7. Toward an Extended Economic Life of the Destitute People with HIV/AIDS: An Islamic Microfinance Approach

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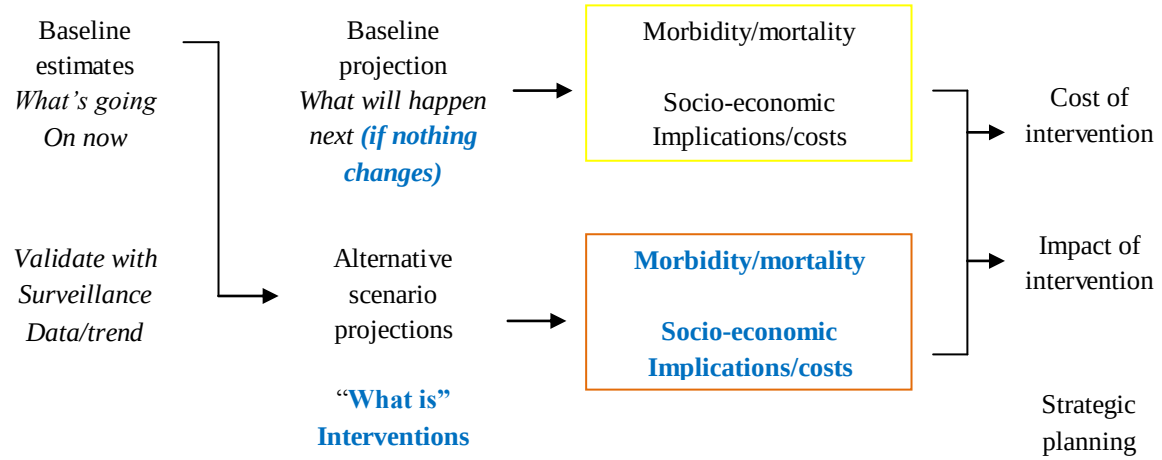
Been seen as a health issue rather than socioeconomic

Treat

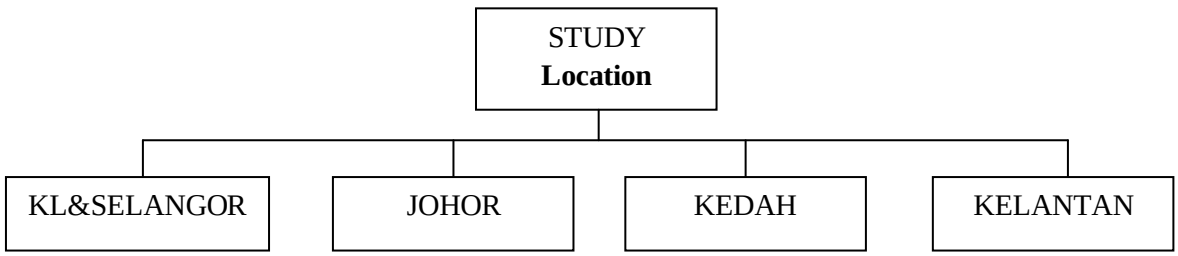
Cost to mitigate HIV/AIDS outcomes and information in regards with socioeconomic impact of HIV/AIDS in Malaysia is very limited, despite its crucial guidance for related policies

Quantifying strategic plans



Study Locations

Data was collected from four different zones in the country according to density of HIV/AIDS cases in each zone, based on Section of HIV/AIDS statistics for the three years.



The estimated cost of health care services for HIV/AIDS patient per year in Malaysia

Cost of care for HIV/AIDS inpatient per day of stay	RM 364.83
Cost of care for HIV/AIDS per outpatient visit	RM 138.64

	CD4≤200			CD4>200		
	Inpatients	Outpatient no ARVT	Outpatient with ARVT	Inpatients	Outpatient no ARVT	Outpatient with ARVT
Total cost per patient per year	**6,064.00**	**1,357.56**	**9,506.56**	**4,344.00**	**749.92**	**8,829.42**

Household Survey

Age (Male vs. Female)

Age group	<13	13-19	20-29	30-39	40-49	60>	Total
Female	0	10%	12.50%	46.60%	30.70%	9.10%	100%
Male	0	0	9.10%	44.09%	41.60%	5.30%	100%

Direct cost (out of pocket expenditure)

- The total estimated median of "Out of pocket Expenditure" per year is **RM 1080** (500-16480) which is almost **14.7%** of patient's median income a year
- RM **192** that is average household expenditure on health according to Malaysian national statistics 2007
- One household might have between 1 to 5 patients under the same roof and to mitigate the over expenditure and affected household income Food, accommodation, qualifying plan & entertainment are respectively affected.

