

ROLE OF ISLAMIC MICROFINANCE SCHEME IN POVERTY ALLEVIATION AND WELL-BEING OF WOMEN IMPLEMENTED BY ISLAMI BANK BANGLADESH LIMITED

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ABSTRACT

Islamic microfinance programs have been used, for some time in Bangladesh, as an instrument to empower women and fight poverty. Women are specifically targeted by Islamic microfinance under the rural development scheme of Islami Bank Bangladesh Limited (IBBL), which provides interest-free-loans and many other benefits to the women groups involved. The main aim of this paper is twofold: firstly, to check for a positive relationship between Islamic microfinance and the socio-economic welfare of women and secondly, to explore the perspective in which Islamic microfinance packages function in Bangladesh and how the system of their performance can be enhanced. The main result of this study shows that the growth in women's revenues and resources plays an important role in improving women's financial freedom and sense of self-possession. However, a significant policy lesson from this study is that, it is essential to redirect Islamic microfinance to more sectors and more beneficiaries, in order to spread its benefits in the developmental activities, which will drive the contribution towards the wellbeing of the recipients and toward the socio-economic development of the country, in the long-run.

Keywords: *Islamic microfinance, socio-economic, poverty, health, women development*

YOKSULLUĞUN AZALTILMASI VE KADINLARIN REFAHI ÜZERİNDE İSLAMİ BANK BANGLADEŞ LİMİTED TARAFINDAN UYGULANAN İSLAMİ MİKROFİNANS DÜZENLEMESİNİN ROLÜ

ÖZ

Bangladeş'te bir süredir İslami mikrofinans programları, kadınları güçlendirmek ve yoksullukla mücadele için bir araç olarak kullanılmaktadır. Dahil olan kadın gruplarına faizsiz krediler ve daha birçok fayda sağlayan İslami Bank Bangladeş Limited'in (IBBL) kırsal kalkınma planı kapsamındaki İslami mikrofinansla özel olarak kadınlar hedeflenmektedir. Bu yazının temel amacı iki yönlüdür: birincisi, İslami mikrofinans ile kadınların sosyo-ekonomik refahı arasında pozitif bir ilişki olup olmadığını kontrol etmek; ikincisi, İslami mikrofinans paketlerinin Bangladeş'te nasıl işlediği ve performans sisteminin nasıl geliştirilebileceğini araştırmak. Bu çalışmanın ana sonucu, kadınların gelir ve kaynaklarındaki büyümenin, kadınların maddi özgürlüğünü ve irade gücü hissini artırmada önemli bir rol oynadığını göstermektedir. Bununla birlikte, bu çalışmadan çıkartılacak önemli bir politika dersi şudur; uzun vadede alıcıların refahına ve ülkenin sosyo-ekonomik kalkınmasına yönelik katkıda bulunacak olan gelişim faaliyetlerini yaymak için İslami mikrofinansı daha fazla sektör ve yararlanıcıya yönlendirmek esastır.

Anahtar Kelimeler: *İslami mikrofinans, sosyo-ekonomik, fakirlik, sağlık, kadın gelişimi*

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Perhaps, the greatest benefit of microfinance, targeting the economic progress of women in deprived society, is their empowerment and the self-employment it generates with the creation of small and micro-entrepreneurships against the wage-based employment. The task here is to advance entrepreneurship and generate enough productive employment and income prospects for the deprived people. Financing small and micro businesses through the banking system as well as developing entrepreneurship are the two main agents in the route of economic development.

The involvement of IBBL in promoting Islamic microfinance and women entrepreneurship through its Rural Development Scheme (RDS) started in 1995. More than 30% of the people in Bangladesh live with poverty. Presently, the RDS scheme is being implemented in 60 districts of the country and benefitting some 520,000 members that are involved in this scheme (Rahman and Ahmad, 2014).

So far, the performance of RDS has been remarkable over a long period of time and across other mainstream foremost Microfinance Institutions (MFIs) that have been operating in Bangladesh. The Islamic microfinance under RDS has used a very effective model for eliminating poverty, the Grameen Bank Model, but with an Islamic social perspective of the Muslim society of Bangladesh. Like Grameen Bank Model, it has boarded on enabling women, with 80% of its clientele being economically poor women. However, Islamic microfinance has been endeavored in a Shari'ah compliant manner that endorses family integration and cohesiveness. This scheme has also endeavored to encourage the healthy social practices by ensuring the participation of all members in the group activities.

