

Humanizing Poverty Alleviation: A Mixed Methods Study of the Role of Dignity and Sanctity in  
Transforming the Lives of Poor Entrepreneurs in Pakistan.

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**Abstract**

Humanizing Poverty Alleviation: A Mixed Methods Study of the Role of Dignity and Sanctity in Transforming the Lives of Poor Entrepreneurs in Pakistan.

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Millions of people around the world live under conditions of poverty and financial vulnerability. Organizations have played a key role in the fight against poverty. One of the most promising interventions for poverty alleviation was microfinance. Despite economic theory which indicates that microfinance should be a powerful intervention for improving lives of poor individuals, the most rigorous evidence to date indicates that microfinance has not been the silver bullet that everyone hoped it would be. In this paper, I sought to explore why that was the case. For this research, I focused on Akhuwat, Pakistan's largest microfinance organization. Akhuwat charges zero interest on its loans and its mission is, "A poverty-free society built on the principles of compassion and equity". In Study 1, I conducted 44 interviews with Akhuwat borrowers and key stakeholders. I also observed Akhuwat's employees' interactions with the borrowers in their branch offices and during the loan disbursement ceremonies. Moreover, I visited borrowers' places of work to better situate myself in the sociocultural realities in which they were embedded. Finally, I was able to draw on archival data from Akhuwat including internal

company documents and video documentaries. Drawing on this rich data, I built a theoretical model describing the role of selfless dignity and sanctity in forming relationships between Akhuwat and its borrowers, which enable these borrowers to experience positive outcomes. In Study 2, I conducted a multi-wave survey study on a sample of 380 Akhuwat borrowers, broadly replicating the results from Study 1. In Study 3, I conducted a field experiment with a sample of 300 Akhuwat borrowers to test the model that I developed in Study 1. In this experiment, I randomly assigned borrowers to either a baseline control condition or the treatment condition based on selfless dignity and sanctity. Taken together, this study highlights the importance of humanizing the process of poverty alleviation and giving meaning to money that the poor receive.

*Dedicated to Marium, who taught me the meaning of relationships.*

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Poverty is not just a lack of money. Poverty is also a lack of social support, meaning, and joy in one's life. I hope this work can play a small role in improving the lives of those who live in any form of poverty worldwide. May they all find their *mwakhat*, their *barkat*, and their hope.

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## INTRODUCTION

Millions of people worldwide live in poverty (UN, 2021a). According to estimates, a quarter of a billion people face acute hunger and starvation (UN, 2021b). Studies by the UN and other international organizations have concluded that an additional 500 million people could have been made financially and economically vulnerable after the onset of the pandemic. Unfortunately, many people who are financially vulnerable are also disadvantaged on many other counts. Research has documented that people who live in conditions of poverty and financial vulnerability also are socially marginalized, have limited, if any, access to quality healthcare, and often face egregious infringements on their basic human rights and dignity without any recourse to justice (Banerjee, Banerjee, & Duflo, 2011). In recent years, organizational scholars have called for greater research to understand how poverty, a grand challenge, affects organizations, and how organizations influence poverty (Cobb, Wry, & Zhao, 2016; George, Howard-Grenville, Joshi, & Tihanyi, 2016; Howard-Grenville, 2021; Sawyer & Clair, 2021).

Organizations play an important role in response to this suffering and inequality. One of the most promising organizational interventions for reducing poverty and inequality was the advent of microfinance. The microfinance model started with the idea that giving easy access to credit to the poor would help them move their way out of it. In principle, this idea was revolutionary: if people were poor because they were locked out of access to capital, then making capital easy to access would allow them the opportunity to borrow money and increase their consumption and income through investment in starting or expanding small ventures. In the years following, the microfinance industry experienced a huge boom, and it grew exponentially (IFC, 2015). However, more recent evidence has suggested that lending credit to the poor has not

had the transformative effect that was initially hoped. Research by Banerjee and colleagues (2015a) found in a large study involving six randomized evaluations that giving people small loans did not increase consumption and did not reduce poverty.

This leaves us with a puzzling situation: If people are poor because they do not have access to money, then why does giving them access to microcredit not help them grow out of poverty? To answer this question, research in economics has largely focused on factors such as risk aversion and profitability of businesses started by the poor (De Mel, McKenzie, & Woodruff, 2008). However, people who are financially vulnerable also have a higher risk of facing non-financial hardship and adversity. The poor also face higher risk of harm due to violent crime, trafficking, forced labor and other forms of social and political injustice (Banerjee et al., 2011). Evidence abounds that people who live in poverty also face widespread dehumanization in the form of social exclusion and being treated less well, with less empathy and attention (Croizet, Goudeau, Marot, & Millet, 2017; Kugelmass, 2016; Lott, 2002; Wolch, Wilson, & Fehrenbach, 2005). Thus, the lived experience of people who are financially vulnerable encapsulates increased incidence and intensity of hardship, trauma, and indignity. When those with financial precarity face hardships and adversity, they also have less socioemotional resources and support to deal with these negative experiences. This creates a vicious cycle: people who are financially vulnerable face greater financial and non-financial hardship and are subsequently more vulnerable to the negative consequences of those hardships.

This suggests that organizational interventions offering access to capital alone represent an insufficient solution to a complex problem. We know from research in psychology that hardship and adversity can lead to damaging emotional, cognitive, behavioral, and social consequences. For example, research has found that facing traumatic life events can lead to

people feeling a loss of self-esteem, hopelessness, loss of motivation, and difficulty in maintaining strong social connections (Afari et al., 2014; Bolton et al., 2004; Harvey, 1996; Vogel & Bolino, 2020). Thus, the poor not only face financial hardship but also emotional, cognitive, and social strain. One implication of this is that organizations have not been as effective in reducing poverty because they have neglected these non-financial dimensions of poverty in designing their purely monetary interventions.

The purpose of this dissertation is to understand how organizations can be more effective in reducing poverty in light of these emotional, cognitive, and social considerations. In order to understand this phenomenon in rich detail, in Study 1 I conducted 44 interviews with the borrowers, employees, managers and CEO of Akhuwat, Pakistan's largest microfinance organization. While evidence has suggested that microfinance has not lived up to its potential, Akhuwat has attracted both national and international attention for transforming the lives of its borrowers. Akhuwat is a unique organization in that it does not charge interest on loans that it gives out to its borrowers. In my qualitative interviews, I focus on borrowers who have experienced extreme hardship in their life, asking them how the hardship affected their life. I also asked them about the role that Akhuwat played in helping them recover from the hardship (see Appendix for interview protocol). In the process of analyzing the interview data, I find that the hardship and adversity the poor face leads to several negative cognitive, emotional, and social harms. Many of the people I interviewed faced extreme trauma, grief, and lost hope in people and the world. They were stuck in what I call an 'indignity trap' where they were regularly dehumanized and rejected by those who they sought help from. I also discover that Akhuwat contributes to the cognitive, emotional, and social growth of poor borrowers by engaging in what the borrowers perceive as behaviors of dignifying, selfless giving, and sanctifying. I also uncover that one of the reasons why other microfinance organizations might have been less effective in creating this positive change is because they only create an economic

relationship with their borrowers. However, by creating a communal relationship with borrowers based on selfless giving, dignity, and self-respect, Akhuwat enables borrowers to cope and recover from adversity and hardship. In Study 2, I replicated these results in a multi-wave survey study on a different sample of 380 Akhuwat borrowers.

In Study 3, I conducted a field experiment with a sample of 300 Akhuwat borrowers to test the conceptual model that I developed in Study 1. In this experiment, I randomly assigned borrowers to either a baseline control condition or the treatment condition. In the treatment condition, borrowers received the loan in a place of religious sanctity (mosque). In addition, Akhuwat's staff members had monthly interactions with borrowers, with elements of these interactions scripted to acknowledge borrowers' dignity and convey respect. A six-month follow up found that borrowers who received more dignity and experienced greater sanctity showed higher subjective and financial well-being, hope in the future, and greater compassionate behavior toward others.

## GRAND CHALLENGE OF POVERTY

The world is faced with several grand challenges. In 2015, 193 member states of the United Nations adopted a set of 17 goals, called the Sustainable Development Goals (SDGs), that related to several of the grand challenges that the world is faced with. These SDGs consisted of 17 goals incorporating 169 targets to be achieved by 2030. The first SDG was ‘No Poverty’ and others included ‘No Hunger’, ‘Reduced Inequality’, and ‘Climate Action’. These grand challenges are, by their very nature, complex and deeply embedded in the social, cultural, and economic realities of society. There has increasingly been a call for management research to understand how grand challenges affect organizations and how organizations can influence grand challenges. This has led to a rise in scholarly research on how grand challenges are addressed by organizations (Eisenhardt, Graebner, & Sonenshein, 2016; George et al., 2016; Howard-Grenville, 2021).

First among the UN SDGs is ‘No Poverty’, indicating not only the severity and scale of this grand challenge, but also the urgency with which the world needs ways to solve it. More than 800 million people in the world live in extreme poverty. Most of these people are concentrated in sub-Saharan Africa and South Asia. The UN’s goal articulated illuminating extreme poverty in full and all forms of poverty in half by 2030. The grand challenge of poverty, like many other grand challenges, is highly complex and multifaced in nature. Poverty is multilevel, being deeply entrenched in the historical, cultural, and social realities of proximate society, while also being impacted by national and global forces such as wars, climate change, and global economy among others (George et al., 2016). Poverty is also multidimensional as it affects people not only financially, but also emotionally, cognitively, physiologically, and socially (Haan, Kaplan, & Camacho, 1987; Jachimowicz et al., 2020; Mani, Mullainathan, Shafir, & Zhao, 2013).

One of most promising and globally popular organizational interventions against poverty

has been microfinance organizations. Microfinance organizations are based on the principle of providing financial access to the poor by offering small loans that can be used to start or grow a small business, even out domestic cash flows, and absorb jolts that would otherwise push people into extreme poverty (Armendáriz & Morduch, 2010). The microfinance model was considered revolutionary because it combined apparently contrasting goals of serving the poor and being self-sustainable by charging interest on loans that could cover the cost of lending and by demanding loan repayment (Battilana & Dorado, 2010). In doing so, microfinance organizations departed from NGOs that were purely not-for-profit and reliant on donations where borrower repayment of loans was desirable but not required. They also departed from more traditional commercial banks who faced very high transaction costs when making and monitoring small loans resulting in financial exclusion of the poor. However, by combining opposing logics and goals, microfinance organizations offered the possibility of financial inclusion for the poor while being self-sustainable (Yanfei Zhao & Tyler Wry, 2016).

Before the advent of microfinance, small loans were mostly only available through informal lenders such as loan sharks at steep annual rates that often exceeded 100 percent. For microfinance organizations, rates of interest around 30% are common. These high interest rates are the result of high transaction and monitoring costs. For a small-sized loan (approximately \$100), microfinance organizations typically spend a lot of resources to monitor borrowers to ensure that the money is used prudently and for the intended purpose (Banerjee et al., 2011). Such high transaction costs increase the cost of the loan resulting in high interest rates. These interest rates are typically not a result of higher rates of default since microfinance organizations have been able to use strategies such as group lending, social pressure, and threat of reduced or no access to future loans in order to keep default rates down. It is typical for default rates to be below 10% for microfinance organizations (Basharat & Sheikh, n.d.).

In the past three decades, microfinance organizations grew in immense popularity and are

active in almost every nation in the world (Cobb et al., 2016). It is no surprise that microfinance organizations have received considerable attention from scholars both in economics as well as management. There is evidence that the loans do help the poor by offering a buffer against unforeseen expenses and to develop a long-term orientation in their consumption decisions (Karlan & Zinman, 2010). Some studies have also shown that for at least a few key metrics, microfinance enables the creation and growth of small business (Banerjee, Karlan, & Zinman, 2015b). Microfinance has also helped to increase financial inclusion for women as traditionally a large portion of the loan portfolio prioritized women lenders which enabled participation in the formal economy (Mair, Marti, & Ventresca, 2012).

However, despite these notable achievements, microfinance organizations have not achieved their potential and have not been the silver bullet that many proponents had hoped for. More recent evidence has suggested that lending credit to the poor has not had the transformative effect that was initially hoped. Research by Banerjee and colleagues (2015) found in a large study involving six randomized evaluations that giving people small loans did not have the transformative effect that was hoped for. The authors note that, “The studies do not find clear evidence, or even much in the way of suggestive evidence, of reductions in poverty or substantial improvements in living standards. Nor is there robust evidence for improvements in social indicators” (Banerjee et al., 2015b: 13)

This paints a puzzling and bleak picture. Microfinance organizations were championed as one of best organizational interventions against the grand challenge of global poverty. Why haven't microfinance organizations achieved their full potential? If people are poor because they do not have access to money, then why does giving them access to microcredit not help them grow out of poverty? To answer this question, existing research has largely focused on factors such as risk aversion and profitability of businesses started by the poor (De Mel et al., 2008). This rests on the assumption that non-financial factors do not play a role in the transformation of

the poor as they receive financial help from organizations.

However, we know from research that people who are financially vulnerable also have a higher risk of facing non-financial hardship and adversity. Evidence suggests that people living in poverty face the risk of higher incidence of serious diseases (Haan et al., 1987). This is not only because they do not have access to healthcare, but also tend to work in occupations where work in itself is hazardous and occupational safety protocols either do not exist or are not enforced. For instance, several million ragpickers in developing countries such as India and Pakistan regularly get infected with serious diseases in the course of collecting trash and other recyclables using bare hands and no PPE (Shepherd, Maitlis, Parida, Wincent, & Lawrence, 2021). Moreover, the poor also face higher risk of harm due to violent crime, trafficking, forced labor and other forms of social and political injustice (Banerjee et al., 2011). Thus, the lived experience of people who are financially vulnerable encapsulates increased incidents and intensity of hardships and adversity. When those with financial precarity face hardships and adversity, they also have less socioemotional resources and support to bounce back. This creates a vicious cycle: people who are financially vulnerable face greater financial and non-financial hardship and are subsequently more vulnerable to the negative social and emotional consequences of those hardships.

This suggests that organizational interventions offering access to capital alone represent an insufficient solution to a complex problem. Research in psychology has found that hardship and adversity can lead to damaging emotional, cognitive, behavioral, and social consequences. For example, research has found that facing traumatic life events can lead to people feeling a loss of self-esteem, hopelessness, loss of motivation, and difficulty in maintaining strong social connections (Afari et al., 2014; Bolton et al., 2004; Harvey, 1996; Vogel & Bolino, 2020). Thus, the poor suffer not only financial hardship but also emotional, cognitive, and social strain. In the next section, I outline how a relationships-based perspective can be key in creating new theory

on how organizations can maximize value for themselves and their primary stakeholders.

## **RELATIONSHIP BETWEEN BORROWERS AND ORGANIZATIONS**

I propose that in order to advance management theory on how organizations can effectively tackle the grand challenge of global poverty, we need to understand how organizations can effectively create and maintain strong relationships with their beneficiaries by taking into account the circumstances and situations in which these beneficiaries are embedded. Consider the example of Kulsoom, a 35-year-old woman living in slums on the outskirts of an urban center in Pakistan who just lost her husband to a disease that he contracted while he worked in unsafe conditions picking up trash. Kulsoom has four young children. The entire family is devastated and experiencing intense grief and trauma at the loss of the earning head of their household. Kulsoom does not have enough to provide daily meals for her children or to send them to school. She knows how to sew clothes and she decides to borrow money from a local microfinance organization that is willing to offer her a small loan that carries 30% interest and which she has to repay in monthly installments. Desperate, she takes the loan with the hope that she will be able to set up a small business where she can start earning for her family using her skills. She works as hard as she can and works through the intense emotions, bouts of crying, and post traumatic symptoms. She secures some contracts but doesn't save enough to repay her first interest payments. She requests the microfinance to allow her some time, but she is shocked to learn that her failure to repay means that now she owes more money to her lender. Over time, she loses track of how much she owes and the stress of never-ending interest payments that compound over time as well as the intense emotions of earning for her family means she is unable to work effectively. A large share of her income goes into repaying the loan and interest payments and she is left with little money to use as savings and to grow her business.

In the case of Kulsoom, while organizational help in terms of access to credit was a form of help and much-needed cash injection, her life circumstances require much more than just financial support. As she experiences intense grief and trauma, she needs social and emotional

upliftment such that she feels supported and part of a community that cares for her. Without helping her recover from her trauma, organizations can only go as far in helping her overcome her hardships and transform her life. Thus, it is crucial for organizations engaged in the grand challenge of poverty alleviation, such as microfinance institutions, to create relationships with their beneficiaries that goes beyond an economic exchange of lending money, but rather enable them to experience resilience and healing.

Thus organizations have a better chance at achieving their goal of lifting people out of poverty if they can form relationships with their beneficiaries based on principles of mutual respect, trust, and communal sharing norms (Jones, Harrison, & Felps, 2018). Under this theoretical perspective, organizations fighting poverty such as microfinance organizations that consider this approach to relationship building would have an advantage over those that form relationships with their beneficiaries based on arm's length relationships because they would have higher reciprocal coordination, higher knowledge sharing, lower transaction costs, and greater investment in the cause of the firm.

Existing evidence from the experience of microfinance organizations seems to lend support to this point of view. One of the biggest challenges faced by microfinance organizations is knowledge asymmetry between would-be borrowers and the organization. Microfinance organizations face high transaction costs as a result of the need to closely monitor borrowers to ensure compliance with the initial loan agreement (Banerjee et al., 2011). In case of default or delayed payments, such organizations spend social and financial resources to try to recover the pending loan amounts. These experiences suggest that organizations interacting with poor beneficiaries tend to have arm's length relationships built on principles and norms of economic exchange rather than on norms of mutual sharing, trust, and respect. These organizations might become more effective in achieving their mission if they are able to conceptualize their relationships with the poor based on norms of respect and mutual sharing.

Organizations that struggle against the grand challenge of lifting people out of poverty face the arduous task of working with people who experience trauma and dehumanization on an almost daily basis. There is no scarcity of research that has documented that people living in poverty experience a higher frequency and intensity of severe negative life events, higher stress and mental illness, greater pain, and lower well-being (Blyth & van der Windt, 2010; Evans & Kim, 2012; Turner, Wheaton, & Lloyd, 1995). Therefore, it is key for organizations to directly address this challenge by developing programs, interventions, and solutions that not only consider this socioemotional reality but also tackle it head on.

Existing research has shown the power and significance of compassion, dignity, and empathy in helping people recover from the psychological and emotional wounds of trauma and adversity (Maitlis, 2020). A wealth of literature has explored the power of strong and high quality relationships in allowing people to heal and to not only experience recovery, but in many cases to flourish and grow (Dutton & Heaphy, 2003; Dutton, Workman, & Hardin, 2014).

However, little theory exists which sheds light on the processes through which organizations tackling poverty can form relationships with their beneficiaries that can enable them to heal from the dehumanization and trauma of poverty. In order to understand how such organizations can achieve their goal of lifting people out of poverty, we need theory on how organizations can form long-lasting relationships with the poor by taking into account the social, emotional psychological hardship in which these people are embedded. How can such organizations create high quality relationships with their beneficiaries given these realities? In order to answer these questions, I conducted a qualitative inductive study that enabled me to build theory on the social psychological processes through which such organizations form strong relationships with their borrowers. I present the overview and findings from this study in the next section of this paper.

## STUDY 1

Study 1 is a qualitative study which helped me generate theory on the process by which organizations tackling global poverty form relationships with their beneficiaries in order to maximize value. Below I describe the methodology that I used as well as preliminary results.

### **Methods**

I applied a grounded theory approach (Charmaz, 2006; Corbin & Strauss, 1990; Suddaby, 2006) to answer my research questions, enabling me to inductively build theory from the experiences of individuals living the phenomenon as well as drawing from extensive archival data sources.

### ***Research Setting***

I followed Eisenhardt and Graebner's (2007) suggestion to choose a setting that allowed me to "explore a significant phenomenon under rare or extreme circumstances". I conducted my study at Akhuwat, a microfinance organization based in Pakistan. Akhuwat's objective is, "To develop and sustain a social system based on mutual support where each individual lives a life full of respect and dignity". Thus, Akhuwat offered an opportunity to understand how organizations fighting poverty can maximize value for their stakeholders by building relations based on respect and dignity.

