting as a conduit between investors and businesses, with the investments going directly to the businesses from the investors.

However, in later years, Rehbar changed its model, allowing it more flexibility and discretion over the investments of money to different businesses.

Talking about how the transition to a different model happened, Mr. Kottapurath explains, "Once we had floated an investment proposal for ID Fresh, a company that sells ready-to-cook food items, via email to about 3,000 investors on our list on a first-come, first-served basis. Surprisingly, the deal closed in just about 10 minutes, with investors eagerly subscribing to it in record time, leaving several others without the opportunity to invest, even though they were interested."

He then adds, "After missing out on the deal, hundreds of investors suggested that, going forward, we collect their shares in advance, granting Rehbar the authority to invest on their behalf whenever suitable deals come up."

In his view, this prompted Rehbar to shift to a new model: a fund based model which operates through Special Purpose Vehicles (SPV). Additionally, certain restrictive regulations were instituted to control Peer-to-Peer (P2P) Lending by the Reserve Bank of India in 2017. Therefore, the shift to a new model happened, and it provided a new direction for Rehbar—improving its scalability and diversification of its offerings.

Mr. Kottapurath avers, "SPVs of Rehbar invest directly in the businesses, in contrast to the original model where investors invested directly. This approach enables us to secure better deals and mitigate risks, ultimately leading to safer returns for investors."

Offerings Under the New Model

The new model continues to adhere to the Islamic principle of interest prohibition and the encouragement of profit-and-loss sharing. By emphasizing on lease financing, and risk-sharing, the new model further enhances robustness and stability. Furthermore, the new model which embraces multiple portfolios serves to mitigate unforeseen losses by spreading the risk more evenly among different businesses.

The main offerings that characterize Rehbar's new model are::

Ethical Investment via SPVs

Rehbar has now established two special purpose vehicles (SPVs) that are basically private limited companies: Rehbar Equipment Rental Pvt Ltd and RFC Equipment Rentals Pvt Ltd (RERL I and RERL II, respectively)

These RERLs primarily function as Rehbar's leasing subsidiaries, where investors can collectively pool their money in a particular RERL. These investments are in the form of

convertible debentures issued on a private placement basis.

Rehbar, after doing its due diligence, allocates funds to different projects that adhere to Sharia principles and are, empirically, capable of offering better and consistent returns to their investors.

"The investment at Rehbar is on profit-loss partnership; nevertheless, our investors receive 8-12% annualized return, which is borne out by our track record," says Mr. Kottapurath.

The ability to maintain consistent profitability is due to Rehbar's assiduous attention to detail at every stage of the investment process, including the screening, financial analysis, and post-investment monitoring of businesses.

Explaining why investors receive a consistent return and bear little to no loss, he states that Rehbar invests funds in several diverse projects. Even if one or two projects experience a loss, the gains from other projects cover up for those losses.

Investors can seamlessly invest and manage their investments through several helpful features Rehbar has built for a hassle-free investment experience.

Rehbar takes pride in that there is no constraint for investors to park their money with Rehbar for a fixed period. Mr. Kottapurath informs that there is no lock-in period. Investors can exit whenever they want, provided a two-month notice is given, so that Rehbar can transfer their debentures to other investors or another RERL.

Investment in Mutual Funds

Besides investment in RERLs, Rehbar has another avenue for ethical investment. The company has recently tied up with Tata Ethical Fund, the largest ethical mutual fund in India that has grown 28 times since its inception in 2013. It invests in only Sharia-complaint stocks in the Indian stock market and doesn't assist businesses that deal in products and services that are patently prohibited by the sharia and harmful to society.

"There are not many Sharia-compliant mutual funds in the country. Besides Tata Mutual Fund, only two other mutual funds are Sharia-compliant: Taurus Ethical Fund and Reliance ETF Sharia BeES. In the future, we might tie up with these funds, but for now, if anybody would like to invest in Tata Ethical Fund, they could do so via Rehbar" reveals Mr. Kottapurath.

Business Funding

Business owners, as discussed above, often have a strong attachment to their company and wish to maintain control over its strategic decisions and directions. They believe that diluting their equity will lead to a loss of control, which they are unwilling to accept. Therefore, many businesses seek to raise funds through alternative methods apart from equity fundraising.

Rehbar's business funding model is designed for such businesses. Furthermore, Rehbar ensures businesses comply with Sharia principles and promote ethical and socially responsible financial practices.

The funding model is structured based on the input of Sharia scholars and their interpretations of Islamic laws in this regard. Nevertheless, in case of any new, or unforeseen development, Rehbar reverts to its active Sharia board, who examine the matter and give their verdict. Rehbar faithfully complies with its decision.

Moreover, importantly, besides Sharia compliance, Rehbar also strictly evaluates whether the businesses fulfil all the statutory regulations needed to conduct business.

Rehbar is exceptionally strict in terms of screening companies that seek capital. "We reject more than two-thirds of the applicants during the screening process and invest only in those businesses which are both profit-making and strictly Sharia-compliant. This guarantees not only halal returns for our investors but also a steady, uninterrupted stream of income," asserts Mr. Kottapurath.

Rehbar has broadly adopted three methods of funding businesses: Asset-Based Lease Financing (Ijarah), Profit-Sharing Loans (Musharaka), and Project Financing. These are structured in adhering with the prevailing laws of the land.

Asset-Based Lease Financing (Ijarah)

Assets such as machinery, equipment, and vehicles are crucial for any business to operate smoothly. These assets enable the production, distribution, and delivery of products and services. Often, acquiring these assets for a business can be a challenging task due to the substantial amount of capital required. However, with Rehbar, businesses can acquire these assets without having to purchase them.

Under lease financing, also known as Ijarah, Rehbar purchases assets for the companies, and the latter can put them to use for a fixed period in exchange for a rental amount.

Rehbar will retain the right of ownership over the leased assets after the leased period expires. However, if the lessee wants full ownership of these assets, it can buy them from Rehbar at the end of the tenure.

"The first lease deal happened in 2015 for Bengaluru-based ID Fresh, which sells ready-to-cook food items. Rehbar had leased four-wheelers to them for distribution and in-store fridges for displaying their products," says Mr. Kottapurath. . "In addition to ID Fresh, we have provided coffee machines to Kaapi Machine, furniture to Furlenco, taxi cabs to Everest Fleet, and medical equipment to Prime Care Hospital, among others, in the form of lease financing."

Utilizing Rehbar's lease financing instruments, these companies have generated attractive returns for Rehbar's investors. In fact, these companies have undergone multiple rounds of financing, on account of their credit standing with Rehbar.

Talking about the advantages of this financing method, Mr. Kottapurath says that no down payment is required for leased products, and lessees effectively make 40% lower monthly payments than they would if they had sourced it through conventional means. Furthermore, these businesses can claim 100% tax deduction, as the amounts spent on leasing these assets is treated as expense, rather than as capital expenditure.

In a scenario where businesses have the necessary assets but require working capital only, the same lease financing model is made applicable. Rehbar would buy back their assets and then lease them back to these companies. With this method, businesses could generate working capital without the need for a bank loan bearing interest.

Profit-Sharing Loans (Musharaka)

Musharaka, which is another name for "partnership" or "profit-and-loss sharing", is a fundamental concept in Islamic finance that represents a financial partnership between two or more parties coming together to invest in a business or project and committing to share both the profits and losses in accordance with the terms of the partnership agreement.

Musharaka differs from conventional loans as it doesn't involve fixed interest charges. Instead, the return on investment is based on the actual profits generated by the businesses. Musharaka differs from conventional loans as it doesn't involve fixed interest charges. Instead, the return on investment is based on the actual profits generated by the business, while losses are absorbed by all the parties.

Businesses, therefore, prefer this model as it ensures the lender (Rehbar) is also actively interested in the success of the business, making it a truly collaborative and supportive arrangement.

"The advantage for businesses is that they only pay returns when they make a profit, meaning they don't have to allocate returns from their funds," says Mr. Kottapurath. "The more profits they generate, the more returns they share with our investors. In the event of losses, they are insulated because they won't have to make return payments compared to conventional financing. Actually, we share both the risk and reward with them", he adds.

Project Financing

Rehbar's Project Financing solution is meant to fund businesses with large-volume projects on a similar profit-sharing model. It is a finance method that helps businesses establish their project from scratch. In this model, businesses not only benefit from funds received from Rehbar, they can leverage Rehbar's trained experts to mentor and guide them at all stages of the project.

The financing only takes place after Rehbar is satisfied with the due diligence done on the project proposal and its compliance with all Sharia-related norms for its viability. The business should have a proven track-record of a minimum of three years in the market and also have strong and positive P&L for the past three years.

Mr. Kottapurath says, "We make sure that the business we are investing in is not a start-up. Since we are handling public money, we have to be prudent to invest only in profit-making businesses and not in start-ups, which are volatile and unpredictable by nature."

Financial Planning

Beyond investment and fundraising, Rehbar also specializes in providing financial planning services, for both individuals and businesses.

Mr. Kottapurath explains, "We offer a well-defined and exhaustively documented financial planning process enhancing the likelihood of a successful outcome for our clients."

Rehbar's approach is highly personalized—tailoring its services to each client's unique financial situation and abilities. It empowers them to control their income, expenses, and investments in a manner that is conducive to achieving healthy financial growth.

As part of this service, Rehbar conducts a comprehensive financial analysis, considering various aspects, including historical financial statements, bank records, tax filings, and industry benchmarks. This thorough assessment is used to gauge the financial health and generate a detailed feasibility report.

The report encompasses both objectives and the overall strategy to attain them. "We diligently implement the plan, continuously monitor progress, reevaluate the current situation, and adjust the plan as needed. We consider ourselves responsible for more than just proposing an investment plan for our clients," says Mr. Kottapurath.

Rehbar Foundation

Enshrined within Rehbar's core values, beyond its products and offerings, is Rehbar Foundation, an NGO serving as a beacon of hope and support to those in need.

The foundation works to assist in the economic empowerment of less fortunate individuals hailing from economically disadvantaged backgrounds. Through this initiative, the foundation collects donations with which it provides support to individuals who want to start a business or seek a lifeline to survive or grow further.

The beneficiaries use the assistance as working capital or to buy assets for their endeavours to become self-sufficient. Mr. Kottapurath says, "One of the very satisfying aspects of the Rehbar Foundation is also its commitment to rescuing people from the clutches of debt. It helps those with limited means by assisting them in repaying existing loans or preventing them from taking new ones and becoming financially strangled."

The foundation identifies beneficiaries monthly through interviews and verifies their legitimate claims for grants. To date, the foundation has awarded INR 20 lakhs in grants to 30 individuals. Mr. Kottapurath anticipates that these grants will continue to increase, benefiting more individuals in the years to come.

Rehbar's Expansion Plan

Having firmly established itself in Bengaluru and having provided commendable service to the community, questions about its expansion plans in other parts of the country have naturally arisen.

In this regard, Mr. Kottapurath says, "We are considering opening branches in other parts of India. Our initial expansion will likely focus on contiguous states like Maharashtra, Kerala, and Tamil Nadu— primarily in southern India."

Regarding expansion into northern India, he says, "Expanding into northern India might not be feasible at this time due to the distance factor and the unfamiliarity with local financial aspirations and practices, even though there is a large Muslim population, especially in states like Uttar Pradesh and Bihar."

