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Iraqi Militias Are Developing Local Funding Sources for Social Activities

by [Sadiq Hassaan](#)

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ABOUT THE AUTHORS

[Sadiq Hassaan](#)

Sadiq Hassaan is an Iraqi specialist in the affairs and intellectual backgrounds of Shia militias. He is a contributor to Fikra Forum.



Brief Analysis

Iran-backed militias in Iraq are using fraudulent loans to bankroll their community activities, drawing into question their adherence to Islamic laws and mores.

After losing Iranian funding for social and religious community activities and payments to the families of militia members who died fighting ISIS, Iranian-backed militias in Iraq are trying to cover their financial losses through fraudulent and usurious lending.

For years, Iranian-backed militias in Iraq have funded community gatherings and offered support for families of militia members who died fighting ISIS. These social and religious community activities play a major role in attracting ideologically-aligned followers, and the militias rely on them for the health of their reputation in the Iraqi Shia community.

As such, after losing Iranian funding for those activities, the Iranian-backed militias in Iraq are relying on new local financial sources. As a part of that operation, some militias, like Hezbollah al-Nujaba and Saraya al-Salam, have opened loan offices for Iraqi employees and retirees who have online payment cards. These loans are often harmful to borrowers, and they expose an entrenched network of usurious lending with complicity from national banks and at least one major financial firm in Iraq. Furthermore, the loans violate Islamic law, calling into question the militias' ideological legitimacy and highlighting their determination for power.

Social and Religious Activities

About a year ago, the Iranian government informed the leadership of Iranian-backed militias in Iraq, which include organizations such as Kata'ib Hezbollah, Asa'ib Ahl al-Haq, al-Nujaba and Kata'ib Sayyid al-Shuhada, that Iran would stop funding the militia's social and religious community activities. Iranian officials claimed this end in funding was part of spending cuts for operations against ISIS.

Given the importance of these events for the popularity of Shia militias in Iraq, the militias' leadership saw a major threat in any harm done to these programs, which attract new militia members and bolster the militias' humanitarian and ideological commitments.

Militia leaders also worried that ending their social and religious activities would dampen the religious fervor that they had been able to kindle in Iraqi Shia communities. The militias were especially successful in stirring up that fervor when fomenting sectarian crises during major pilgrimages, such as the Arba'een Pilgrimage, during which some Shia participants attempted to provoke Sunnis by targeting figures they revere, such as the caliph Umar ibn al-Khattab or the Prophet's wife Aisha.

Fraudulent Loans

Considering the importance of these activities for Iranian-backed militias in Iraq, the militias began looking for alternative funding, which ultimately led to the establishment of fraudulent, militia-operated loan offices. In order to understand the significance of this practice, it is necessary to explore the process by which these loans are disbursed, and how the militias profit from them.

The militias first attract borrowers through advertisements on social media. These advertisements include general calls for borrowing outside of the administrative purview of government banks, through what is known as "instant loans." In these loans, the borrower receives the amount they have requested, according to their salary, on the same day they request the loan, making them very appealing for those in need of quick money.

Once the borrower has clicked on the advertisement, the borrower is led to a number to call using Facebook, or sometimes to the names of companies that sell household products in reasonable installments. In this way the lenders can disguise their fraudulent activity.

When the borrower calls the phone number listed in the advertisement, the militia lenders provide the address or the location where the loan transaction will be conducted, often in an office in a well-known building. When the borrower goes to meet the fraudulent militia lenders at this location, the lenders take the information for the borrower's Qi Card, the electronic banking and default national debit/credit card in Iraq, and send it to another location with a register of all of Iraq's employees and retirees and their salaries, as well as a fingerprinting device. In this location, they make a copy of the paperwork. This process lasts for more than five hours, after which the materials are sent to one of the national banks to receive the money.

To complete this operation, the militia-affiliated lenders work with a well-known company located in Kahrabana Square in Baghdad, across from the French embassy. This company gives them the amount in dollars, and they take out a large sum that same day from the loan that was given to the employee or retiree. The militia continues to take out a very large amount of money every month, through a simple accounting process. For example, a borrower whose salary is 800,000 Iraqi dinars is given twenty bills, i.e. 2000 dollars, and from this amount they take three bills, i.e. 300 dollars on the same day, and then every month for a year they take 400,000 Iraqi dinars. In other words, the total amount of the loan is almost 5 million dinars, which is a huge amount of money.

Ingenious as it is, this process has run into difficulties in the recent past. In June and July 2020, the militias' loan offices encountered technical issues for two interrelated reasons. The first problem was that banks began disbursing

retirement pension payments every month instead of every other month, as had been done for years, which affected the calculations for the militias' withdrawals.

The second problem was that many retirees changed their electronic payment cards from Qi Card to MasterCard or something similar, and as a result the militias could not draw from their pensions. As a result, the militias' loan offices sent threatening covert messages to individual retirees, demanding cash payments delivered directly to the loan office. Some of the borrowers went and turned in their monthly amount, and then received a second message telling them to take the unpaid installment at the end of the year along with a fee for the delay, followed by yet another message when they received their salaries for August notifying the borrower to take two equal installments from their August salary. All of this caused serious financial problems for the original borrowers.

A Fraudulent Network

After investigating the lenders involved in these exploitative transactions, it became clear that they belonged to militia groups. Because of the massive power wielded by these militias, government banks and electronic card companies are bowing to their demands. Whereas regular, unaffiliated criminals engaged in such activity might be arrested upon discovery, militia-backed lenders escape penalty through the notorious reputation and political power of their organizations.

As a result, while the militias are the central actors behind these operations, it's clear that other financial institutions are complicit or participatory in the process. For instance, this fraudulent operation is helped along by the announcements and advertisements sent out from time to time by Iraq's two major banks, Rasheed and Rafidain, stating that lending will end for two or three months or until further notice, as well as rumors spread about through private militia media such as such as al-Ahd or al-Nujaba channels, and through the websites of their electronic armies.

It therefore seems clear that the Rasheed and Rafidain banks are complying with these offices' desires and allowing them to profit at the expense of poor employees and retirees. And while these banks occasionally issue statements warning people not to work with the loan offices that engage in fraudulent transactions, they have not taken any measures to actually stop the illegal withdrawals.

Ideological Hypocrisy

Perhaps the most revealing aspect of these loans, however, is not their civil illegality, but their religious illegality. The militias' loan transactions are against Islamic law and are considered usurious, which is especially important considering that these militias claim to defend religious legal principles that prohibit such fraudulent transactions. Indeed, the militias consider usurious lending to be a major sin in Islam, and they consider those who engage in such activities to be evil-doers who have no right to oversee the affairs of Muslims.

How can the militias that undertake these activities which violate both civil law and Islamic law while claiming to defend Shia doctrine and serve as social leaders promoting reform and resistance? ❖



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