Most microfinance organizations extend small loans to economically disadvantaged individuals and charge interest on that loan. However, Akhuwat is unique in that it offers interest-free loans to economically disadvantaged individuals. Most of Akhuwat's loans are enterprise loans—a type of loan focused on helping borrowers start a new business or expand an existing business. Akhuwat is the world's largest interest-free microfinance organization,<sup>1</sup>

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<sup>1</sup> Measured by number of borrowers.

servicing communities throughout Pakistan. Since its inception in 2001, Akhuwat has disbursed interest-free loans to more than 4 million people. The average loan is \$200, and payment plans typically ask borrowers to pay the loan back over a period of 2-3 years. In addition to its core microfinance operations, Akhuwat also operates a tuition-free University, a clothing bank, a community support program for transgender individuals, and clinics that offer free medical care.

Akhuwat's operations are structured around small, independent teams. Akhuwat services its clients through a network of over 800 branch offices. These branches help Akhuwat meet its clients where they live, ensuring widespread access to its services. Each branch is in turn composed of a team of 5 employees that manages the entire credit disbursement and repayment process. An employee is given the title of branch manager, although all employees help to manage the branch's loan portfolio. A typical branch manages a portfolio of roughly 1,000 borrowers at any given time. Most employees are hired locally from the same region the office is intended to serve. The use of small branches and localized operations is designed in part to encourage employees to develop strong ties with their teams and the local community.

Akhuwat's operations are centered on a few key principles: 1) Interest Free Loans 2) Use of Religious Places 3) Spirit of Volunteerism 4) Turning Borrowers into Donors 5) Diversity and Inclusion. Akhuwat is based on a completely interest-free microfinance model. This means that borrowers return, in absolute terms, the same amount of money that they borrowed from the organization. There is an initial application fee of Rupees 200 (\$1) which acts as a screening mechanism to ensure only serious borrowers apply. This policy of charging no interest is based not only on religious law but also to correct deep-rooted inequity in the existing system. Even though no interest is charged on loans, Akhuwat encourages borrowers to give something back to the organization. This monthly donation is on top of the monthly loan repayments which are required. However, the monthly donations are strictly voluntary. If borrowers do not give anything back, it did not hinder their chances of securing other loans in the future. Borrowers are

told to give as much as they were willing to help others in need. Akhuwat relies heavily on the use of religious places to conduct events such as pre-loan meetings and the actual loan disbursement process. Loan disbursements at Akhuwat carry the significance of a ritual. Every month all the borrowers set to receive loans are asked to gather inside a mosque or a church. When majority of the recipients are Muslim, this event is conducted in a mosque and when the majority are Christian, in a church. A typical process under which applicants receive a loan is presented in Appendix B.

Akhuwat is based in Pakistan which is the sixth most populous country in the world, home to nearly 220 million people.<sup>2</sup> An overwhelming majority of the population is Muslim (97%) followed by Hindus and Christians. Pakistan's economy is mostly agrarian with the majority of the population living in rural areas. With weak infrastructure and lack of social safety nets, most low-income individuals turned to informal--and often exploitative--lenders during financial emergencies.

In 2008, almost 60 percent of Pakistan's population lived below the \$2 per day poverty line.<sup>3</sup> With more than 40 percent of the population above the age of 10, illiterate as of 2013,<sup>4</sup> access to consumer loans is limited due to inability to open bank accounts and fulfill all legal requirements. Without basic education, it is difficult for citizens to complete the necessary steps such as writing their name and signatures in order to open a bank account. In the absence of formal access to consumer credit, many individuals turn to private lenders who charge exorbitant interest rates. Unscrupulous lenders severely abuse individuals who failed to pay back loans. There are numerous documented incidents of abuse, violence, and harassment including forced sex, child

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<sup>2</sup> <http://www.census.gov/popclock/>

<sup>3</sup> Pakistan Economic Survey for 2013-14

<sup>4</sup> Pakistan Social and Living Standards Measurement (PSLM) Survey 2012-13

labor and physical torture by lenders in the instance of failure to pay back the loans.<sup>5</sup>

### ***Data Collection***

Data collection happened over several months, with the majority of the data collection occurring in a two-month window. To gain a deep understanding of the organizational context and branch-level settings, I spent several days with the top management and branch-level employees touring various branches, receiving an overview of the head office and branch level operations, and having informal conversations and interviews with the managers and employees. I also participated in loan disbursement ceremonies as an observer, witnessing how the event unfolded, the key information given to borrowers, how borrowers received their loans, and how employees interacted with new and returning borrowers. Afterwards, I conducted interviews with the executive director of Akhuwat, chief credit officer, chief training officer, as well as chief operating officer. I also gained access to several company confidential archives and documents that allowed me to piece together the process by which Akhuwat establishes relationships with its borrowers. I also conducted interviews with borrowers of Akhuwat. Below, I describe these in detail.

### ***Archival Data***

I had access to several confidential and public company archival sources that allowed me to develop a rich understanding of the context as well as relationship dynamics between Akhuwat and its borrowers. I used internal company documents such as employee training materials and modules, presentation documents, company operation modules, employee handbooks, and borrower application documents. I also relied on publicly available resources such as documentaries by media organizations, newspaper reports, and employee and manager interviews on social media platforms. I also used several books written by Akhuwat's co-founder and executive director that detailed Akhuwat's historical journey and growth as well as case

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<sup>5</sup>For instance, see: <http://tribune.com.pk/story/337187/extortion-swimming-with-the-loan-sharks/>

studies on prominent Akhuwat borrowers. Akhuwat also maintains a large collection of video documentaries of interviews with borrowers on its social media platforms. These video documentaries made by Akhuwat employees also allowed me to learn about the lives of Akhuwat borrowers, their experiences with Akhuwat, and how they perceived Akhuwat's relationship. I also studied text on Akhuwat's website to access Akhuwat's historical data, vision, and mission documents, publicly available financial reports as well as other key company-relevant informant. Lastly, I drew upon several industry reports about the microfinance industry in Pakistan, impact reports focused specifically on Akhuwat, case studies about Akhuwat as well as academic research that was conducted on a sample of Akhuwat borrowers.

### ***Sampling***

I focused my data collection on Akhuwat borrowers in the city of Lahore in Pakistan. I first conducted purposeful sampling in which I interviewed Akhuwat borrowers who were considered to be "model borrowers" by the Akhuwat branch employees. Afterwards, I conducted theoretical sampling to select informants. Specifically, I requested branch managers at Akhuwat to identify borrowers who they thought had the most salient transformation from the time before they took a loan from Akhuwat to their current situation and who had experienced salient hardship in their life. I collected interview data from borrowers who had been with Akhuwat for a long time and had taken multiple successive loans from the organizations. Doing so allowed me to understand the experiences of informants who had developed a strong relationship with Akhuwat and whose experiences could offer the most salient examples of the effect of Akhuwat on their lives. In addition, I also interviewed members of Akhuwat's senior management team, the founder and executive director, as well as branch level Akhuwat employees.

### ***Interviews***

I conducted 44 formal and informal interviews with 35 informants. Eight of the

informants were executives or managers of Akhuwat and the rest were borrowers. Interviews ranged from 15 minutes to 1 hour. The interviews with Akhuwat executives and managers were mostly informal and were more spontaneous and open-ended that occurred during the course of my visits to Akhuwat's head office and various branch offices. The interviews with the borrowers followed a semi-structured format based on protocol that I had previously developed. This protocol evolved and refined as I interacted with borrowers. The initial interview protocol is presented in Appendix A. The questions that I asked borrowers followed a narrative approach where I asked borrowers to describe how their life was like before they got a loan from Akhuwat, what their experience was interacting with Akhuwat, what was the best and worst things that they encountered about Akhuwat, and how their life was like at the time of the interview. These interviews were conducted at Akhuwat's branch offices as well as the borrower's place of work. Specifically, I visited five borrowers at their place of work so that I could gain a deeper understanding of their life experience and to situate their narratives in their physical surroundings. These interviews allowed me to observe the relationship between borrowers and Akhuwat employees and to get a first-hand experience of how they interacted with the borrowers. All interviews were conducted in Urdu and Punjabi, the local languages in which I hold native proficiency. These interviews were audio-recorded and later transcribed verbatim.

### ***Data Analysis***

I loaded transcripts from the interviews, notes, and archival documents into the qualitative data analysis software Atlas.ti, which helped me organize the large amounts of data. In the initial stage I developed an in-depth understanding of the context by analyzing archival data. I read and made notes on Akhuwat's internal documents and the processes that are in place that govern all matters relating to interaction with borrowers. For example, I studied training modules that are mandatory for employees as well as employee guidebooks. I then interviewed the training manager at Akhuwat in order to understand how Akhuwat employees are socialized

and trained regarding their relationship with borrowers. I met with branch managers in order to understand in detail the process through which borrowers receive a loan, paying close attention to key practices and procedures, as well as borrowers' interactions with employees after they secure a loan and until the loan is repaid. I also studied Akhuwat's website for details on Akhuwat's historical policies, company mission and vision statements, as well as public reports. I made use of Akhuwat's social media page to view and make notes on the documentaries that Akhuwat or external media organizations had developed about Akhuwat. Several of these documentaries were interviews of Akhuwat borrowers that gave me a rich database for getting insight into the lives and experiences of Akhuwat borrowers. Finally, I read books published by Akhuwat's founder that narrated his experiences of working in the microfinance industry, the growth of Akhuwat, and his recollections of his interactions with borrowers.

In terms of coding the data, I first began the analysis by reading the transcripts and generating first-order codes. In this analysis, I focused on staying close to the language and terms used by the informants. This allowed me to stay at the level of meaning for the informants. Sample concepts from this analysis include "I used to cry a lot", "Akhuwat employees give us respect", and "Akhuwat employees do not accept an offer of tea".

After conducting the first five initial interviews with borrowers, I took a pause in which I analyzed the data for major themes. This allowed me to compare concepts that were the same and different across the initial informants. This allowed me to revise my initial protocol and to focus more on the concepts that were salient in the initial set of interviews. For example, informants spoke in detail about their life experiences prior to Akhuwat and how they had felt humiliated and rejected by others. In the rest of the interviews, I focused on asking informants about these experiences as well as probing them when they shared new perspectives.

After completing the first-order coding, I began second-order coding in which I reduced

the first order codes into the second-order codes into themes based on common properties. Themes allow the researcher to translate the raw data and first-order codes into language similar to that which is used in the organizational literature. These second-order themes provide the building blocks for a theoretical model. This was an iterative process in which I went back and forth between data, existing theory, archival data, and key conversations with Akhuwat management, and several codes changed along the process.

During this stage, I focused mostly on trying to ask myself, “What is going on here?” and “What is this about?”. This allowed me to focus more on the second-order or thematic coding in which I looked for ways in which participants’ responses were related by time, experience, or event. Several themes caught my attention in which participants described their experiences in detail. For example, when asked about how their experience with Akhuwat was, participants often described the respectful treatment including respectful titles of address as well as the fact that Akhuwat did everything out of selfless concern for borrowers. These two aspects of Akhuwat’s relationship with the borrowers were described together on multiple occasions, thus leading to a second-order category or theme of selfless dignity. Once this theme was identified, I went back to the data and analyzed the transcripts for quotations that were related to selfless dignity. Doing so allowed me to gain deeper insight into the structure of selfless dignity. The emerging concept of selfless dignity was based on the participant’s attribution of selflessness and lack of an ulterior financial motive to Akhuwat’s practices of dealing respectfully with them. Thus, for borrowers it was important that Akhuwat was not exploiting them or benefiting from them and that it had a genuine concern for their wellbeing.

Lastly, I focused on identifying relationships between second-order themes. In order to do so, I paid attention to the temporal proximity of second order concepts as that allowed me to make sense of participants’ narratives from their life before Akhuwat, their experiences of interacting with Akhuwat, their life situations at the point of interviews as well as their goals for

the future. I bracketed the second-order codes using these temporal markers which helped me identify relationships between these themes. The result was a temporal process model detailing how Akhuwat's practices enabled borrowers to experience a positive transformation. A sample relationship identified is the experience of perceived responsiveness to loyalty with Akhuwat.

At multiple points throughout the analysis process, I had discussions with key Akhuwat employees and leaders to further ground my findings in the reality of this environment and reinforce my emerging interpretations (Pratt, 2000). I also constantly moved back and forth between archival data and emergent concepts from the interviews in order to triangulate my findings. This process is summarized in Figure 2.

## **Findings**

My examination of Akhuwat and its borrowers provided insights into how Akhuwat engaged in specific practices that played a role in the transformative process experienced by these borrowers and their impact on social, emotional, and work-related outcomes. I discovered that the people who I interviewed who had sought loans from Akhuwat had experienced intense hardship, trauma, and adversity in their lives. Before they had turned to Akhuwat, these borrowers had tried to seek help from their family and friends, and sometimes other microfinance organizations. However, they either faced rejection as people turned them down or exploitation such that others tried to profit from their misfortune. In many instances, they received outright humiliation, abuse, and harassment from those that they had turned toward for help. Many borrowers described that they felt overwhelmed, had thoughts about death, felt trapped and disrespected, and saw no way out. At this point they turned to Akhuwat for help. The borrowers described how Akhuwat's employees had always been respectful toward them and had preserved their dignity during all of their interactions. They also described how Akhuwat had always been flexible and accommodating such that whenever they couldn't repay any monthly

installment on time, they were given extensions in the deadline. They also perceived Akhuwat's help to be selfless and noble as Akhuwat did not get anything in exchange for helping the borrowers.

The borrowers were also moved that Akhuwat employees did not accept any gift of appreciation- a sign that they were driven solely by selflessness. The borrowers also experienced Akhuwat's mode of operation to be in harmony with the sacred law. They described how Akhuwat's policies of no interest on loans and giving out the loans in a mosque made the entire experience a sacred one. These practices of dignifying, sanctifying, and selflessness created an experience of positive disruption. As borrowers received respect, selflessness, and sanctification from Akhuwat, they were positively surprised and moved because this was in stark contrast to the disrespect, greed, and exploitation that they had experienced with other people and organizations. This positive disruption with their prior experience started a process of healing such that the borrowers felt a connection of affinity and brotherhood (Mwakhat), felt divine abundance and blessing in their life (Barkat), and engaged in helping behaviors towards others in need. This healing process led to a feeling of self-reliance such that the borrowers felt that they could now stand on their own feet and fight the challenges that life throws at them. Finally, as Figure 1 shows, this feeling of connection with others, Barkat, and self-reliance enabled borrowers to experience growth in their social, emotional, and work-related outcomes. Data for each emergent theme is presented in Table 1.

### ***Past experience with hardships and trauma***

The contextual features of borrowers' experiences before they started their journey with Akhuwat made selfless dignity, and sanctity especially salient. The interviews started off by asking informants to describe what their life was like before they got their first loan from

Akhuwat. Even though the informants were not asked to discuss their challenges, almost all of them described the challenges and adversity that they were facing when they decided to give Akhuwat a try. The informants described traumatic and tragic events that they went through that had shaped their life. Experience with trauma and tragedy was a constant theme that was salient in the life of informants as they described their life prior to taking a long from Akhuwat. For example, Begum (not real name), a middle-aged woman, described how she lost her husband unexpectedly and was suddenly thrown in a position where she had to deal not only with the emotional turmoil and intense grief at her loss, but also somehow try to find a way to feed herself and children now that the family had no source of income:

Believe me at the time of my husband's death, my children were young. I took him to check his blood sugar and there he had a heart attack. We took some things from home and took him to the hospital and there his breathing became difficult. The people at the hospital laid him on the hospital bed and made him drink water. At six o'clock his reports were to arrive, but he passed away before that. We couldn't make sense of any of it and our relatives gave us the funeral cloth and arranged the food for the funeral. My children did manual labor to pay for his funeral services.

Just like Begum, several other women described their ordeal as they lost their husband or an earning member of the household to tragic death or where they suffered from a serious disease or injury that prevented them from working. Such women described how they were suddenly thrown into a precarious financial situation. In the cultural context of Pakistan, this is a moment of great uncertainty and disorientation for widowed women. Pakistan's cultural context is marked by strict conservative norms where women are not expected or even allowed to work. Even when women do take part in some form of formal or informal employment, this is often considered less than appropriate and a slight on women's dignity and honor. Many of these gendered norms are heightened for women in the lower socio-economic classes. For many such women, this often means that they are financially dependent on their husband or an earning son. In such arrangements, the loss of the husband often results in a complete loss of financial support

and social protection. This phenomenon is amplified for those who are living in poverty-like conditions as they do not have savings to draw from and often do not have the education or work experience to find immediate employment. For example, Bibi, described her ordeal as follows:

Earlier, my son used to do salesmanship and took loan for that. From that money he got the merchandise but then he had an operation and things got so bad that we didn't even have bread to eat...My husband does manual labor work. One of his eyes had an operation on it and the second one he can't see from. Sometimes if labor work is available then he does that otherwise he sits at home.

For many informants, especially women, this had meant that they sometimes did not even have food for a day. For example, Ruby describes how her husband who was a drug addict died suddenly and she was thrown into a traumatic situation:

Sometimes we ate food once, sometimes we didn't even have enough to eat. Many times, in our house oil, sugar or even wheat was not available. I have seen very difficult times.

In Aasia's case, her husband could not work full-time because of physical disability and her son had a neurological disability that meant she had to contribute towards the family:

My husband runs a vegetable stall at some other person's shop in Dharampura. He suffers from a severe illness as his spine discs are dislocated and he can only work for 4 days a week. I have suffered a lot financially in recent years. My youngest son who is now 6 years old suffered from fits when he was born. I used to consult different doctors, but they all recommended a specialist and to keep him in a cool place. I was not able to do this due to my financial standing and my son is mentally unstable now...Life was extremely difficult. We struggled with our rent payments and our children were out of school. My husband used to work for four days, and we had to skip meals to make sure that the children were fed. Our monthly expenditures and bills were more than our earnings but by the grace of God the situation is getting better now.

Although women faced a heightened sense of loss and trauma as a result of such tragedies, many male informants also experienced traumatic situations that had a devastating impact on their life. For example, Sufi an elderly male got into a tragic accident where he lost both his legs:

What happened was that I had an accident. I was traveling towards Akbari mandi to buy some goods for business and there a truck ran over me. Both my legs and my backbone

are fractured, and I was on bed rest for 4 years after the accident. People gave up on me and the consensus was that I would not survive. I got a little better after that and for two years I was only able to walk using crutches. I used to be well off but during these 6 years all my wealth went into my treatment. I did not have a son and my only daughter was 4 years old back then.

Ahmad, a middle-aged male, described how he lost his father and was forced to take financial responsibility of his family:

We were financially struggling back then. I used to study when my father was alive but after his untimely death all the responsibility was on my shoulders. our financial condition was unimaginable (breaks down crying) and now by the grace of God we are well established.

Asif suffered from a physical disability due to which he could not exert himself physically at work, which had made earning a livelihood extremely challenging. In the context of Pakistan, a developing country with a lack of regulations offering any protection or accommodation for people with disabilities, finding a reliable and regular source of income can be a challenging, exhausting, and oftentimes humiliating experience. He described his adversity as follows:

I was normal until the age of eight but after that I got a fever due to which a muscle problem happened. Now I cannot walk for a long duration. I walk a little and also do some work, but I can't bear a lot of exertion.

Interviewer: What challenges did you face because of this?

There were many difficulties that were happening and even now they come. One normal person is normal and a disabled is always with a disability... Sir at the time at 8 in the morning I had to go for work and due to my disability, it was very difficult. If I got late, I had to listen to abuse from my boss and I had to do a hard task. Along with this, I also had financial scarcity. I had to borrow money from my father for any clothes, shoes or for travelling anywhere.

