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CAN ISLAMIC MICRO-FINANCE ALLEVIATE POVERTY? A CASE STUDY FROM SOUTH-EASTERN BANGLADESH

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ABSTRACT

Although conventional microfinance and Islamic microfinance aims to alleviate poverty from the society, the Islamic microfinance follows the Islamic Shari'ah in its operation and helps clients to improve their moral height. This study examines the impact of Islamic microfinance programme of Muslim Aid Bangladesh (MAB) on poverty alleviation in selected villages of south-eastern Bangladesh. Using pre-designed semi-structured questionnaire, a multi-staged sampling survey has been conducted during 19th February to 28th February 2016. Based on different hypotheses, this study revealed that mean business income, mean employment and sources of water for household's use of experimental group are significantly different from that of controlled group. However, no statistically significant difference were found for household's expenditure, religious activities and morality, types of sanitation, sources of drinking water and iodized salt consumption etc. Based on these findings, this study suggested that MAB should practice Shari'ah based investment modes properly, offer training on technical issues to improve business performance and on moral and religious issues for spiritual development among staffs and clients. The study also suggested that MAB should provide optimum fund size, monitor business activities of the beneficiaries properly, provide fund on the basis of partnership etc. Finally, this study result would be beneficial to development practitioners in general; and Muslim Aid Bangladesh in particular to take corrective measures for better practices of Islamic microfinance programme.

Keywords: Islamic Microfinance, Muslim Aid, Poverty, Bangladesh

İSLAMİ MİKROFİNANS YOKSULLUĞU NASIL AZALTABİLİR? GÜNEY DOĞU BANGLADEŞ'DEN ÖRNEK BİR ARAŞTIRMA

ÖZ

Her ne kadar konvensiyonel ve İslami mikrofinansın her ikisi de toplumdan yoksulluğu gidermeyi amaçlasa da İslami mikrofinans işlevleri sırasında İslam Şeriatını takip eder ve müşterilerinin ahlaki olgunluğa erişmelerine yardımcı olur. Bu çalışma, Bangladeş'in güneydoğusundaki seçilen köylerde yoksulluğun azaltılması konusunda Müslüman Yardım Ajansı (MAB) mikrofinans programının etkisini inceler. Önceden tasarlanmış ve yarı yapılandırılmış bir anket kullanılarak 19 Şubat - 28 Şubat 2016 tarihleri arasında çok aşamalı bir örnekleme araştırması yapılmıştır. Farklı hipotezlere dayanan bu çalışma gösterdi ki, deney grubunun ortalama işletme geliri, ortalama istihdamı ve su kaynakları, control grubununkinden anlamlı bir şekilde farklıdır. Bununla birlikte, hane halkının harcamaları, dini faaliyetleri ve ahlakiliği, sağlık koşulları, içme suyu kaynakları ve iyotlu tuz tüketimi vb. hakkında istatistiksel olarak anlamlı fark bulunmamıştır. Bu bulgulara göre, MAB'nın Şeriat temelli yatırım türlerini düzgün bir şekilde uygulaması, teknik konularda iş performansını iyileştirmesi, çalışanlar ve müşteriler arasındaki ilişkileri düzenleyerek, bunlara ahlaki ve ruhsal gelişme sağlamak için eğitim hizmeti sunması gerekmektedir. Çalışma aynı zamanda MAB'nın optimum fon büyüklüğünü sağlamasını, faydalanan işletmelerin faaliyetlerini düzenli bir şekilde izlemesini ve ortaklık temelinde fon sağlamasını önerir. Son olarak bu araştırma sonucu genelde kalkınma pratisyenleri (uygulayıcıları) için, özelde ise; MAB'nın Bangladeş'te, özellikle İslami finans programının daha iyi uygulaması için düzeltici önlemler almasında yardımcı olacaktır.

