

Islamic Microcredit is the Way of Alternative Approach for Eradicating Poverty in Bangladesh: A Review of Islami Bank Microcredit Scheme

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Abstract: Islamic Microcredit is still an emerging concept even in Bangladesh, the motherland for Microfinance. This study reviews empirical evidence on the common findings from the existing literature on Islami Bank microcredit performance on the borrower's poverty alleviation in Bangladesh. We first examine the Islami Bank microcredit impact with respect to its member's progress on poverty alleviation and socioeconomic development. In general, most of the findings from the literature have shown that Islami Bank microcredit borrowers are doing well to reduce their vulnerability and poverty as well as improved socioeconomic status after access credit. However, the paper also identify existing literature gap of Islamic microfinance study and provide recommendation for future scope of study in the field of Islamic microfinance in Bangladesh.

Key words: Islamic Microfinance, Islami Bank, Poverty, socioeconomic development & Bangladesh

INTRODUCTION

Poor and poverty is the ancient history of human civilization. As the world around us is becoming progressively globalized but still record of poverty and its alleviation does not show remarkable progress where half of total population are living under poverty line in the world. Microfinance was come as the name of revolutionary approaches with the accessibility of the poor to credit without assets for collateral, enough financial records and credit history to increase their productivity in the self-employed economic activities for reducing vulnerability and poverty. "Microcredit is a program designed to extend small loans to very poor people for self employment projects that generate income, allowing them to care for themselves and their families" (Summit, 2005).

Bangladesh is the home of microcredit and it has been started by Dr. Mohammad Yunus in 1970s; through as an action project in Jobra village in the district of Chittagong, Bangladesh (Jolis, 1996). At present there are more than three thousands active Microfinance Institutions (MFIs) are working for move out poverty but unfortunately still poverty is a central illness for over all development and it has been increasing day by day. The poverty was merely 92 % in the 1970 to 40.05 % in 2007 and 49.6 % in 2009. The number of poor was 78.2 million in 1970 but still 80.46 millions in 2009 (W.D.I., 2009). Above the statistical record of poverty has drawn a big question about the performance and approaches of MFIs for poverty reduction in Bangladesh. It is because of they are still charging high interest and aggressively increase their commercial mentality for profit making rather holistic approach for improvement of poor lives. The interest rate for institutional sources range from 15% to 22%, while those for the non-institutional sources range from 33 % to 120 % besides, they are hardly care about the spiritual, moral and ethical dimension of the rural poor but it is the important issues in the all aspects of human life (Kabeer, 2001; Amin, 2003).

In considering the above issues, Islamic micro financing is the way of hope for Muslim countries especially in Bangladesh, where most of her citizens like to prefer "*Shariah*" based Islamic financial system

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rather than traditional financial system. Because, Islam is the complete code of human life; it is applicable in every sphere of life whether business, service or any other occupations. It has also placed central focus on poverty alleviation to establish a society free from all kinds of vices (Munkarat) in the social, economic, spiritual, moral, ethical, intellectual and physical through a consciously participatory development agenda. According to Al- Quran “The Satan threatens you with poverty and bids you to do indecent things. But Allah promises you His forgiveness and bounties. Here poverty and immoral activities have clearly been equated. So, poverty will not be moved out if the peoples continuously involved in the indecent things.

In order to address the problem properly, Islami Bank Bangladesh Limited (IBBL) has been introduced an Islamic “*Shariah*” based microcredit model “Rural Development Scheme (RDS)” in 1995 with committed promise to eliminate rural poverty. The RDS microcredit model is the largest one among the various Islamic MFIs in Bangladesh (Chowdhury, 2001). The present number of RDS is 599,705 in 2009 and Rate of recovery under the Scheme is more than 99% (IBBL, 2009). But in spite of favorable religious sympathy from Muslim community and high interest rate from the conventional counterparts still the Rural Development Scheme could not able to achieve significant progressed in terms of poverty alleviation & socio-economic development. So it is the timely needs to critically analyze the performance of RDS to find out the way of solution in the present threat as well as remark the strength point positively to make it effective tools for poverty alleviation from the findings of existing literature to justify the impact of Islami Bank microcredit on poverty alleviation & socio-economic development. We hope our this initiative will be able to show the real impact assessment which can help develop a new dimension of effective Islamic Microcredit in Bangladesh and beyond.