However, he adds that Rehbar would be open to collaborating with individuals or institutions interested in implementing the Rehbar model in that region. Rehbar would provide assistance through training, expertise, and resources.

Besides expanding to other parts of the country, Rehbar is considering the establishment of a separate entity or an aligned branch to provide consulting services to novice businessmen and aspiring entrepreneurs. This proposed entity will assist them in assessing market potential, profitability, and compliance with government regulations, helping them navigate the business landscape smoothly and avoid legal hassles.

"The new entity will serve as a consulting wing, addressing the need for feasibility studies to guide people in their business endeavors," says Mr. Kottapurath. However, he also adds that this initiative will not be started immediately.

Future of Ethical Finance in India

The future of Sharia-compliant ethical finance holds promising prospects. With a growing awareness of Islamic finance principles and a rising demand for ethical and inclusive financial services, the Indian financial scene is gradually opening up to cater to the Muslim population and other investors seeking morally sound financial options.

As the Indian economy continues to expand and grow, more financial institutions are delivering Sharia-compliant products and services that not only cater to the values and religious beliefs of the Muslim community but also appeal to a broader audience looking for responsible, sustainable and socially beneficial financial solutions.

According to Mr. Kottapurath, with the growing recognition of the potential of Islamic finance, which had remained untapped for so long, our entire society is poised to benefit from this healthy model. It is an attempt to eliminate interest and discourage businesses that bring harm to society.

"The more people become aware of the adverse effects of the conventional financial system, the greater the shift towards Islamic finance as an alternative solution will be," Mr. Kottapurath says, with hope flickering in his eyes.

Conclusion

A visionary in the realm of ethical finance, Mr. Kottapurath has successfully established a remarkable model in the form of Rehbar Financial Services that satisfies the spiritual and material urges of a large section of the population. At its core, this model seeks to free individuals and businesses from the shackles of interest and the debt trap it leads to.

Rehbar stands as a bastion of trust and capability, offering not just short-term financial returns but also a promise of sustainable growth. Rehbar's commitment to serving its investors is unwavering, as it carefully selects and supports qualified businesses, screens companies to ensure they align with ethical principles, and maintains a diversified portfolio to ensure minimal risks for its dedicated investors.

As a pioneer in ethical and Sharia-compliant finance, Rehbar has already made substantial strides in providing reliable and responsible financial solutions. With its enviable track-record and unfailing commitment to serving the financial needs of individuals and businesses while adhering to ethical principles, Rehbar is well-positioned to expand its reach and impact in the coming years.

Maeeshat congratulates Mr. Sherif Kottapurath, Mr Raashid Sherif and the entire Rehbar team on reaching the remarkable milestone of ten successful years of Rehbar's existence. Their dedication to Islamic finance and responsible investment has been an inspiration for many. Here's to more years of success, growth, and positive impact on the world around us.

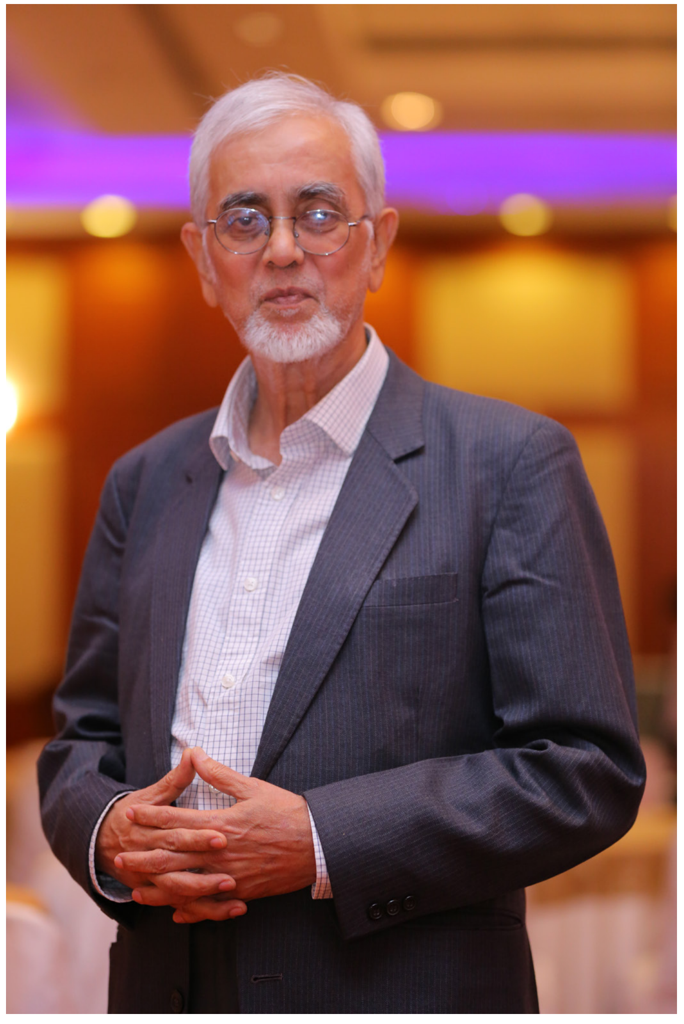
Rehbar is the brainchild of Mr M H Khatkhatay

It would not be an excaggeration if we say that Rehbar is the brainchild of Mr MH Khatkhatay.

Mr. Mohammad Husain (MH) Khatkhatay completed his Engineering from one of the premier colleges in India, IIT Bombay, in the year 1971 and graduated with a Masters in Business Administration from Pune University in 1973.

From a young age, MH was involved with social causes. Hence, during his engineering, he helped establish and run MESCO, a not-for-profit organization that looked into education and economic welfare of the backward sections of society.

Modern Educational Social and Cultural Organization (MESCO) was established in Mumbai in 1968. MESCO started its first fundraising activity with the collection of old newspapers from house to house. Its founder members volunteered to devote the first Sunday of each month for the cause. They hired two vehicles to cover South Mumbai and North Mumbai collecting old newspapers; and at the end of the day they used to sell it to the vendors offering best price. The funds generated through this activity were utilized to provide school and college books to poor students.



MH's interest in interest-free finance was kindled early on. During his engineering, he read an article in an old magazine by the French scholar of Hyderabadi origin, Dr. Muhammad Hamidullah about the theoretical feasibility of Islamic banking. This article proved to be a turning point in MH's career. Even after having specialized in metallurgy during engineering, he went on to become a pioneer in the field of Islamic Finance in India, having been involved in most of the major initiatives in this area.

We will look into 2 of his earlier initiatives in detail and also mention some other notable achievements in the following paragraphs. The 2 initiatives that we will delve into are: Baitun-Nasr (est. 1973), Barkat Investment Group (est. 1984).

Baitun Nasr Co-operative Society

Baitun Nasr was formed by MH in 1973 along with 2 other individuals. The goal of starting Baitun Nasr was to provide an interest free savings enabling and credit providing vehicle for the financially backward sections of the society, which functions within the scope of the Sharia. The area of operations was in and around Mumbai. In 1976, Baitun Nasr was registered as a Co-operative Society which consists of a Managing Committee, headed by MH, and a large number of members, who were either depositors, borrowers or both.

They would mobilize funds starting at Rs. 5 per month and give interest-free loans upto Rs. 500 to their members. They also introduced a spot-deposit scheme, in which daily collections of Rs. 1 and more would be made from the members, towards their savings. Their business model was based mainly on transaction fees from their members, but they also had other sources of revenues. They also tied up with some consumer durables sellers to provide instalment based financing for the purchase of their merchandise.

By the year 2000, Baitun Nasr had 19 branches, including 5 regional branches and 3 zonal branches. They maintained liquidity at all their branches by using a cash reserve system, where a fixed percentage of the deposits would be parked with the head office as a Central Liquidity Reserve (CLR) to ensure liquidity at all times. The branches would be incentivised for maintaining the reserve and penalized for mismanaging their liquidity.

MH also developed a matching credit loan system, where members who required larger loans would undertake to keep a fixed deposit equalling the number of rupee-days for which the loan was taken. For instance, if a person takes a 10,000 Rupees loan for 1 year, he would have to keep a 2,000 Rupees deposit with Baitun Nasr for 5 years. Through this mechanism, Baitun Nasr would be able to recover not only the cost of administering the loan, but also the cost of mobilizing the funds.

Another innovative step taken early on by MH at Baitun Nasr was the computerization of operations and introduction of an HRIS (Human Resources Information System) which helped in evaluating staff performance and also in ascertaining the exact cost incurred for the various transactions. Through this path-breaking innovation, they were able to charge transaction charges that were as close as possible to the actual cost of administering the loans.

At the peak in 2000, the total deposits and share capital with Baitun Nasr was 150 Million Rupees, equivalent to about 2.5 Million USD. They had average daily collection of about 1.5 Million Rupees from about 25,000 members. In total, they had about 150,000 members.

In 2001, due to various reasons elaborated below under Barkat Investment Group, there was a run on the deposits of Baitun Nasr. While Baitun Nasr was in a position to sell off its assets and repay the deposits, the court suspended its operations and took it under its control. Outstanding deposits were 80 Million Rupees. Recently, in 2012, the court has allowed Baitun Nasr to dispose its assets and repay its deposits, following which they may resume operations. They plan to relaunch 4 branches by February 2014 and convert it into a Multi-state Co-operative Society by 2016.

Barkat Investment Group

Barkat Investment Group was a group of Sharia-compliant investment vehicles launched by MH, starting in the year 1984. From 1990 until 2001, when their operations were suspended, MH led the group as its MD. Barkat had been involved in equipment leasing, profit loss sharing and also stock-market investments. However, as the demand for real estate investments grew, at their peak, they had over three quarters of their funds invested in Real Estate. They had over 5,000 investors and had assets under management worth Rs. 270 Million, equivalent to about 5.4 Million USD.

One of his major achievements at Barkat was the Sharia-compliant mutual fund that they advised the Tata group to launch in 1996 and which they helped promote in India and abroad. This was the first major Islamic Finance scheme taken up by a large non-Muslim corporation.

Starting in 1998, there was a real-estate crisis in India, leading to a liquidity crisis, as they could not liquidate their investments to repay their investors who wanted out. This led to a run on their investments. Almost immediately, the stock market also crashed, leading to a worse scenario for Barkat. Simultaneously, India's apex bank, RBI, tightened the regulations regarding the type of deposits they could take. All these simultaneously led to the downfall of Barkat.

However, times would get even tougher for MH, as after the suspension of the operations of Barkat, there was a run on the deposits of Baitun Nasr, as the public perception was that they are related financially, especially since Baitun Nasr in the past had helped promote some of Barkat's schemes. While Baitun Nasr had sufficient assets to repay the depositors, the court intervened and suspended their operations as well.

These 2 setbacks took a toll on MH, but he did not give up. He was involved in many other ventures in this field, of both educational and executive nature. For instance, in 2007, he helped develop Bearys Amanah, a Sharia-compliant Real Estate VC Fund. He helped Religare form a Sharia-compliant mutual-fund of their own. He is also a founding member and director at TASIS (Taqwa Advisory and Shariah Investment Solutions) which is one of the leading Islamic Finance consultancies in India. He was also instrumental in starting India's first Masters in Islamic Finance at Aligarh Muslim University, where he teaches till today. He also taught Islamic Banking and Finance at Jamia Shantapuram and BSA University, Chennai.