Anahtar Kavramlar: İslami Mikrofinans, Yardım, Yoksulluk, Bangladeş

Poverty has become an economic, social, political and moral problem all over the world especially in the developing and less developed countries. Poverty can be measured from different perspective, in different ways. In Islam, poverty is defined more than one way: the Qura'nic, the Prophet's Hadith and the Islamic thinkers. Firstly, The Quran gives the objective definition. The verses denote two levels of poverty which virtually represent all such groups of individuals potentially present in any economy at any time: those living at or below the poverty level defined as the poor (*al fuquara*), those living very much below it, defined as the destitute (*al masakin*). The poor are the persons who lack material means, possessions or income to support them. The poor finds himself in involuntary poverty, unable to satisfy his necessary needs. He may be disabled, handicapped, or having no assets or income, landless, unskilled, old, orphan and poor widow (Haq 1996). The destitute is in misery, dependent on others, either unable to work or not earning enough to maintain himself and his family. As compared to the poor, he is in a worse economic condition, much below the poverty level. Both groups cannot survive healthily without monetary or in-kind assistance, temporarily or permanently, to fill the inadequacy gap and to help ensure their need fulfilment with dignity. Secondly, The Prophet's Hadiths add to the Quranic objective definition the subjective definition of poverty. He indicates that poverty is a danger and threat for both individuals and societies. He himself prayed "O my; Allah, I refuge to you from the evils of poverty" (Hanbal 1953); Finally, Muslim thinkers namely, al Ghazali, al Shatibi, al Mawardi and ibn Ashour came to the conclusion that fulfilling needs must be through conserving and protecting the five objectives of Islam, which form the foundation of the well-being of man in this life and in the hereafter. These objectives are: protection of religion, life, mind, property (wealth), and posterity (offspring). These objectives are divided into a three-level hierarchy: (a) Necessities, (b) Conveniences and (c) Refinements (Zarqa 1980; Haq 1996).

Conventional microfinance has evolved as an economic development approach to benefit low-income people in rural and urban areas. Being inspired by the success of the Grameen Bank (GB) Model in the field of micro finance, many microfinance institutions (MFIs) and non-government organizations (NGOs) have come forward to alleviate the sufferings of the poor and the distressed people with their micro finance program following the GB Model or with slight modifications (Chowdhury 2007). However,

one of the serious limitations of these traditional MFIs and NGOs including GB is their high interest rate (Rahman 1999; Bhuyan 2006). Borrowers has to bear share of such interest are not able to pay such interest, which gradually leads to remain poor people in the vicious cycle of poverty rather than improving their minimum living standard. Inflexible and non-negotiable repayment schedules have implied little assistance in coping with stress events and financial shocks suffered by members and have also caused liquidation of assets by families in order to meet deadlines (Snodgrass and Sebstad 2002). Sometimes members of various MFIs/ NGOs have been found to borrow from moneylenders to repay their loan installment and vice versa. It is, therefore, important that access to credit is provided to the poor on more humane, interest-free basis. From the Islamic point of view, poverty is not only economic, but also it is related to morality (Salehin 2016). The use of religious rhetoric in development practices can make the microfinance programme successful and control the targeted population-the rural people and the women in particular. Borrowing, proper utilization and repayment of fund by the client depends on their moral commitment which has been proved by Islamic NGOs in Bangladesh. The Islamic Microfinance (IsMF) is an attempt by which socio-economic status of Muslim poor could be changed by entering into the profit and loss sharing (PLS), sales and lease-based modes of finance in line with *Shari'ah* principles, not only to avoid interest but also to prevent the misuse of credit for personal consumption (Obaidullah 2008b).

Muslim Aid (MA), an Islamic charity NGO, established in 1985 in United Kingdom (Muslim Aid website 2016) and started its operation in Bangladesh in 1991 (MAB website 2016).Muslim Aid Bangladesh (MAB) launched the interest-free microcredit programme in 2003 (Microfinance Guideline 2013).This study is an attempt to evaluate the impact of an Islamic microfinance programme of MAB in the context of Bangladesh.