Poverty and Livelihood Status in Bangladesh:

Bangladesh economy could not achieve a rapid macro-economic development & strong track record of tackling poverty due to natural disasters like floods, cyclone, river-bank erosion as well as the political unrest and misused or underutilized national resources in last the three decades,. However, the fight against poverty and to ensure minimum livelihood sustainability is still on-going. The growth of economy has also been reflected by per capita income growth. The Gross Domestic Product (GDP) per capita income had increased from \$ 118.00 in 1970 to \$ 213.00 in 1980 to \$ 390.00 in 1990 to \$ 470.00 in 2004 to \$ 470.00 in 2007 & \$ 573 in 2009. On the other hand, incidence of poverty rate had also declined consequently year by year. Poverty was merely 92 % in 1970 to 59 % in 1980 and reduced further to 49.8 % in 1990 to 41.4% in 2004 to 40.05 % and rose again to 49.6 % in 2009. The number of poor has declined significantly from 78.2 million in 1970 to 59 millions in 1980 to 53.82 in 2004 and rose again to 64.22 in 2007 and 80.46 millions in 2009.

Table: 1.1: Selected Development indicators in the Bangladesh from 1970 -2009

Selected indicators	Years					
	1970	1980	1990	2004	2007	2009
GDP (\$ billions)	10	21.3	47.3	56.5	68.42	94.507
GDP per capita (\$)	118	213	390	470	470	573
Total Population (millions)	85	100	120	130	158.57	162.22
Total population under poverty line (millions)	78.2	59	59.76	53.82	64.22	80.46
Incidence of Poverty %	92	59	49.8	41.4	40.5	49.6%

Sources: (WDI, 2009).

The indicators have shown only counted statistical data, but actually the real structure of the poverty and over-crowding has pushed the countless poor in Bangladesh to seek their livelihoods in more and more unsafe areas of the country.

Microcredit Models in Bangladesh:

Bangladesh is the mother land of most popular group based microcredit models in the world which has been discovered by professor Dr. Mohammed Yunus in 1976 from his action research project in Jobra Village. He found that the poor people are facing the major problems is accessibility to financial access because of their lack of assets for collateral, lack of financial records and limited credit from the formal financial institutions. Without financial access they are tied to low productivity especially in the self-employed economic activities. Thus, providing the poor with credit will generally help to solve the problem of the poor (Yunus, 1999; Zaman, 2004).

Group based microcredit model is process of opportunity for peer lending, peer monitoring, homogenous matching, and joint liability with credit risk between the group members. It has been formed by five members

in a group and with five to eight groups forming a centre. All members in the centre meet with a loan officer weekly. They have to learn the rules and regulation of MFIs in the first week save \$0.02 a week, learn to sign their names, and memorize a set of vows to self-improvement. Each group elects a chair, and each centre elects a chief and at first two members get loans first, and then, one month later, two other members get loans. After one more month, the last member gets a loan. Because most loans last exactly one year, staggered disbursement reduces the risk of domino default because some borrowers must finish repayment before they know whether their comrades will default (Hossain, 1988; Schreiner, 2003; Khandker, 1998). It has been recognized as an effective model of microcredit over the world and most of the MFIs in Bangladesh has been used the group based model for microfinancing even Islamic Microfinance Institutes (IMFIs) has also been followed it by modifying with Islamic Sa-riya.

2.3. Islamic Microcredit Models:

As the Islam is not only a religion in compare to other religions but also complete code of all mankind. It is also must be applicable in every sphere of life whether business, service or any other parts of human life. It has also placed central focus on poverty alleviation to establish dignity and self-reliance through a consciously participatory development agenda. Islam has prohibited riba but encourage about trade for profit. According to Al-Quran “ Allah will deprive riba of all blessing, but will give increase for deeds of charity: and Allah does not love the ungrateful and unjust. In the same way he said “Oh believers, fear Allah and forgo the interest that is owing, if you really believe. The holy Quran declares trade to be lawful means of livelihood as opposed to riba, which is forbidden for being oppressive and exploitative. The Islamic Micro Credit Models has been formed through the concept of Islamic “*Shariah*” in the finance i.e. Mudaraba, Bai-Muajjal, Murabah, Ijara & Bai-Salam. The most of the useful and popular Islamic microcredit model are as described below.

