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The Microfinance Investment Support Facility for Afghanistan (MISFA) was set up in 2003 at the invitation of the Afghan government — to get donor coordination right from the start and avoid the counter-productive efforts that have emerged from conflicting donor objectives in other post-conflict situations. It was established as a vehicle through which the Afghan Government and international donors could channel technical assistance and funding to build microfinance in Afghanistan.

In March 2006, MISFA was registered as a limited liability non-profit company whose sole shareholder is the Ministry of Finance of the Islamic Republic of Afghanistan. MISFA Ltd is an independent apex organization with a select group of implementing partners on the ground.

A Microfinance Client Story

How a former car broker clawed out of bankruptcy

When Jamaluddin lost all his savings and asset to his car sale business that went bankrupt in 2013, he was desperate. The 45-year old breadwinner was supporting his wife, three daughters and two sons. But with the volatile market conditions in Afghanistan and the limited number of Afghans with real purchasing power to buy high-ticket investments, selling cars is a high-risk business and Jamaluddin realized he needed to shift to a less risky business to secure a more stable source of income and his family's future.

Mutahid DFI's staff approached Jamaluddin at the right time and helped him establish his intended construction business. Although construction is also subject to market volatilities, it is considered less risky than the car industry. Mutahid also presented him with different loan products, including a Sharia-compliant facility, which he found most suitable.

"The loans worked for me a lot," said Jamal. "I manage to repay on time and also support the business and my family."

Jamaluddin runs a shop selling construction materials in the



Mutahid Development Finance Institution was established in 2011. Its creation facilitated the smooth consolidation of the best clients, staff, and resources of microfinance institutions, which exited the sector. As such, it is well placed to incorporate best practices and lessons learned from the past. MISFA provides significant support to Mutahid and believes that with its strong management and core principles of ethics, ideas and hard work, it could be a sustainable, model entity, contributing to the growth of development finance in Afghanistan.

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Chashma Dogh area of Kabul, where he and his family now resides as well. Jamal was able to open his shop with a Sharia-compliant loan worth AFN 100,000 (USD 1,400).

Following the repayment of the first loan, Jamal was encouraged by the potentials of this business and opted for a second and third loans, each worth AFN 100,000. With the last two loan cycles, he was able to gradually make his business competitive, expanding his supply of in-demand construction materials.

“The more goods you have in the stock, the more customers will come,” said Jamal, who added that in the business, word gets around quickly as to which construction shop has the supply that can meet market demands both in quantity and quality.

To help with the expansion, Jamal hired two workers to help with loading and unloading materials from trucks. He pays each of them AFN 8,000 per month. He is also able to send all his children to school. His 16-year old son helps him with bookkeeping when he’s not busy with

schoolwork.

As several other industries in Afghanistan, construction is a seasonal business, with late fall and winter being its off-peak months when sale takes a dive. To keep afloat during these months, Jamal sells fuel, such as coal and wood.

“Nowadays, the market is down, otherwise I would have applied for a far larger loan,” said Jamal. “If the markets are good, microfinance loans are very helpful.”

Although not well educated, Jamal knows that the future prosperity of Afghanistan will depend a lot on private sector growth and how Afghans in the manufacturing business will need support from everyone. For this reason, Jamal always encourages his customers to buy cement and other products made in Afghanistan, even though he also sells imported materials. Jamal knows that if his fellow entrepreneurs get access to finance and all the support they need from others, there is hope for a better future.