Our commitment to transparency is evident in our operations:

Raashid Sherif, Chief Operating Officer

In this interview with Maeeshat, Raashid Sherif, the Chief Operating Officer of Rehbar Financial Services, offers valuable insights into the journey of Rehbar and principles of its unique Islamic finance model. Raashid shares information about the inception of Rehbar, challenges faced, and significant strides made over the years. The interview explores the distinctive features of Rehbar's financial model, its impact on both investors and businesses, and the future prospects of Islamic finance in India.

Raashid Sherif

Could you please tell us about yourself?

My name is Raashid Sherif, and I am the Chief Operating Officer (COO) of Rehbar Financial Services. Incidentally, I was also the first employee of Rehbar when it was founded in 2013.

In terms of my educational background, I have done my Islamic studies, including Hifz and Alim courses and studied from the leading Islamic seminaries like Nadwatul Ulama and Darul Uloom Deoband. Following that, I pursued modern education, and by the grace of Allah, I earned both B.com and MBA degrees.

What led you to transition from Islamic studies to modern education?

While doing my Aalim course, I picked up an interest for Islamic economics. I also translated some works on the topic from Arabic to English. During this time, I realized that in today's world, it was essential to complement my Islamic studies with knowledge of how economics and finance work in today's world. Only when one knows the Islamic teachings on worldly dealings or mu'aamalaat and also understands the prevailing practices in the market can one give guidance to those who want to follow the teachings of Islam in their day to day life. This combination has proved very useful and played a strong role in whatever I have been able to contribute to the field of Islamic finance so far.

We really appreciate that. Could you please tell us about the idea behind Rehbar?

It was around the latter part of 2012 when discussions started around doing something in the field of Islamic finance. The individuals leading these discussions were my father, Mr Sherif Kottapurath, Mr M.H. Khatkhatay, a veteran in Islamic finance, Mr Mudassar Baig, a finance professional along with some other sincere individuals.

Initially, one of the proposals was to get involved in the stock market, but eventually, it was decided that we should focus on the unaddressed area of assisting small and medium businesses seeking funds in a Sharia-compliant manner, who do not have access to such funds. In doing this, we were also able to cater to individuals looking to invest in a Sharia-compliant manner, avoiding excessive risk while seeking safe returns.

The idea was to bridge the gap between these two groups by structuring a deal and facilitating the transactions. This marked the inception of initial Rehbar model in 2013, which essentially brought investors and businesses together on one platform to mutually benefit from each other. Rehbar collected fees from both sides for the deal making and monitoring activities involved.

Looking back from 2013 to 2023, how do you view the journey you have undertaken?

It has been a fascinating journey, filled with numerous ups and downs and valuable learning experiences. In the beginning, we started small, intending to test the waters. For the first one and a half years, we focused on research and development, conducting modest business operations. Most of the funding were to very small and unstructured businesses. It wasn't until around 2014-15 that we engaged in more significant deals, with ticket sizes ranging from 30 lakhs to one crore.

During this time, we also facilitated smaller deals, often referred to as social deals, to assist small business owners and entrepreneurs, including small shop owners and auto drivers. This approach not only provided satisfaction to our investors, who were receiving returns but also helped these small businesses earn their livelihood.

However, in these social deals, there were some losses because the businesses overstated their profits and understated or concealed their liabilities. What made matters more difficult is that such businesses lack proper records for us to validate their claims. After the deal, the funds get utilized to pay off the other liabilities and the business is unable to generate enough profit to compensate all the stakeholders, As a result, our investors had to bear some losses in these deals. In some cases, Rehbar compensated them for their losses by raising funds from our shareholders.

Putting that experience behind us, we engaged in larger deals with businesses such as Trojan Plywood, ID Fresh Foods, Primecare Hospital and others. These deals included asset leasing arrangements and project financing, but still on a P2P model. These deals proved to be successful, with our investors securing good returns.

In 2018, we also changed our model, where we pooled investors' funds in special purpose vehicles and distributed them across various businesses to minimize the risk through diversification. This model has been running successfully since.

How has the community responded to the initiative of Rehbar?

Many individuals aspire to adhere to Sharia-compliant practices, avoiding loans from banks and interest from fixed deposits. However, they often lack interest-free avenues. After providing them with such opportunities, we have observed a growing trend of people moving away from or reducing their exposure to traditional banking.

Our investors, recognizing the potential for healthy returns, chose to invest with us instead of parking their money in gold and real estate. While the investors prioritize the security of their principal amount and seek good returns, businesses aim for funds at lower cost with risk-sharing provisions built in to the contract. At Rehbar, we address the needs of both parties, resulting in widespread acceptance from the community.

How does Rehbar balance the interests of investors and businesses, especially when it comes to risk management and choosing investment opportunities?

We safeguard the interests of both investors and businesses by opting for low-risk deals with businesses that have a track record of profitability. We refrain from using our investors' money in new ventures or startups due to associated risk.

If businesses have proven themselves with let's say a turnover of around 20 crores and seek investment to reach 25 to 30 crores, those are the businesses

we consider. We don't get carried away by people projecting turnover growth of 10x or 100x, as such deals come with high risks.

How does Rehbar differentiate itself from various Ponzi schemes?

We have consistently cautioned our audience against the dubious nature of Ponzi schemes, advising people to stay away from them. We've highlighted the misleading promises of high returns, pointing out the disparity with other companies in similar businesses who are either operating at minimal profit or making losses.

In contrast, our commitment to transparency is evident in our operations. Unlike fraudulent schemes that conceal their team and business details and hide behind the veil of business secrets, we openly showcase the businesses and assets that we invest in. Our financial statements are available for review and they reflect the business that we are doing. The investors can also interact with the businesses we have funded or research them to understand their scale of operations.

Also, I would like to emphasize that the typical people who invest with Ponzi schemes and those who invest with us are different. Such schemes primarily target the low-income and financially illiterate sections of society. In contrast, our investors are educated individuals well-versed in financial matters. There is essentially no comparison between us.

Do you fall under the regulatory oversight of SEBI or RBI?

We are primarily engaged in operating lease business, which is not classified as a financial activity by the Indian regulators. Therefore, there is no requirement for regulatory clearance from RBI or SEBI. We operate as a private limited company registered under the Companies Act, and our Special Purpose Vehicles (SPVs) are also private limited companies into which investors entrust their funds.

Could you explain the financial model that Rehbar follows?

There are two aspects to understand: how we raise funds and how we deploy them, both based on Sharia principles. The funds we raise are on a Wakalah basis, which is essentially an agency contract. In Wakalah, Rehbar is the Wakeel or agent, and investors are the Muwakkil or principals. Rehbar charges predetermined fees from the managed funds for the agency activity.

In terms of fund deployment, we follow Ijarah. In this approach, we purchase assets to be used by the businesses and lease it to them, receiving rental payments. We also engage in Musharaka to finance businesses, providing loans on a profit-sharing basis in this model for their working capital needs.

We have two private limited SPVs, namely RERL I and RERL II, which are subsidiaries of Rehbar Fin Services which is the parent company. Our investors invest their money in these RERLs, and Rehbar allocates that money, spreading it across several businesses. This way, if losses occur in a couple of businesses they are compensated by gains in all the other businesses, ensuring minimal impact on the profits paid to our investors.

Every quarter, profits are calculated, and returns are accordingly paid out to our investors. So far, we have provided returns ranging from 9% p.a. as the lowest to 13% p.a. as the highest to our investors. Over the past five years, we have consistently delivered healthy returns, surpassing what one can get from bank deposits. Furthermore, these returns are ethical and in line with the values of the investors. As a result, even senior citizens are investing their retirement funds with us to receive good regular returns without the guilt associated with earning interest money which is prohibited in Islam.

In 10 years, how many investors and businesses have benefited through your services?

To date, we've been a source of support for around 120 businesses, with approximately 1500 investors benefiting from our services. Our cumulative disbursal of funds stands at 200 crores, out of which 170 crores were disbursed after we switched to the new model in 2018. In the previous model, where we essentially connected investors to businesses, we had disbursed 30 crores.

REHBAR
FINANCIAL SERVICES

Could you please provide information about the average funding amount done by Rehbar and average investment amount from each investor?

The minimum average turnover for companies to qualify to approach us is Rs 3 crores per annum. Typically, businesses need to maintain audited financials once they cross a turnover of Rs 2 crores, so that is why we have set a Rs 3 crore threshold to consider businesses for funding. This decision is also influenced by our previous experience with small businesses.

Usually, we start with funding ranging from Rs 50 lakh to 1 crore for these businesses, but in some cases, we can also start with Rs 10-15 lakhs. Most of the companies with us opt for multiple rounds of funding going upto Rs 5-10 crore funding. In terms of cumulative funding, we have even crossed Rs 20 crores for a couple of businesses. On the other hand, when it comes to our investors, they typically contribute an average of 8 to 10 lakhs each, with our minimum ticket size set at one lakh, which is the face value of the CCD which our SPVs issue.

What does the future hold for the Rehbar model of Islamic finance?

To be honest, we have just scratched the surface. Although a disbursal of Rs 200 crores is a substantial amount, it is still like a drop in the ocean in the world of finance. There is enormous potential for us to grow because ours is an inclusive model. We have raised funds for companies owned by non-Muslims on an operating lease basis. They recognize the commercial value in this model, and currently approximately 30% of the businesses we deal with are run by non-Muslims. Additionally, awareness among Muslims about Sharia-compliant investment and financing is on the rise, so our model has the potential for further growth in the coming years.

Not many Islamic finance models exist in India. Do you have plans to expand to other regions, especially northern India?

We plan to expand our operations to other parts of the country so that more investors and businesses can benefit from our model. Currently, we are currently active in southern states, and to some extent in Maharashtra, but have not yet expanded into north and east India. It is not that we don't intend to go to these regions, but that we would like to consolidate in the regions where we are present and then expand. It might take a year or two for us to take that step.

Currently, we don't have the capacity to extend our reach to the north because not only is it far off, but it would also be challenging to evaluate businesses and monitor our investments there, considering our limited bandwidth. Therefore, our focus is only on south India and Maharashtra right now. Having said that, I would like to inform you that one can invest with us from any part of the country as they do not necessarily need to visit our office to invest. We have a significant number of investors from Delhi, UP and Bihar.

It has been a very satisfying experience working with Rehbar:

Azahar Ali, Chief Business Officer

In this insightful interview with Maeeshat Media, Azahar Ali, the Chief Business Officer at Rehbar, provides an overview of his extensive experience in the financial sector and his role in steering Rehbar towards success. From discussing the unique financial model adopted by Rehbar, specializing in interest-free financing and asset leasing, to delving into the challenges faced at the community level and the evolution of the company over time, Azahar Ali shares valuable insights. The interview unveils the distinctive features that set Rehbar apart in the Islamic finance sector, emphasizing its commitment to Sharia compliance and the laws of the land.

To begin with, may we have your introduction, please?

My name is Azahar Ali. I am the Chief Business Officer here and I have been working with Rehbar for the last six years. I bring with me a background in commerce and two decades of experience working in this industry before joining Rehbar. Over the course of my career, I have worked with several top banks, such as Citi Bank and Standard Chartered Bank, as well as with Non-Banking Financial Institutions (NBFCs), including GE Money and Fincare Small Finance Bank.

With vast experience in the industry, what difference do you find in institutions you have worked with and Rehbar?