Literature Review

Till date, a number of studies have been done on the impact of IsMF by researchers across the world. In Indonesia,Riwajanti(2014) conducted a research on IsMFprogramme of *BaitulMaalwaTamweel* (BMT) and found that BMT has played a positive role in improving sales, business expenditure, net income, household expenditure and employment of poor

members. In this process of developing micro-enterprises, the study also showed that the respondents in urban area were more prevalent to positive economic impact than the respondents in rural area. On the other hand, Naipom (2013) recognizes the weaknesses of Islamic microfinance institutions (IsMFIs) in Thailand, but argues that gender, age, total land size, membership length and occupation of beneficiaries contributed to the impact factors. Conducting a survey among 125 institutions from 19 Muslim countries including one-third from Bangladesh, Karim et. al (2008) argue that to reach more people and build sustainable institutions, it is essential to focus on designing affordable products, training and retaining skilled loan officers and administrators, improving operational efficiency, and managing overall business risk.

The IsMFprogramme of Islamic Bank Bangladesh Limited (IBBL) impacts on economic factors, for instance, Rural Development Scheme (RDS) of IBBL affected considerably in improving household earnings, family expenditure, output of harvest and cattle, disbursement and employment without charging interest (Rahman and Ahmad 2010; Bhuiyan, et. al. 2011), although some of members have utilized their investment in house repairing, children's marriage ceremony and furniture purchase etc. (Rahmana et. al. 2008). On the other hand, this programme developed moral values of members which in turn helped to repay borrowed loan to the bank (Salehin 2016). This programme also helped to improve of Islamic knowledge, relationship with spouses and other group members (Rahman & Ahmad 2010; Ahmed 2002; Ahmad & Al-Mubarak 2014; Obaidullah 2008). Again, Parveen (2009) claimed that the RDS programme of IBBL maximizes welfare of the clients not only in this worldly life but the life here after. Based on the IsMFprogramme of Muslim Aid Bangladesh (MAB), Bulbul and Siddique (2013) claimed that the yearly income of the beneficiaries' has increased at a significant level after taking the investment from MAB. With the increasing of income, their expenditure capacity has also been increased which helps them to meet their basic needs and lead comparatively a happy life.

Based on above studies, although a number of studies have been done on IBBL's RDS programme, no ample study has done yet on the impact of MAB's IsMFprogramme on beneficiaries' socio-economic and moral condition. Therefore, this study has put more attention on evaluating MAB's programme on its members.

Methodology

The current study is an empirical work, under which we have conducted our pilot survey in the month of February 2016, however, extensive field survey was carried out among respondents in selected villages of Chittagong district during 19th February 2016 - 28th February, 2016.

Study Area

MAB is implementing IsMFprogramme in 5 *Upazilas* (sub-districts) of Chittagong district namely Hathazari, Patiya, Lohagara, Satkania and Bashkhali etc. Of which Hathazari sub-district is selected purposively. Hathazari sub-district is therefore our primary sample unit and village is the final sample unit. Two villages of Hathazari Upazila namely, Chikondondi and Sadar were covered under this study.

Research Design

This study is based on after-only experiment with control design (Kothari, 2008). In this study, we have examined the impact of Microfinance & SME programme of Muslim Aid by comparing different socio-economic and morality indices of two groups of respondents. One group is defined as experimental group, which is consisted of the respondents who are involving (as a participant) in the Microfinance & SME programme. The other group is called "Controlled group" which is created by the respondents who have no involvement with microfinance institution or any other financial institution but having same socio-economic status (such as size of business capital, approximate family size, earning member of the family etc.). Out of 80 sample, 40 respondents were selected from experimental group while 40 respondents were selected from controlled group.

Data and Survey

Primary data have been collected through sampling survey. A pre-designed semi-structured questionnaire was used for gathering socio-

economic & religious information from the respondents. At first, consultation was made with the local officials of Hatazari Branch of Muslim Aid Bangladesh (MAB) to get detailed information of the beneficiaries and their socio-economic condition. Multi-stage sampling technique has been applied in collecting primary data from experimental and controlled groups of population. Of the involved 40 households interviewed, 26 and 14 respondents were selected from Chikondondi and Sadar on the basis of stratified random sampling. Again, all of the surveyed respondents were grouped into two programme components, small & medium enterprise (SME) and rural micro-business (RMB) on the basis of cluster random sampling. From SME and RMB programs, 11 and 29 respondents were selected randomly from both villages. For controlled group, 26 and 14 respondents were selected randomly from Chikondondi and Sadar, respectively. Head of the family were selected randomly for interviewing, however, in absence of the family head, next responsible adult member of the family were interviewed.