• Mudaraba Microcredit Model:

Mudaraba is one of the most popular ways of Islamic microcredit where, a partnership contract has been occurred between microenterprise (called *mudarib* & microcredit financiers (called *rabb al-mal*) for making business on the basis of predetermined profit sharing. In this partnership *rabb al-mal* will invest capital and *mudarib* will invest labour. The *mudarib* will reward by shares in the profit without loss but the *rabb al-mal* will shares in both of profit and loss. In effect, the microfinance program takes “equity” in the microenterprise through the loan. Initially, the program may own 100 percent of the shares and would hence be entitled to its predetermined share of all the profit. But as each loan installment is repaid, the microentrepreneur “buys back” shares. As a result the microfinance program earns less profit with each repayment received (Dhumale, 1999; Obaidullah, 2008).

• Musaraka Microcredit Model:

Musaraka is also equity partnership contract between two partners as like as *mudaraba* contract, but the basic difference being that in the former both the partners participate in the management and the provision of capital, and share in the profit and loss. Profits are distributed between the partners in accordance with the ratios initially set, whereas loss is distributed in proportion to each one’s share in the capital. (Dhumale, 1999; Obaidullah, 2008; Dusuki, 2008).

• Murabah Microcredit Model:

The murabaha contract is similar to trade finance in the context of working capital loans and to leasing in the context of fixed capital loans. Under such a contract the microfinance program literally buys goods and resells them to the microenterprises for the cost of the goods plus a markup for administrative costs. The borrower often pays for the goods in equal installments. This model is easier for borrowers to understand and simplifies loan administration and monitoring. The microfinance program owns the goods until the last installment is paid (Dhumale, 1999; Obaidullah, 2008).

• Bai-Muajjal Microcredit Model:

Bai-Muajjal is another product of Islamic microcredit where MFIs Sale of goods on credit to the members i.e. a sale in which goods are delivered immediately but payment will be deferred. (Obaidullah, 2008; Dusuki, 2008).

• **Bai-Salam Microcredit Model:**

Bai-Salam is also a contract of sale in which payment is made in advance by the buyer and the delivery of the goods is deferred time in the future by the seller (Obaidullah, 2008).

Micro-Leasing (Ijara):

The term Ijara means leasing or hiring of a physical asset. Ijara is also a contract between MFIs & its member where MFIs lease their assets to the borrowers to use within the certain time on the basis of rental mode. It is a popular debt-based product in which the MFIs assumes the role of a lessor and allows its client to use a particular asset that it owns (Obaidullah, 2008).

2.4: Islamic Credit & Poverty alleviation in Quran and Hadith:

According to Islam “poverty is not only social evil but ideological evil also”. For this reasons it degrades societal status of the vicegerents of Allah, gives birth to many social problem out the poor nations as a disadvantaged position in the world society of human dislike poverty and hence it is the obligation of the rich to help the needy for its so much, so that the neglect of this obligation resembles denial of Islam itself. In sequence of that sense Islamic approach to poverty alleviation is more inclusive than the conventional one. It provides for the basic conditions of sustainable and successful microfinance, blending wealth & creating sources of Income Generating Activities (IGAs) for the poorest of the poor. It has been form uniquely on the basis of certain holistic approach that are described as follows.

- Fully Access of the poorest of the poor to the program
- Carefully assess to the financial health of the poor; enquiry blended with empathy; insistence on contribution and beneficiary stake;
- The given of priority on the basis of Meeting the basic needs and investment of the surplus in a productive asset
- The programe participant must be involved in capacity building activities for incom generation and technical assistance to the beneficiary; Commitment of top management of the program;
- MFIs must be care about the technical assistance in the form of imparting requisite training to the beneficiary for carrying out the income-generating project.
- Finally MFIs should be emphasised on spiritual, moral, ethical, intellectual development of participant.
- There are definet direction in the Holy Quran And Hadith about the successful system of Islamic microcredit to move out poverty from the society.

The Directions of Holy Quran for Poverty Alleviation:

Who is it that will lend Allah a *qard hasan* which He will multiply for him (the lender) many times and for him shall be a generous recompense.

Verily, those who give *sadaqa*, men and women, and lend to Allah a *qard hasan*, it shall be increased manifold (to their credit), and theirs shall be an honorable good reward.

If you lend Allah a *qard hasan*, He will multiply it for you. Allah is the most appreciating, the most forbearing.