The Plan of operational adjustment guidelines of the World Bank shows mixed impacts on the wellbeing of women. The socio-economic context before the last 2-3 decades imposed huge restrictions on women's occupation and can occasionally reduce their socio-economic standing, and compel them to intersect in the labour marketplace under severe conditions.

Given the rise of awareness on Islam in Bangladeshi political discourse and social life, the role of women in the society are gradually recognised in the light of Islamic principles. Therefore, the participation of women in economic activities has attracted a significant level of attention in the socio-economic development of the country. In this situation, Islamic microfinance is used by IBBL and some other Islamic non-government

organisations to promote entrepreneurship as an instrument to alleviate poverty.

To explain why women are explicitly targeted by several microfinance packages in Bangladesh, some studies submit that the involvement of women in microfinance programs have a multiplier outcome since women devote most of their incomes to their households (Akter, 2001). The RDS scheme of IBBL came out with a scientific Shari'ah-based program with an objective of economic empowerment of women in particular and rural people in general, to alleviate poverty by providing credit for financing their investment in farm and non-farm activities and thereby raising the level of their incomes and improving their standards of living.

This program is characterised by different distinctive features, techniques and mechanisms, which have prompted to undertake this study expected to provide insights on the well-being of women that can be achieved through Islamic microfinance program. It, also, gives some visions for future policy and programs to be undertaken for the betterment of Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited before it goes for further expansion.

Brief Introduction of Islamic Microfinance Program - RDS

The RDS (Rural Development Scheme) - a popular Islamic microfinance program implemented under the umbrella of Islami Bank Bangladesh Limited (IBBL) provides the investment requirements of the rural sector especially for agriculture to generate opportunities for employment and to raise the incomes of village people in order to eliminate poverty. All branches of the Islami Bank Bangladesh Limited are directed by their authorities to invest their deposits at their respective zones and specifically for the economic uplifting of the people in the rural areas. The main purposes of RDS, as cited in the Annual Report 2013 of the Islami Bank Bangladesh Limited, are:

- To provide investment facilities to agrarian, rural farming and off-farming activities in the rural areas.
- To provide finance for self-employment and income generating events of the village people, particularly for the unemployed of rural youths and the rural poor.
- To lighten rural poverty through integrated rural development approach.

- To spread investment facilities for hand tube-wells and rural housing, keeping in view the needs of safe drinking water and housing facilities of the rural dwellers.
- To deliver education and medicare services to the people of down-trodden society.

The Islami Bank Bangladesh Limited (IBBL) is one of the biggest Islamic microfinance providers in Bangladesh. It provides Islamic microfinance facilities by its Rural Development Scheme (Ahmad, 2011). Through its RDS, Islami Bank Bangladesh Limited has designed a Shari'ah compliant model of poverty alleviation, ensuing the value of group loaning and participating management technique. The target group or cluster comprises needy women and economically poor people, a family with 0.50 acres of property either possessed or hired for farming or the families involved in a small off-farm activities within rural areas. The pattern of micro-credit cluster creation and associated activities are identical to those of the Grameen model (a pioneer microfinance bank) in Bangladesh. Groups are homogenous and self-motivated. The members of a microfinance group form a homogenous group, which elects 4-5 members in their management committee. The first and foremost condition to be part of the group is that the members should essentially bear an excellent character with promising to the principle and wisdoms of Islam.

Shari'ah Compliant Financial Plan of RDS and Growth

The RDS is a poverty alleviation scheme of Islami Bank Bangladesh Limited, which has its own Shari'ah Department and has a strong Shari'ah Board comprising renowned Islamic scholars of Bangladesh. There is also a National Shari'ah Supervisory Board for all the Islamic banks operating in Bangladesh. This Board monitors the investment and other activities of RDS (Rahman and Ahmad, 2014). The official documents of Islami Bank Bangladesh Limited claim that all the products of the RDS are compliant with Shari'ah (Annual Report of IBBL, 2013). Under RDS, three types of funding are provided to the beneficiaries:

- (a) Collateral-free microfinance up to Bangladesh Taka (BDTK) 50,000 to the poor in diverse income making activities;
- (b) Microenterprise finance, i.e. collateralized finance up to BDTK 300,000 to the graduated and other micro-clients;

(c) Benevolent loan (Qard-hasan program) up to BDTK 10,000 to the hardcore poor and distressed people for water, sanitation and rehabilitation.