Analysis Method

For experimental group, business income generated from IsMF programme as well as other sources has been counted for each household.Every human being has five basic needs, i.e. food, clothing, housing, education and health care etc. That is why; household expenditure has been classified into these five basic needs. Apart from labor employed in agriculture or any other sector, the total number of man/day employed in IsMF program has also been counted. In this study, three elements of hygiene such as water, sanitation and iodized salt etc. have been considered. Finally, since Islamic microfinance is collateral free, therefore, clients with good ethics and moral behavior as determined by the field officer would indirectly act as collateral to get their investment back and also to invest the borrowed money to the proper income generating activities. Opinions were sought from the respondents about their awareness and practice of 7 different religious activities, e.g. saying prayer, know how to recite the Holy Qur'an, Reciting the Holy Qur'an, Fasting, Inviting towards Islamic activities, involvement with dowry, and Maintain veil (*parda*) etc. A four-point Likert scale was used to evaluate the moral and ethical condition of respondents of both groups, i.e. each statement has four options, which

were regular, very often, very rare and not at all. The total score for every respondent was obtained by summing up the points from each 7 statements which ranged from 21 (highest) to 0 (lowest) in order to create an index of morality and religious activities. Thus, the mean religious activities and morality score is, $\overline{M} = \frac{\sum M_i}{n}$, where, M_i is the religious activities and morality score of each respondent, n is the number of respondents in each group.

After collecting the information from respondents, all the set of data were checked and made ready for analysis. The recorded data of socio-economic survey were compiled and categorized in tabular form according to group and involvement category. The data were analyzed by simple tabular method using MS Excel computer package.

Table 1: *Hypotheses to Test the Impact of Islamic Micro-finance*

Dimension of Poverty	Parameter of Each Dimension	Null Hypothesis
Economic	Household Income	**H-1:** There is no difference between the mean business income of both groups of population.
	Employment	**H-2:** The average employment between two groups is equal.
	Family Expenditure	**H-3:** The average household expenditure of both groups is identical.
	Housing Condition	**H-4:** The experimental group and the controlled group are independent in constructing their houses.
Social	Education	**H-5:** The literacy rate between two groups of population is the same.
Hygienic Condition	Source of Drinking Water	**H-6:** Sources of water for household's drinking is independent in both groups.
	Source of Water for Household's Use	**H-7:** Sources of water for household's use is independent in both groups.
	Sanitary System	**H-8:** The number of households who uses permanent/sanitary latrine is the same in both groups of population.
	Type of Salt Consumed	**H-9:** The number of households consuming iodized salt is identical in both groups.
Morality	Morality and Ethics	**H-10:** The mean score of religious activities and morality is same in both groups of population.

Note: Here, two groups imply experimental and controlled group respectively.

Since poverty is a multi-dimensional concept, the following null hypotheses have been tested to examine the impact of Islamic micro-finance programme in alleviating poverty.

To test hypothesis 5, i.e. the difference between two groups, z-test is an appropriate statistic test which has the following formula (Kothari, 2008):

$$Z_c = \frac{\hat{P}_1 - \hat{P}_2}{\sqrt{\frac{\hat{P}_1 \times \hat{q}_1}{n_1} + \frac{\hat{P}_2 \times \hat{q}_2}{n_2}}}$$

Where, $\hat{P}_1$ = proportion of success in sample one, $\hat{P}_2$ =proportion of success in sample two, $\hat{q}_1$ =1- $\hat{P}_1$, $\hat{q}_2$ =1- $\hat{P}_2$, n_1 =size of sample one, n_2 =size of sample two.