“O ye who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing” and “Let a scribe write down faithfully as between the parties”

"Assist one another in the doing of good and righteousness. Assist not one another in sin and transgression, but keep your duty to Allah"

The Directions of Hadith for Poverty Alleviation:

Th Prophet (pbuh) reinforces this principle of cooperation and mutual assistance. “Believers are to other believers like parts of a structure that tighten and reinforce each other.” (Al-Bukhari and Muslim)

Narrated Ubaydullah ibn Adl ibn al-Khiyar: Two men informed me that they went to the Prophet (peace be upon him) when he was at the Farewell Pilgrimage while he was distributing the *sadaqah* and asked him for some of it. He looked us up and down, and seeing that we were robust, he said: If you wish, I shall give you something, but there is nothing spare in it for a rich man or for one who is strong and able to earn a living.

Another famous *hadith* not only underscores the essence of the above *hadith*, but also demonstrates how to design and implement a strategy of poverty alleviation. The *hadith* is broken down into numbered statements so as to highlight the key principles of such a strategy that follow from them.

Narrated Anas ibn Malik: “A man of the Ansar came to the Prophet (peace be upon him) and begged from him.

He (the Prophet) asked: Have you nothing in your house? He replied: Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water.

He said: Bring them to me. He then brought these articles to him and he (the Prophet) took them in his hands and asked: Who will buy these? A man said: I shall buy them for one dirham. He said twice or thrice: Who will offer more than one dirham? A man said: I shall buy them for two dirhams.

He gave these to him and took the two dirhams and, giving them to the Ansari, he said: Buy food with one of them and hand it to your family, and buy an axe and bring it to me.

He then brought it to him. The Apostle of Allah (peace be upon him) fixed a handle on it with his own hands and said: Go, gather firewood and sell it, and do not let me see you for a fortnight.

The man went away and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others.

The Apostle of Allah (peace be upon him) then said: This is better for you than that begging should come as a spot on your face on the Day of Judgment. Begging is right only for three people: one who is in grinding poverty, one who is seriously in debt, or one who is responsible for compensation and finds it difficult to pay.

2.5: Historical Development of Islami Bank Microcredit in Bangladesh:

As Islam is the complete guideline for all mankind in their whole parts of life. It has treated poverty is not only social evil but ideological evil also. It is the obligation of Allah to the rich to help the needy for its so much, so that the neglect of this obligation resembles denial of Islam itself. In such situation, Islami Bank Bangladesh Limited was founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income on the basis of Islamic rules and regulations. It is the largest private bank in the country (Ahmed, 2004; Alam, 2009; Hossain, 2005; IBBL, 2006; Mizanur Rahmana, 2008; Parveen, 2009). In according to the objectives of bank, it has been operated group based microcredit scheme known as ‘Rural Development Scheme (RDS)’ was launched in 1995 as a pilot program styled after the Grameen Bank model except that the scheme used Islamic modes of investment. The main goals of RDS to provide the financial access for creating opportunity of income generation of the rural people with a view to alleviate poverty (IBBL, 2006; Mizanur Rahmana, 2008). The main objectives of RDS are:

- To extend investment facilities to agricultural, other farming and off-farming activities in the rural areas.
- To finance self-employment and income generating activities of the rural people, particularly the rural unemployed youths and the rural poor.
- To alleviate rural poverty through integrated rural development approach.
- To extend investment facilities for hand tube-wells and rural housing, keeping in view the needs of safe drinking water and housing facilities of the rural poor
- To provide education and Medicare facilities to the down-trodden people.

Initially it has been started as a pilot operation in the rural areas of several districts under the direct supervision of the nearby Branches of the Bank. At present, it is extended to all the 61 districts out of 64 districts of the country through 139 Branches of the Bank. The metropolitan areas and three Chittagong Hill Districts are kept outside of RDS (IBBL, 2006).

The present progressed of RDS is presented in the following Table 1.1.

Table 1.1: The progressed report of RDS, IBBL

Description	2005	2006	2007	2008	2009
branches	101	118	129	136	139
Villages	4,560	8,057	10,023	10,676	10,751
Members/clients	217,445	409,575	516,725	577,740	492,475
Investment Outstanding (Taka million)	1,106.47	2,242.21	2884.66	3,011.72	3752.2

Source: (IBBL, 2006; IBBL, 2007; IBBL, 2009).