### ***Experiencing psychological and emotional debilitation***

For many informants, their experience of traumatic events and adversity was accompanied by several negative psychological and emotional consequences that left them debilitated and unable to function normally. For example, Rubeena whose husband experienced paralysis for

two years before suddenly dying felt intense grief that made it difficult for her and her daughters to make sense of their situation:

I couldn't understand what to do and how to do it. Nobody helped nor did we ask for help. For one year, we could not make sense of anything, and we got out of our intense grief. It was my daughter's wedding that day when my husband died. We completed the marriage after one month.

Rubeena not only had to suddenly find a way to start earning to support her daughters while going through intense grief, but she also had to take care of the emotional health of her young daughter who was not coping well:

My daughter has not been able to recover from the loss of her father. She was really attached to her father. After his death she stopped talking to other people, and does not eat or drink properly, and does not talk properly with others. She is always feeling irritated and distressed. She went to school for 10 or 15 days and then she stopped going. Sometimes she helps me with work but most of the time she stays at home.

Ruby, who had also lost her husband, experienced intense periods of rumination and crying where was unable to think about anything else. She described how she did not feel like living anymore in those situations:

I used to have strange thoughts. You don't feel like living in such conditions. There were household expenses, children's school fees and picking and dropping them from school. I would spend the entire day crying.

Begum described how she felt emotionally numb, not sure what to feel and how to process the loss of her husband:

I did not feel any emotions. I only wanted to raise my children and fulfill the responsibility. I really feel his (husband's) loss and I cry a lot when I remember him.

Another theme that was salient in how the informants experienced loss and trauma was feeling overwhelmed, not being able to find a way out of their predicament and feeling trapped in their situation. For example, Fayyaz experienced loss of work as his shop got burnt and he had no source of income. He tried to find a way out but couldn't see any hope that things would

change, “The only thing I felt was to hit my head against the wall (since I had no way out)”. Zulfiqar had to take a loan on interest from a group of people in his neighborhood to arrange his sister’s wedding. However, he lost his work and could not find any means to repay the monthly interest payments which meant he incurred penalties and compounded interest: “I even had to sell household food items, my fridge and my bike to repay the loan but it still kept haunting me.”

When asked about how much he ended up paying to settle his loan, Zulfiqar said he had no idea:

Interviewer: So, what was the total amount that you paid back in interest?

Z: Sir, I have no idea. I never calculated. According to my estimate I paid them triple or double of the principal amount. As soon as I got my first loan from Akhuwat they came outside my house to ask for more money. I was at such a low point at that time that I told them I’d rather die and not pay a single penny. My household condition was the worst and I had nothing more to sell.

He also described how the stress affected him such that he felt hard to find the will to work or look for a way out, “That time is extremely difficult because all that family related stress affects your brain and takes away your will to work or look for ways”. This feeling was echoed by Yaqub who was also under the burden of a large loan for his chicken shop and experienced a toll on his mental health, “When a person is under the burden of a loan, his thought process, mind and everything else is affected. He struggles to pray, or to have a decent conversation with anyone because he’s constantly worrying about what’s going to happen in the future”.

Shamma also described how much stress she felt due to her outstanding loan that she contemplated suicide:

At that time, I felt like committing suicide. I kept thinking that I am giving so much money (for an interest-bearing loan) and my conditions are continuously getting worse.

### ***Experience of Indignity***

Another key theme that emerged from the data was that when the informants tried to get help from others when they were going through hardship, they were often rejected or faced

with exploitation and humiliation. I call this an ‘indignity trap’ because informants were locked in a situation where they progressively felt the indignity of having to ask and depend on others for help and were often ignored or outright rejected. People either turned them down or sought to profit from their misfortune in terms of extending loans that carried exorbitant amounts of interest. Since these borrowers were in a state of desperation, they took on these loans and ended up being badly stuck such that they could not make enough to repay the monthly interest payments and that meant they the interest kept compounding and they were trapped in a situation where no matter what they did, they could not get out.

Existing research generally suggests that people in poverty, especially in collectivist cultures such as Pakistan’s, tend to have strong bonds with each other as a form of social insurance and watching over others. Indeed, Pakistan’s cultural and economic life revolves largely around help and support from both immediate and extended family members and relatives. People live as extended families in the same house, often with multiple generations under the same roof. In such an environment, people naturally turn to their family and relatives for help and support when calamity strikes. However, the experiences shared by informants seems to suggest that these social bonds did not offer much in the name of emotional, financial, or social help. Most informants described that no one helped them, and they were extremely disappointed and left helpless when the ones who were the nearest to them could not be of any help. In a collectivist culture such as Pakistan’s, perhaps experiencing a loss of support from one’s family and friends was equally if not more devastating to the informants who were already suffering from trauma. As one informant put it, “Sir no one helps. Even brothers and sisters just watch the show for fun. My husband did not have any siblings, and my siblings don’t even ask me on phone how I am doing”. This was also echoed by another informant in the following words, “In my experience there was no difference between strangers and relatives...very few people are interested in extending help. Even the people who were well off refrained from helping as they knew we had no source to return the favor back”.

Many informants described how people started avoiding meeting them or otherwise kept their distance because they were afraid that the informants would ask for something. For example, one informant put it as follows: “There were a lot of financial difficulties. Each month we could not afford to pay the bills and then we had to ask for help from others. Others used to avoid us thinking we will ask money from them again and again”. After she lost her husband and had to live with her children in her husband’s family house, she soon discovered that no one cared for her and her children who often had no food to eat:

Listen, it is a very straightforward thing. In difficult times, nobody helps each other. People turn their faces, so they won’t have to feed others. There was a time when my children were hungry inside and their uncles used to sit outside and still didn’t ask about them.

Many informants described that when they received no help from their family and friends, they turned to other groups and people in their neighborhood who could give some form of financial assistance. However, in most of these situations, the informants described how they felt they were exploited for money and that everyone only cared for their own profits. One informant described this feeling as follows, “Listen whoever I go to, they only see their benefits”. One elderly informant who had experienced interactions with several aid and social sector organizations said the following, “All others are working for some sort of personal agenda, and some are interest based. I don’t consider all such organizations, old homes or trusts as social organizations, I think of them as businesses”. One informant described how he was in need to purchase a laptop for his daughter so that she could attend classes after her school went remote due to the COVID-19 lockdown implemented in Lahore but did not trust others as their motive was based on exploitative profit:

My daughters need a laptop, and I can get one in installments, but I wouldn’t because a lot of the time your financial condition is not that great, but these people only care about their money. They do not care about your circumstances or if you’re with someone. I personally am better off without such a product that puts me through this.

In addition to feeling that they were exploited and that the only concern that other people and organizations had was based on selfish motives, many informants described the harsh and

humiliating treatment that they had to go through in the course of repaying loans that they had taken from other organizations. For example, one informant who lived in her husband's family's house after he passed away was harassed by her creditors if she was not able to repay her monthly payments on time:

They used to stand at the door and insist that they would leave only when the installment was paid. I had earlier told them that my children's' uncle is very strict about this matter and that they should never ever come to my doorstep. For Akhuwat's installment I go myself to pay, and they never show up at my house.

Another informant who had to take a loan on interest from some credit organization to bear the expenses of his wife's pregnancy and children echoed similar experiences and said, "See, at the start they are very nice because they want to trap you into giving them thousands of rupees in interest. But if you even miss one installment, they bring ten people to stand at your door and humiliate you publicly". One informant described how one of his friends had taken a loan on interest and being unable to repay the loan had to go through constant humiliation: "I have a friend who was doing okay but now he is under a debt of 22 lac rupees. It is very humiliating for him, and he has to tell lies constantly to survive. I sit with him quite often and I know what he is going through". One respondent who had taken a loan to arrange his sister's wedding and was unable to repay the loan explained his predicament as follows:

I had to sell my house furniture. I kept paying 10000 monthly and had to pay rent for my house and shop. Eventually I had to close my shop because I couldn't afford the rent anymore. I brought all the stuff from my shop to my house and eventually I also sold my work equipment.

In the informants own words, this period in their life was the lowest point in their life. They described that nothing could match the hardship that they experienced back then, "Nothing can match the difficulty I faced during that time". One informant said that she got goosebumps every time that she thought about how difficult her life had been. In my own observations while interviewing Akhuwat borrowers, many of them broke down in tears and confided how hurt they

felt because of the adversity that they had seen in their life. What was surprising was that several of the respondents who were middle-aged men cried while talking about their hardship. Given the male-dominated patriarchal culture in Pakistan, men are discouraged from showing their emotions in front of others and opening up. Men who cry are especially considered weak. Given these cultural norms around emotional expressions, what struck me the most during these interviews was the depth of sorrow and trauma that these informants had experienced and how these experiences had shaped their relationship with Akhuwat.

### ***Borrower experiences with Akhuwat***

#### ***Experiencing Selfless Dignity***

Akhuwat's vision is "A poverty-free society built on the principles of compassion and equity". At the core of Akhuwat's philosophy is to treat all its borrowers with dignity and respect. In several conversations with Akhuwat employees and management, one theme that was repeated consistently was that Akhuwat wanted to form relationships with borrowers and give them money in a way that did not violate their self-respect and dignity.

In studying Akhuwat's internal training and evaluation process for its employees, there is a large emphasis on ensuring that the borrower is always treated with dignity even if the borrower is non-cooperative and refuses to repay the loan. It is worth mentioning that in the context of Pakistan, much like other developing countries, microfinance organizations do not really have any effective legal or regulatory solution to non-payment or default by borrowers. Even if an organization tries to use legal recourse, the process usually entails countless hearings and delays in the courts that can drag cases for years. The result is often spending more money on legal fees and follow ups than the loan amount itself. This is especially problematic for microfinance organizations because their average loan amounts are usually quite small which means, in most cases, legal proceedings are almost always not worth the money and time. In these situations, microfinance and other credit organizations often resort to using more coercive

tactics, such as threatening or haggling borrowers, using gundas (street criminals) and/or asking influential community figures to intervene. In this context, Akhuwat's emphasis on ensuring that the dignity of the borrower is maintained in all interactions represents a salient departure from existing practices and norms.

Almost all of the informants mentioned that one of the best aspects of their experience with Akhuwat was the respect and dignity with which everyone in Akhuwat behaved with them. This respect and dignity was experienced in different ways. One of the ways in which informants experienced this was in the way that Akhuwat employees addressed them. For example, female informants mentioned how Akhuwat employees called them "maa ji" (respected mother) or "baji" (respected sister). This practice was consistent with Akhuwat's training document for employees in which they instructed and expected from employees that they would behave with female borrowers as if they were their mothers and with male borrowers as the male elders in the family, even if they were younger in age. In the cultural context of Pakistan, the highest form of status and respect is accorded to family elders, especially one's father and mother. As one informant said.

The best thing about them (Akhuwat) is their conduct and ethics. They treat everyone with respect and dignity.

Another aspect of the borrowers' experience with Akhuwat that signaled dignity and respect was the way with which Akhuwat accommodated borrowers when they were not able to repay their monthly repayments on time. For many borrowers, this was a welcome and stark contrast to their experiences with other people and organizations who not only mistreated them in the case of delayed payments, but also imposed fines and penalties on top of the interest that was compounded even further. I conducted my interviews during a period when the government in Pakistan had implemented regular lockdowns due to COVID-19. For many borrowers, this resulted in a steep loss in their monthly income making it harder for them to make the monthly loan payments on time. For instance, one informant mentioned how she was unable to repay her

monthly repayment in time during the lockdown, but that Akhuwat cooperated with her and allowed her to repay afterwards when she was able to. One informant said, “The best thing is that if an installment is late, they don’t say anything harsh. Sometimes I am able to pay on the 5th and sometimes on the 7th, but I never miss any payment”. Another informant expressed how flexibility in repayments was in stark contrast to how other organizations handled such situations:

Whether I come to repay the installment on my own or send someone else, they are always respectful. If I delay, they only remind and don't misbehave or become disrespectful.

This sentiment was also shared by another informant who shared the following perspective:

It (Akhuwat’s conduct) is very good. Any one or two day that an installment is late they only say that you inform them, and rest they completely cooperate. Never have they misbehaved or never any time they threatened. The people who give loans on interest come to people’s houses and forcefully take away personal belongings.

For other borrowers, respect was reflected in the way in which Akhuwat did not interfere unnecessarily in their business or daily activities. For many microfinance organizations, regular monitoring and oversight of borrowers was a deliberate policy to ensure that borrowers used the money prudently and any negligence or unproductive use of funds could be prevented. This perception was shared by informants as they gave examples of their own or of people, they knew who had to attend regular meetings and sessions by the microfinance organizations. In the case of Akhuwat, they felt empowered and respected that Akhuwat did not interfere in their life too much. For instance, one informant said, “The best thing is that they don't make us run around too much and never demand anything before it's due. Then they don't take anything extra”. For another informant who had a physical disability due to which he could not travel far, his experience with other organizations made him feel disrespected and inconvenienced:

The first problem was that they were located in Shah Jamal which is very far from here. I requested them to accept a bank transfer or to send the money through somebody, but they insisted you have to come pay the installment yourself and this was very difficult for me. The second thing that they told me at the time of the last installment was that they

took an extra installment which I had to pay reluctantly. After that I never took any loan from them.

In sum, Akhuwat's core values and philosophy of extending respect and dignity toward all of their borrowers irrespective of the situation was a core aspect of borrowers' positive experiences with the organization. For many borrowers, this dignity was made all the more salient as a result of their prior experiences of disrespect, rejection, and humiliation at the hands of their friends and family as well as other organizations.

### **The role of selflessness**

For the informants, another key aspect of their dignifying experience with Akhuwat was their perception that Akhuwat's assistance toward them was based not on selfish and commercial motives but rather on selflessness and good will. For informants, this selflessness was represented in different ways. For example, one of the key themes that emerged from the data was that many informants were moved that Akhuwat employees did not accept any customary offerings whenever they visited them. In the cultural context of Pakistan, people are expected to serve tea, juices, or other food items whenever guests or any benefactors visit them. In certain cases, not offering such hospitality was considered extremely disrespectful and discourteous by the visitors as it was considered their right. However, one of Akhuwat's key emphasis in its training to employees is to not accept anything offered by borrowers when employees visit them during initial appraisal and inspection. This was institutionalized in order to prevent employees from taking advantage of their power over borrowers and to prevent any undue financial and social burden on poor borrowers. Multiple informants shared how moved they were that Akhuwat's employees were so selfless that they did not accept even tea when it was offered to them. For instance, one informant stated:

Yes, their selfless devotion has moved me. They don't ask for or expect anything from you. They travel on their personal bikes and even bring their own stationery. You can keep offering them water or tea, but they will never accept.

For many informants, Akhuwat and its employees were selflessly motivated because they

did not get any profit or excess return over whatever they gave to the borrowers. Akhuwat's loans carry zero interest, this means that over the life of the loan repayment cycle, borrowers pay the absolute amount of the loan that they borrowed. For some borrowers, selflessness and concern for others was a key attribute that epitomized Akhuwat at all levels, from the founder to the lowest level of employee:

I learned the importance of helping others. This is what doctor Sahab is doing. You can see that there is no personal gain for doctor Sahab in this work and he had everything when he first extended his help to those women in need. He had his medical degree, house, bank balance and respect. Still God placed this light in him, and you can see how that turned out.

Another informant offered how Akhuwat's policies reflected a lack of greed and selfishness:

All of this shows that they have been trained and taught well. They don't have greed in them. Whenever we visit any of them for personal reasons or to deposit the payment, they treat us with utmost respect and are polite in all their dealings.

As with the experience of dignity, this perception that Akhuwat was selflessly motivated and it's only aim was to benefit the recipients was in opposition to their experiences with other organizations who informants thought only cared about their own profits:

The other institutions are hungry (for money), but this institution's people don't even drink water where they go. People at this institution are mindful that a person might not have the means (to even offer water). This is a very good practice that they have. Their employees say that they have been instructed by Akhuwat to follow these practices.

### ***The role of sanctity***

Another key aspect of the informants' experience with Akhuwat was its lack of interest on loans. In Islam, charging and paying interest on loans is considered a major sin and a key source of concentration of wealth and exploitation. There are several instances in the Quran and

the Hadith<sup>6</sup> which explicitly mention the prohibition of taking interest on loans, the sin associated with someone who charges or pays loans, and negative consequences for those who do. Even though interest-based transactions are prohibited in Islam, the practice of interest on commercial, informal, and microfinance transactions remains prevalent in Pakistan. Most of the respondents were of Muslim faith (Pakistan's population is 95% Muslim), thus for them a lack of interest on loans on Akhuwat was a means of harmony with their religious beliefs. Even though some informants had taken interest-bearing loans from other organizations in their past life, they felt that they were compelled to do so as a result of difficult circumstances. Regardless, one of the key themes that emerged was that people felt at ease and peace that their transactions with Akhuwat were sanctified. For example, one informant noted: "The best thing (about Akhuwat) is that their loans are without interest". Another informant stated:

The thing I like the most is that this loan is interest free. All other organizations charge a lot of interest, but you only have to return the original amount to Akhuwat. I used this money and was able to set up my own business.

Many informants recalled incidents and stories that happened with people who took loans on interest and how much loss they suffered afterwards. One informant called *sood* (an Urdu word for interest on loan) "a war with God and His Messenger". Another informant noted how one of her neighbors took a loan on interest from a bank and faced a lot of difficulties:

I have a neighborhood friend who received a (Rupees) 60000 loan from a bank. She first tried a retail shop, but it did not work out, then she tried a clothes business but that did not work out either. She is now crying and there is no blessing in her work. The bank takes 2 extra installments, and those people are not even able to pay the original installments.

Another key aspect of informants' experience that sanctified their relationship with Akhuwat was Akhuwat's practice of giving out its loans in a place of religious significance such as a mosque, church, or a temple. Indeed, one of Akhuwat's core principles is the use of religious

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<sup>6</sup> Collections of the sayings of Prophet Muhammad

places to instill a sense of sanctity and religious salience in their relationship with borrowers.

Many borrowers commented on how this was a practice that was a notable part of their experience with Akhuwat. For example, one informant note:

This transaction was blessed and beneficial because of two reasons, the first was that the transaction took place in a masjid and secondly it is without interest.

***Felt Respect, Perceived Responsiveness, and Loyalty***

When Akhuwat borrowers experienced dignity and selflessness in their interactions with Akhuwat, they felt a sense of acceptance and validation. This was especially important for informants because they had experienced rejection and humiliation from those that they had relied on previously. For example, one informant described it as follows:

I've always wanted to help people affiliated with Akhuwat because they helped me when I had no one else.

Another informant commented:

This organization helped me when I had no hope from anyone else... They gave me so much respect, so I also want to give respect in return and don't want to cause any problems for them.

Another informant who took a loan from Akhuwat at a time when his mother was suffering from cancer explained as follows:

There was a time when I was in need and this organization (Akhuwat) helped me. Now I feel it is obligatory for me to respond in a similar way.

This sense of respect and responsiveness led many informants to feel a sense of loyalty towards Akhuwat which was often based on a sense of reciprocation and paying back. For many borrowers, the experience of receiving dignity and respect from Akhuwat made them feel obliged to respond with respect and following through on the promise to use the loans for their declared purpose and for not delaying the payments without any valid justification. Many informants stated that Akhuwat was humane and respectful towards them, so they also responded

in kind. This sentiment was echoed by another informant for whom the respectful treatment by Akhuwat meant that he felt the need to continue using Akhuwat's services as opposed to other competitors:

From all of this I get very inspired, and I wish to continue working with them again. Obviously, those who will do good with me I will again want to establish a relationship with them. My intention is not bad and due to their good behavior, I also make sure I take care of my relationship with them.

Another informant who had a small dhaaba (an informal restaurant) near one of Akhuwat's branches and who had almost daily interactions with Akhuwat employees as he would sell lunch to them exclaimed as follows, "Their conduct is good. They meet with dignity and respect. They respect us and we respect them back. No one has ever disrespected or humiliated us". By treating borrowers with dignity and respect, Akhuwat was able to create a sense of loyalty and obligation towards the organization which meant that borrowers felt obliged to have respect for the organization.