Through this study, we want to know whether the Islamic microfinance has contribution in constructing house, drinking as well as using safe water, using safe sanitation and taking iodized salt of experimental group. As a non-parametric test, we used χ^2 test statistic to check hypothesis 4, 6, 7, 8 and 9 in the following form (Kothari 2008):

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where, O_{ij} = Observed frequency of the cell in *i*th row and *j*th column, E_{ij} = Expected frequency of the cell in *i*th row and *j*th column

If these hypotheses cannot be accepted at certain level of significance, then we can conclude that there has some positive contribution of IsMF programme to alleviate poverty. Furthermore, we converted χ^2 value into ϕ (phi coefficient) in order to get the magnitude of association between IsMF and the development of the factors mentioned earlier, i.e. $\phi = \sqrt{\frac{\chi^2}{n}}$ where n is the sample size. The value of phi coefficient ranges from -1 to +1 where -1 indicates perfectly independent of IsMF and +1 means the attribute perfectly dependent of IsMF. The other objectives of the study will be analyzed by descriptive statistical techniques.

Discussion

Among the 40 respondents in experimental group, only 1 male respondent interviewed during the study, rests of all are female. On the

other hand, 5 male respondents were selected among the 40 respondents of controlled group for interview (Table-2).

Table 2: *Respondents' Age Structure & Gender under Experimental and Controlled Groups.*

Age Group	Experimental Group				Controlled Group			
	15-30 yr	30-45 yr	45-60 yr	Total	15-30 yr	30-45 yr	45-60 yr	Total
Male	-	-	1	1	-	1	4	5
Female	10	17	12	39	12	17	6	35
Total	10	17	13	40	12	18	10	40

Source: Field Survey

There were a total of 365 family members of which 183 were found under experimental group and 182 were under found controlled group. The mean family size is 4.57 in experimental group while it is 4.55 in controlled group (Table 3).

Table 3: *Family Size under Experimental and Controlled Groups*

Characteristics	Experimental Group	Controlled Group
Total Family Members	183	182
Sample Size	40	40
Mean Family Size	4.57±1.36	4.55±1.24

Source: Field Survey

Business Income

The average annual business income of experimental group is greater than that of controlled group. The average annual income of experimental group was found Tk225300. In contrast, average annual income of controlled group was Tk183300 (Table 4).

Here, we can conclude that, the difference between two mean incomes is statistically significant (i.e. significantly different from zero). And at 1% level of significance, there is a difference between two mean annual incomes.

Table 4: *Business Income under Experimental and Controlled Groups*

Characteristics	Experimental Group	Controlled Group
Mean Annual Business Income (Tk.)	225300±63989.66	183300±49959.06
Mean Capital Size (Tk.)	101125±64673.61	92375±83750.14

Note: For annual business income, calculated z=3.272. At 1% level of significance, the tabulated z value is 2.576.
Source: Field Survey

Household Expenditure

It is desired that the annual income should exceed its annual expenditure so that some amount of money can be saved. And, it was found in the study that the average annual income is slightly greater than the average annual household expenditure of both groups. Under these programme components, most of the households of experimental group usually meet their basic needs (e.g. food, housing, clothing, education and medical care) through their generated income from the micro business. Though, same condition is noticed in terms of controlled group. But the gap between annual average income and annual average household expenditure of experimental group (Tk 52,710) is higher than that of controlled group (Tk 21,000). It is noteworthy here that, one of the important sectors of expenditure for experimental group didn't consider in this study i.e. their weekly installment of Muslim Aid microfinance. Although, it is clearly observed during the study that, through Islamic microfinance programme every household of experimental group can save some money in every week. That may not be possible for every household under controlled group. Finally, average annual household expenditure was found Tk172590 for experimental group while it is Tk. 162300 for controlled group (Table 5). In study area, the average annual expenditure on food, housing, clothing, education and medical care were found Tk 107850, Tk 36900, Tk 18750, Tk 25543, Tk 19950 for experimental group, while these expenditures were found Tk 103800, Tk 24000, Tk 18150, Tk 25200, Tk 16500 for controlled group, respectively (Table 4). At even 20% level of significance, we can conclude that there is no difference between two mean annual household expenditures.