It has been practiced Murabaha and Bai-muajjal modes of investment for financing the participants. Very recently, RDS has started practicing Musharaka mode as well. In all cases the Branch must ensure strict adherence to the banking and *shariah* in norms. For this investment, RDS charge only 10 per cent profit on flat rate with a rebate of 2.5 per cent for timely payment while, the conventional microcredit institutions charges 15 to 22 per cent interest for income generation which is much higher compared to traditional banks. The investment recovery rate of RDS is 99.57 percent (IBBL, 2009).

Islamic MFIs Across the World:

As the Islam is the complete code of all mankind. It might be applicable in every sphere of life whether business, service or any other parts of human life. It has also placed central focus on poverty alleviation to establish dignity and self-reliance through a consciously participatory development agenda. But still cases of successful Islamic microfinance experiments in Muslim societies are small in number. Further, these institutions are not integrated into the formal financial systems, with the notable exception of Indonesia. Cases of Islamic banks practicing microfinance are even fewer. Islamic microfinance institutions display wide variations in the models, instruments and operational mechanisms. While, in terms of reach, penetration and financial prowess, Islamic microfinance institutions lag far behind their conventional counterparts they certainly score better in terms of richness and variety. Islamic microfinance institutions similar to conventional microfinance institutions, use group financing as a substitute to collateral, have a high concentration of women beneficiaries and aim at alleviation of poverty in all its forms (Obaidullah, 2008).

Methodology of the Study:

In this study, we conducted general search by the name of “Islami Bank microcredit and poverty alleviation or Islami Bank microfinance and poverty alleviation as well as Islami Bank microcredit and socio economic development or Islami Bank microfinance and socio economic development. From this search we found huge number of article abstracts, which we have read to determine which articles need to be included in the review of this paper. After reading through most of the articles were found are as case study approach and qualitative analysis of research. But we focus on this papers which are related to Islami Bank microcredit impact on the borrower’s for poverty alleviation and socio economic development.

Evaluation of Islami Bank Microcredit:

The main goal of this study is to undertake an impact study of only Islami Bank rather other MFIs in Bangladesh. Several studies in the literature have found that Islami Bank’s microcredit has increased remarkably borrower’s income, thereby reducing poverty. The main findings of our study are as follows.

Evidence of Islamic Microcredit on Poverty Alleviation and Socioeconomic Development in Bangladesh:

There is lack of sufficient relevant literature in the context of Islamic microfinance in the world because most of existing studies simply assessed the impact of interest based microcredit programs and did not consider Islamic “*Shariah*” (Islamic rules and regulations) compliance for investment (Mizanur Rahmana, 2008). In such situation, this study has been searched to find related literature as many as possible from the existing study on Islamic microfinance especially on Rural Development Scheme in Bangladesh. The main part of literature has been described below.

More over, Ahmed in 2002 has been provided the theoretical basis, operational framework, and empirical support for the establishment of Islamic MFIs. After critically evaluating the conventional MFIs, an Islamic alternative is presented. The theoretical part of the paper shows that there is a great potentiality of Islamic MFIs that can cater for the needs of the poor. Islamic MFIs have some inherent characteristics that can mitigate some of the problems faced by conventional MFIs. Empirical evidence from three Islamic MFIs operating in Bangladesh, in general, supports some of the theoretical assertions. The case studies, however, reveal that Islamic MFIs have not yet tapped some of the sources of funds, nor have they used the variety of financial instruments in their operations (Ahmed, 2002).

Further more, Habib et.al. have been done good study in 2003 to examine the effectiveness of RDS credit provided by the Islami Bank Bangladesh Limited through interviewing a few randomly selected program beneficiaries located in Sadar and Fulbaria Upazila of Mymensingh district. Most of the beneficiaries were observed to have required loan money within reasonable time limit during the study period. Loan was found to have been productively used irrespective of loan holder categories. Loan repayment performance of the beneficiaries was observed to be satisfactory. Self-consciousness and hope of receiving future loan were observed to be the major contributing factors for good loan repayment behavior of the beneficiaries. Small borrowers were good re-payers followed by the medium and large borrowers (Habib, 2003).

Moreover, another study was undertaken to examine the effectiveness of RDS credit provided by the Islami Bank Bangladesh Limited through interviewing a few randomly selected program beneficiaries located in Sadar and Fulbaria Upazila of Mymensingh district. Most of the beneficiaries were observed to have required loan money within reasonable time limit during the study period. Loan was found to have been productively used

irrespective of loan holder categories. Loan repayment performance of the beneficiaries was observed to be satisfactory. Self-consciousness and hope of receiving future loan were observed to be the major contributing factors for good loan repayment behavior of the beneficiaries. Small borrowers were good re-payer's followed by the medium and large borrowers (Habib, 2004).