The fundamental difference is that we specialize in interest-free financing, whereas the previous institutions were purely interest-driven. Through products like personal loans, business loans, mortgage loans, and overdraft (OD) facilities, they make money out of money. In contrast, Rehbar utilizes funds for trading, acquiring of assets and leasing them to businesses and other economic activities. Thus, there is a massive difference in the financial models that we both follow.

How has the experience been working at Rehbar so far?

It has been a very satisfying experience working with Rehbar. When I joined, there was a lot of work to be done. The operations here were not very structured, and unlike banks, the products were not labelled. So, we started from scratch by creating well-defined products with proper features and labelling.

Then, we approached the existing channels of financial products, showcasing that we have alternative Sharia-compliant finance products. Unfortunately, we didn't receive a good response. We had thought that people from our community in the banking system would support us, but it did not work. They didn't take us seriously.

After a year of futile exercises with them, we decided to take things into our own hands. We began approaching businesses and investors on our own, essentially taking charge of the marketing and sales ourselves. Currently a very small portion of the overall business comes through channel partners.

Nevertheless, our efforts bore fruit, and in the first year, we achieved a deployment of around Rs 7-8 crores, which has now cumulatively reached Rs 200 crores. So far, we have distributed around 35 crores of profits to our investors. At Rehbar, we have everything streamlined and structured now, creating a positive impact on our clients.

What particular challenges did you face at the community level?

The first hurdle we had to overcome was the negative image associated with Islamic finance in the community. Many people had been duped by fraudulent companies claiming to operate in the name of Islamic finance, and unfortunately, many of those cases were from Bengaluru, where we are also based. So, initially, it was a real challenge to convince people from our community, that we are a genuine and serious player in the sphere of Islamic finance.

Nevertheless, the bright side of this challenge was that our fine-tuning kept taking place while performing the convincing act. We got to know what we were shaping into. We also learned how to position ourselves to the target market. Through our interaction with people on the ground, we came to know about their expectations and modelled ourselves accordingly. Thanks to that period of struggle, we have evolved into a company that addresses the concerns and expectations of both investors and businesses in accordance with Sharia principles.

How different are you from other Islamic financial companies?

Although we are an Islamic finance company, we are registered as an asset leasing company, operating in a Sharia-compliant manner. Majority of our business is based on asset leasing. In addition to our strict Sharia compliance, we fully adhere to government rules and regulations, which are well-defined. We never entertain cash transactions or any transactions that contravene the financial regulations. This is why we have earned the trust of our ethically conscious investors and businesses by being transparent and vigilant about all our dealings at every stage.

Rehbar is commendably excelling in the domain of Islamic finance:

Zaid Razvi, Chief Financial Officer

In this interview with Maeeshat, Zaid Razvi, Chief Financial Officer of Rehbar, delves into the distinctive features of Rehbar's investment and funding mechanisms, as well as its risk management strategies. The interview reveals how he brings a wealth of knowledge to his role in the company and envisions substantial growth for Rehbar, citing its distinctiveness in the Islamic finance sector.

Could you please introduce yourself to our readers?

My name is Zaid Razvi, and I am a charted accountant. I have served top institutions like EY and HP with a cumulative experience of about ten years. My expertise include accounting, investigations, fraud investigation, and data analytics. I have been associated with Rehbar as Chief Financial Officer for the past one and a half years.

What made youjoin Rehbar?

Finance is an appealing field for chartered accountants. Additionally, as a Muslim, I cannot work in banks or capital companies since one can't even write about interest, let alone accept or offer it. Rehbar is entirely interest-free, commendably excelling in the domain of Islamic finance. So, working here just suited me, where I am putting my professional expertise to use as well as not dealing with usury—a rare opportunity for a chartered accountant.

How Rahbar is important for the progress of Muslims?

In Islam, money shouldn't remain idle; rather, it should be put to use for personal growth as well as that of society. If someone had one lakh, after a year it won't have the same value, so they are actually at a loss. Even if they deposit their money in the bank, they would give away the interest in alms to people who are poor. So, even the bank deposits aren't adding any value to their money.

But with Rehbar, they can invest their money freely, without worrying about the involvement of interest, because it is a Sharia-compliant Islamic model. Rehbar would provide them returns that they can use for their personal causes.

On the other hand, businesses that lack funds to grow despite having potential can benefit from Rehbar as it will use investors' money to fund these businesses to grow. Rehbar, thus, will provide opportunity for both investors and businesses to mutually benefit from each other. At the same time, it will lead totriggering economic activities among Muslims, ultimately benefiting society.

How do the investment and funding work at Rehbar?

Investors who are Sharia consciousinvest in our two Special Purpose Vehicles (SPVs), and we, in turn, deploy them to businesses in need of funding. The funding is done through operating leases, where we buy assets from companies and lease them for a fixed period on a rental basis. Additionally, we fund businesses through profit-sharing loans. Every quarter, businesses provide us with a share of their profit, which we give to our investors as returns.

How do you manage the risks associated with this model?

We have a stringent screening and inspection method to select businesses eligible for funding. First and foremost, we don't invest in new ventures or startups; instead, we invest in businesses with a steady track record of generating profit. Secondly, we deploy investors' money in a group of businesses instead of a single business so that any risk of loss in the case of a particular business is outweighed by the gains in other ones, resulting in overall profit for our investors.

Since you have a charted accountant background, how have you contributed to Rehbar?

As I mentioned earlier, I have valuable experience working in multinational firms, and I have brought the expertise I gained there to Rehbar. Since joining, I have implemented data analytics and data intelligence, enabling us to monitor businesses' performance on an industry level and predict their growth prospects with more precision. This approach aids our decision-making process in funding businesses that have the potential to be profitable.

What is your future outlook onRehbar?

What I have seen in researches of various multinational companies such as BigForce and Stanely Morgan they, they view Islamic finance very positively. And the same has tremendous potential to grow in the future, reaching multi billion rupees.

As far as Rehbar is concerned, we are a unique model in Islamic finance, and also have first mover advantage. Therefore, there is immense potential for growth. I believewe have only scratched the surface with 200 crores disbursal as of now.

Can Crowdfunding Lead to Greater Access to Islamic Finance in India?

Shariq Nisar
Professor, Rizvi Institute of Management Studies Research, Mumbai,

By Raashid Sherif
Head Investments, Rehbar Financial Consultant
Bangalore

Introduction

The raison d'etre of Islamic finance is shari'ah-compliance—following what is prescribed and mandated and avoiding what is prohibited in Islam. Islamic finance has evolved in different countries in different circumstances and with varied motives, human skill sets and legal architecture. All of these have played a role in giving specific direction to the development and progress of Islamic finance in the country.

Economic historians are of the view that the term "Islamic Economics" emerged during pre-colonial India when Indian Ulema (Religious scholars) were playing active role in the country's independence struggle against the British. Mainstream economists, financial experts and technocrats were inspired by these events. However, partition of India and subsequent movement of well-off and educated section to the other side of the border altered the course and journey of Islamic finance in India.

ISLAMIC FINANCE IN INDEPENDENT INDIA

Many small efforts in different parts of the country from pre-independence period succumbed to the tumultuous period of the country's partition. After a gap of almost three decades fresh efforts started to emerge on the scene. First among them was establishment of Bait-Un- Nasr in Mumbai. This was started as pilot in 1973 and regularized as Urban Cooperative Credit Society in 1976. Bait-un-Nasr collected savings from the members without offering any return to them and gave loans to the members against collateral. The cost of running the operations was spread across the borrowers in proportion to the amount they had borrowed in terms of the loan size and duration.

Profit-centric Non-Banking Finance Companies (NBFCs) started to emerge on the horizon by the mid of 1980s. They mobilized capital from investors in various formats and deployed them mostly in real estate and shares of listed companies.

Tax inefficient structure, economic downturn and drastic changes in the NBFCs regulations in the late 1990s cut short the journey of most Islamic finance companies in the country.

Closure of Islamic NBFCs led some enthusiasts to move towards more liquid option (i.e. Capital Market). This was a more viable option for the fact that mobilizing public investments and managing funds on shari'ah-compliant basis had almost become unviable and impractical under the newly introduced NBFC regulation. Moreover, Islamic Stock broking provided a better revenue model as stockbroking commissions during those days were as high as 100 basis points. For investors, there was better liquidity in the stock market as compared to investments in an Islamic finance company.

Indian capital market offers one of the widest options of investing in shari'ah-compliant listed companies. Of nearly 7000 companies that are listed 50% of them are in shari'ah-compliant businesses. After conducting the financial screening, nearly 15% of the listed stocks are found shari'ah-compliant, which makes India the largest provider of shari'ah-compliant stocks than any other country.

The journey of shari'ah-compliant asset management in India dates back to over two decades. Tata Asset Management Company (AMC) on 24th May 1996 launched Tata Core Sector Equity Fund, a closed-ended scheme with a mandate of investing in only core sectors of the economy and refraining from investing in companies engaged in the business of financial services, entertainment, tobacco and liquor among others. The shari'ah principles that governed investments at that point were primarily concerned with the nature of the business. Financial screening norms for shari'ah compliance purpose was developed in 1999 with the launch of Dow Jones Islamic Market Index.

After completing three-year lock-in period, the fund became an open-ended fund. In order to capitalize on increasing opportunities in the Indian IT industry, the fund chose to become a sector fund and renamed as Tata IT Sector Fund.

In 2001, the fund again changed its name and course. Now it was renamed as Tata Select Sector Fund, with an aim of investing across sectors. In 2002, the fund again had a course correction and was classified as a diversified fund, thus enabling removal of the sectoral cap and it was renamed as Tata Select Equity Fund.

In 2007, Taurus Asset Management Company (AMC) received SEBI's approval to launch India's first shari'ah-compliant mutual fund named as Taurus Ethical Fund. Inspired by Taurus Ethical Fund, Tata AMC filed an application with SEBI to convert its existing fund "Tata Select Equity Fund" to "Tata Ethical Fund".

Crowdfunding as an alternate to institutional funding

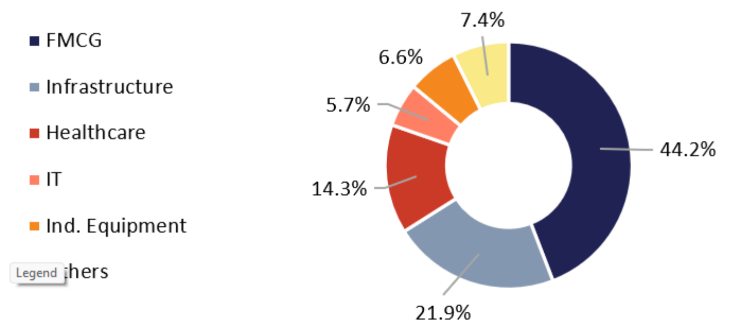
Crowdfunding is a relatively new concept in India. According to a World Bank report from 2012, there were only 10 crowdfunding platforms operating in India. Crowdfunding platforms (CFPs) can broadly be categorized into 2 types: Investment CFPs and Benevolent CFPs. Investment CFPs are further either equity or debt crowdfunding platforms. Debt crowdfunding platforms are more commonly know as P2P lending platforms. Benevolent CFPs can be either donation based or rewards based (where contributors are rewarded with some memorabilia or products.