Another aspect of the borrower's loyalty to Akhuwat as a result of the respectful treatment they received was that they went out of their way to make the monthly installments even if they experienced inconvenience in doing so. For instance, one informant whose tailoring work suffered setbacks during the lockdown nevertheless made sure her payments were not delayed, "The business struggled during lockdown, but we always paid the installments on time and managed one way or another". Another informant who worked in wedding events and whose work was abruptly stopped during the lockdown shared:

After the lockdown, work has decreased due to which things go up and down a little bit, otherwise I pay regularly. Regardless of how tight I am I always give the installment because this institution has been so supportive of me.

One of the ways in which loyalty and affinity with Akhuwat manifested in concern and connection with others was through voluntary donations to the borrower donation program. Akhuwat's key practice is the borrower donation program. Under this program

Akhuwat encourages its borrowers to make voluntary monthly donations towards a pool of money that is used to give loans to other deserving individuals. This monthly donation is kept strictly voluntary and does not affect a borrower's odds of getting another loan. In my own experience with the borrowers, employees, and managers at Akhuwat, there was a consensus that donation was voluntary, and it was a practice that encouraged borrowers to think about how their effort can help grow the organization and be a part of helping other people. As I observed Akhuwat's loan disbursement ceremony in a mosque as an observer, one of the key themes discussed with the borrowers was that although they were currently in a position of need, one day they will be in a position where they will help others. Akhuwat's key message to the borrowers was that the loan is just a means to an end; the end is a society where everyone helps each other on principles of compassion and concern for others.

For many informants, the monthly donations to Akhuwat allowed them to contribute to helping others associated with Akhuwat and move towards that desired state. For example, one informant shared the following:

Yes, every month I give according to my capacity... These people use the funds to help others and what do we know how much someone is needy and helpless. God has given us so we should pay it forward. This is for the poor.

Many of the borrowers I interviewed made small amounts of cash donations to the borrower donation program. Most of the monthly payments were approximately in the Rupees 50 to 100 range (USD 0.5). This represented around 2-3% of the average monthly installment. Despite these relatively small amounts of donations, many borrowers felt proud that they were able to help other people who might also be going through hardship and difficulty. As one informant put it:

I feel very happy that God has made from among those who give. I want to give everything and may God improve everyone's situation. Akhuwat has supported me a lot, they provide such good help, and their treatment of every person is also very good.

This loyalty to Akhuwat was such that many informants felt that they were part of the

organization itself and that the organization's mission was their own mission. For many informants, this manifested such that they considered themselves to be 'ambassadors' of Akhuwat where they propagated Akhuwat's message, internalized Akhuwat's philosophy of helping others, and called on others to turn to Akhuwat when they needed help. For example, one informant stated his affiliation with Akhuwat as follows.

I'm extremely impressed by them, and I always encourage my family/friends to extend their donations to Akhuwat. These people are serving the nation, for instance you can see that corona is here and even when governments failed to support the poor, this organization kept serving them.

This sentiment was shared by another informant:

I consider myself an ambassador for Akhuwat. I'm always telling people how great the organization is and I encourage others to follow in their footsteps.

One informant felt that they were part of a family with Akhuwat, "They treated us like part of the family and behaved very well with us".

### ***Mwakhat (Brotherhood)***

By instilling a sense of loyalty and investment in the cause of helping others potential Akhuwat borrowers, Akhuwat instilled a sense of Mwakhat or brotherhood with the borrowers. I defined Mwakhat as feelings of mutual responsibility, brotherhood, support, and trust with others. One of Akhuwat's core guiding principles is based on the word 'Mwakhat' which is an Arabic word from which the word 'Akhuwat' is etymologically derived. Mwakhat is a sense of brotherhood and mutual support for one another. Historically this word originated in 7th century Arabia when the first community of Muslims fled the town of Mecca to the town of Medina due to persecution at the hands of the Meccan elite. The Muslims in Medina formed a pack of 'Mwakhat' with the refugees from Mecca such that one person from Mecca was assigned a brother or sister from the community in Medina. The citizens of Medina formed an unusual pact of brotherhood wherein they willingly gave away half their wealth and property to the emigrants.

This event is known as the “Mwakhat.” This event of selflessness and help is at the core of Akhuwat’s philosophy, and a key element of training received by employees. From the point of view of Akhuwat, their aim is to form a pack of brotherhood with the borrowers.

For one informant, he internalized Akhuwat’s philosophy of helping others in a dignified manner, “I’ve made this a life lesson that if you possess the means, you should always extend your help to Safed posh people (People who are needy but do not resort to begging)”. Another informant said how he had also learnt about helping people regardless of means, “I have learned that if you take from one hand, you should give from the other. If you have 10 rupees but you only need 5, you should use the remaining 5 to help someone else.”.

For many informants, a feeling of loyalty towards Akhuwat also made them feel a sense of obligation towards others. This was reinforced by their perception that Akhuwat’s motivation was based on selflessness and not on greed and exploitation. Many of them experienced unconditional respect and concern for others from Akhuwat which motivated them to act towards others out of a concern for them. For example, one informant remarked how he had learnt helping others due to the dignity and selflessness that he perceived in Akhuwat’s practices, “The biggest effect (of Akhuwat) could be that I understood the importance of extending your help to people in need regardless of your relationship with them”. Another informant stated:

I learned the importance of helping others. This is what doctor Sahab is doing. You can see that there is no personal gain for doctor Sahab in this work and he had everything when he first extended his help to those women in need. He had his medical degree, house, bank balance and respect. Still God placed this light in him, and you can see how that turned out.

### ***Sanctity and cycles of Barkat and hope***

While dignifying and selflessness created a sense of loyalty, investment in Akhuwat, and Mwakhat, the practice of sanctifying initiated a different set of processes in the relationship with the borrowers. For the informants, sanctifying was based on harmony with valued beliefs around the permissibility of interest payments and the conduct of operations in a place of sanctification.

For many informants, these two aspects of the sanctifying experience meant that the money they received from Akhuwat had ‘Barkat’. In the sociocultural context of Pakistan, Barkat means a state of having blessing and abundance. In everyday life when people say there is Barkat in a resource, it often means that the resource has blessing such that it will be enough to fulfill and accomplish one’s goals. Barkat is often a factor of quality rather than of quantity. A person may have very little but as long as it has Barkat, it is considered sufficient to fulfill one’s needs.

Many borrowers made frequent mention of how the money from Akhuwat had Barkat. One informant stated, “This transaction was blessed and beneficial because of two reasons, the first was that the transaction took place in a masjid and secondly it is without interest”. For many informants, the Barkat in Akhuwat’s money was in contrast with the lack of it in the money that other organizations gave out that had interest attached to it. For example, one informant stated:

The best thing is that it is without interest. The rest of the organizations take two extra installments which come with interest. There is no *Barkat* in interest money and the interest free money that Akhuwat gives is very good for business.

Another theme that was associated with receiving a loan in a mosque was that borrowers felt moral responsibility to ensure that they did not misuse the loan by using it for a non-declared reason or delaying or defaulting on payments. For example, one informant shared the following perspective:

It feels very good that we are receiving the money sitting in God's House (mosque). We have this thought that we receive the money while being witnessed by God and we should spend it on the right purpose and not do any wrong thing.

This same feeling was echoed by another informant who mentioned how God is a witness to the money they take in a mosque which means they have to be extra vigilant about not misusing the money:

We take this money in a mosque and at that place God is our witness, so we spend the money only for the purpose that we borrowed it.

From the point of view of many borrowers, a feeling of Barkat and religious significance

was associated with an experience of improvement and betterment in their hardship and financial situation. As informants mentioned that the loan from Akhuwat had Barkat and blessing, they also mentioned how it was able to improve their condition significantly. As one informant stated:

The thing I like the most is that this loan is interest free. All other organizations charge a lot of interest, but you only have to return the original amount to Akhuwat. I used this money and was able to set up my own business. I found this money to be blessed and it helped me a lot. I believe that whatever business you start using money with interest is bound to fail and face a lot of difficulties.

Another informant shared similar views when he said:

There is *Barkat* in this money and wherever I invest this money in, I get more Barkat. Money that comes with interest money doesn't take you anywhere and it even worsens your business.

One informant mentioned how he did not need loan from Akhuwat because he was able to grow and become sufficient, but he still applied for loans because the Barkat was good for his work:

I still apply for loans and the sole purpose of being that is because I found the money, I got from Akhuwat blessed. Financially I do not need this money, but I prefer having some part of it in all my investment and bank balance for Barkat/being blessed.

### ***Link between Mwakhat, Barkat, Wellbeing, and Social Outcomes***

While dignity and selflessness were associated with a sense of Mwakhat and sanctity was associated with Barkat and growth, these unique processes seemed to work in a way that produced a feeling in borrowers that they had overcome the adversity and were in a different and better place in their life. It is hard to say when this change occurred, but it is clear that at some point in their association with Akhuwat, the informants felt secure and had a sense of self-reliance. Many informants described how Akhuwat had helped them get back on their feet and allowed them to be where they were at that moment. One informant said, "It was through their help that I was able to get back on my feet". Another informant described this as follows:

There is so much improvement after working with Akhuwat, and I have started to stand

on my own feet. They have helped me a lot. God is listening from my heart and only prayers come out for Akhuwat.

Most participants seemed to compare their current conditions with how their life was before they started taking loans with Akhuwat. For many informants, they had to depend on others for help and this made them feel undignified and disrespected while also making them feel anxiety and uncertainty about their future. However, many stated that they were now able to use their own hard work and skill to fulfill their own needs. This was echoed by an informant who had a physical disability and who had to rely on others to take him to work. After taking a loan from Akhuwat and successfully establishing his own motorbike repair workshop, he was able to build a four-wheeled motorbike on his own that allowed him to go to work without asking for others to give him a ride:

First, I had to request help from people (in taking me to my work) and sometimes someone would come and do something they wouldn't but now I can do what I want on my own.

There also seemed to be a connection between Mwakhat and Barkat that allowed informants to feel a sense of security and self-reliance. Many informants felt that helping others in need would give blessings and increase their condition. For many informants, this was because Akhuwat had helped them when they were in need and they felt that by helping others in need, they would get Barkat in their wealth:

Also, I firmly believe that if you help someone, Allah increases his blessing on you. Everyone has their own thinking and I believe in helping everyone in whatever capacity you can.

This concept of helping and Barkat was tied to a sense of Mwakhat which together allowed participants a sense of security even while giving others while they themselves could have used that money for their own needs as one participant noted, "I am giving in the path of God and not under coercion. Everyone gives willingly in the path of God and knows that whatever they give in the path of God, God will return twice that". Participants felt that helping others would bring Barkat and would give them security and protection in case of calamity and

hardship striking again in the future:

I think if today I help someone then tomorrow someone else will (help me). If I die tomorrow, then this fear will not remain about what will happen to my daughters. If I do (help) then tomorrow the people will take care of my family

Many informants described the progress that they had made in their lives that had allowed them to improve the performance of their ventures, experienced greater wellbeing, and receive greater respect from their community. A key theme that underlies these outcomes was the sense of self-reliance, that they were able to stand for themselves in their lives, and that they had beat long odds to overcome adversity. Many informants described the transformation that they had experienced in their lives as one informant stated:

At that time, whatever we had, we used to make do with it...but now by doing our own work we can spend according to our needs and also save.

From the data, it seemed like the progress in informants' ventures was a result of slowly growing confidence in their ability to accomplish goals that they set in their life. This confidence came from a feeling that the money from Akhuwat was blessed and that it would allow them to experience growth in their business ventures. For instance, one informant noted:

I got my first loan and since then I've been trying to work hard and make a living. I purchased a sewing machine, made a few sample's, and sold them in the market. From this I got more confidence and took sewing as a full-time profession. I got more work, and I was able to purchase a second machine and trained young girls for the same work. I've taught a good number of young girls who now are working themselves and I still have a couple of students learning this work. All of this started when I got a loan from Akhuwat. I feel like this loan was blessed as it improved my condition significantly. My house is for rent, and my kids are enrolled in school. Through this work I'm paying the rent and affording my children's education as well. I'm hopeful that the future will be even better.

In addition to this feeling of confidence due to Barkat that allowed informants to experience increased growth in their ventures, informants also reported a feeling that they were part of a brotherhood community that would be there for them in need. This was based on

multiple factors. One of the factors was Akhuwat's policy of waiving a loan upon the death or incapacitation of a borrower and in addition covering the funeral and burial costs. For many borrowers, this gave them peace that their families would not be burdened if they faced some life-threatening situation. The other factor was this sense of security related to a sense of affiliation with Akhuwat that many informants felt would allow them to continuously make progress and qualify for larger loans in the future. According to Akhuwat policy, when borrowers successfully complete the repayment of one loan, they qualify for larger loans. Many informants I interviewed had been taking several loans from Akhuwat and had witnessed steady growth and improvement in their ventures. For example, one informant said:

The best thing is that they come in handy to the needy people in difficult times. They give with respect and don't take extra money. They give the loan with respect and those who comply and stay respectful then they can also get it again. This is the best thing.

Many informants reported that they had also experienced an improvement in their wellbeing due to a feeling of self-reliance and security. This well-being was based on self-reliance stemming from both a sense of *Mwakhat* towards others as well as a sense of blessing. For example, one informant reported how hopeful he felt that the future is going to be better because of a feeling that he could face the challenges that life threw his way:

There is a lot of difference (between now and then). At that time, I felt powerless but now at least I am fighting for my life. I have hope in God that I am working hard, and God will give me sustenance.

Other informants shared their hope that the future will be secure if they help others as helping others means that that they will be taken care of.

At my (bike repairs) shop, sometimes people come who don't have money but need to get a flat tire fixed. So, I fixed it for free. They might pay later and even if they don't, that doesn't make a difference. I have this thought that if I help someone then God will help me. That is why I sometimes work on people's tires without charging anything.

Informants also reported that they felt peace of mind because of their current situation. This was mainly because they felt they did not have to face the uncertainty and anxiety of

depending on others but rather could support themselves:

They used to harass me like delaying the salary or if I was late, I would be scolded, and it would get bad. Now I have my own workshop and I can open and close it whenever I want. There is no stress.

Another informant stated:

Because of Akhuwat, everything got set and this organization was a ray of hope for me. They got me out of this quagmire. Now I have peace of mind.

Informants also reported that because they did not have to rely on others, they also received more respect from their family, friends, and neighbors. Part of this was because others were moved that informants had achieved what they had in their life despite facing the adversity and trauma that they had. Part of this was also because informants felt they were financially better off and able to help others which increased their respect in the society:

I never feel the need to ask for help now and the same relatives and friends that used to run away now treat me well. These same people used to ignore me because they were afraid, I might ask for financial help.

## **TOWARD A THEORY OF RELATIONSHIPS IN POVERTY ALLEVIATION**

I began this study with the goal of advancing theory on identifying processes through which organizations form strong relationships with their stakeholders, especially in the context of organizations tackling grand challenges of global poverty, hunger, and inequality. I explored this question in the context of Akhuwat, Pakistan's largest microfinance organization that gives out interest-free loans to poor individuals. The findings uncover the harsh and traumatic experiences of Akhuwat's borrowers. I found that borrowers had experienced traumatic events, rejection, humiliation, and exploitation before they started their relationship with Akhuwat. They were stuck in an 'indignity trap'. The findings suggest that receiving dignity and selflessness from Akhuwat served as a stark contrast to the experience of humiliation and disrespect that the borrowers had experienced with other organizations and people. Akhuwat's policies of

addressing borrowers with titles of respect, allowing them flexibility in monthly loan repayments, as well as avoiding pressurizing and abusing borrowers led to the borrowers feeling that Akhuwat gave them respect. In addition, Akhuwat's policies of charging no interest on their loans and not accepting gifts from borrowers was taken by borrowers to be a sign of their selfless motives.

Akhuwat's practices reflecting selfless dignity enabled borrowers to feel a sense of affiliative loyalty with Akhuwat based on a notion of reciprocation. Borrowers of Akhuwat felt obligated to give respect back to Akhuwat by not delaying payments without excuse and to use the loan money honestly. A sense of affiliation with Akhuwat led the borrowers to invest in Akhuwat's cause in terms of voluntary donations that would be used by Akhuwat to help other borrowers in need. This resulted in a sense of "Mwakhat" (brotherhood) such that borrowers felt as if they shared a connection with Akhuwat that made them ambassadors and representatives of Akhuwat. This created a sense of concern for those associated with the organization as well as others who were going through difficulties in their life. For borrowers, Akhuwat had helped them when they needed help, so they felt obliged to help others who were in need. This process allowed borrowers to feel that Akhuwat and others are there for them and would continue being there in case of adversity leading to a sense of self-reliance and confidence.

Akhuwat's practices of charging no interest on its loans as well as conducting their loan disbursement ceremony in places of religious significance (such as a mosque) allowed borrowers to feel a sense of harmony with their religious values. In Islam, taking interest on loans is prohibited and culturally in Pakistan is also considered to be a sinful practice. This harmony with values made borrowers feel morally responsible to repay the loans on time and not to waste the money or use it for some undeclared purpose. As a result of the harmony and moral responsibility, borrowers felt that they experienced Barkat (divine abundance) in their loans such that they gained positive returns when they invested their loans into their businesses. This

process allows borrowers to feel that they are moving forward in their life and can rely on their own hard work and skills to fulfil their needs.

As a result of these processes, borrowers felt secure and self-reliant and experienced positive outcomes. Borrowers reported that they felt obliged to help others who were in need and received more respect from their community members. They also reported improvement in their venture performance, hope that the future will be better, and a peace of mind that they did not have to depend on others but could live a life of dignity.

These findings offer insights into the process by which organizations fighting poverty form relationships with their stakeholders in order to maximize value. Findings suggest that the process through which such organizations can have a transformative effect on the life of their beneficiaries starts with treating them with dignity and selflessness. By doing so, organizations can create a reciprocated loyalty with the stakeholders who develop a sense of affinity with their benefactors. This can enable the beneficiaries to actively invest in the cause of organizations and consider themselves as part of a larger bond with them. Through this process of creating affinity and loyalty with stakeholders, such organizations can enable their stakeholders/beneficiaries to feel a sense of community support that enables them to start relying on themselves and become a source of help towards others.

These findings also suggest that in order to maximize value for their stakeholders, organizations fighting poverty must also form relationships with them that are in harmony with the values that the stakeholders aspire to. By honoring these values, organizations can create a sense of moral responsibility that nudges their stakeholders to be honest and trustworthy and to form a relationship that is part of something greater. This enables stakeholders to feel a sense of movement and progress in their life that also contributes to self-reliance, business growth, and well-being.

## STUDY 2

Study 2 was a confirmatory quantitative field study in which I aimed to replicate results from Study 1 using a correlational field survey design. Building on findings from Study 1, I focused on the most theoretically novel mechanism that linked selfless dignity and the downstream outcomes. Thus, in Study 2, I tested the following hypotheses:

*H1: Selfless dignity will be positively associated with Perceived Responsiveness*

*H2: Perceived Responsiveness will be positively associated with Mwakhat*

*H3a: Mwakhat will be positively associated with Financial Well-being*

*H3b: Mwakhat will be positively associated with Subjective Well-being*

*H3c: Mwakhat will be positively associated with Social Respect*

*H3d: Mwakhat will be positively associated with Compassionate Helping*

*H4: There will be a serial indirect effect of Selfless Dignity on a) Financial Well-Being b) Subjective Well-being c) Social Respect d) Compassionate Helping via Perceived Responsiveness and then Mwakhat*

*H5: Sanctity will be positively associated with Sacred Abundance*

*H6: Sacred Abundance will be positively associated with Hope*

*H7a: Hope will be positively associated with Financial Well-being*

*H7b: Hope will be positively associated with Subjective Well-being*

*H7c: Hope will be positively associated with Social Respect*

*H7d: Hope will be positively associated with Compassionate Helping*

*H8: There will be a serial indirect effect of Sanctity on a) Financial Well-Being b) Subjective Well-being c) Social Respect d) Compassionate Helping via Sacred Abundance and then Hope*

## **Study 2 Methods**

### ***Participants and Procedures***

Participants were existing borrowers of Akhuwat who had been randomly selected from a list of borrowers in the city of Lahore that was provided by Akhuwat. In September 2022, a team of trained research assistants made phone calls on the list of phone numbers provided. Surveys were conducted via phone. After two weeks, respondents who had provided responses in wave 1 were called again. The surveys were conducted in Urdu, the local language. Participants were assured that their responses would be kept confidential, and that the organization would not receive identifiable data. This first wave of surveys contained demographic questions as well as measures for selfless dignity, sanctity, perceived responsiveness, and Barkat (sacred abundance). Two weeks later, the research assistants called the participants and this wave of data collection had measures for Mwakhat (brotherhood), hope, subjective well-being, financial well-being, SPANE, compassionate helping, and social respect. I chose a two-week time separation to rule out common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

We received responses from 384 participants in wave 1 and 298 participants in wave 2, for a response rate of 78%.