Table 5: *Annual Household Expenditure under Experimental and Controlled Groups.*

Characteristics	Experimental Group	Controlled Group
Mean Food Expenditure (Tk.)	107850 ± 28059.96	103800 ± 20070.65
Mean Housing Expenditure (Tk.)	36900 ± 31036.11	24000 ± 6000
Mean Clothing Expenditure (Tk.)	18750 ± 7340.61	18150 ± 6992.85
Mean Expenditure on Education (Tk.)	25542.86 ± 13443.44	25200 ± 11346.94
Mean Expenditure on Medical Care (Tk.)	19950 ± 9254.11	16500 ± 11266.01
Mean Household Expenditure (Tk.)	172590 ± 52219.81	162300 ± 40760.84

Note: For household expenditure, calculated z=0.982 and the tabulated z value is 1.282 at even 20% level of significance.
Source: Field Survey

In the experimental group, the highest annual budget for education was Tk 48,000 and the lowest annual budget was Tk 6,000. Another noticeable picture of the study area is that the number of literate person is more in controlled group (144 persons out of 182) than experimental group (137 persons out of 183). Combining two programs, the literacy rate was found 74.86% for experimental group and 79.12% for controlled group (Table 6).

Table 6: *Literacy Ratio of Experimental and Controlled Groups*

Characteristics	Experimental Group	Controlled Group
Total No. of Literate Persons	137	144
Total Family Member	183	182
Literacy Rate	74.86%	79.12%

Note: For literacy, calculated Z= -0.968. At even 20% level of significance (the tabulated z value is 1.282), we cannot reject the null hypothesis, and i.e. literacy ratios of two groups of population are same.
Source: Field Survey

And the present status of houses of both groups (i.e. experimental and controlled) was also recorded. The study shows that 12 (30%) families out of 40 families in experimental group are living under *semi-pucca* (tin shed with brick wall) house (Table 7), while 7 (17.5%) families out of 40 families in controlled group are living under *semi-pucca* houses.

Table 7: *Housing Condition of Experimental and Controlled Groups*

	Housing Condition						Total
	TS+Br	TS+Ba	TS+Mu	TS+Ts	SG+Mu	SG+Ba	
Exp. Group	E_{11}=9.5 / O_{11}=12	E_{12}=15.5 / O_{12}=15	E_{13}=6.5 / O_{13}=5	E_{14}=5.5 / O_{14}=7	E_{15}=2 / O_{15}=0	E_{16}=1 / O_{16}=1	40
Con. Group	E_{21}=9.5 / O_{21}=7	E_{22}=15.5 / O_{22}=6	E_{23}=6.5 / O_{23}=8	E_{24}=5.5 / O_{24}=4	E_{25}=2 / O_{25}=4	E_{26}=1 / O_{26}=1	40
Total	19	31	13	11	4	2	80

Source: Field Survey

Here, TS+Br = Tin shed with Brick wall; TS+Ba= Tin shed with Bamboo surrounding; TS+Mu= Tin shed with Mud wall; TS+TS=Tin shed with Tin surrounding; SG+Ba= Sun grass roof with Bamboo surrounding; SG+Mu= Sun grass roof with Mud wall.

In the above contingency table, calculated chi-square =6.858. Since the calculated chi-square is less than tabulated chi-square at even 20% level of significance, the null hypothesis is accepted, i.e. both groups of population are independent in constructing their houses. Moreover, the value of phi coefficient 0.414 indicates the poor positive association between IsMF and housing of experimental group.

Employment

In the study area, the mean employment for experimental and controlled group is 1.45 and 1.22, respectively (Table 8).

Table 8: *Employment under Experimental and Controlled Groups*

Characteristics	Experimental Group	Controlled Group
Mean Employment	1.45±0.50	1.22±0.42
Sample Size	40	40

Note: For employment, calculated z=2.228. ***Source:*** Field Survey

At 1% level of significance (the tabulated z value is 2.576) the null hypothesis can be accepted, but at 5% (or more) level of significance, the null hypothesis can be rejected indicating that the mean employment is significantly different between experimental and controlled groups of population.

Hygienic Condition

During this study, it was found that both experimental and controlled group were in similar condition in terms of sources of drinking water i.e. every household collects their drinking water from tube well (Table 9).