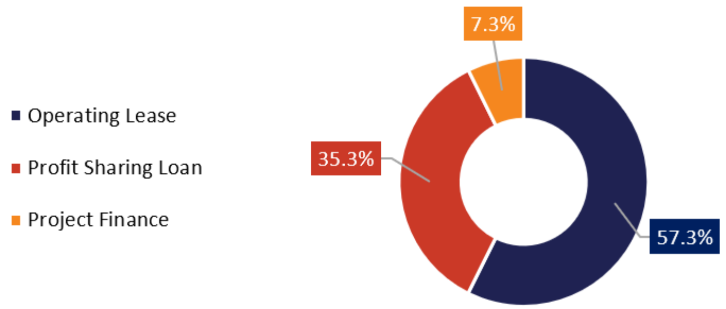
Rehbar – Crowdfunding Platform for Sharia based investment and funding

In 2013, a crowdfunding platform Rehbar Financial Consultants was set up to fill a crucial market gap. Rehbar connects enterprises in need of shari'ah-compliant funding with investors seeking shari'ah compliant investment avenues. In the last 7 years, Rehbar has arranged finance for over 1000 deals worth over Rs 600 million by connecting businesses with more than 700 investors. The 3 products it offers businesses are operating lease of plant and machinery, profit sharing loans and project finance loans. It has its own shari'ah board.

Rehbar charges a fee for the services it renders to the businesses it helps raise finance such as due diligence, ongoing business monitoring and reporting to the investors. Investors have received 14 to 16% per cent returns with about 5% per cent deals (in value term) going bad. The company has also approached the court in cases where it felt shortchanged by the investee companies. Moral hazard, governance and lack of skilled human capital are some of the challenges faced by the company.

The following tables show the current portfolio and investment product split of Rehbar:





Rehbar – The Origins

There were a series of brainstorming sessions in 2012 and 2013 about how to address the dearth of options for Sharia compliant finance as well as Sharia compliant investment in India. These sessions were spearheaded by a young finance professional, Mr Mudassar Baig and attended by a number of high-profile individuals from different walks of life. As an outcome of these brainstorming sessions, the company Rehbar Fin Consultants Pvt Ltd was formed. Mr MH Khatkhatay and Mr Sherif Kottapurath were the original directors and subscribers to the company shares when the company was incorporated in Bangalore in May 2013. 8 more shareholders joined subsequently to help establish the company. Mr Raashid Sherif (co-author of this article) was hired as the first employee of the company.

The initial months after incorporation were spent in ideation and planning the processes and systems that should be in place. There were discussions with finance professionals, legal experts, businessmen, investors and Sharia scholars. Initially a few deals were studied and even fewer deals were approved and circulated to the investor. The average size of deals executed in the first year of operations was less than half a million rupees.

Rehbar – Development and Refinement of the Business Model

After the proof of concept was demonstrated and the demand from both businesses and investors for a professional platform like Rehbar was established, marketing activities were organized to popularize and grow the concept. Prior to Rehbar, investors would attempt to invest in businesses through Sharia compliant structures, but they would do so in an informal and unstructured manner. Rehbar was the first such Islamic finance initiative to attempt to structure and formalize the process and hence a lot of awareness was required in the public that such an option exists.

Initially, the type of deals done in Rehbar were only of the profit and loss sharing (PLS) or project finance type, both based on the Islamic finance structure of Musharaka. Rehbar had taken a conscious decision to avoid the easy to structure, low risk trade finance structure of Murabaha, as it was questioned by many as being a back-door to interest based financing. Later, in 2015, for the first time, at the request of a large company which required vehicles for their distribution, Rehbar ventured into asset leasing, based on Ijarah model of Islamic finance. Today, Ijarah is the largest component of the investments made through Rehbar, followed by Musharaka.

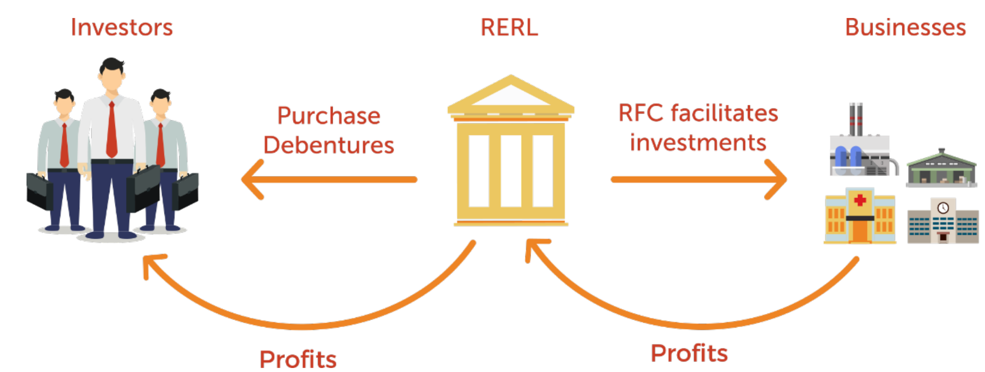
In PLS deals, the legal documentation of the investment was that of a loan bearing a variable interest based on the profit. The interest could also be negative if there was a loss, as the loss would be deducted from profits of subsequent period before arriving at the profit share. In the case of leasing deals, partnership firms would be setup which would purchase the assets and lease them to the businesses. The profits from the leasing activity would be distributed among the investors.

Rehbar – Current Business Model

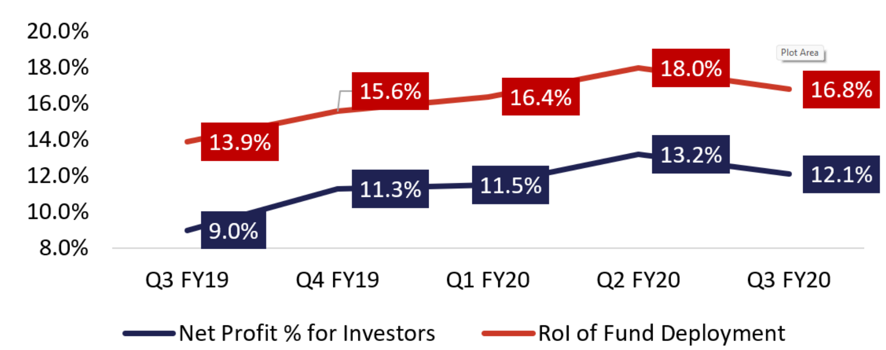
In 2017, the Central Bank of India issued a set of directions to try to regulate the space of P2P lending, which was a growing industry in the country. As the PLS deals facilitated by Rehbar were in the form of loans, Rehbar would have to comply with the P2P regulations if it continued its operations in the same model. However, the regulations were very restrictive and it would not have been possible for Rehbar to continue its operations under the old model. For instance, the maximum one lender could give to any borrower through P2P platforms was fifty thousand rupees. Further, any borrower could not borrow more than 1 million rupees through P2P platforms. These were much lower than the average investment and deal size at the time. Also, the Central Bank was not known to be sympathetic to Islamic finance structures, and everything considered, it was considered prudential to change the business model to avoid coming under the regulations.

The new model devised was again arrived at after detailed discussions with legal, taxation and Company Law experts and based on the learnings from the previous model. It was decided to form operating lease companies as special purpose vehicles (SPVs) which take on investors through the CCD route. CCDs or Compulsorily Convertible Debentures are quasi debt instruments that have the benefits of both debt and equity. The interest paid on the CCDs is again a variable interest, which is paid quarterly and is based on the profits realized in the previous quarter by the deals executed through that company.

Unlike the previous model, where an investor invests in individual deals, here the investor invests in the portfolio of deals which gives him the additional benefit of diversification, minimizing the possibility of losing the capital, but also bringing down the expected returns. In other words, Rehbar moved from a crowdfunding platform that raises funds for various investee businesses to one that raises funds for its own SPVs which in turn invest in the investee businesses. The following diagram represents how the model works:



The new model has been running successfully for over 2 years now. The graphs below show the returns on the investment and the returns to investors as a result of successful deployment over the previous 5 quarters:



Rehbar – Due Diligence Process

Rehbar follows a detailed due diligence process that involves both due diligence of the promoter as well as the financials of the business before approving the deal. The promoter due diligence process involves independent background checks, checks with the credit bureau (such as CIBIL) and reference checks with vendors, suppliers and personal references. The financial due diligence involves study of three years of audited financial statements and analyzing the payment capacity of the business after taking into consideration all other fixed obligations of the business. In the case of profit and loss sharing deals and project finance deals, projections of profitability of the business or project are also taken from the business and the feasibility of the projections are independently vetted by the team. Deals of Rs 5 million or larger require a further approval by an independent investment committee.

Rehbar – Issues Pertaining to Legal Compliance

The investment in CCDs of the SPVs is done through private placement of the securities, and not through a public issue. As per the companies Act, there are a limited number of investors (200) that can be issued CCDs through private placement in a financial year. For that reason, 2 such SPVs were formed, to fully cater to the demand. SEBI had issued notice to certain equity crowdfunding platforms in the past for violating private placement regulations and hence many of them had registered as Alternate Investment Funds with SEBI and taken on more regulation. However, as the SPVs in the case of Rehbar are issuing their own CCDs strictly in compliance with private placement regulations, that apprehension does not exist here.

Another issue that Rehbar has taken care of in the new model is that operating lease remains the major activity in the SPVs. This means that more than 50% of the assets are non-financial (in this case, the assets given on operating lease) and more than 50% of the revenue is from non-financial assets (such as the rentals from operating lease). If financial activity (such as PLS deals) becomes the major activity of either of the SPVs, the SPV would be required to register with the RBI as an NBFC.

Rehbar – Challenges in the Business Model

Although the new business model is legally compliant, that does not mean it is not without its own challenges. As an operating lease company, the SPV does not have recourse to the type of recovery mechanisms that an NBFC would have in the case of default by the businesses. It also does not have access to and can not report to the credit bureau like an NBFC can and hence there could be lapses in due diligence and monitoring on that account. This can give rise to moral hazard due to the information asymmetry.

On the investment side, as the CCD is convertible to equity at the end of 10 years, the investor is dependent on Rehbar transferring the CCD to another investor or to the other SPV to exit their investment. The SPV is not required by law to buy back or redeem the CCDs at any point in time. From an analysts perspective, the Debt to Equity ratio in the SPVs are very high, as the CCDs are considered as debt. As a result, getting institutional funding, which can come at lower return expectations is also difficult.

Another challenge is getting qualified and skilled human resources to join the company. Since Rehbar is a startup which is bootstrapped and has not raised any institutional funding, it can not pay the type of salaries that the fintech companies, investment banks and VC funds typically pay. At the same time, the challenges Rehbar faces are very similar to those faced by these entities. Hence the skill gap is another challenge that is faced. Currently it is being overcome as there are individuals with experience in conventional finance who are willing to take a pay cut but join because they are passionate about the cause. Rehbar needs to find a way to incentivize such resources to stay and continue to contribute to the growth of the company in the long run.

CONCLUSION

Although India has one of the largest Muslim population, Islamic finance segment has not grown in the country mainly for regulatory apathy, Muslim intelligentsia's lack of interest in the Islamic finance business and a dearth of Muslim finance professionals in the country. Despite all these challenges, Islamic finance is taking definite shape in the country. Indian capital market regulator SEBI has been most welcoming to shari'ah-compliant schemes while the Indian central bank has turned out to be the most conservative.