### ***Measures***

All survey items were translated from English into Urdu using the back-translation process (Brislin, 1986). Specifically, a bilingual research assistant translated the initial materials into Urdu, after which two bilingual members of the author team translated the survey back into English and resolved remaining discrepancies. Disagreements were resolved by engaging in multiple stages of back translation until the translation was closest to the actual English scales in meaning.

**Selfless Dignity.** Selfless Dignity was measured using the following items developed for this study. Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) Akhuwat's staff behave with me in a dignifying manner, 2) Akhuwat's staff are respectful, 3) Akhuwat's staff's address using respectful titles, 4) Akhuwat's staff do not behave rudely or in a disrespectful manner, 5) Akhuwat's staff are selfless 6) Akhuwat's staff do not ask anything in return from me, 7) Akhuwat's help is unconditional, 8) Akhuwat cares about the borrowers' wellbeing, 9) Akhuwat is sincere about the borrowers' wellbeing, 10) Akhuwat is a selfless organization ( $\alpha = .88$ ).

**Sanctity.** Sanctity was measured using the following items adapted from the Sacred Qualities index (Mahoney et al., 1999). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) Akhuwat's work is consistent with my spiritual or religious values, 2) Akhuwat's work is virtuous and sacred, 3) Akhuwat's work is based on goodness, 4) Akhuwat's work is sacred ( $\alpha = .88$ ).

**Perceived Responsiveness.** Perceived responsiveness was measured using the following items adapted from the perceived partner responsiveness scale (Reis, Crasta, Rogge, Maniaci, & Carmichael, 2017). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): Akhuwat, 1) really listens to me, 2) is responsiveness to my needs, 3) expresses liking and encouragement for me, 4) values my abilities and opinions, 5) expresses concern for me, 6) makes me feel belonged ( $\alpha = .92$ ).

**Mwakhat (Brotherhood).** Mwakhat was measured using four items developed for this study. Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) I feel concerned for people in my community who have difficulties 2) I care about the needs of people in my community 3) I feel responsible to help others in my

community 4) I have bonds of brotherhood with people in my community ( $\alpha = .91$ ).

**Barkat (Sacred Abundance).** Barkat was measured using three items developed for this study. Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) They money from Akhuwat brings good fortune 2) The money from Akhuwat allows me to fulfill my goals 3) The money from Akhuwat is enough for my needs ( $\alpha = .77$ ).

**Compassionate Helping.** Compassionate helping was measured using four items from the compassion scale (Pommier, Neff, & Tóth-Király, 2020). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) During the past four weeks, “If I saw someone going through a difficult time, I tried to be caring toward that person”, 2) “I liked to be there for others in times of difficulty”, 3) “My heart went out to people who were unhappy”, 4) “When others felt sadness, I tried to comfort them”. ( $\alpha = .75$ )

**Hope.** Hope was measured using the following items developed by Sheirer et al (1994). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) In uncertain times, I expect the best, 2) I’m hopeful about my future, 3) I expect things to go my way, 4) I count on good things happening to me, 5) I expect more good things to happen to me than bad. ( $\alpha = .82$ )

**Subjective Well-being.** I measured subjective well-being using two measures: 1) The adapted SPANE 2) subjective evaluation of best-possible life.

**SPANE.** Participants were asked to, “Please think about what you have been doing and experiencing during the past four weeks. Then report how much you experienced each of the following feelings, using the scale below.” (1= vary rarely/never, 5=Very often/always). The items used were: 1) Positive 2) Negative 3) Good 4) Bad 5) Pleasant 6) Unpleasant. Items 2, 4, 6 were added and subtracted from the sum of items 1, 3, and 5.

**Evaluation of Best Possible Life.** Participants were asked to “Please imagine a ladder with steps numbered from zero at the bottom to ten at the top. Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. If the top step is 10 and the bottom step is 0, on which step of the ladder do you feel you personally stand at the present time (right now)?

**Financial Well-being.** I measured financial well-being by asking participants to rate how much certain items describe their situation on a five-point scale (1=Does not describe me at all, 5= Describes me completely). Items were, “I could handle a major unexpected expense”, “I can enjoy life because of the way I’m managing my money”, “I have money left over at the end of the month”. (Whillans & West, 2022) ( $\alpha = .73$ ).

**Social Respect.** I measured social respect by asking participants to rate the following items on a five-point scale (Strong Disagree-Strongly Agree). Items were, “My neighbors and family respect me”, “My neighbors and family react well to what I say and do”, “My neighbors and family are impressed by what I have accomplished”, “I make a good impression on my neighbors and family”, “My neighbors and family like me”. ( $\alpha = .52$ )

## **Study 2 Results and Discussion**

Hypothesis 1 theorized a positive link between selfless dignity and perceived responsiveness. Consistent with this hypothesis, the regression coefficient for the direct effect of selfless dignity on perceived responsiveness was positive and significant ( $b = .59, p < .001$ ).

Thus, Hypothesis 1 is supported. Hypothesis 2 theorized a positive link between perceived responsiveness and Mwakhat. Consistent with this hypothesis, the regression coefficient for the direct effect of perceived responsiveness on Mwakhat was positive and significant ( $b = .29, p < .01$ ). Thus, Hypothesis 2 is supported. Hypothesis 3a theorized a positive link between Mwakhat

and Financial Well-Being. However, the regression coefficient for the direct effect of Mwakhat on Financial Well-Being was negative and significant ( $b = -.45, p < .001$ ). Thus, Hypothesis 3a is not supported. Hypothesis 3b theorized a positive link between Mwakhat and Subjective Well-being. Consistent with this hypothesis, the regression coefficient for the direct effect of Mwakhat on Subjective Well-Being was positive and significant ( $b = .45, p < .01$ ). Thus, Hypothesis 3b is supported. However, the regression coefficient for the direct effect of Mwakhat on SPANE was negative but not significant ( $b = -.91, p = .09$ ). Hypothesis 3c theorized a positive link between Mwakhat and Social Respect. Consistent with this hypothesis, the regression coefficient for the direct effect of Mwakhat on Social Respect was positive and significant ( $b = .51, p < .001$ ). Thus, Hypothesis 3c is supported. Hypothesis 3d theorized a positive link between Mwakhat and Compassionate Helping. Consistent with this hypothesis, the regression coefficient for the direct effect of Mwakhat on Compassionate Helping was positive and significant ( $b = .51, p < .001$ ). Thus, Hypothesis 3d is supported.

Hypothesis 4a predicted that selfless dignity would have a serial indirect effect on Financial Well-Being through perceived responsiveness and then Mwakhat. The indirect effect of selfless dignity on Financial Well-Being (indirect effect =  $-.08$ , 95% CI  $[-.13, -.04]$ ) excluded zero but the indirect effect was negative. Therefore, Hypothesis 4a was not supported.

Hypothesis 4b predicted that selfless dignity would have a serial indirect effect on Subjective Well-Being through perceived responsiveness and then Mwakhat. The indirect effect of selfless dignity on Subjective Well-Being (indirect effect =  $.08$ , 95% CI  $[.01, .18]$ ) excluded zero.

Therefore, Hypothesis 4b was supported. However, the indirect effect of selfless dignity on SPANE (indirect effect =  $-.16$ , 95% CI  $[-.33, .03]$ ) did not exclude zero. Hypothesis 4c predicted that selfless dignity would have a serial indirect effect on Social Respect through perceived

responsiveness and then *Mwakhat*. The indirect effect of selfless dignity on Social Respect (indirect effect = .13, 95% CI [.06, .22]) excluded zero. Therefore, Hypothesis 4c was supported. Hypothesis 4d predicted that selfless dignity would have a serial indirect effect on Compassionate Helping through perceived responsiveness and then *Mwakhat*. The indirect effect of selfless dignity on Compassionate Helping (indirect effect = .09, 95% CI [.04, .14]) excluded zero. Therefore, Hypothesis 4d was supported.

Hypothesis 5 theorized a positive link between sanctity and *Barkat*. Consistent with this hypothesis, the regression coefficient for the direct effect of sanctity on *Barkat* was positive and significant ( $b = .32, p < .001$ ). Thus, Hypothesis 5 is supported. Hypothesis 6 theorized a positive link between *Barkat* and Hope. Consistent with this hypothesis, the regression coefficient for the direct effect of *Barkat* on Hope was positive and significant ( $b = .23, p < .001$ ). Thus, Hypothesis 6 is supported. Hypothesis 7a theorized a positive link between perceived Hope and Financial Well-Being. The regression coefficient for the direct effect of Hope on Financial Well-Being was positive and significant ( $b = .88, p < .001$ ). Thus, Hypothesis 7a is supported. Hypothesis 7b theorized a positive link between Hope and Subjective Well-being. Consistent with this hypothesis, the regression coefficient for the direct effect of Hope on Subjective Well-Being was positive and significant ( $b = 1.04, p < .01$ ). The regression coefficient for the direct effect of Hope on SPANE was also positive and significant ( $b = 5.24, p < .001$ ). Hypothesis 7c theorized a positive link between Hope and Social Respect. Consistent with this hypothesis, the regression coefficient for the direct effect of Hope on Social Respect was positive and significant ( $b = .08, p < .05$ ). Thus, Hypothesis 7c is supported. Hypothesis 7d theorized a positive link between Hope and Compassionate Helping. The regression coefficient for the direct effect of Hope on

Compassionate Helping was positive but not significant ( $b = .07, p = .28$ ). Thus, Hypothesis 7d is not supported.

Hypothesis 8a predicted that sanctity would have a serial indirect effect on Financial Well-Being through Barkat and then Hope. The indirect effect of sanctity on Financial Well-Being (indirect effect = .06, 95% CI [.01, .12]) excluded zero. Therefore, Hypothesis 8a was supported. Hypothesis 8b predicted that sanctity would have a serial indirect effect on Subjective Well-Being through Barkat and then Hope. The indirect effect of selfless dignity on Subjective Well-Being (indirect effect = .08, 95% CI [.02, .16]) excluded zero. Therefore, Hypothesis 8b was supported. The indirect effect of sanctity on SPANE (indirect effect = .38, 95% CI [.08, .74]) excluded zero. Hypothesis 8c predicted that sanctity would have a serial indirect effect on Social Respect through Barkat and then Hope. The indirect effect of sanctity on Social Respect (indirect effect = .01, 95% CI [.00, .01]) did not exclude zero. Therefore, Hypothesis 8c was not supported. Hypothesis 8d predicted that sanctity would have a serial indirect effect on Compassionate Helping through Barkat and then Hope. The indirect effect of sanctity on Compassionate Helping (indirect effect = .01, 95% CI [-.003, .02]) did not exclude zero. Therefore, Hypothesis 8d was not supported.

## **Study 2 Discussion**

The purpose of Study 2 was to replicate findings from Study 1 which was a qualitative study. Results from Study 2 provided evidence that selfless dignity was associated with the outcomes of subjective well-being, compassionate helping, and social respect through the mechanisms of perceived responsiveness and *Mwakhat*. Results also showed that sanctity was associated with the outcomes of subjective well-being and financial well-being through the mechanism of *Barkat* and *Hope*. Thus, Study 2 replicated key findings from Study 1 that

receiving microfinance loans with selfless dignity and sanctity allowed the borrowers of Akhuwat to experience positive downstream outcomes.

Results from Study 2 showed that Mwakhat (brotherhood) was associated with participants experiencing higher subjective evaluation of their current standing in life but not with higher net positive affect. On the other hand, Hope was associated with both forms of subjective well-being. This result suggest that social connection with others (Mwakhat) allows participants to experience a higher position in their best possible life but does not allow them to experience higher net positive affective states. This is interesting because it shows that Mwakhat can be important in making people experience cognitive but not affective well-being in their life. On the other hand, results show that participants who felt greater hope experienced higher forms of both types of subjective well-being. This suggests that hope might be a stronger predictor of subjective well-being than Mwakhat (brotherhood).

Results also showed that Mwakhat was associated with greater compassionate helping and social respect, but that Hope was not associated with either. This is interesting because it shows that Mwakhat is important for building social connections that allow participants to engage in more compassionate helping with those around them and also experience higher respect in their social surroundings. On the contrary, feeling hopeful was not associated with engaging in more compassionate helping behaviors or feeling more respect from others.

These results suggest that selfless dignity is associated with better interpersonal indicators through the mechanisms of perceived responsiveness and Mwakhat whereas Sanctity is associated with better intrapersonal outcomes through the mechanisms of Barkat and Hope. Selfless dignity allows borrowers to experience a sense that Akhuwat responds to their needs and is there when they need it. This in turn allows them to experience a sense of Mwakhat which

enables them to experience higher interpersonal outcomes. On the other hand, sanctity allows borrowers to experience greater Barkat and Hope which allows them to experience higher intrapersonal outcomes.

Results also showed that Mwakhat is negatively associated with financial well-being. This might suggest that for people living in conditions of poverty and low-income, being responsible for and caring for other people in the community poses a financial penalty. This was a sentiment that was echoed by participants in Study 1 in which many of them said that sometimes being part of a community in which they helped others made them financially worse off but they did so regardless because they felt empathy and wanted to help others who were struggling. It is interesting, however, that Mwakhat was positively associated with a subjective evaluation of participant's best possible life. This suggests that being part of a community that shares close bonds might pose a financial penalty but still allow people to feel like they are closer to living their best possible life.

### STUDY 3: FIELD EXPERIMENT

Study 2 provided initial evidence for the relationship between selfless dignity and sanctity through the mechanism of Mwakhat and Barkat and provided a first test for the replicability of findings from the qualitative study. However, because Study 2 was correlational study, it was not possible to establish causality. Study 3 was a field experiment in which I aimed to investigate the causal relationship between selfless dignity and sanctity and key outcome variables. This study was pre-registered with the following hypotheses<sup>7</sup>:

- 1) Borrowers in the treatment group will experience higher mawakhat (brotherhood) compared with borrowers in the control group.
- 2) Borrowers in the treatment group will experience higher Barkat (divine abundance) compared with borrowers in the control group.
- 3) Borrowers in the treatment group will experience higher social respect compared with borrowers in the control group.
- 4) Borrowers in the treatment group will experience higher wellbeing compared with borrowers in the control group.
- 5) Borrowers in the treatment group will experience higher business growth compared with borrowers in the control group.

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<sup>7</sup> [https://aspredicted.org/2YH\\_122](https://aspredicted.org/2YH_122)

6) Borrowers in the treatment group will engage in more helping behaviors compared with borrowers in the control group.

7) Borrowers in the treatment group will experience less stress compared with borrowers in the control group.

### **Study Design**

In Study 1, I discovered that Akhuwat's practices of selfless dignity and sanctity are key drivers of borrowers experiencing positive changes in their financial and subjective wellbeing, social respect, and compassionate helping behaviors. In my experience interacting with borrowers and branch-level Akhuwat staff, I realized that there was natural variation in how staff at the branch level enacted these practices. Therefore, in order to ensure that the intervention stays consistent across all branches, I planned to create a set of standardized practices that can be used to train Akhuwat branch level staff at the treatment branches. The purpose of the field experiment was to test the causal effect of receiving a loan with selfless dignity and sanctity on Akhuwat's borrowers' outcomes of financial and subjective well-being, compassionate helping, social respect, mwakhat (brotherhood), barkat (sacred abundance), and hope. There were several steps involved in both designing and executing an intervention that would allow me to establish this causal link. I consulted with Akhuwat management and discussed possible options. In an ideal situation, I would randomly assign borrowers to a group that only received a loan and no form of selfless dignity or sanctity and another group that received a loan with selfless dignity and sanctity. I would also have a group of people in a waitlist control condition who would be approved for a loan but have to wait for a six-month period before receiving the loan. This would allow me to compare the effect of selfless dignity and sanctity on the outcomes of interest in addition to the effect of receiving financial assistance in the form of an interest-free loan.

However, due to moral considerations this option was ruled out as it would cause undue hardship for people in poverty by either denying them an important experience of selfless dignity and sanctity and also financial resources for a number of months.

After consultation with Akhuwat management, we settled on creating an intervention that would aim to give borrowers an enhanced experience of selfless dignity and sanctity compared to a group of borrowers who experience business-as-usual. Specifically, we aimed randomly assign borrowers to a treatment group that would receive a higher than usual experience of selfless dignity and sanctity and a control group that would receive the loan in more or less a similar way to how Akhuwat normally distributes loans. Thus, in the treatment group, I aimed to design an intervention that would allow borrowers to experience more dignity and more sanctity than the control group. This represents a conservative test of the hypotheses because it relied on a small variation in the experience of selfless dignity and sanctity to predict borrower outcomes.

Akhuwat's operations are organized around several regional areas, which are headed by regional managers. There are typically several regions in any given city. Each region then is subdivided into several branches. Branches in one area all report to the regional manager and usually coordinate their operations as they are geographically close to each other. One of the options considered was to randomize individuals within the same branch to either the treatment or control condition. However, because individuals in the same branch are likely to live close to each other, there was a concern about contamination between the two groups.

Eventually, the most feasible option was to randomize branches within several areas to the treatment or control condition. For the purpose of this study, I chose four contiguous regional areas (A, B, C, & D) that were located in the northern part of the city of Lahore. These four areas were chosen because of their close geographical proximity, thus reducing unobserved

heterogeneity due to factors such as socio-economic status, access to healthcare, education, public transportation etc.

A majority of Akhuwat's loan portfolio consists of repeat borrowers. However, for the purpose of this study, we focused exclusively on first-time borrowers to rule out effects of any prior affiliation with Akhuwat. The recruitment process for the study proceeded as follows: In the month of June 2022, we kept track of all branches in the four regional areas that had received applications from first-time borrowers. By mid-June, we had identified branches that had received applications from first-time borrowers. Area A and Area B only had one branch (each) that received new loan applications. Area C had two branches and Area D had four branches that received new loan applications. Akhuwat management also requested me to have more people in the treatment condition than the control condition. Thus, we assigned a probability of 60% to be assigned to treatment and 40% to control. We then randomized branches within each of the four areas to either the treatment or the control condition. In the two regional areas that had one branch each, one of the branches was randomly assigned to the treatment condition and the other was assigned to be control. In Area C, one branch was randomly assigned to treatment and one to control. In Area D, three branches were randomly assigned to treatment and one to control. In sum, three branches were in the control condition and five branches were in the treatment condition. A map showing the location of these branches in a map can be found in Appendix F.

### ***Intervention design***

In the treatment group, all borrowers were invited to a mosque in which the loan ceremony was conducted. This loan ceremony started with recitation from the Quran and other local cultural liturgies and hymns. Afterwards, a member of the Akhuwat staff addressed the audience and explained core Akhuwat values of *Mwakhat* (brotherhood), caring for others,

important of giving, living a life of dignity, the sacredness of an interest-free loan, and the future in which these borrowers will be able to turn around their lives and become contributors to society. The borrowers were also given a gift bag that contained a printed poster that summarized the message they had heard that day and also a small book of liturgies and prayers. This intervention combined an experience of receiving the loan in a place of sanctity (mosque) as well as receiving an interest-free loan, infused with religious liturgies and prayers, and hosted by the co-founder of Akhuwat. Afterwards, the borrowers received instructions about the details of their loan and were free to leave. The purpose of calling people to a mosque and the activities described above was to give borrowers' an experience that was culturally and religiously sacred and would allow them to experience a sense of sanctity associated with the loan from Akhuwat.