Under the scheme of RDS, there is no collateral required for the flagship program for the poor. A member can request for financing, which may be considered within eight weeks after the date of her or his enrollment as a member of the group. A qualified member is entitled to obtain initial financing to the tune of BDTK 10,000.00 (US\$145.00). The upper limit for financing under the scheme is BDTK 50,000.00 (US\$725.00). The total debt (principal amount plus profit) is needed to be cleared by the client over a one-year period in forty-four equal weekly installments.

Each and every member of Islamic microfinance groups under the rural development schemes (RDS) are required to save weekly at least Bangladesh Taka (BDTK) 20.00 (US\$ 0.30) in their savings account at the Islami Bank Bangladesh Limited. The branches of Islami Bank Bangladesh Limited have the responsibility to implement the scheme. Investment in specified sectors is made in four modes, *Bai' Mu'ajjal*, *Bai' Murabahah*, *Bai' Salam* and Hire Purchase under *Sharikat al-Mulk*, or *Ijarah* (Leasing). The Parent organisation, Islami Bank Bangladesh Limited gives a profit of 12.50 (increased from 10.00 per cent) on the investment. Well-timed refund is encouraged by offering 2.50 per cent discount. Each group members need to contribute BDTK 2.00 per week at the centre fund. Instalment is fixed on weekly basis as mentioned above. The Field Officers make collections of the instalments, personal savings and centre fund etc. in the weekly centre gatherings. As on 2013, there are 2,499 Field Officers, who are trained by the Islami Bank Bangladesh Limited at their headquarters. These field officers are engaged in the supervision of the Islamic microfinance programs.

This RDS program has been implemented by the branches of Islami Bank Bangladesh Limited all over the country since 1995. Under this scheme, an investment of BDTK 98,259.07 million to 569,426 persons of which 80 per cent are women and 20 per cent men have been made through 242 branches in 17,488 villages in 64 districts of the country, as on 30th November 2014. The Recovery rate is 97.10 per cent (BDTK 16,462.20 million). This indicates that within a decade of time, Islamic microfinance program under Islami Bank Bangladesh Limited covers 69 per cent villages in Bangladesh.

Table 1. Growing of RDS - Islamic Microfinance Program

Year	2008	2009	2010	2011	2012	2013
No. of villages	10,676	10,751	11,482	12,857	15,507	17,401
No. of centers	21,193	22,261	20,833	22,206	24,623	27,800
No. of beneficiaries	577,740	492,475	523,941	608,703	733,520	897,000
No. of investment clients	321,848	312,036	319,859	382,319	474,766	584,000

Source: IBBL Annual Report, 2013.

Objectives and Research Questions of the Study

The two main objectives of the study are:

- (1) Refuting or confirming a positive link between Islamic microfinance and social as well as economic wellbeing of women and,
- (2) Discovering the background in which the Islamic microfinance programs operate in Bangladesh and how their performance can be enhanced.
- (3) Keeping in view of the above two aims, two main research questions addressed in the study are:
- (4) What is the expectation from the offer of Islamic microfinance program on the welfare of beneficiaries?
- (5) Under what circumstances would such an offer be more useful?

The rest of the paper is structured as follow. Section 2 presents a brief literature review. In section 3, the choices of variables of the study have been determined. Section 4 discusses the methodology and data collection of the study. Section 5 offers the empirical results. Section 6 discusses the financial and social development of the beneficiaries. Section 7 provides an analysis of the microfinance experts' opinion, which is followed by conclusion and policy recommendations in the section 8.

Review of Literature

In emerging economies, women are rarely possessors of significant economic means. Usually, they are marked as very destitute when facing financial crisis. In this regard, a few studies have indicated that for the economically poor, such as women, the lack of fiscal resources is a vast

limitation in undertaking economic events. Therefore, it is desired to apply the theory of "added worker effects" (Cerrutti, 2000) by engaging women to produce extra income. On the other hand, the pressure, put by economic conditions on governments, has led to the preponderance of the national 'labour' policy over the traditional 'gender' policy in the developing countries.

Moreover, today the majority of the Muslim scholars tend to say that women work does not contradict the traditional Islamic ethics, as it is a prolongation of their role as mothers in providing the basic needs of their families. In this situation, the application of microfinance is an instrument used in developing economies to alleviate poverty on one side and to correct market disappointments on the other (Khandker *et al.* 1995). It is a suitable scheme to engage women in income generating activities.