In the same time, another study has been asserted that Islamic banks are predisposed to provide microfinance in a "win-win" situation. In other words, Islamic banks can finance the poor at no extra cost. Theoretical arguments presented show that Islamic banks can provide microfinance more efficiently benefiting from its scale of operations. To support some of the theoretical assertions, empirical evidence is given from the experience of Rural Development Scheme, a microfinance program of Islami Bank Bangladesh Limited (Ahmed, 2004).

However, another study has been examined the existing role of such institutions will be strengthened combining their role with the role of How ever, Huq has found that traditional Islamic institutions and NGOs, in one hand, and traditional micro finance institutions, on the other. The main sources of Islamic micro financing are Islamic Banks, Islamic Insurance Companies, Islamic NGOs and traditional Islamic institutions like zakat, awkaf, qard hasana, Al Maniha (gifts) etc. On the other hand, the major sources of traditional micro financing are commercial banks, both public and private, insurance companies and NGOs like ASA, PROSHIKA, BRACK, GB, BRDP etc. The paper throws light how to make their role consistent with Islamic principles and also suggests some recommendations in order to alleviate poverty through financing micro – enterprises according to the principles of Islam (Huq, 2005).

Furthermore, Ahmed has found in his study's that the success of a micro finance programme depends on its impact on raising the income of its members and ultimately on improving the living standard of the poor. The aim of this paper is to assess the extent to which this objective has been achieved by RDS of IBBL. Identification of the contributory factors of RDS in poverty alleviation shall pave the way for diversification of RDS activities and development plan (Ahmed, 2006).

However, Mannan in 2006 has been done an analytical review of an innovation in Islamic Micro-finance in terms of Family Empowerment Micro-Credit as operation by Social Investment Bank, Dhaka, Bangladesh in contrast to 20,000 or so non-Governmental organization (NGOs) operating mainly in the country's 86,000 villages, providing micro-credit mainly to women. A country case study and comparative approach are adopted. It is demonstrated that Family Empowerment Micro-Credit program that ensures joint liability of husband and wife linking credit to culture works better than the approach adopted by NGOs in Bangladesh. Family empowerment micro-finance represents a paradigm shift in Islamic Finance. It is linked to culture based on convention and custom of a society. It is argued that the regulation and standardization of Islamic Microfinance operations in non formal and non-corporate sector have to be "custom tailored" in the context of diverse Socio economic settings (Mannan, 2006).

Moreover, Dusuki in 2006 has been examined the potential of group-based lending scheme of microfinance. It is argued that group-based lending approach is not a subject alien to Islam, as it is deeply inscribed in Ibn Khaldun's concept of 'Asabiyah or social solidarity. By adopting group-based lending approach, Islamic bank may offer various Islamic financial products and services without compromising on the issue of institutional viability and sustainability (Dusuki, 2006).

Another study has been assessed the potentials of Islamic financing schemes for micro financing purposes. They argued that Islamic finance has an important role for furthering socio-economic development of the poor and small (micro) entrepreneurs without charging interest (read: riba'). Furthermore, Islamic financing schemes have moral and ethical attributes that can effectively motivate micro entrepreneurs to thrive. The study also found that there is a nexus between Islamic banking and microfinance as many elements of microfinance could be considered consistent with the broader goals of Islamic banking.. Finally, they concluded with the proposals to accommodate the Islamic microfinance within the present Islamic banking structure (Rahim, 2007).

In the other way M. Mizanur Rahmana found in 2008 that most of the clients have utilized their borrowed Money and increased household income and expenditure had increased significantly and clients had a positive opinion towards the micro investment program as it improved their standards of living but the reality is that not all the clients have invested their borrowed money in income generating activities. Instead, some of them have utilized their investment in house repairing, children's marriage ceremony and furniture purchase etc.

On the other hand, Uddin has found that Islami Bank Bangladesh Limited was founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income. In view of the above, Branches of the Bank have been

encouraged to invest their deposits in their respective areas and in particular for the economic up-liftmen of the rural people. Accordingly, a scheme in the name and style of 'Rural Development Scheme' has been introduced to cater to the investment needs of the agriculture and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty (Uddin, 2008).