Interest-Free Loan Societies

By: Dr. Muhammad Hamidullah
Translation from Urdu by:
Mufti Yahya Moin

Note from the Editor, Maeeshat:

Now a days Islamic Banking and Finance is a thriving business across the globe. Not only Muslim world but also in the developed markets like Europe, UK and America Islamic banking and finance is growing leading to increased business opportunities for all. Unfortunately, our country India – though it is considered a birthplace for Islamic economics - is lacking in capitalizing on this opportunity due to apathy from regulators and participants alike. But this was not the case always. Maeeshat is publishing English translation of an article written by Dr Muhammad Hamidulah which was published by Ma'arif Journal in 1944. Maeeshat is thankful to Mufti Yahya Moin for the excellent translation.

Note from Editor, Ma'arif

Regardless of the religious prohibition on interest, purely from a worldly standpoint, the repercussions of interest-based loans that have led many extravagant Muslims to their current plight are quite evident. Some short-sighted Muslims, instead of discouraging fellow Muslims from taking interest-based loans, have proposed religious loopholes to justify and promote interest, suggesting it as a solution to the economic decline of Muslims. However, the economic progress of nations does not revolve around usury but rather the promotion and growth of industry, craftsmanship, and trade. Admittedly, the downfall of many Muslims is due to their extravagance, but there are certain circumstances where genuinely impoverished and needy Muslims are compelled to take interest-based loans.

Considering this compulsion, during the era of the Rightly Guided Caliphs, there was an arrangement from Bait-ul-Mal (public treasury) to assist needy Muslims and manage their loans. However, today, there is no collective system of this sort, and many Muslims find themselves forced to take loans with interest in times of necessity.

First and foremost: The need was realised in Hyderabad, and about fifty-sixty years ago [1880-1890], societies were established there to provide interest-free loans. These societies were so successful that now the government has also extended its patronage towards them.

Dr. Hamidullah Siddiqui has sent us the chronicle of these societies for publication. Since it relates to the benefits of ordinary Muslims and addresses a significant issue of the time, and also illuminates the system and operations of these societies, it is published for the lessons of the general Muslim populace. [Editor, Ma'arif].

The "Ma'arif" journal, while offering invaluable services in the domain of Islamic sciences, is no less active in the reformation of the Muslim society. We intend to present a matter related to this latter mentioned objective to our readers.

In the Islamic world everywhere, and especially in India, Muslims are renowned for their hand-to-mouth existence and extravagant spending. The result is indebtedness; that same debt from which a Muslim, at least five times daily in his prayers, expresses his aversion by saying:

(O Allah, I seek refuge with you from sin and heavy debt).

However, this expression of aversion has become merely verbal and is far from being practiced.

Mutual needs in human societies have been present since ancient times, and among these needs is the temporary requirement of money. Some have excess money, and others need it. Under normal circumstances, it is reasonable for the one with surplus money to gain some benefit from lending it. But humanity is also of value; there should be some presence of virtuous ethics. If a fellow human being doesn't assist the powerless and needy, then from which creature in creation can one hold any hope?

This is the reason that since ancient times, every civilised religion has prohibited usury everywhere. Islam has even termed it as a declaration of war from Allah and His Messenger ﷺ. All of this is true, but in a world where humans have freedom, it's too much to expect that they would generally act on a "difficult act of virtue". To lend one's money, even if it's spare, without interest, and thus gain a mere thank you in return, is truly a challenging act of kindness. Aside from the government, only a few unique individuals in society would be able to lend money without interest.

While all civilisations have prohibited usury to some extent, none have focused on the root cause of it. Islam is the only civilisation that, along with prohibiting usury, has also provided means for its eradication. And as mentioned, lending money and abstaining from interest is generally easier for a government, not for common individuals.

Thus, the Holy Qur'an has incorporated this into the duties of the government and commanded that a portion of the state's income be set aside to assist debtors.

"Indeed, the state revenues from Zakat and the like are for the poor, the needy, the officials administering them, those hearts are to be reconciled, for the freeing of slaves and captives, and for debtors."

[Since the verse begins with mentioning the poor and the needy, these debtors cannot mean those who are destitute or extremely impoverished. Instead, they could be well-fed people who are in dire need of a loan on a temporary basis.]

It's noteworthy that in this verse, instead of the word "Zakat," the term "Sadaqat" (charities) is used, which has a broader meaning. Elaborating on this here might be unnecessary, as most people are aware that during the reign of Hazrat Umar Farooq (RA), Muslims would obtain loans from the state treasury. Even the Caliph of the Muslims himself would borrow from the Bait-ul-Mal (state treasury) during times of need, and repay it once he received his annual or semi-annual salary from the state.

Had this state arrangement continued, there would be no usury in the Islamic world. In recent times, what can be expected from governments in terms of such benevolence?

In the Islamic State of Deccan, - May Allah Taala protect it from evils and seditions - various reformative steps have been taken in recent times. There are also organisations that offer interest-free loans. Permission is sought to present some details about them here.

Before Cooperative Credit Societies were even established in British India, about fifty to sixty years prior (from today - i.e. 1944), a compassionate Sheikh from the city of Hyderabad established the Anjuman Mu'aid-ul-Ikhwan. The founder's deserving son, Maulana Syed Muhammad Badshah Husseini, continued its operations under the supervision of the Majlis-e-Ulama of Deccan. To this day, it is thriving and continues to grow.

The principle of this association was for people to donate their sacrificed animal hides and other charitable amounts to this institution. Despite a modest beginning, the association has now accumulated capital of 10-15 thousand, and so far, has provided interest-free loans of 5-6 lakh rupees. While it's a small association, it is commendable for its pioneering efforts.

During this time, dozens of associations for interest-free loans were established from time to time in the Kingdom of Aasifia, many of which still exist. The purpose here is to detail one of them: **The Mutual Aid Interest-Free Loan Association of the Department of Land and Entry Rights (Settlement and Land Record).** This association recently held its 20th annual meeting, where it was disclosed that over the past twenty years, they have accumulated capital exceeding one lakh rupees. From this, they are now disbursing new loans amounting to five to six thousand rupees monthly. The principle of this association is mutual assistance.

Here's how it works: suppose ten

people established an association and subscribe a portion (1/10) of hundred rupees capital. They commit to paying installments of one rupee each month until the entire capital is fully subscribed in about eight years and three months. As a result, in the first month, ten rupees are collected from the ten partners, which are then loaned to one or more of the partners. If repayment is set for twenty months, monthly installments amounting to eight annas (half a rupee) are collected for the loan. In the second month, another ten rupees are collected, along with the installment of eight annas for the loan. By the third month, aside from the equity amount, a loan installment of slightly more than eight annas is collected, and this way, the monthly income increases progressively. By the end of eight years, a thousand rupees are accumulated from just ten poor individuals. This amount remains circulating among the partners in the form of loans and is solely repaid through loan installments. Month on month, enough funds get accumulated from repayment of loans to meet the needs of the deserving members.

New members keep joining, and some depart due to death or other reasons, taking their amounts back with them. However, if the workers are trustworthy, the reputation of the association and its operations expand.

The association also needs books, papers, ink, stationery etc. The arrangement for their provision is such that, for instance, members pay a monthly fee (like one paisa) for safekeeping and expenditure. A small fee, say one anna or an appropriate amount is also charged upon loan applications. This amount becomes sufficient enough to cover the salary of an accountant as the business expands and is also useful for unrecoverable amounts. For example, if someone dies and their outstanding loan exceeds the amount of their deposit, and coincidentally their collateral has also become insufficient, etc.

Guarantees can be personal or financial. A personal guarantee means that one or more individuals pledge that if the borrower fails to repay, they will cover the amount from their personal wealth and assets. Financial guarantees include jewelry, property, and other movable and immovable assets. Generally, collateral worth one and a half times the loan amount is accepted to account for potential fluctuations in market values.

There are also restrictions on the loan amount. For instance, one segment of borrowers might be able to borrow up to a maximum of a hundred and fifty rupees. Similarly, even if someone is entitled to a hundred and fifty, their borrowing amount can be reduced prudently, for example, if they have a lower income, like that of a peon.

If many people apply for loans at the same time, applications are prioritised based on urgency, necessity, and availability of funds. Typically, the administrative council meets monthly to decide who will receive loans and how much. As long as there is no undue favoritism, everyone remains content.

These and other administrative matters are also understood through experience. Knowledge can also be gained from the rules of experienced associations. The mentioned association currently has a thousand members, including both Muslims and non-Muslims. Despite the association's expenses, its saved capital, accrued through savings, now stands at three thousand rupees.

There's no doubt that if a person consistently spends more than his income and tries to compensate for the shortfall with loans, even the wisdom of Luqman (AS) won't be able to help him. He will soon face ruin. The purpose of the Benevolent Loan Associations is only to assist those who maintain a balance between their income and expenses, but if they temporarily need an amount that can't immediately be saved from their earnings, they are provided a loan.

Muslims in India need many supplementary measures to rid themselves of the habit of extravagance and to strike a balance between income and expenses (in addition to the Benevolent Loan Associations). This includes abandoning unnecessary rituals, cutting down on non-essential expenditures or eliminating them altogether. As the Council of Scholars of Deccan has suggested, if someone conducts a lavish event beyond his means just for showoff, and acquires a loan on interest for it, such an event should be boycotted. If possible, amendments should be made in the set of Shariah Penal Codes to consider those who hold extravagant events and those who take loans for unnecessary purposes as liable to be penalised.

In any case, the Mutual Aid Interest-Free Loan Association has done commendable work in Hyderabad and is now expanding day by day. A long journey of sixty years filled with struggle and perseverance has come to an end. Now, the government is also supporting them. Consequently, the Hyderabad government recently stated that it observes the progress of the association of the land management department's employees with great financial interest. The unique feature of this association, which is its interest-free operations, encourages other office associations too. This is because the true purpose of any Mutual Aid Loan Association is to promote thrift and serve its members, not to engage in profit-making activities.

Opinion

Globally Muslims are against Zionism not Judaism

The now month old conflict in Israel has found a new supporter at the global level i.e. the right-wing Hindu nationalists. Though most of them do not have any clue that what is the real cause of war in Israel, but they still condemn the Muslims for their support to the Palestinians. Asad Mirza tries to find out the root cause of the conflict.

By: Asad Mirza

The recent anti-Muslim sentiments, expressed mostly on various social media platforms globally by blind followers of the right-wing ideology, and in some cases publicly also by right-wing Hindu priests in India leads one to surmise that they are completely ignorant of the real issue here, and for them the easiest binary is just Hindu and Muslim, and whoever the Indian Muslims support, the right-wing Hindu must oppose them.

To a large extent this applies to a larger section of the Indian electronic media, too. They continue their PTCs parroting the lines given by the Israeli defence media, sadly with no real ground reporting from the conflict zone.

It should be noted that Muslims, whether in India or any other country are not against Judaism but Zionism, and there is a sea of difference amongst the two. Muslims can't be against Judaism, as like Islam, Judaism too is a religion of the book, and its founders are patriarchs of the Islamist theology too.

However, to debunk these false narratives and interpretations, it becomes imperative to have a clear understanding how this concept of Zionism evolved and what were the relations of Arab Muslims and Arab Jews before the spread of the Zionist movement across the globe and how they were able to construct the whole edifice of anti-semitism, labelled against anyone who opposed Zionism.

Prior to that it would be helpful to understand the current demographic situation of Israel. As per a survey carried out by Washington-based Pew Research Centre in 2015, Jews comprise 81 per cent of Israel's population, Muslims constitute 14 per cent, Christians and Druze both constitute 2 per cent each and 1 per cent declare themselves as Atheists.