Borrowers in the control group were invited into a community hall (that had no sacred significance) and were only explained the details and formalities of their loans. There was no recitation from the Quran, or a conversation about Akhuwat's key values and they did not receive a gift bag. The purpose of these set of activities was so that borrowers did not experience the same level of sanctity that the borrowers experienced in the treatment condition. It is important to note here that borrowers in both the treatment and control group received interest-free loans, which represent a key experience of sanctity for borrowers. Therefore, the key difference between the two groups was that the treatment group received the loan in a mosque in a sacred ceremony while the control group did in a place which is not typically considered a place of sacredness (event hall). This treatment intervention occurred in the last week of June 2022. Photographs from the field experiment can be found in Appendix D.

Once this one-time intervention was administered, borrowers in the two groups were also administered monthly interventions. The purpose of these interventions was to create a recurring interaction between Akhuwat employees and borrowers based on selfless dignity. Specifically, at the start of each month when the borrowers returned to Akhuwat's branch to deposit their

monthly loan repayment, the branch staff were trained to stand up in respect of the borrowers, say a few words of respect, and then escort them to the door of the branch as they leave<sup>8</sup>. In the cultural context of Pakistan, standing up for someone and walking them to the door as they leave is a sign of respect for the recipient. Further, during each month the borrowers in the treatment group received a phone call from the Akhuwat staff members in which they checked-in on the wellbeing of the borrowers and dignified them by praising their efforts and persistence<sup>9</sup>. The scripts used to train the employees were developed after consultation with field staff as well as senior management at Akhuwat. Borrowers in the control group received a monthly phone call in which they were reminded about the due date of their monthly repayment. The script used in the phone calls can be found in Appendix C.

### ***Study Timeline***

A baseline survey was conducted after participants were approved for the loan but before they received it. A follow-up survey was conducted six months after participants received the loan. A detailed timeline of the field experiment can be found in Appendix E.

For all data collections, trained field officers guided participants through our measures in Urdu, ensuring that every participant—including those with limited reading, writing, and numeracy skills—comprehended and correctly completed instructions and measures. Field officers were blind to condition and study hypotheses for the baseline and subsequent data collection.

### ***Participants***

In total I surveyed 377 borrowers at baseline. After we collected their baseline data, Akhuwat informed me that some applications required further processing because of missing documents or other procedures that needed to be complete. These borrowers were subsequently

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<sup>8</sup> The script used to train the Akhuwat staff can be found in the appendix.

<sup>9</sup> The script used to train the Akhuwat staff can be found in the appendix.

not part of either the treatment or the control group. Eventually, there were 292 borrowers who were part of the treatment (N = 185) and control condition (N = 107).

### ***Measures***

Below, I present the primary outcomes that were collected at baseline and at the six-month follow-up survey.

**Mwakhat (Brotherhood).** Mwakhat was measured using four items developed for this study. Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) I feel concerned for people in my community who have difficulties 2) I care about the needs of people in my community 3) I feel responsible to help others in my community 4) I have bonds of brotherhood with people in my community. ( $\alpha = .85$ )

**Barkat (Sacred Abundance).** Barkat was measured using three items developed for this study. Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) The money from Akhuwat brings good fortune 2) The money from Akhuwat allows me to fulfill my goals 3) The money from Akhuwat is enough for my needs ( $\alpha = .64$ ).

**Compassionate Helping.** Compassionate helping was measured using four items from the compassion scale (Pommier et al., 2020). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) During the past four weeks, “If I saw someone going through a difficult time, I tried to be caring toward that person”, 2) “I liked to be there for others in times of difficulty”, 3) “My heart went out to people who were unhappy”, 4) “When others felt sadness, I tried to comfort them”. ( $\alpha = .70$ )

**Hope.** Hope was measured using the following items developed by Sheirer et al (1994). Specifically, participants responded to the following items on a five-point scale (Strong Disagree-Strongly Agree): 1) In uncertain times, I expect the best, 2) I’m hopeful about my

future, 3) I expect things to go my way, 4) I count on good things happening to me, 5) I expect more good things to happen to me than bad. ( $\alpha = .71$ )

**Subjective Well-being.** I measured subjective well-being using two measures: 1) The adapted SPANE 2) subjective evaluation of best-possible life.

**SPANE.** Participants were asked to, “Please think about what you have been doing and experiencing during the past four weeks. Then report how much you experienced each of the following feelings, using the scale below.” (1= vary rarely/never, 5=Very often/always). The items used were: 1) Positive 2) Negative 3) Good 4) Bad 5) Pleasant 6) Unpleasant. Items 2, 4, 6 were added and subtracted from the sum of items 1, 3, and 5.

**Evaluation of Best Possible Life.** Participants were asked to “Please imagine a ladder with steps numbered from zero at the bottom to ten at the top. Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. If the top step is 10 and the bottom step is 0, on which step of the ladder do you feel you personally stand at the present time (right now)?

**Financial Well-being.** I measured financial well-being by asking participants to rate how much certain items describe their situation on a five-point scale (1=Does not describe me at all, 5= Describes me completely). Items were, “I could handle a major unexpected expense” , “I am securing my financial future”, “I can enjoy life because of the way I’m managing my money”, “I have money left over at the end of the month” (Whillans & West, 2022). ( $\alpha = .75$ )

**Social Respect.** I measured social respect by asking participants to rate the following items on a five-point scale (Strong Disagree-Strongly Agree). Items were, “My neighbors and family respect me”, “My neighbors and family react well to what I say and do”, “My neighbors and family are impressed by what I have accomplished”, “I make a good impression on my neighbors and family”, “My neighbors and family like me”. ( $\alpha = .94$ )

### **Preliminary Analysis**

At the six-month data collection, 100 participants (out of 107) in the control group completed the survey leading to a response rate of 93%. 157 participants (out of 185) in the treatment group completed the survey, resulting in a response rate of 85%.

### **Analysis Strategy**

Below, I present analyses using two different strategies. First, I conducted an ANCOVA analysis where I tested the effect of receiving treatment on the outcome variables, controlling for the baseline value of the outcome variables. In the second analysis, I conducted multilevel modelling in order to account for clustering of borrowers within regional areas. Clustering violates the assumption of independence because the residual errors of borrowers from a certain geographic area are more likely to be correlated with each other than with borrowers from other geographic areas.

### **Primary Analysis**

For the primary analysis, I conducted ANCOVA analysis where I examined the effect of treatment on the outcome variables, controlling for the baseline values of outcomes (except for Barkat, for which there was no data collected at baseline).

Participants in the treatment condition reported higher Financial Well-being ( $M = 3.01$ ,  $SD = .59$ ) compared to those in the control condition ( $M = 2.82$ ,  $SD = .70$ ),  $F(1, 256) = 9.06$ ,  $p < .01$ . Participants in the treatment condition reported also higher values on the *SPANE* ( $M = 7.10$ ,  $SD = 4.51$ ) than those in the control condition ( $M = 5.68$ ,  $SD = 4.36$ ),  $F(1, 256) = 6.84$ ,  $p < .01$ .

Participants in the treatment condition reported higher values on *Mwakhat* ( $M = 4.28$ ,  $SD = .75$ ) than those in the control condition ( $M = 4.17$ ,  $SD = .92$ ), however this difference was not significant  $F(1, 256) = 1.15$ ,  $p = .29$ .

Participants in the treatment condition reported higher *Barkat* ( $M = 3.96$ ,  $SD = .80$ ) than those in the control condition ( $M = 3.75$ ,  $SD = .92$ ), however this difference was marginally significant  $F(1, 256) = 3.51$ ,  $p = .06$ .

Participants in the treatment condition reported higher hope ( $M = 4.07$ ,  $SD = .64$ ) than those in the control condition ( $M = 3.82$ ,  $SD = .61$ ),  $F(1, 256) = 9.67$ ,  $p < .01$ .

Participants in the treatment condition reported higher compassionate helping ( $M = 4.11$ ,  $SD = .79$ ) than those in the control condition ( $M = 3.72$ ,  $SD = .87$ ),  $F(1, 256) = 14.81$ ,  $p < .001$ .

Participants in the treatment condition reported lower subjective well-being ( $M = 5.39$ ,  $SD = 2.45$ ) than those in the control condition ( $M = 6.03$ ,  $SD = 2.16$ ),  $F(1, 256) = 4.65$ ,  $p < .05$ .

There was no difference in social respect experienced by those in the treatment or control condition,  $F(1, 256) = .173$ ,  $p = .68$ . There was also no difference in stress experienced by those in the treatment or control condition,  $F(1, 256) = .585$ ,  $p = .445$ .

## **Robustness Check**

As my data was nested in geographic areas, I used multilevel modelling to test the effect of receiving treatment compared on outcomes. Using the geographic area was the appropriate unit for nesting as branches within a single geographic area are more similar to one another than they are to branches in other areas. A One-Way Analysis of Variance revealed that there was a significant difference among geographic areas among key variables. I set the geographic area as the clustering variable and regressed key outcome variables on the treatment variable (1=Control, 2=Treatment). I also controlled for the baseline measure of the outcome variables, when available.

Results suggest that participants in the treatment condition experienced better outcomes than those in the control condition. I found a marginal positive effect of receiving treatment on Mwakhat ( $b = .23, SE = .12, p = .053$ ) and Hope ( $b = .17, SE = .09, p = .067$ ). There was a positive and statistically significant effect of treatment on Financial Well-Being ( $b = .24, SE = .08, p < .01$ ), and SPANE ( $b = 1.50, SE = .58, p < .01$ ). There was no effect of treatment on Barkat, Compassionate Helping, Social Respect, Subjective Well-Being or Stress.

## **Study Discussion**

The purpose of this study was to build on findings from Study 1 and provide evidence for the causal relationship between selfless dignity and sanctity and outcomes of subjective, and financial well-being, hope, compassionate helping, social respect, Barkat and Mwakhat. In this study, I developed interventions that allowed loan recipients of a microfinance organization in a randomized treatment group to experience greater selfless dignity and sanctity compared to a control group.

Results show that receiving the intervention caused loan recipients to experience higher financial well-being compared to the control group. Treatment participants also experienced higher scores on the SPANE, suggesting a greater net positive affective well-being. They also reported a marginally higher experience of Barkat and Mwakhat (in the supplementary multilevel analysis). However, there was no effect of receiving treatment on stress and social respect.

The finding that there was no difference in the level of stress experience between participants in the treatment and control groups gives a glimpse into the harsh realities of the people living in poverty. During the time that the six-month follow up data collection was conducted, Pakistan was experiencing food inflation close to 35%. Pakistan had also experienced catastrophic floods that ravaged that entire country and led to a loss of \$5 billion. Thus, the treatment had no effect on participants experiencing lower stress.

Results also show participants in the treatment group did not experience higher social respect compared to participants in the control group. This might be because six months was not enough for participants to meaningfully experience change in their social standings in their neighborhoods and that a longer time period might be required for such change to emerge.

## CONTRIBUTIONS

In this work, I integrated literature on economics and microfinance with the organizational behavioral literature on relationships, support, and dignity to better understand how organizations can be more effective in their objective of eliminating or reducing poverty. In addition, I uses multiple methodologies including an inductive qualitative study, a survey study, and a field experiment in order to develop and test my hypotheses. By employing a full-cycle research approach (Chatman & Flynn, 2005), I developed rich insights into the phenomenon. For the purpose of this research, I also involved several stakeholders in the process of refining and improving the study design. I was in regular contact with key members of the management as well as the co-founder of Pakistan's largest microfinance organization in order to ground my insights and design decisions in the appropriate context.

I found that the poor achieve better outcomes when they experience selfless dignity and sanctity in their relationship with the microfinance organization. Experiencing selfless dignity allows borrowers to experience a sense of responsiveness and care from the microfinance organization which enables them to develop *Mwakhat*, a sense of community and brotherhood. Experiencing sanctity allows borrowers to experience *Barkat*, a sense of divine abundance, which enables them to be more hopeful about their future. Finally, *Mwakhat* and *Hope* lead to borrowers experiencing several positive outcomes. These findings make several contributions to our understanding of poverty alleviation, especially in the context of microfinance.

Existing scholarly work on poverty alleviation takes an economics-based perspective which emphasizes the role of lack of access to financial and human capital as the dominant reason why poor people remain poor (Banerjee et al., 2011). According to this perspective, people are born into poverty and stay poor because they are locked into a vicious poverty trap: they have fewer resources to begin with which leads to have them fewer opportunities which

means that these people become poorer over time (Balboni, Bandiera, Burgess, Ghatak, & Heil, 2022). This logic underlies much of development economics and policy work that deals with poverty alleviation. More recent research in psychology has offered insights into some of the mechanisms that might explain the prevalence of this logic. For instance, work by Schroeder et al. (Schroeder & Epley, n.d.) shows that people underestimate the psychological needs (e.g., need for autonomy and meaning) and overestimate physical needs for groups that are historically dehumanized, such as the poor and the homeless. They also found that charity donors were much more likely to underestimate the importance of psychological needs for homeless people. However, charity recipients reported that their psychological needs were more important than their physical needs. In addition, donors were much more likely to give gifts to satisfy physical as opposed to psychological needs.

Other research has found the presence of a “thick skin bias” such that people believe that people living in poverty develop a thick skin against psychological and emotional trauma and severe negative events and are less influenced by these hardships compared with more affluent individuals (Cheek & Shafir, 2020). This current research contributes to this conversation by showing the role of dignified and selfless relationships that organizations can develop with their beneficiaries that can also play an important role in helping people recover from the psychological and financial traps of poverty, thereby fulfilling their psychological needs in addition to their physical needs.

The literature on poverty alleviation in general and microfinance in particular have overwhelmingly focused on money alone as a means of poverty alleviation. In many instances, the debate around poverty alleviation centers on different amounts of financial arrangements that can help people who are living in poverty. This focus rests on the assumption that money is

fungible- that a unit of money is identical to any other unit of money. This essentially renders money devoid of any social meaning. However, work in sociology has suggested that people associate meaning to money (Zelizer, 2021). For example, \$100 that are given to someone as charity can have a very different meaning to \$100 that are given as a gift.

Findings from this current work suggest that borrowers of microloans also associate different types of meaning with the loans that they get from different sources. Borrowers who received an interest-bearing loan from microfinance organizations perceived those loans to be violating a central principle of their faith that engaging in interest-bearing transactions is sinful. This made them associate a lack of sanctity and *Barkat* with their loan. On the other hand, when borrowers received a loan without interest and in a place with religious meaning (mosque), they experienced greater sanctity and *Barkat* in the money that they had received. This suggests that giving financial assistance to the poor can create more meaning when it is aligned with their religious (or moral) values. Thus, rather than considering poverty alleviation as a pure financial transaction, organizations might be more effective in helping people in poverty if they align the financial instruments with their recipient's core values. This could be achieved by infusing meaning into the transactions by virtue of the symbolic meaning of the physical place where the transaction is carried out and by making them more culturally and morally exemplary.

The practice of conducting the loan disbursement ceremony in a mosque and embellishing it with sacred rituals such as recitation from the Quran, local religious hymns, and songs, as well as dialogues about the sacredness of the mosque, the loan, and of giving to others as a sacred act transcend the otherwise "profane" act of giving money one that is "sacred". After receiving a loan in a mosque, many borrowers described that they felt that "God was a witness" over their transaction and that they felt moral responsibility to repay the loan on time and not to

misuse the funds. This finding builds on work in sociology of religion that has studied how sacred spaces and sacred times transform the experiences of people and groups from the profane to one that is sacred (Eliade, 1959; Lepisto, 2022; Mazumdar & Mazumdar, 2004; Shiner, 1972). For Akhuwat's borrowers, beyond feeling a heightened sense of responsibility and sacredness in their experience with receiving the loan, there is also a perception of "Barkat", or divine abundance associated with receiving a loan in a mosque that carries no interests. This perception of Barkat is encapsulated with borrowers feeling that the funds they received bring them good return and protect them against unexpected losses. This finding contributes to the literature on the meaning of work by demonstrating the role of physical space and rituals in giving meaning to an otherwise transactional and profane exchange of resources from Akhuwat to its beneficiaries. This finding suggests that physical space acts interacts with people's values to give meaning to relationships and transactions.

Similarly, the poor in this study also associated different meaning with the loans they had received when it was given with selfless dignity. In the case of Akhuwat, this meant giving loans in a way that preserved the self-respect of the borrowers, trying to maintain a high level of respectful interactions with them, not accepting any favors, gifts, or courtesies from the borrowers, and giving loans that did not earn any profit for Akhuwat. Experiencing this selfless dignity allowed borrowers to associate the loans from Akhuwat with the meaning of selflessness and compassion. On the other hand, receiving loans in a way that violated their self-respect, and was based on a for-profit arrangement (such as interest-bearing loans) made borrowers associate a lack of responsiveness and care from the lending organizations. Again, this result suggests that giving financial assistance in a way that is selfless and maintains the self-respect of borrowers creates more meaning for borrowers and might create more positive outcomes. Both of these findings suggest that giving money might be more effective in helping those in poverty if it

creates a meaning of sanctity and selfless dignity with the borrowers. Money alone might not be enough. For poverty-stricken people, it is important that the money they receive is given with a selfless motive which protects their dignity and self-respect.

Thus, this research also contributes to the literature on meaning making in organizations. This literature has identified several sources of the meaning of work which include the self, other people, the work context, and spiritual life (Rosso, Dekas, & Wrzesniewski, 2010). For example, scholars of meaning of work have studied how people's values, motivations, and beliefs impact how they perceive meaning in their work (Brief & Nord, 1990; Cardador, Pratt, & Dane, 2006; Gandal, Roccas, Sagiv, & Wrzesniewski, 2005). Others have looked at how people's interactions and their relationships with their coworkers and communities, and how the work context such as design of job tasks and culture influence meaning of work (Grant, 2008; Pratt & Ashforth, 2003). A growing stream of research has explored the role of spirituality and sacred callings in how people ascribe meaning to their work. This work has shown, for example, that sense of sacred calling is strongly related to people's experience of meaningfulness at work (Constantine, Miville, Warren, Gainor, & Lewis-Coles, 2006), and that people who consider themselves to be spiritual have different perceptions about the meaning and purpose of their work than those who are non-spiritual (Curlin, Dugdale, Lantos, & Chin, 2007). This current research contributes to the literature on the meaning of work by showing how Akhuwat's practice of giving loans in a mosque- a place of sacred meaning- imbues meaning in the borrowers relationship with Akhuwat.

This finding has important implications for organizations fighting poverty. Just as poverty dehumanizes people and robs their right to have meaning in their life and work, organizations can play an important role in shaping their reality. While a purely transactional relationship based entirely on a transfer of monetary funds might not go as far, organizations can

actively create meaning and purpose in the lives of its beneficiaries by purposely selecting physical spaces that symbolize higher meaning and align with the values of their beneficiaries. While conducting their loan disbursement in a mosque was culturally appropriate for Akhuwat given the demographics of its borrowers, organizations in other contexts can select physical spaces based on their unique circumstances. For instance, an organization in India that gives aid and loans to its beneficiaries can do so in temples and organize rituals that would add meaning to their disbursement events. Organizations in more secular settings can select physical spaces that have historical, cultural, or contextual local significance as places for interacting and forming relationships with their borrowers.

I also uncover key mechanisms that connect selfless dignity with positive downstream outcomes. I find that perceiving Akhuwat's actions based on selfless dignity allows borrowers to feel respected and consider Akhuwat and its employees as caring and responding to their needs. This feeling of perceived responsiveness is reinforced through Akhuwat's policies of accommodating borrowers' individual needs and circumstances that affect their ability to repay the monthly installments on time. Perceiving Akhuwat as responsive is also reinforced during regular interactions with Akhuwat employees makes borrowers develop loyalty towards Akhuwat. This loyalty is manifested as a sense of obligation to repay Akhuwat's installments on time and to support the organization through voluntary donations and returning to Akhuwat for future loans. This sense of commitment and loyalty to Akhuwat's cause enables borrowers to develop *Mwakhat*- a sense of community and care towards others. This *Mwakhat* is based on Akhuwat's core value of extending help and care to others and is reinforced in interactions with borrowers. Developing *Mwakhat* makes borrowers engage in more compassionate helping with others, experience higher subjective and financial well-being and earn respect from others. Thus, by lending money infused with the practices of selfless dignity and care, Akhuwat is able to

instill in their borrowers the spirit of *Mwakhat* which allows them to repair their social bonds and become active members of their community.