In the same way another study has been assessed of the achievement of the RDS and its impact on the livelihood of the rural people was required. To conduct this study, primary data were collected interviewing 1020 randomly selected RDS clients working across the country. The study analyzed many facets of the RDS and concludes that it was generally a success. Household income and expenditure had increased significantly and clients had a positive opinion towards the micro investment program as it improved their standards of living. The study recommends that RDS activities be extended towards hardcore poor, especially for widows and divorcees. Monitoring and supervision should be strengthened, while more ethical and moral motivational programs have to be undertaken for both field supervisors and clients to reduce sharyah violation. The program can be replicated in other rural areas of Bangladesh in order to accelerate economic activities of the poor.

Furthermore, the main focus of this research is to critically evaluate the sustainability issues of Interest-free Micro-Finance Institutions (MFIs) in general and a recently developed micro finance model -Rural Development Scheme (RDS) of Islamic Bank Bangladesh Limited (IBBL) in particular. This study is an endeavor by the researcher to examine mainly the institutional, financial and economical sustainability of the above model by using various indicators. The empirical analysis of the study reveals that RDS of IBBL has been treated as a sustainable MFI in the rural development and poverty alleviation of Bangladesh with a short span of time of its establishment. Finally, the study also suggests some policy guidelines for the smooth functioning and development of the aforesaid interest free MFI in any region like Bangladesh.

Moreover, another study is explored of the socio-cultural context of Bangladesh based on an "Institutional Network" theoretical framework. The paper discusses the results of empirical findings relating to interest-free micro-credit' by Islamic Banks through the 'Cost plus sales under deferred payment (CPSDP); one of the leading Islamic Banking financing modes. It also demonstrates interest free microfinance by Islamic banks to the rural-based contributes in developing network relationships between the lenders and borrowers and other related economic actors in a society. The discussions in the article are mainly concerned with the empirical review of the impacts and influences of 'Interest-free microfinance' on the rural-based small entrepreneurs in the Bangladesh.

Same way, Akhter et.al has been recognized Islamic micro-finance as an important component in poverty alleviation strategies. While conventional microfinance products have been successful in Muslim majority countries, these products do not fulfill the needs of all Muslim clients. While taking an overview of Islamic microfinance in Muslim countries, this research paper undertakes a case study of Akhuwat, an Islamic microfinance organization operating in Pakistan. Critical financial analysis of Akhuwat indicates that it is providing its services for all living below the poverty line including the "extreme poor" and Interest free loans can be used as a powerful tool against poverty. It recommends that integrating Islamic microfinance with NGOs, NPOs (non-profit organizations), Zakah, Awqaf and with Takaful as well as with professional training and capacity building institutions will enhance the financial stability of Islamic microfinance institutions and will be helpful to achieving their aim of providing micro financial services to the poorest of the poor under one roof (Akhter, 2009).

Conclusion & Recommendation:

In the literature it is well established that poverty is the central illness of overall development in Bangladesh. It is the increasing trend in every day every year in the rural and urban area in Bangladesh. In Bangladesh MFIs are well established to given access of credit to the poor for poverty alleviation and improving livelihood status. Several study have been conducted on the impact analysis Islamic microcredit program i.e. RDS of Islami Bank Bangladesh Limited. We found that most the study has done on the basis of descriptive presentation of Islamic principles & theories in the microcredit field. This impact assessment review study has revealed that RDS has an important role for socio-economic development and improving the living standard of the poor without charging interest. borrowers also used their fund in the productive Income Generating Activities (IGAs) as well as loan repayment performance was satisfactory and small borrowers were good repayers followed by the medium and large borrowers. Another findings of the study that RDS could able to provide its services for all living below the poverty line including the "extreme poor" and Interest free loans can be used as a powerful tool against poverty.

In the end it is clear to us Islamic microfinance is a new field of study. We have seen there is overall literature scarcity in this field and most the study has done on the basis of descriptive presentation of Islamic principles & theories in the microcredit field. In term of sustainability of Islamic MFIs the existing literature revealed that there is very few study has been done to measure the sustainability of Islamic Microfinance Institutions even no study have found regarding the comparative analysis of the sustainability of conventional and Islamic MFIs in Bangladesh. On the other hand in the area of impact Assessment of RDS microcredit in Bangladesh we found lack of study has been done for analyzing the real impact of RDS to know poverty alleviation, socio-economic development, women empowerment and sustainable livelihood. Finally we suggest to reduce the literature by doing future study in the above the field of Islamic Microfinance in Bangladesh.

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