Patients cost for the year 2007

Description	Costing model	Cost
Total out of pocket expenditure per year	Direct cost	72,612,720.00
Total estimated productivity	Indirect cost	287,364,839.40

loss per year		
Total	**Direct + Indirect cost**	RM**359,977,559.4**

The overall cost

HIV/AIDS in Malaysia has substantial economic impact as total estimated cost for the year 2007 was claimed about **RM 679,020,835.85** includes cost of health care provider; patient's out of pocket expenditure and productivity loss of patients

Hostility

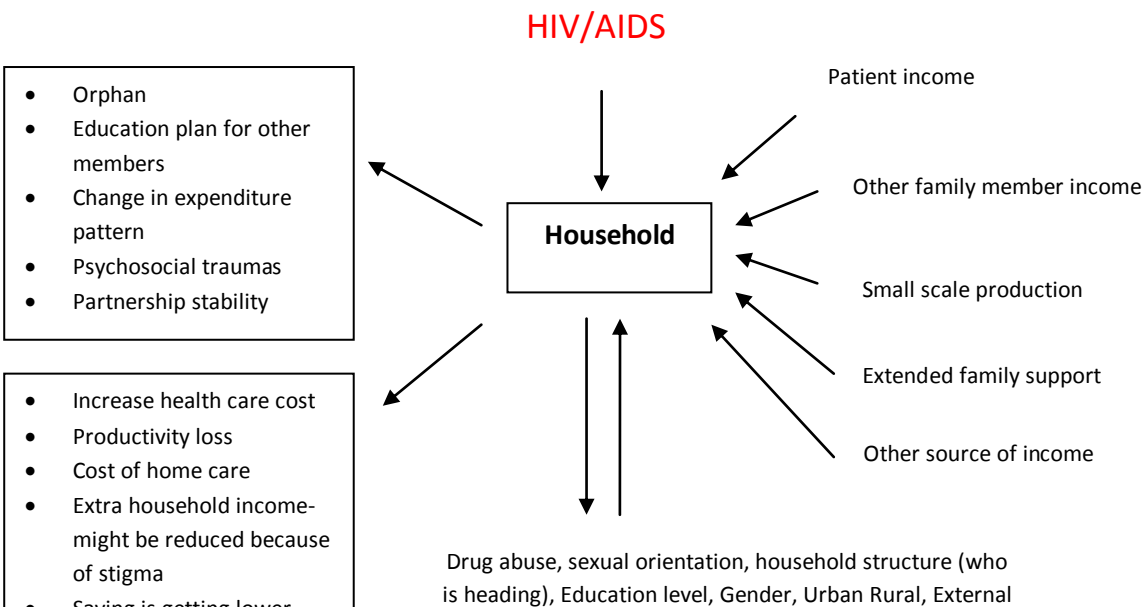
- **21%** have heard about the patients intentionally harming others?
- **7.4%** we can fine an excuse "it was not a crime or deviation"
- **1.3%** are firmly supporting the righteousness of these activities.
- To support their revenge, anger, let others share the same feeling, feeling injustices, and self satisfaction were showed as the reasons.

Impact on other household members

- 61.7% of the respondents having children and among them 17.6% experienced neighbors prohibit their children to play with patient's children.

  Majority were indentified from Kelantan followed by Kedah, Selangor then Johor

- Furthermore, 10.1% have children left school from Kelantan and Kedah for various reasons.



Recommendations

- **Psychosocial impacts** monitoring data base
- **HIV/AIDS patients' counselor & Mass media** Training modules
- **A national research committee** should be established to guide and direct prospective researches with the view to fill the gaps of knowledge in this field and to avoid unnecessary repetition of interviewing PLWAH

Microfinance organizations can customize a specific package for the HIV/AIDS household especially for the non ill members who can contribute in the household income and leverage total earning. This advantage would enhance their care and support and might help to prevent most of the negative consequences.

Introduction

- This section aims to propose an "operational model of Islamic Microfinance" that can extend financial assistance to the destitute HIV/AIDS patients so that their productive life can be illustrated by means of economic activities.
- The implementation of this model may help to reduce productivity loss & enhance social protection of the HIV/AIDS patients and their families.