According to the social determination theory (Deci & Ryan, 2012), the need to relate with other people is a fundamental human need. For participants in my study, they had experienced social rejection and humiliation by others when they tried to seek their help. However, by helping them based on selfless dignity and responsiveness, it seems like *Akhuwat* allows its borrowers to feel valued and worthy and consider themselves as important members of their society. This feeling of community and care towards others fulfilled borrowers' need to relate with other people, thereby encouraging greater prosocial behaviors towards others. Thus, conventional poverty alleviation initiatives that focus entirely on a transfer of financial resources and not on the potential to create a relationship community and care might not be able to satisfy their recipient's need to be valued and worthy members of a community.

I also uncover key mechanisms that connect an experience of sanctity with positive downstream outcomes. *Akhuwat's* participant's felt that the loan from *Akhuwat* carried sanctity because it carried no interest, and the loan was given in a mosque. This feeling of sanctity make borrowers experience a sense of moral responsibility to repay the loans on time and to use the loan from *Akhuwat* in the best way possible. Borrowers also feel a sense of sacred abundance or *Barkat* which gives a lens through which they look at their financial situation. Perceiving *Barkat* allows the poor to consider their financial situation as being divinely protected and sufficient for fulfilling their goals. A perception of *Barkat* then gives hope to borrowers. Feeling hopeful allows them to work towards better financial and subjective well-being. In contrast, when borrowers perceived a lack of sanctity and *Barkat* in their financial situation, often due to borrowing loans that came with interest and this violated their religious principle, they did not

experience the same level of hope or well-being. Many borrowers reported feeling hopeless and distressed when they did not feel that the loan, they had taken had Barkat and was in line with their deeply held moral and religious values. Giving access to capital and financial resources to people living in poverty does not exist in a socio-cultural void. People living in poverty associate meaning with the financial resources they receive based on their cultural, religious, social, and psychological contexts. In the context of microfinance organizations, this means that loans that carry interest might violate core religious principles of the people who receive them.

This study also contributes to the literature on relationships by demonstrating the processes by how organizations can create sustainable relationships with their stakeholders (beneficiaries). The relationships literature has explored how relationships are created, sustained, and grown between individuals in organizations (Dutton & Heaphy, 2003; Dutton & Ragins, 2017; Livne-Tarandach & Jazaieri, 2021). This current research uncovers processes through which such relationships can be developed at a more macro level between an organization and its stakeholders (in the case of Akhuwat, its borrowers). From a growth and sustainability perspective, Akhuwat is able to sustain and grow its operations by first making its borrowers become sustainable and profitable. By charging zero interest and fulfilling the socioemotional needs of the borrowers, Akhuwat helps borrowers stand back on their feet and achieve growth in their microbusinesses. The borrowers then repay Akhuwat by not only repaying their loans on time, but also by making monthly voluntary donations to support Akhuwat. When the government in Pakistan announced lockdowns due to COVID-19, several microfinance organizations in Pakistan suffered dramatic falls in their loan recovery as their borrowers lost their incomes as a result of reduced business activity. According to research, microfinance organizations faced up to 70% fall in their loan recovery during the COVID lockdown in early 2020 (Malik et al., 2020). However, according to Akhuwat's internal management, Akhuwat's

recovery fell less than most other microfinances. From a stakeholder theory perspective, Akhuwat maximizes value through its strength of relationships with its stakeholders.

This strategy of helping the beneficiaries become sustainable means that many borrowers come back to Akhuwat for subsequent loans to grow and enhance their microbusinesses. Indeed, a large percentage of Akhuwat's loan recipients are repeat borrowers. Thus, by making their borrowers sustainable and by forming strong communal relationships with them, Akhuwat is able to create and sustain value by creating a strong base of stakeholders that ensure steady business and going concern.

One of the reasons that microfinance organizations have struggled in their fight against poverty is that they try to combine two contradictory institutional logics of commercial banking and social impact. Prior work has shown, for example, how microfinance organizations in South America struggle to combine these logics which explained why some were not as effective in their goal to reduce poverty (Battilana & Dorado, 2010). This is consistent with research which shows that hybrid organizations that aim to synthesize two opposing goals or institutional logics face challenges to sustain their mission (Glynn, 2000; Goodrick & Salancik, 1996; Heimer, 1999; Marquis & Lounsbury, 2007). A perpetual challenge for organizations fighting poverty is to balance the conflicting goals of helping their beneficiaries but also being sustainable. This current research shows one way that organizations might be able to resolve this tension. Akhuwat's model is unique because not only does it make supporting its beneficiaries front and center, but it has also historically been able to sustain its operations through the support of the beneficiaries themselves but also by attracting funding and donations because of its unique humanitarian business model. In the past twenty years, Akhuwat has grown from a single branch to over 800 supporting more than a million beneficiaries and has become Pakistan's largest microfinance organization. Thus, by resolving the two conflicting goals in a way that benefits its main beneficiaries, Akhuwat is able to attract resources that otherwise might not have been

possible.

Overall, this paper study has important implications for how organizations conceptualize helping the poor. While giving access to credit on interest is generally considered a socially beneficial act of helping the poor grow out of poverty, the relationship it creates based on a pure economic exchange might actually have some harm for the poor who are going through hardship and adversity. On the other hand, creating a relationship with the poor based on norms of social exchange and selfless giving might have greater potency in giving hope, self-reliance and motivation that is often lacking after experiencing seemingly never-ending adversity and hardship. This study has the potential to change the landscape of the microfinance industry in Pakistan and other developing countries. More broadly, this study speaks directly to the UN's Sustainable Development Goals of 'No Poverty', 'Zero Hunger', 'Good Health and Well-Being', and 'Reduced Inequalities'.

### **Limitations and Future Research**

This work has several limitations that pave the way for future research. First, in this paper I uncovered the mechanisms of *Mwakhat*, *Barkat*, and *Hope* from an inductive study and then tested them in Study 2 which was a quantitative confirmatory study. I also manipulated participants' experience of selfless dignity and sanctity in the field experiment. However, I did not manipulate these mechanisms. Although I was able to replicate results from the qualitative study in the quantitative studies, I cannot offer evidence for the causal effect of these mechanisms on the key outcomes. Future research should attempt to directly manipulate *Mwakhat*, *Barkat*, and *Hope* and test their effect on key outcomes to further develop these theoretical constructs in the context of poverty alleviation.

Second, this work uncovered the mechanisms of *Mwakhat* and *Barkat* as unique pathways through which a microfinance organization could create a positive impact on its

beneficiaries. It is possible that there are other mechanisms that could explain these results such as

Third, in Study 3, the treatment was randomized at the branch level. However, due to logistical constraints, I could only include 8 branches spread within four geographical areas. Future research could use a large sample size with larger numbers of clusters or randomize at the individual level in order to have higher power.

## CONCLUSION

The purpose of this dissertation was to investigate how organizations can be more effective in reducing poverty in light of emotional, cognitive, and social realities of people living in poverty. In order to understand this phenomenon in rich detail, I used the full-cycle research approach where I first conducted an in-depth qualitative study in which I generated novel insights into the lived reality and experiences of people living in poverty in Pakistan and how their relationship with a microfinance organization impacted their lives. Through this inductive study, I uncovered the importance of selfless dignity and sanctity as two drivers that enable the borrowers of Akhuwat to experience positive outcomes. By allowing people to develop a bond of community (Mwakhat) and experience sacred abundance (Barkat), Akhuwat enables borrowers to experience higher well-being and status in their society. I also uncover that one of the reasons why other microfinance organizations might have been less effective in creating this positive change is because they only create an economic relationship with their borrowers. However, by creating a communal relationship with borrowers based on selfless giving, dignity, and self-respect, Akhuwat enables borrowers to cope and recover from adversity and hardship.

In Study 2, I replicated these results in a multi-wave survey study on a different sample of 380 Akhuwat borrowers. Results from this study broadly support findings from Study 1 and highlight the importance of the key mechanisms of perceived responsiveness and Mwakhat that link selfless dignity with the key outcomes. Results also highlight the role of Barkat and Hope in linking sanctity with key outcomes.

In Study 3, I conducted a field experiment with a sample of 300 Akhuwat borrowers to test the conceptual model that I developed in Study 1. In this experiment, I randomly assigned borrowers to either a baseline control condition or the treatment condition. In the treatment condition, borrowers received the loan in a place of religious sanctity (mosque). In addition, Akhuwat's staff members had monthly interactions with borrowers, with elements of these

interactions scripted to acknowledge borrowers' dignity and convey respect. A six-month follow up found that borrowers who received more dignity and experienced greater sanctity showed higher subjective and financial well-being, hope in the future, and greater compassionate behavior toward others.

Overall, this dissertation has important implications for how organizations conceptualize helping the poor. While giving access to credit on interest is generally considered a socially beneficial act of helping the poor grow out of poverty, the relationship it creates based on a pure economic exchange might actually have some harm for the poor who are going through hardship and adversity. On the other hand, creating a relationship with the poor based on norms of social exchange and selfless giving might have greater potency in giving hope, self-reliance and motivation that is often lacking after experiencing seemingly never-ending adversity and hardship. This study has the potential to change the landscape of the microfinance industry in Pakistan and other developing countries. More broadly, this study speaks directly to the UN's Sustainable Development Goals of 'No Poverty', 'Zero Hunger', 'Good Health and Well-Being', and 'Reduced Inequalities'.



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Figure 1: Study 1 Process Model

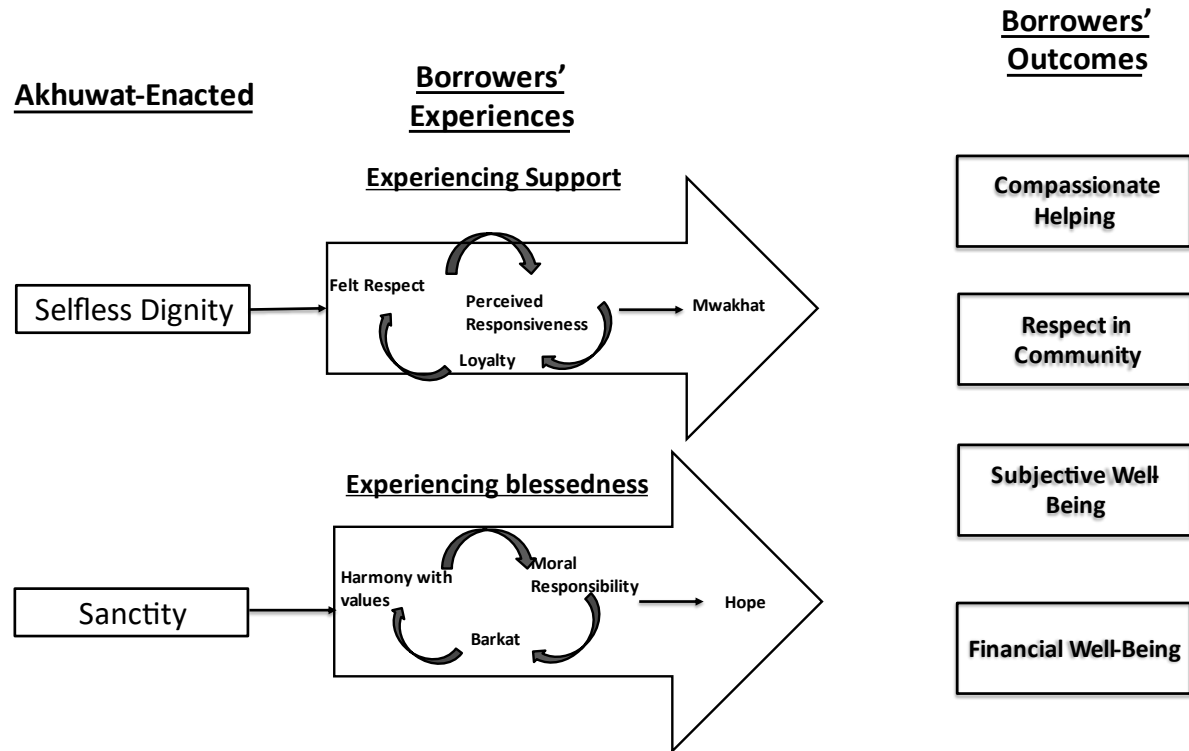
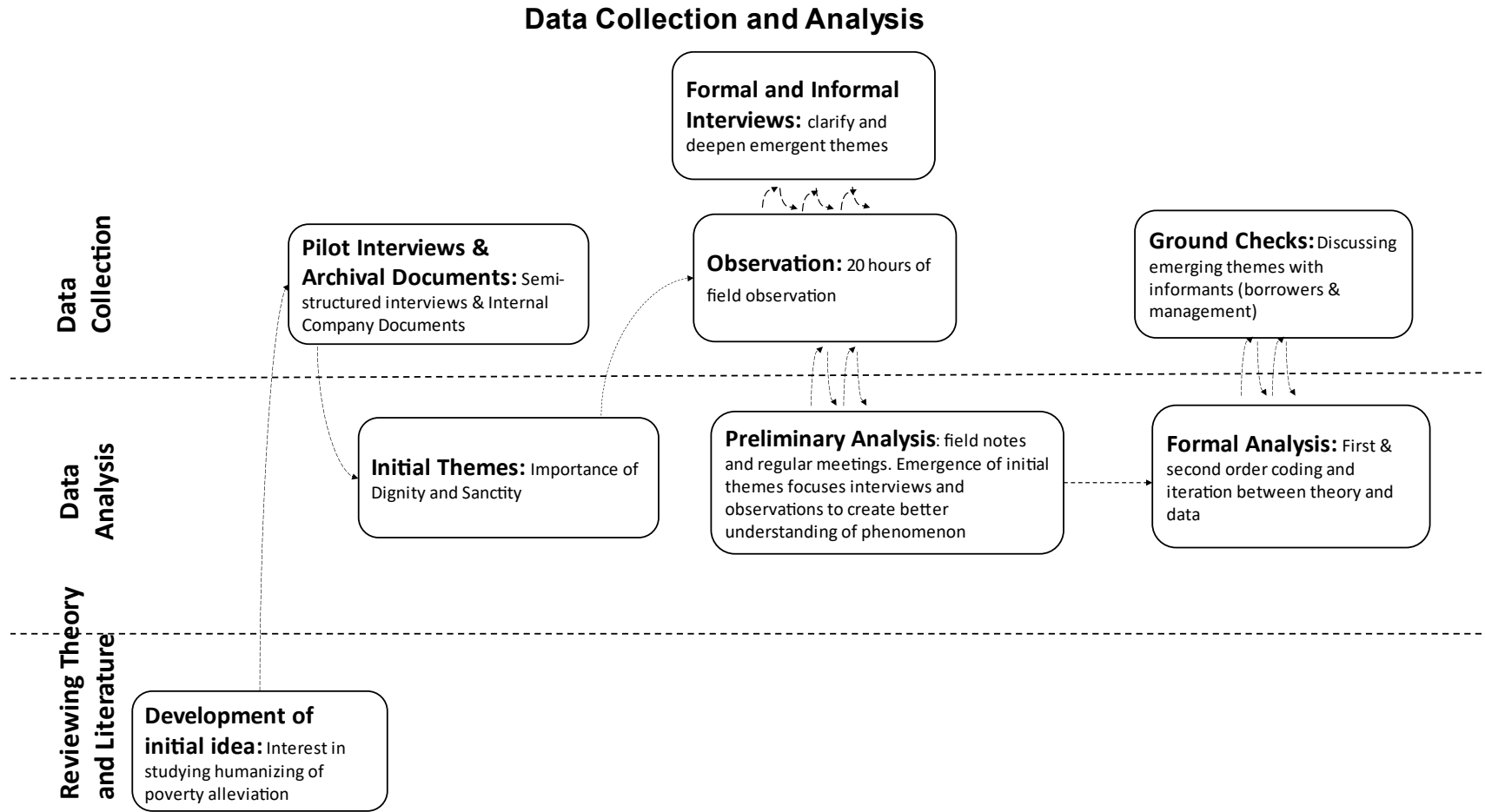


Figure 2

Study 1 Data Collection and Analysis



## TABLES STUDY 1

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### Theme 1: Selfless Dignity

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"They have excellent manners and are very accomodating. They treat us with respect and call me mother. They always listen to us and we are here today with their help. They want to help the needy."

Akhuwat employees address  
with respect

"They have always been great. They treat me well and they never misbehave. They visit when the installment is due and that's all."

"People misbehave where ever you go while the special thing about the people working here is that they always treat elders and women with respect and kindness."

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"People from other organisations are greedy but akhuwat members don't take anything. Their employees are trained in such a way and they respect the fact that we don't have much to offer."

Akhuwat employees do not  
have greed

"Everyone is selfish but Akhuwat never asks for anything else."

" This speaks of their character and the way doctor sahib has trained them. All of them are constantly dealing with funds and cash, they're counting money all day but their inner self is that of a proper human "

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Akhuwat employees do not accept gifts	"Yes their selfless devotion has moved me. They don't ask for or expect anything from you. They travel on their personal bikes and even bring their own stationary. You can keep offering them water or tea but they will never accept."
	"You can try offering them food or water but they never take it."
	"The team is also comprised of great people, they never demand anything from us, not even a cup of tea"
	" I've never met people from any other organization with conduct as good as the people from Akhuwat. I went out of my way to test the employees. I offered them money, food etc. but they never swayed from their principles."

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**Theme 2: Sanctity**

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There is no usury on the loans	"The best thing is that the loan is free of usury."
	"The best thing (about Akhuwat) is that their loans are without interest"
	"The good things are that the loan is interest free, the time to repay loan is ample, the installments are manageable, the staff treats everyone with respect, they never ask for anything and never misbehave, they also teach us a lot during meetings."

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Loans are given in a mosque	"This transaction was blessed and beneficial because of two reasons, the first was that the transaction took place in a masjid and secondly it is
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without interest"

"We have this feeling that we're starting from the house of God (mosque) and His prophet, so we have to be extra careful.."

"If feels good knowing that it happened in the house of Allah."

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**Theme 3: Loyalty with Akhuwat**

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Responding with respect

"No matter how tight things are, the only thing I think is that they were so good with me so how can I not respond with good."

"Their conduct and behavior is so good and they give with so much love that we also try to repay on time. The way they treat out, we have learned that we should treat them the same way."

"I couldn't form a good relationship with any other organization except for Akhuwat. Now I am only taking money from Akhuwat and have a good relationship with them"

Not delaying payments

" My food shop was closed for 2 months due to COVID but I travelled from my village to make sure I repay the installments. "

"They give a lot of respect. I am also always considerate and never delay my repayments. Today is the first (of this month) and I am here to repay my installment."

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Give monthly donations	<p>"Certainly I give my support to the organization. With every installment, I give a donation. Maybe someone else can benefit from our contribution. I always give Rs 50 or 100. I have been with Akhuwat for a long time so it doesn't befit that I give less than this. The money is going to go to someone who is poor and this is why I also give annual animal hide donations to Akhuwat and also help with cash"</p> <p>"No one forces us to give the donations. That is out of our own good will and that is to help the poor and the orphans. Whether we give it directly or to Akhuwat (it is the same thing). We give it as a form of sadqa jariah (continuous charity)"</p> <p>"I gave full cooperation to Akhuwat. I gave annual animal hides donation to Akhuwat for the poor, as well as other forms of donation. I also regularly gave monthly donation to Akhuwat as per my capacity. Even during the lockdown, I made all monthly repayments and did not stop paying the donation."</p>
Encouraging others to associate with Akhuwat	<p>" I'm extremely impressed by them and I always encourage my family/friends to extend their donations to Akhuwat. These people are serving the nation, for instance you can see that corona is here and even when governments failed to support the poor, this organization kept serving them"</p> <p>"I tell everyont that even if you are even slightly capable, you should do your own business. Save your own money and form a group and borrow from Akhuwat"</p> <p>"Everyone here gives so much love and due to this love I have personally</p>

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helped 30-35 people from this neighborhood in getting loans from Akhuwat"

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**Theme 4: Perceived Responsiveness**

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" That this organization treats us better than blood relatives. They helped me at a point where no other person was there for me, and I can never forget that"

"This organization was there for me when no one else helped me"

Acceptance from Akhuwat

" Listen, it is a very straightforward thing. In difficult times, nobody helps each other. People turn their faces, so they won't have to feed others. There was a time when my children were hungry inside and their uncles used to sit outside and still didn't ask about them."