Table 9: *Sources of Water for Drinking under Experimental and Controlled Groups*

	Sources		Total
	Tube-well	Pond	
Experimental Group	$E_{11}=40$ / $O_{11}=40$	$E_{12}=0$ / $O_{12}=0$	40
Controlled Group	$E_{21}=40$ / $O_{21}=40$	$E_{22}=0$ / $O_{22}=0$	40
Total	80	0	80

Source: Field Survey

But opposite situation is noticed in respect to sources of household's water for use. In experimental group, 31 (77.5%) families out of 40 families collect their household use water from tube well and only 9 (22.5%) families collect their household use water from pond (Table 10).

In both experimental and controlled groups, members use water for drinking purpose on sharing basis. That is why; all households under study were found who use tube well for drinking water. Here, calculated chi-square is equal to zero. But for sources of water for households use, the calculated chi-square=5.5 at 2% (and more) level of significance, the null hypothesis can be rejected, i.e. number of households is dependent between experimental and controlled groups in terms of sources of water for household use (except drinking water). And, the phi coefficient equivalent to 0.371 means that the poor positive association is exist between IsMF and source of water for day to day use among experimental group.

Table 10: *Sources of water for Household's use under Experimental & Controlled Groups*

	Sources		Total
	Tube-well	Pond	
Experimental Group	E_{11} =26 / O_{11} =31	E_{12} =14 / O_{12} =9	40
Controlled Group	E_{21} =26 / O_{21} =21	E_{22} =14 / O_{22} =19	40
Total	52	28	80

Source: Field Survey

On the other hand, 21 (52.5%) families out of 40 families of the controlled group use water for household use which are collected from tube well and 19 (47.5%) families of the same group depend on pond. Lack of enough consciousness is the main cause of using pond water for household purpose. Moreover, under both experimental and controlled group, all households were found who uses sanitary latrine (Table 11).

Table 11: *Sources of Sanitation system under Experimental and Controlled Groups*

	Types of Sanitation System			Total
	Permanent	Temporary	Open	
Exp. Group	E_{11} =40 / O_{11} =40	E_{12} =0 / O_{12} =0	E_{13} =0 / O_{13} =0	40
Cont. Group	E_{21} =40 / O_{21} =40	E_{22} =0 / O_{22} =0	E_{23} =0 / O_{23} =0	40
Total	80	0	0	80

Source: Field Survey

And also, every family consumes only iodized salt irrespective of experimental and controlled group (Table 12).

Table 12: *Types of Salt consumption under Experimental and Controlled Groups*

	Types of Salt		Total
	Iodized	Non-Iodized	
Experimental Group	$E_{11}=40$ / $O_{11}=40$	$E_{12}=0$ / $O_{12}=0$	40
Controlled Group	$E_{21}=40$ / $O_{21}=40$	$E_{22}=0$ / $O_{22}=0$	40
Total	80	0	80

Source: Field Survey

So we can claim that, the Islamic microfinance programme may have less significant contribution to be more hygienic.

Religious Activities and Morality

From the study, it was found that the mean score of religious activities & morality for experimental group was 15.225 and for controlled group it was 14.825 (Table 13).

Table13: *Religious activities & morality of respondents under Exp. & Cont. Groups.*

Characteristics	Experimental Group	Controlled Group
Mean Score of Religious Activities & Morality	15.225±2.75	14.825±2.78
Sample Size	40	40

Note: For religious activities &morality, calculated z=0.647.
Source: Field Survey

At even 20% level of significance (the tabulated z value is 1.282), we cannot reject the null hypothesis, i.e. religious activities and morality of experimental group is not statistically different from controlled group of population.