But in spite of such a large population of Arab Muslims, Arab political parties have long struggled to gain representation in Israel's government over the years, a complete denial of one's political rights, besides many Arabs have expressed alarm at the leadership of right-wing Jewish politicians, including the current Prime Minister Benjamin Netanyahu.

Academician Moshe Behar, a Jew, of Manchester University in his paper Were There—and Can There Be—Arab Jews?, presented at Notre Dam University in 2021, answers the question: Can there be Arab Jews? He answers in the affirmative and supports his position by historically tracing the meaning of Arab identity from the early twentieth century onward. He further contends that the political realm has heretofore been undervalued in historical accounts of Arab identity and in his essay shows the payoff in bringing this feature of Arab identity to the forefront.

He also reflects on the broader questions of what Arab identity by itself consists of as well as the very act of defining the self and the other. He concludes the piece with reflections on the limitations of the statement of opposition to the International Human Rights Association's definition of anti-semitism endorsed by Palestinian and Arab intellectuals, academics, and journalists. Behar argued that the failure to include Arab Jews in this statement reproduces rather than overcomes the problematic binary thinking in which the Israeli-Palestinian conflict is framed.

To further understand the question of Arab Jews, we'll have to go back to the origins of Zionism, which has been explained very lucidly by Liora Halperin in her essay Origins and Evolution of Zionism, published in September 2015 by Philadelphia-U.S.-based Foreign Policy Research Institute.

Liora opines that Zionism is a variety of Jewish nationalism. It asserts, rather correctly, that Jews constitute a nation whose survival, both physical and cultural, requires its return to the Jews' ancestral home in the Land of Israel. Pre-1948 Zionism was more than a nationalist movement: it was a revolutionary project to remake the Jewish people.

Liora further opines that Zionism is a form of Jewish nationalism that posits Jews are a nation and that Jews should receive national rights on the basis of this identity. What distinguishes Zionism from other forms of Jewish nationalism is that Zionists, after a brief period of uncertainty and alternative proposals, believed that the location for these rights or sovereignty should be the Land of Israel, which religious Jewish tradition regarded as Jews' ancient and ultimate homeland.

In fact, the man universally credited with founding the Zionist movement was Theodor Herzl (1860–1904), an Austro-Hungarian Jewish journalist and political activist. Herzl's Zionism was purely political in theory and practice: the Jews as a nation did not need a new culture, language, or concept of the messianic era, but only a national polity of their own, whose creation would solve the problem of anti-Semitism both for the Jews themselves and for Europe as a whole, as expounded in his book Der Judenstaat (The Jewish State).

Essentially, Zionism's origins lay in a confluence of factors: physical persecution of East European Jewry, Jewish assimilation in the West, and a Hebrew cultural revival that rejected or transformed traditional Jewish religiosity. At the end of the 1800s, Zionism's first adherents were concentrated in the Russian Pale of Settlement and Rumania, but under the dynamic leadership of Theodor Herzl, Zionism established itself as a global political movement.

Laura further opines that though Zionism has a particular logic that emerged from the events surrounding it, not all Jews subscribe to that logic and in fact a majority of Jews initially did not. Their opposition stemmed from a number of directions. Jewish liberals, committed to the idea of Jewish integration, thought that Zionism, by conceding to the permanence of anti-Semitism, would in turn lead to more anti-Semitism.

Orthodox Jews believed that Jews had been exiled in ancient times because of their sins and would return only with God's will and in messianic times. They believed that taking action to return to Palestine en masse was nothing short of heresy. This religious opposition would change as politico-religious streams of Zionism emerged, but it is important to recall that Orthodoxy was initially deeply opposed to Zionism.

If we earnestly study the events post-1917 and particularly post-1948, we'll be able to decipher that Jews-Muslims/Islam relation were never a sore point politically, but post-1948 the Zionist movement was able to spread its tentacles with the help of the erstwhile colonial powers i.e. the U.K. and the super power i.e. the U.S.A.

Under a planned expansionist programme, supported by a well laid out strategy to drive out illiterate Arabs from their homeland, Zionist Kibbutz's (settlements) were established in a phased manner over the years all over Palestine – which was an independent country, leading to the present crisis.

What many people are fed by various news outlets is the history of Israel post-1948, and the gullible consumers of this false propaganda fail to understand that the erstwhile colonial powers are still continuing their colonial legacy in Israel, and that's what Muslims are against globally.

In the larger interest of global peace, it would be more useful to change this false binary and see the real intention of creating a new state of Israel by the global powers and in that sense it would not be a war against Palestinians but Muslims globally.

In the on-going conflict we don't need to focus on Hamas, but dispossession, oppression and apartheid against the Palestinians, and more specifically this conflict didn't started on October the seventh but decades ago.

--Ends

(Asad Mirza is a Delhi-based senior political and international affairs commentator.)

Success Story

How a young Kashmiri woman hand-crafted a pan-India success story

Inshada Bashir Mir, a 29-year-old MBA graduate hailing from Hanjiwera Bala Pattan in Baramulla district of Jammu and Kashmir.

By: M.K. Ashoka

Inshada Bashir Mir, a 29-year-old MBA graduate hailing from Hanjiwera Bala Pattan in Baramulla district of Jammu and Kashmir.

Despite challenging circumstances, Inshada with grit and determination has found a company “Tubruk”, which sells a plethora of hand crafted articles.

She works with 40 artisans and has expanded her business to Mumbai, Bengaluru, Delhi and Jaipur. Inshada’s ambition is to take her brand “Tubruk” to the international level to introduce the handmade crafts of Jammu and Kashmir and give a new lease of life to the art and artisans who are vanishing day-by-day.

Inshada was invited as a panelist to share her success story in the recently held “Kula – 23 Conclave” organised by “200 Million Artisans”, a social enterprise enabling ecosystem for craft led enterprises for the community at the Bangalore International Center in Bengaluru.

Narrating her successful journey to IANS, Inshada explained that “Tubruk” is a Kashmiri word meaning a souvenir and blessing. “When I approached artisans with business proposals, they just saw me as a little child and laughed,” she says.

The young lady had dreamt of establishing a business at her native while she studied crafts management in Srinagar Craft Development Institute. She had learned the basics, value supply chains, but the challenge was to deal with the existing ground realities in Kashmir.

When asked about whether she was allowed to carry out business by the family, Inshada explained that she hailed from a family which was into the business of carpets.

“Outsiders think Muslim women are not allowed to carry out business. Prophet Muhammad’s (PBUH) wife is the first businesswoman of this world. My father’s advice on my adventure was negative. Don’t start a business as it is risky, was his opinion. But, as I was firm with my intention, he did not stop me from pursuing my dream. He is there for me all the time. My mother supported my dream as well.

“I started my business by making advance payments to artisans. I got the new designs of shawls, stoles, jewels, ear rings, laptop covers and other articles with signature modern embroidery works. You have to take that one first step and you will realize there are many to help you. You have to do it with a creative mindset,” Inshada revealed.

She participated in the Bengaluru Exhibition organised by the NGO Commitment to Kashmir in 2018. After that she attended a few more events which helped her to get contacts, networks and market.

“I started with four to five artisans. Now, I feel proud that I am working with 40 to 50 of them. The more joy comes as I am able to make their payments in advance. Now, my aim is to take Tubruk to international level,” she says.

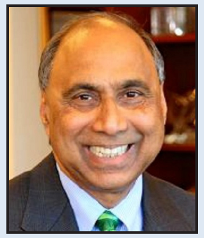
200 million artisans under the leadership of its founder Priya Krishnamoorthy are doing great work to bring together the handicraft artisans and enterprises community and promote this sector.

“I am grateful to them to invite me for this Kula Conclave event in Bangalore and share my thoughts and journey along with other eminent personalities from the handcraft segment and discuss on how we can save this sector,” Inshada says.

Kashmir is marching forward, it is going ahead, Inshada explains with glitter in her eyes.

Opinion

America's Immigration Dilemma in Perspective



Frank F. Islam

Over the past few months, the media has been almost as overwhelmed by stories about the migrant crisis as the country has been by the influx of migrants seeking asylum in the United States.

This crisis has intensified America's immigration dilemma. This dilemma is not new. It has existed for decades. The failure to deal with it constructively in the past has made it more difficult to do so today.

In this blog, we examine the immigration dilemma: looking at the surge, its impact, and the current status of immigration in America; reviewing an attempt to address the immigration problem in 2013; describing the growing divide over immigration; outlining recent proposals to address the current crisis; and identifying requirements to resolve the dilemma successfully.

The Migrant Surge

U.S. Customs and Border Protection (CBP) reported that more than 260,000 migrants were apprehended trying to cross the southern border illegally in September. This was the highest number of apprehensions for this year to date.

In the governmental fiscal year 2023 (10/1/2022–9/30/2023), the CBP reported more than 3.2 million encounters with migrants. This compares to a total of more than 2.7 million encounters in fiscal year 2022.

These statistics are troubling. Even more troubling is the fact that these migrants are being assisted in their illegal journeys. According to Quinn Owen of ABC NEWS, "Officials emphasize that much of the migration is driven by transnational criminal organizations engaged in the big business of human smuggling."

While those smugglers reap significant profits from their criminal activities, the United States pays a high price for it. The Migrant Policy Institute opens a policy paper published on September 27, stating: "The likely record number of asylum seekers and other migrants entering the United States after being apprehended at the southern border is placing an unprecedented financial strain on states and cities nationwide…"

The paper goes on to observe:

> "Although the full fiscal impacts of providing services to the newcomers are unknown, mayors and governors nationwide have cited high costs. New York City spent an estimated $1.7 billion on shelter, food, and other services for migrants through the end of July. Chicago expects to have spent $255.7 million between August 2022 and the end of 2023. Washington, DC spent $36.4 million on migrant services by late August, and expects the total to reach $55.8 million by October. Denver, …has spent $24 million on migrant services as of September… Massachusetts's governor said the state was spending $45 million a month on migrant services as of August….

A Nation of Immigrants

The migrants are streaming and seeking asylum in the United States because of its unrivaled status as "a nation of immigrants." In 2023, The Council on Foreign Relations issued an excellent backgrounder written by Claire Klobucista, Amelia Cheatham, and Diana Roy, which provides substantial information on this immigrant nation.

Their paper reveals the following:

- The United States is home to more foreign-born residents than any other country in the world. In 2021, immigrants comprised almost 14 percent of the U.S. population.
- Immigrants composed 13.6 percent of the U.S. population in 2021, or about 45 million people out of a total of more than 332 million, according to the U.S. Census Bureau.
- Together, immigrants and their U.S.-born children make up about 27 percent of U.S. inhabitants, per the 2022 Current Population Survey.
- The Census Bureau has predicted that the total number of immigrants living in the United States will reach 65 million by 2050.
- Though the share of the population that is foreign born has steadily risen since 1970, when there were fewer than 10 million immigrants in the country, today's figure is still slightly below the record high of 14.8 percent in 1890.
- The undocumented population was estimated to be about eleven million people in 2019; more recent data is not yet available due to difficulty collecting information amid the COVID-19 pandemic.
- At the end of FY 2022, there were 1.9 million cases pending in immigration courts, and by mid-2023, that number had grown to more than 2 million, the most on record.
- A Center for Migration Studies report found that, between 2010 and 2018, individuals who overstayed their visas far outnumbered those who arrived

by crossing the border illegally.