Microfinance System

Microfinance:

- Microcredit is collateral free. Solidarity (group) based lending program for the uncredit worthy poor people. In this program loan is provided to eradicate poverty through creating self employment. This system avoids any legal action and pays doorstep service to the clients. Besides it emphasizes on obligatory and voluntary savings. (Yunus 2011)
- It facilitates micro-loan, venture-capital, tiny-saving, and micro-insurance and money transfer (IRTI-IDB 2007).

Microfinance As Potential Fool

- Microfinance can play a vital role of easing the negative economic impact on the HIV/AIDS affected household (Barners, 2003).

- This provision can increase income and economic safety of the household extending productivity of the economically active patients and it also enables the healthy members to become more productive (Parker, Singh and Hattel, 2000).

Conventional Microfinance System

Weakness:

Interest/ Riba From Islamic Perspective: is the main weakness of conventional microfinance. (Clark, 2001, Segrado, 2005. Obaidullah 2008)

- Riba is detrimental to the social wellbeing as it causes unemployment rising cost of capital and consequently is contributes, adverse affects on consumption, investment and employment.
- Marginal Efficiency of Capital (MEC) does not stand on the optimum level in the presence of Riba(Khan 1983)

The approach of contemporary Microfinance "Finance based on repayment"

A Trap of "borrowing repaying cycle" that financial vulnerable condition. (Diop. Hellenkamp and Survet 2007)

Solidarity and women-only approach

Conventional microfinance can't properly cope with the destitute of HIV/AIDS patients because of sustainable rate of interest (Shankar 2007, Risk-averse attitude and group based learning method (Rosenberg 2002)

Islamic Microfinance

- Islamic Microfinance can deal with the higher risk groups because it believes in mission and marker based approach (Obaidullah, 2008)
- Diverse sources of capital (Sadakahah/donation, Waqf/trust, and Zakah/compulsory donation by the wealthy Muslim) (Kaleem and Ahmed 2010).
- 4 principles such as 1) completely free from interest or Riba. (Borhan 1997) 2) risk and Reward sharing 3) financial risks born solely with the IsMFI not with the borrower 4) loan to socially productive activities

Therefore it could be presumed that Islamic Microfinance would be better fitted in financing the destitute people with HIV/AIDS

Family Based Lending Methodology vs. Group

Family based lending is more feasible

- Participation of the family members may contribute positively to the investment and create synergy
- As other member of the family will be benefitted from this type of financing they will be more concern and attentive to the patient.
- Instead of liability the patient could be considered as asset.
- Patient would feel more comfort, dignity and self reliance
- Patient may feel lees or not stigma
- After demise of the patient, family member would be able to continue the loan scheme inheriting the assets earned by the patient.
- Family member s would be more empathetic than the group members
- Thus family member will get an opportunity to perform their duty to the patient with greater convenience.