CONCLUDING REMARKS

Although Islamic microfinance is used as a tool of socio-economic development in the Muslim world, MAB's microfinance programme has shown mixed result in alleviating Islamic concept of poverty in the study area. The usual size of finance from MAB sometimes falls short to meet the demand for starting a new venture, purchasing rickshaw, taxi etc. Sometimes it becomes difficult to segregate the MAB's return from the stakeholder's return generated in the micro-business. The study also revealed that MAB is more concerned about the recovery of their finance rather than beneficiaries' business operation; therefore, members of microfinance programme sometimes paid their weekly installment from some other sources which deepen economic hardship. Even respondents compelled to repay installment of their borrowed money even before investing the money which is clear violation of *Shari'ah*. The literacy ratio of the experimental group (74.86%) is slightly smaller than that of the controlled group (79.12%) due to the presence of adult illiterate persons in the experimental group. The level of participation in religious activities and ethical standard of experimental group is comparatively better than controlled group. There is still room to improve these activities, especially knowledge about necessities of maintaining veil (*parda*), dowry etc. It is supposed to invest MAB's fund into income generating activities, however, spending MAB's fund in house repairing, children's marriage ceremony and furniture purchase activities by some beneficiaries is clearly a *Shari'ah* violation. Beneficiaries' capacity to save has already been established through the Muslim Aid's weekly micro savings system. This micro savings encounters the liquidity problems and market return on savings could further enhance their capacity and willingness to save. Though there is a provision to offer training on different topics around the year, MAB's head office did not directed to its field offices to implement those training programmes among beneficiaries. MAB provide fund among people who are mostly illiterate, that is why; they have no idea about how to maintain book keeping of micro-business. So it is difficult for them to understand what sort of things should reform to improve their financial condition. Though Although MAB's microfinance programme is Shariah based, most of the clients failed to distinguish Islamic microfinance from conventional microfinance due to ignorance.

Let us provide sensible recommendations particularly for MAB, but generally forIsMFprogramme in order to improve the performance of this programme to alleviate poverty from the society. The size of investment needs to be increased to facilitate an increasing number of beneficiaries and allow easy repayment of loans, and if possible they can allow monthly installment system. Moreover, before allocating the investment amount, MAB should consider the need of the clients as per Islamic *Shari'ah* so that the clients can utilize the fund according to their plan. Muslim Aid can establish a religious and training centre under IsMFprogramme. Expert trainers, in this regard, could be appointed to serve the purpose of ethical, religious and skill development of the experimental group. Moreover, adult literacy programme can also be introduced to increase the literacy ratio of experimental group. Proper monitoring and supervision should be done to develop experimental group's morality and ethics so that they remain *Shari'ah* complaint and keep away from conventional microfinance institutions. Most importantly, beneficiaries should be given enough motivation and vigilance so that money is being used in income generating activities only. MAB may help poor clients to apply latest technology and new business ideas and record income-expenditure activities in their micro-business. To make the IsMFprogrammes successful, governments need to offer a policy guidance to develop diverse and competitive financial services by microfinance institutions. Effective training facilities on different aspects of modern on-farm and off-farm activities, such as credit management, environmental pollution, nutrition, health care and ethical development has to provide to increase the productivity and efficiency of experimental group. Programme supervisor and manager should be given proper training on the application of different Islamic modes of investment. Additionally, the higher authority should keep constant vigilance on the application of these modes properly. They should do survey and view exchange programme with the beneficiaries to get to know what is actually happening in the field level and should take necessary action as per requirement. Frequent training should be organized for improving the programmesupervisors' knowledge, skill, moral and ethical values in different aspect. Monitoring should be strengthening to develop their moral and ethics so that they do not violate *Shari'ah*. Though MAB's rate of return is comparatively low, they can think about *Qard-e-Hasana* to offer for particular sector or group of people. Islamic microfinance remains a

scattered industry, with a mix of small-scale experiments. Therefore more subsidiary institutions should be established to patronize the industry. In addition, capacity building of the experimental group is needed at all levels to realize the full potential of IsMF. Then it will contribute a lot to create a significant line of difference between two groups. Islamic MFIs may practice partnership modes like *Mudaraba* and *Musharaka*in a large scale among the beneficiaries who has already completed certain number of graduating cycles with *Murabaha*. In respect of partnership modes, it would be more appropriate to practice Diminishing *Musharaka* in tangible assets as the MAB need not to rely on business results declared by client. This will contribute a lot to bring sustainable development among the experimental group.

Last but not the least, this study is a standing point which might be helpful for the researchers on the same issue. Larger sample size, grater study area with different location, and different respondents group might change these findings in future.

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