An Attempt at Immigration Reform

In their piece for the Council on Foreign Relations, Klobucista, Cheatham, and Roy note that the "last push for a major immigration overhaul came in 2013, following a decade in which Congress debated numerous immigration reforms.." They write that at that time:

> "President Barack Obama pressed hard for a comprehensive bill that would pair a path to legalization for undocumented residents with stronger border security provisions. The Democrat-led Senate passed this legislation in 2013, but the bill stalled in the Republican-controlled House of Representatives.

We would add to that analysis, that even though the Senate was "Democrat-led," the legislation which it passed was bipartisan in nature. It was crafted based upon a sweeping proposal put together by four Democratic and four Republican senators who became known as the "Gang of Eight." The 1200-page Senate bill with a $50 billion price tag was passed by a solid majority vote of 68–32.

The Senate bill did "stall in the Republican-controlled House." But the Senate bill's momentum was slowed down by the fact that in March of 2013 Florida Governor Jeb Bush released his book Immigration Wars: Forging An American Solution, in which he cautioned against a pathway to citizenship for illegal immigrants.

Bush's book was not dispositive, but it definitely contributed to the demise of the Senate bill in the House.

The Immigration Divide

The demise of the 2013 Senate bill thrust comprehensive immigration reform into limbo for the past decade. During that decade, there has been a growing divide within the American public regarding immigrants and how to handle immigration.

That divide has been driven primarily by former president Donald Trump, who used immigration as a wedge issue during his campaign for president, during his time in office, and since. The Council on Foreign Relations backgrounder notes that:

> "Immigration was a signature issue for Trump and a perpetual source of controversy during his term. Blaming previous administrations for failing to secure the southern border, he advocated for sharply reducing both legal and illegal immigration. He took several steps, many through executive action, to reshape asylum, deportation, and border policy.

The authors provide provides extensive detail on the steps and actions that Trump took as President in those. Unfortunately, that narrative only tells half the story.

The other half is the anti-immigrant rhetoric that Trump has used continuously to stoke hatred among MAGA supporters and to build a wall between them and the American people who support a more equitable view and treatment of immigrants. Recently, in a National Pulse video interview published in September, Trump declared:

> "Nobody has any idea where these people are coming from, and we know they come from prisons. We know they come from mental institutions and insane asylums. We know they're terrorists. Nobody has ever seen anything like we're witnessing right now. It is a very sad thing for our country. It's poisoning the blood of our country."

The Biden administration reversed the rhetoric and many of the negative actions against immigrants taken by the Trump administration with an aggressive agenda of executive actions and a plan that he proposed.

The migrant surge, however, has led to criticisms of Biden's actions or inactions from many, including Democratic leaders in "blue" cities and states where the influx has had the greatest impact.

Immigration Reform Today

Given this current context, there is definitely a need for immigration reform in the United States today. Journalist and political commentator Fareed Zakaria has written that the "asylum system is broken" and called for a "dramatic overhaul of the system."

Zakaria is correct, but such an overhaul would only address part of the immigration conundrum. There is a need for a more systematic approach.

The good news is that such an approach has been proposed, believe it or not, in the US. Congress. It is the bipartisan DIGNIDAD (Dignity) Act of 2023. It was introduced by Representative Maria Elvira Salazar (R-FL) on May 23, 2023, and has 13 co-sponsors (7 Democrats and 6 Republicans).

If passed, the Dignity Act would address and increase border security, border infrastructure, grant legal status to undocumented immigrants already living in the United States with the possibility of earning citizenship, establish new pathways for asylum seekers, and create new legal pathways for economic migrants and unaccompanied minors.

The bad news is that according to GovTrack, a website that tracks bills and the members of Congress, the Dignity Act has a 0% chance of being enacted.

That was the chance before the congressional chaos which has reigned supreme over the past month. Sadly, the chance today would be less than zero.

The Need for Comprehensive and Strategic Immigration Reform

So, the need remains for meaningful immigration reform. That reform must be more than operational or tactical. It must be comprehensive and strategic.

In a blog posted in 2021, we outlined the parameters for a "comprehensive and strategic immigration system," and have been advocating for comprehensive and strategic immigration reform since 2013, when we devoted a chapter on immigration in our book, Working the Pivot Points: To Make America Work Again.

In that chapter, drawing upon a 2010 book, Brain Gain: Rethinking U.S. Immigration Policy by Darrell West of the Brookings Institution, we asserted that "one of the major flaws of our current system is that it is tilted too far in favor of family reunification over other important national goals."

One decade later in 2023, there has been no real progress made to correct that imbalance. There is a need for a total revamping of the U.S. immigrations system based upon completely rethinking U.S. immigration policy.

That's not only our opinion, it is also the opinion of the Migrant Policy Institute (MPI), a nonpartisan organization focused on improving immigration policy. In 2019, MPI launched a new multi-year initiative titled Rethinking U.S. Immigration Policy.

Doris Meissner, senior fellow at MPI, begins, in her concept note announcing the "Rethinking" initiative, as follows:

> "The U.S. immigration system is in desperate need of an overhaul — and has been for many years. What has been missing is an alternate vision for a path forward that treats immigration as a comparative advantage and strategic resource, while also accounting for heightened security and rule-of-law imperatives, that can together further U.S. interests, values, and democratic principles as a society.

Comprehensive and Strategic Immigration Reform Recommendations

Since 2019, MPI has developed a number of policy briefs to advance its "vision for a path forward." In May 2021, it issued a "Policy Road Map" policy brief. That road map "sketches the broad contours of some of the most needed reforms in the legal immigration system."

The vision it outlines includes the following:

- Addressing the challenge of the country's unauthorized immigrant population
- Restructuring the employment-based system to better reflect economic and demographic realities
- Retaining family-sponsored immigration as a major priority of the U.S. immigrant selection system, but with changes to some backlogged categories
- Reforming the humanitarian protection system, including U.S. asylum system
- Injecting much-needed flexibility into immigration levels, with the creation of an independent expert body within government that makes recommendations on annual admissions

Dany Bahar and Greg Wright of The Brookings Institution have also advanced a "road map for immigration reform." Their research paper, published in May 2023, identifies "weak links in the labor supply chain."

Bahar and Wright introduce a framework called the "the Occupational Opportunity Network, which identifies strategic occupations that will be in high demand for the next decade; are historically immigrant intensive; and have a high degree of complementarity with other occupations."

They assert using that framework shows "that the H2B visa program should be expanded to accommodate increased hiring of hospitality workers, drivers, construction workers, and care workers. Similarly, the H1B visa program should be expanded to accommodate increased hiring of health care workers, executives, and engineers, among others."

We stressed the importance of increasing the flow of immigrants in our recent blog, The Need to Revitalize Our Human Infrastructure, in which we stated "… America needs more immigrants and a strategic process in place in order to address our labor shortage and to revitalize this nation."

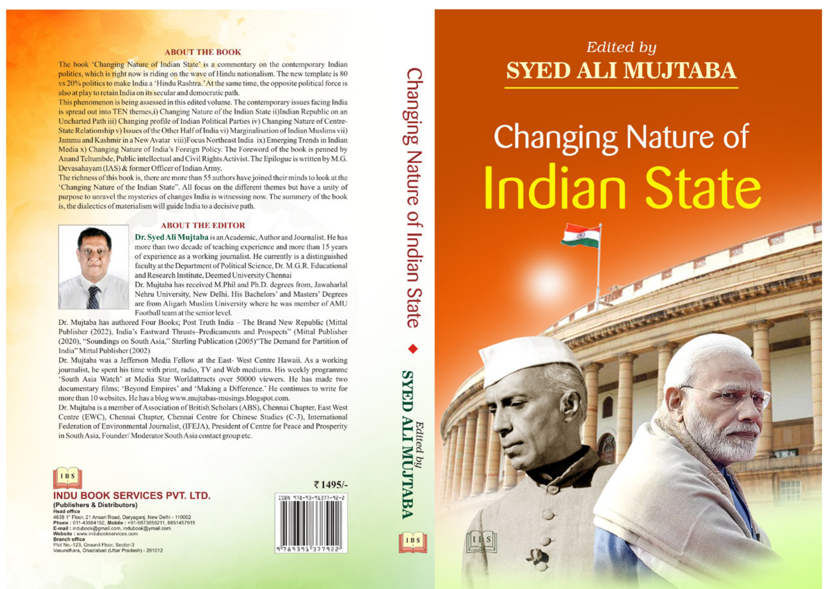
In closing, in 2023 the immigrant issue has become a political football. There is no dearth of solid proposals available that can be drawn upon to create a comprehensive and strategic approach to resolving America's immigrant dilemma.

What there may very well be, however, is a dearth of elected officials in Washington who are willing to work together to use those proposals to craft the legislation required to accomplish this.

Changing Nature of Indian State

The book 'Changing Nature of Indian State' is a commentary on contemporary India which is witnessing a new political template of 80 versus 20% politics, to make India a majoritarian state.

The book tries to capture such nuances of the changing nature of the Indian state from the Nehruvian era to the Modi era. The changes are reflected in the TEN segments of the book under each there are five to seven essays. These are; i) 'Changing Nature of the Indian State' ii) 'Indian Republic on an Uncharted Path' iii) 'Changing Profile of Indian Political Parties' iv) 'Changing Nature of Centre-State Relationship' v) 'The Voices of the Other Half of India' vi) 'Marginalization of Indian Muslims' vii) 'Jammu and Kashmir in a New Avatar' viii) 'Spotlight on Northeast India' ix) 'Emerging Trends in Indian Media' x) 'Changing Nature of India's Foreign Policy.'



Public intellectual and Civil Rights Activist, Anand Teltumbde, has written the Foreword of the book, and M.G. Devasahayam (IAS) former Chief Secretary of Haryana who previously served the Indian Army as an Officer has penned the Epilogue.

The book builds the argument that India under the BJP rule is witnessing the mixing of the identity of the Indian state with the Hindu religious identity. This new cocktail of mixing Indian nationalism with Hindu religious identity is an explosive mix that may serve the interest of the BJP as a political entity but it would be a dangerous bet for the Indian state. The ideals like; socialist, secular, and democratic values are sure to lose sheen as India is heading for becoming an autocratic republic.

The book Changing Nature of Indian State tries to chronicle the theme that the Nehruvian vision of India is getting blurred under the shadow of the Modi rule which is trying to give a new identity to our beloved country. This is being done by pursuing a blatant and explicit anti-Muslim agenda. This directional change given to the Indian Republic has put the country on an uncharted path.

The book concludes that India is on the cusp of choosing two diametrically opposite paths; one is currently underway making India a majoritarian state, and the other is to change the course of Indian politics and bring it back to the centrist position where it was during the Nehruvian era.

Optimism is reflected in the book as it says; that there is an opposite political force also at play to challenge the dominant narrative. And that is in the form of the 'Bharat Jodo' or Unite India movement. The executive summary of the book is, that the dialectics of materialism will guide India to a decisive path.

The richness of this book is, that there are more than 53 authors who have contributed their thoughts through their papers under the different segments of the book. They look at the dynamics of the 'Changing Nature of the Indian State." Even though they belong to different parts of the country but have joined their minds to unravel the mysteries of the changing nature of the Indian state.

The book 'Changing Nature of Indian State' is edited by Dr. Syed Ali Mujtaba who is a professor, author, journalist, environmentalist, social activist, filmmaker, blogger, U-tuber, and more. This is his fifth book. His previous four books are self-authored

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