" These same people used to ignore me because they were afraid, I might ask for financial help."

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Akhuwat considerate with repayment

"Even if I delay my payments they only remind me but do not engage in bad or disrespectful behavior like other organizations."

"The best thing is that even if the repayment is delayed by a few days, they allow for that"

" "But then due to COVID, there was a fall in my work. Even at this time Akhuwat gave us a lot of support and waived off one or two installments"

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"Akhuwat now has a lot of new employees but whenever the old people visit they always greet us with respect and are happy to see us"

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**Theme 5: Mwakhat (brotherhood)**

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"My relationship with them spans over 20 years and I have never seen a member with a different ideology or approach. I have been living in this area for years, close to their office which kept shifting between the blocks. Now by the grace of God they have this space."

"They treated me like a family and behaved respectfully with me."

"Even this last issue that happened was because I considered that this organization (Akhuwat) was like my own and I felt hurt due to that".

Akhuwat is like family

"God has sent us here for brotherhood and for helping others and advising them against doing wrong. "

"Mere muhalley me sab mujhe bhe otna hi jantey jitna Akhuwat ko. Onsab ki me documentation me madad karta aur apne rakhshy pe idarey tak pick and drop deta. Is sab me sirf apna jaiz rikhshy ka karaya leta aur iske ilawa koi aur cheez nahi mangta. Ache logon ki me guarantee bhe kudh dedeta aur bakion ke mamle me Akhuwat walon ko bhe mashwara deta hun ke iska ghar aur karobar check karlein."

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" I've always wanted to help people affiliated with Akhuwat because they helped me when I had no one else. "

Associate with Akhuwat

"I have learned from Akhuwat what Akhuwat literally means. That if there is brotherhood then there will be blessing."

"These people ask me for help and I present their problems to doctor Sahab as social welfare work and in order to get them interest free loans on my recommendation."

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**Theme 6: Harmony with values**

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Usury/Interest is against religious values

"According to shariat it is wrong to ask for interest and that is why I went with akhuwat and not the other party."

"Interest based loan are a war with God and it's impossible to make something good out of that money."

"Usury is nor permissible in Islam and is war with God. It is better to live in inconvenience rather than taking money with usury."

Akhuwat is in line with religious values

"The thing I liked the most is that they are helping people from usury and interst...if someone has taken a loan with interest then Akhuwat helps them get rid of it so that they can work with money that is without interest."

"The thing I liked the most was the way they give the loans. Along with giving the loans, they also teach us good things about our religion."

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**Theme 7: Barkat**

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Money from Akhuwat has  
barkat

"This transaction had barkat and was beneficial because of two reasons, the first was that the transaction took place in a masjid and secondly it is without interest

"The main thing is that this way the transaction is blessed."

"Work which are somehow connected to the masjid has barkat."

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Money from Akhuwat allows  
work to flourish

"I feel like this loan was blessed as it improved my condition significantly"

"However, this money I get from Akhuwat is blessed as whatever market conditions prevail, my financial circle keeps moving."

"The best thing is that the loan is interest free. Interest based loans have no barkat, while this interest free money is good for business."

"7 households in my area have been taking loans from Akhuwat and they're all doing really well now. Some of them don;t even need the loans anymore."

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Money from other  
organizations does not have  
barkat

"There is barkat in Akhuwat's money and I get abundance in whatever project I invest the money in. The interest based loan was the opposite and it used to ruin my business."

"I saw people in my neighborhood who were taking loans with interest and I made sincere repentance (because of their condition"

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**Theme 8: Wellbeing outcomes**

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	" I'm hopeful that the future will be even better"
Hope	"There is a lot of difference (between now and then). At that time I was powerless but now at least I am fighting for my life. I have hope in God that I am working hard and God will give the sustenance."
	"Because of Akhuwat, everything got set and this organization was a ray of hope for me. They got me out of this quagmire. Now I have peace of mind."
Well-being	"They used to harass me like delaying the salary or if I was late I would scolded and it would get bad. Now I have my own workshop and I can open and close it whenever I want. There is no stress."  "It was extremely difficult and demanding. We were sent home if we showed up late and were stressed always. Now, all my sons earn and I can rest at home."

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**Theme 9: Social Outcomes**

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"Initially we had to survive on very little, but now business is flourishing and we're capable enough to help others as well."

Compassionate Helping

" I feel very happy that God made me capable of helping others."

"We donate to help other people in need. Due to Ak we have reached this stage and now want to help others as well."

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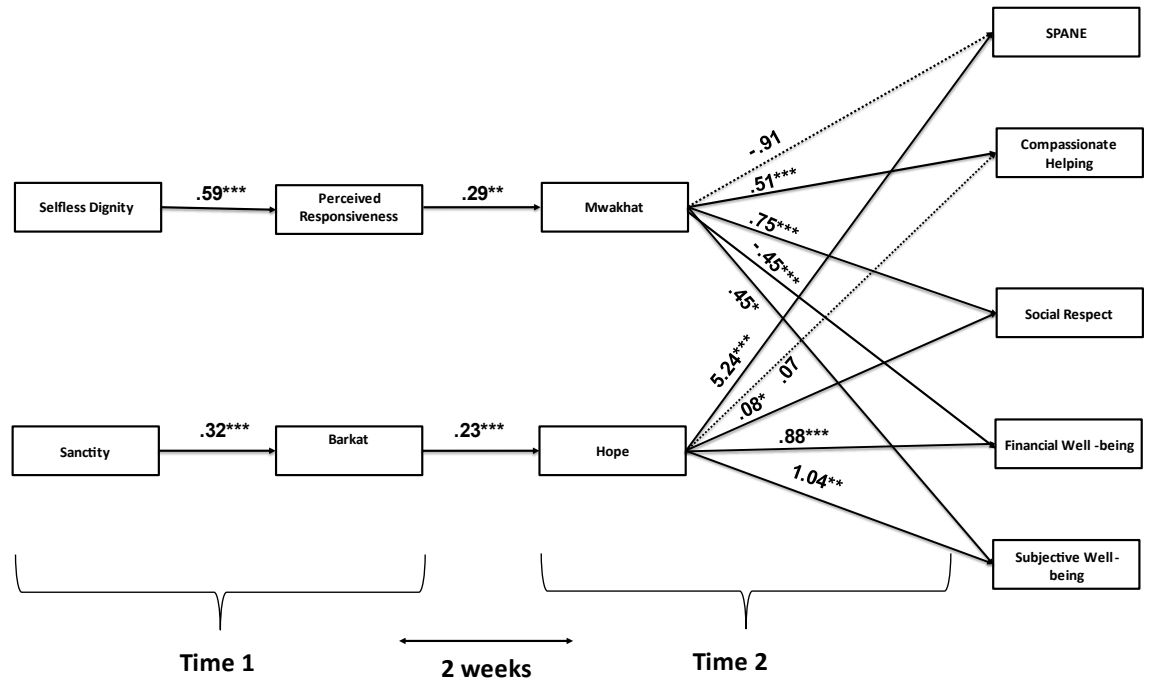
"I never feel the need to ask for help now and the same relatives and friends that used to run away now treat me well. These same people used to ignore me because they were afraid, I might ask for financial help."

Social Respect

"Now they treat me well and invite me over. This wasn't the case before."

" Yes definitely. People give me a lot more respect now."

**Table 2: Results Study 2**



## APPENDIX A

### Interview Protocol

#### **Introductory Statement to Participants:**

Thank you so much for volunteering your time for this interview. Before we begin, I'd like to briefly introduce myself and this research project. My name is Ussama Ahmad Khan, and I'm a PhD student at the University of Washington Foster School of Business. This research project forms my PhD study, where I'm interested in understanding about your interactions with Akhuwat. I'd like to verbally obtain your consent before proceeding with the interview.

[Obtain consent]

Also, I would like to ask if you are comfortable with me audio-recording this interview. Only my advisors, research assistants, and I will have access to the data, which will strictly be used only for the purposes of data analyses. We ensure confidentiality and data protection in accordance with the strict guidelines of the UW ethics board.

[Obtain consent for audio recording]

In this interview, I will ask you a few questions about your life before you took the loan with Akhuwat, a few questions about your experience interacting with Akhuwat employees and then lastly a few questions about your life right now. During this interview, please feel free to stop at any time and skip any questions you don't feel comfortable with. I will be doing very little of the talking because I want to know about your story and experience. The more details that you provide the better I will be able to study this phenomenon and help people who are struggling in their life by supporting them and their experience with Akhuwat. During this interview, I will ask you several questions. At the end, you'll have the opportunity to share any additional information as you see fit. This interview will take about an hour. I will be keeping track of time to make sure that we don't go over.

Do you have any questions before I begin?

#### **Life before the loan**

1. First, I would like to ask you a little bit about your situation at the time when you applied for the loan at Akhuwat.
  - a. Can you tell me how your life was generally like at that time?
  - b. Can you tell me about the challenges you were facing at that time?
  - c. Can you tell me why you applied for the loan?
  - d. If you did not get the loan from Akhuwat, what other options did you have to secure those funds?

#### **Life right now**

2. Now I want to ask you a few questions about your life right now.
  - a. Do you see differences in aspects of your life before and after the loan? What?
  - b. Has the loan changed how you treat others? Who? How?

- c. Has the loan changed how you help those around you? Who? How?
- d. Has the loan changed how others treat you? Who? How?
- e. What are some of the challenges you are facing right now?
- f. Can you tell me what are your life's goals right now?

**Interacting with Akhuwat Employees during the loan**

- 3. Now I want to ask you a few questions about your interactions with Akhuwat employees
  - a. Can you tell me about the way you were treated by the loan officers?
    - i. How did that make you feel?
  - b. What do you think has been the best aspect of your experience interacting with Akhuwat employees?
  - c. What were some of the things that you learnt in your interactions with the loan officers?

Finally, is there anything that I did not cover that you think is important regarding your experience interacting with Akhuwat?

Thank you so much for your time!

## APPENDIX B

The loan process at Akhuwat included the following steps:

- 1) The applicant approached the nearest branch. He or she fills the application in the Branch Office in front of the Unit Manager. Most loans are given in the form of Groups, however, individual loans are also given in exceptional circumstance.
- 2) The Loan Officer visits the applicants at home and conducts a comprehensive appraisal which includes both social and financial appraisal as well as interview of personal guarantees.
- 3) Unit Manager prepares the case. The Branch Manager reviews it and visits the residence or business place of applicant. The case is then submitted for approval to the Loan Approval Committee (LAC). The LAC has the authority to approve the loan
- 4) After approval of the loan, Accountant in Area Office prepares the checks. Two authorized signatories sign the check.
- 5) Signed checks are sent to the respective Branch Office, where the checks are handed over to the member in a religious place i.e. a mosque or a church. This event arranged and used as an opportunity to build capacity and provide social guidance to the borrowers.
- 6) Borrowers pay monthly installments at their local branch office.

All applicants pay a mandatory Rupees 200 (\$2) loan fees which amounts to 1% of the average loan size. Borrowers are also given the option of signing up for an optional Mutual Support Fund Contribution, which is also 1% of loan amount. This Fund is used to write off the outstanding loan in case the borrower dies and the family of the deceased is given Rupees 5000 (\$50) to cover the cost of funeral and burial.

## APPENDIX C

### Field Experiment Protocol for Monthly Visits and Phone Calls

#### **Treatment Group In-Person Branch Visit Script (once a month)**

Akhuwat branch employee stands up to greet the borrower:

*"Respected [insert name]*

*I hope you are doing well and everything with the business and family is doing well. Thank you for visiting."*

Stands up and escorts borrower to branch office door:

*"Thank you for coming.*

*You are very respected and honorable for us.*

*We have a lot of respect for your efforts."*

#### **Treatment Group Phone call Script (once a month)**

*" Respected [insert name]*

*My name is XYZ and I am calling on behalf of Akhuwat as you took a loan with Akhuwat in June.*

*I just wanted to check in to see how you are doing. I hope that your family is doing well and that your business is also doing good.*

*I wanted to tell you that you are very respectable for us.*

*We have a lot of respect for your efforts for your family and community despite the difficulties you are facing.*

*Just like the loan from Akhuwat is sacred, the relationship between you and Akhuwat is also sacred.*

*Thank you for your time."*

#### **Control Group Phone call Script (once a month)**

*" My name is XYZ and I am calling on behalf of Akhuwat as you took a loan with Akhuwat in June. I wanted to let you know that your monthly loan installment is due next month at this date".*

APPENDIX D



**فخریت اور سود کا خاتمہ**

اہلسنت کی مسرت: موانعت میں اور ہمیشہ چاہئے کہ مسولوں پر استوار فحاشی معاشرے کا خاتمہ۔

عزت مسیبت اور ۱۳۰ جھلے آرموں کی فحاشی کے ذریعے حلال کا حصول۔

آہوت سے واسطہ گرانے کے لیے (اہوت اور گناہات)

1. خوشی و غمی میں اپنے اور گمراہوں کے لوگوں کا ساتھ دینا اور حسن سلوک سے کام لینا۔
2. قانون کی پاسداری کرنا۔ خاص طور پر ٹریفک قوانین پر عمل کرنا۔
3. بچوں اور بچیوں کی منہ پر نام لگانا اور۔
4. زیادہ سے زیادہ درخت لگانا۔ یہ نہ صرف چھایا ہے۔
5. اپنے روز مرہ کے معاملات میں اسلامی اخلاقی اقدار کو فروخت دینا۔ خاص طور پر اپنے کاروبار کو سودی معاملات، سودی اور بھرت سے دور رکھنا۔
6. برادری کو فروغ دینا اور دوسروں کی رائے کا احترام کرنا۔

39 آہوت نے زندگی کے مشکل موڑ پر میری مدد کی۔ آج میں اسی مدد کی وجہ سے اپنے پاؤں پر تھرا ہو سکا ہوں۔<sup>44</sup>

آہوت کا ماحق

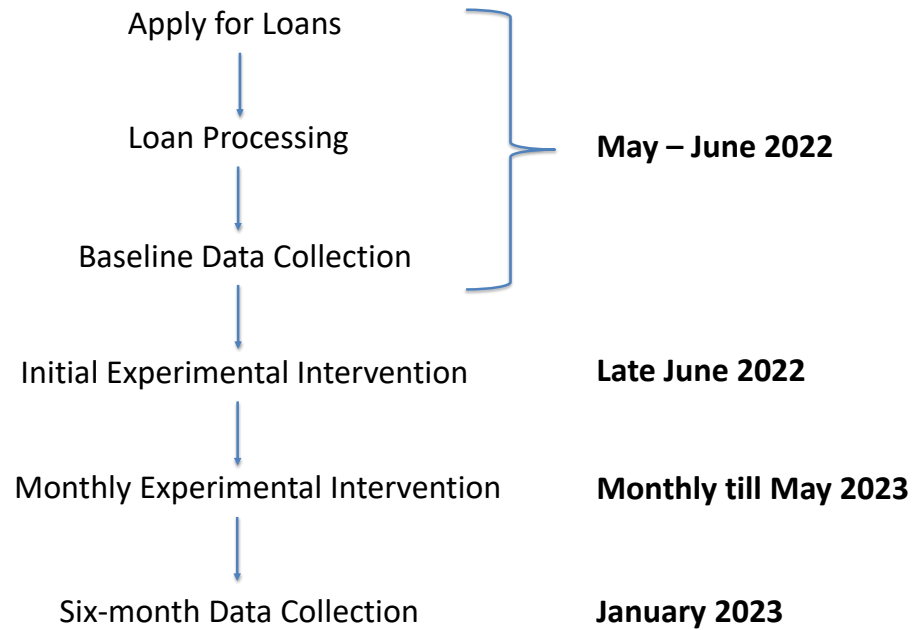
**پیاری رسول کی پیاری دعائیں**

ترجمہ  
مولانا محمد عطاء اللہ صاحب

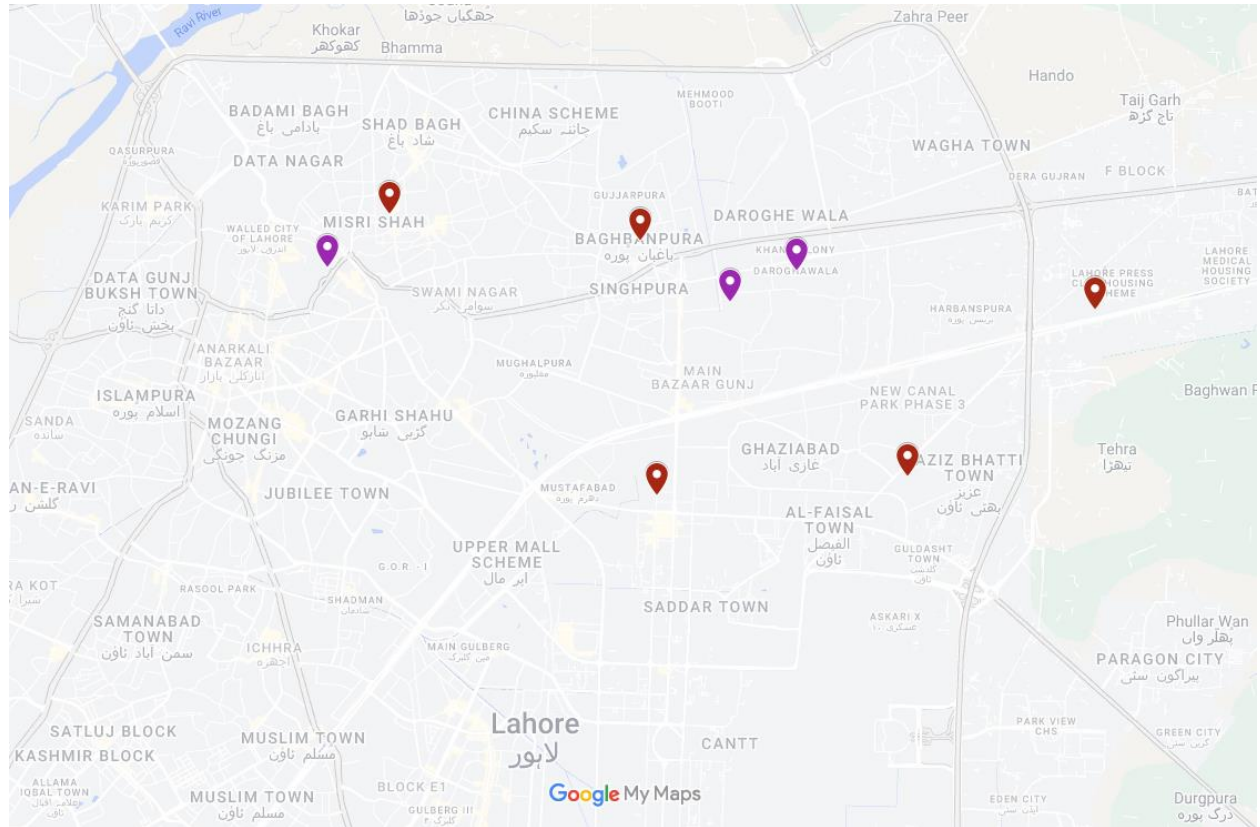
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## APPENDIX E

## Field Experiment-Timeline



## APPENDIX F



Map showing locations of branches in the city of Lahore in Study 3