Rationality

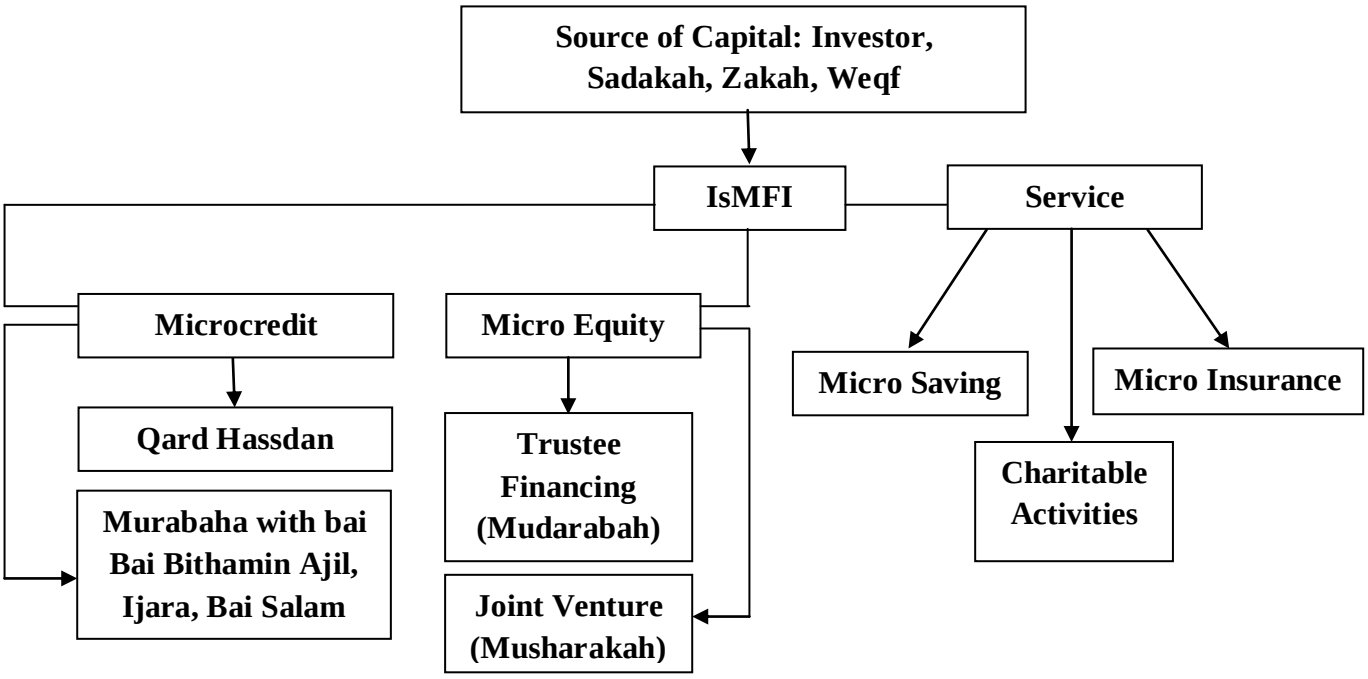
- Better access to treatment
- Maintain proper food / nutrition and accommodation
- Minimize –ve impacts on other household members
- Gain more care and support from other family members
- Increase adherence to treatment
- Increase adherence to drug rehabilitation
- Decrease the feeling of anger, revenge and hostility
- Less psychological complications
- Practical approach to minimize stigma and discrimination
- Application of Islamic financial tool might bring more religious institutes to learn more about HIV/AIDS and to help in more positive way

  .”Islamic religious institutes are always asked to implement but not to be involved in the product development”
- **Encourage health insurance companies to cover HIV/AIDS patients.**
- **Operationalized corporate social responsibility**

The Operational Model

- This model has been drawn based on the previous literature and our study on the economic impact of HIV/AIDS on the patients and families in Malaysia
- The model integrates
  - Islamic Microfinance (A conceptual Model)
  - Destitute HIV/AIDS (Health Deteriorating Phases of the Patient)
  - Household Economic Portfolio (Economic Management Strategies of the Household)

Conceptual Model of Islamic Microfinance for HIV/AIDS



Fundamental Issues

- Due to fungibility of financing, Conceptual Approach and Methodological Approach should encompass three level of analysis
  - 1) the individual

  - 2) Enterprise and
  - 3) the Household
- Standardizing new criteria to measure up the poverty line of the HIV/AIDS patients.
  - Based on the income and expenditure levels
- Economic portfolio of the household with HIV/AIDS patient s of Malaysia
- Family based lending method
- Organizational structure
- Shariah Compliance regulatory and
- Management

Borrower Issues

- Monitoring

  Ex-Post Hazard

  (lqbal and Llewellyn (2002)
- Asymmetric information
  - *Superior information* may lead a party to go against the interest of another
  - The agent may conceal the profit level
  - *Usages at Loan* (Beatriz Armendarlz and Jonathan Marduch) (2007)

(khalil, Rickwood and Murindeb 2002)

  - Overconsumption of prerequisites by the Mudarib
  - Under reporting profit, risk avoidance and shirking of effort by the Mudarib
- Amoral entrepreneur may group higher profit margin than the agreed ratio (Ahmed 2002)

Organizational Issues

- **Risk Management**
  - Money Lending, Risk Taking, Risk Sharing, Risk leveraging
- **Regulatory Framework**
  - Reinvestment of firm's surplus growth (Aggarwal and Yousef, 2000)
  - Code of Behavioral Conduct of the Islamic Financial Institute with theb Destitute Patients
  - Financial contract with a patient
  - Loan Transformation to charity

Industry based Business model

- Model 1: Cleaning Item (Retailing)
- Model 2: Fabrication (Production)
- Model 3: Stock Holder (Profit Sharing)

Conclusion

- Existing Microfinance organizations like Amanah Lkhtiar Malaysia (AIM) can cater a specific packing for the HIV/AIDS households
- The potentials of AIM
  - Large in size and Capital (easy to economize the operating expenses)
  - Operating all over Malaysia
  - High access to poor and pro-poor
  - Long experience of Microfinance
  - Initiated certain Islamic Microfinance tool (Qard-al-Hassan)
  - Trusted bran