People in the very poor families, where savings are expensive because of small incomes and where consumption is minimal, lack basic existence necessities. In this situation, microfinance could play a significant role in improving the family's wellbeing (Ahmad, 2007). Moreover, the idea of empowerment is vital in the foundation of the deal of microfinance to women. It inspires the capability of women to adopt new economic initiatives. In respect of 'poverty combat', this terminology is demarcated as the procedure of offering more economic power to the financially poor, irrespective of age, sex, and ethnicity in order to give them advantage from the benefit of development (Jahur and Quadir, 2010).

In Bangladesh, Microfinance programs are reinforced by different non-governmental organisations (NGOs) and by groups of specialists, each executing its own agenda according to its own creed. The proponents argue that microfinance places people in the sentiment of the route of development as well as policy expansion. The defenders of women rights believe that Islamic microfinance allows women to work, since it endorses progress while focusing on eradicating gender discernment. The policy-makers approach is of poverty reduction. They encourage the adoption of microfinance programs because it allows the poor to make them financially independent and less susceptible when facing financial crises. The economic experts support the microfinance program since it encourages the growth of the less advanced areas and less privileged clusters of folks within the society and encourages economic development over the long-term.

The microfinance research activities have revealed that the usefulness of microfinance in easing poverty depends upon how far penetrating the microfinance association in dealing with clients' demand. The necessity to

emphasis on demand-driven financial services persuade them to take optimum benefit from development oriented suitable products and services with operation efficiency and more outreach enhancement. For example, the space of lending facilities presented to the poor people should address not only production- and income-oriented activities but also other needs such as education, health care, water, sanitation and other social requirements. Subsequently, the improved financing products will produce superior financial benefits for economically poor customers and eventually lead to greater effects to the society, predominantly the poor people (Seibel and Parhusip, 1998; Zeller and Meyer, 2002).

There is a lot of literature on microfinance, which focus on developmental issues. The microfinance institutions (MFIs) are principally prepared to realize the social welfare objective with specific goal of poverty alleviation and to provide benefit to the beneficiaries. Studies in this area emphasize on the involvement of women and its emerging effect in terms of poverty eradication. Furthermore, some experimental studies, typically from Bangladesh, offer suggestions on the welfare and endowing effects of microfinance on women (Kabeer, 2001; Lakwo, 2006; Osmani, 2007; Pitt, Khandker, & Cartwright, 2006).

Brau and Woller (2004) give a lucid example on some important development matters such as the involvement of microfinance institutions (MFIs) in women's deliverance and the varied impact of women's contribution on the productivity of MFIs. Regarding the growing impact of women's involvement, Brau and Woller (2004) study specifically mentions the gender contribution, the borrower's solvency and poverty eradication. Islam, as a faith and as a system of living, is grounded on a customary of religious dogmas and economic standards that emphasize on the inclusive welfare of humankind, particularly for the distressed and economically poorer classes of the society. In combination with the spiritual vision and objective of wellbeing, Islamic microfinance appeared as a novel financial instrument and as different from mainstream microfinance. Researchers in Islamic finance frequently claim that the religious dogmas in Islamic countries contrast mainstream microfinance that is why Shari'ah-based or Islamic microfinance is needed to clarify why it is booming (Ahmad, 2007; Obaidullah & Khan, 2008).

Ahmad (2007) reveals that the importance of Islamic microfinance as a tool is to boost economic development, respond to the effects of economic uncertainty and empower women in the society. It is true that, once women, who used to stay at home and devote their time to multiplicative tasks, will have new opportunities open to them. Microfinance programs

based on Islamic values are specifically significant for women since they could get interest-free loans to start some legitimate income making activities. In fact, financially weaker class women frequently lack the essential guarantees and pre-condition to get loans from official lending institutions.

Islamic microfinance packages are increasingly targeting women due to following reasons:

- (1) First, for a cost-efficiency rationale since, women's repayment rates are higher than that of men,
- (2) Second, for equity reason, since women have fewer access to fruitful occupation in the emerging countries and
- (3) Third, for multiplier outcome that expands the usefulness of the capitals because women devote themselves wholly to the welfare of their children and families.

It is generally understood that Islamic microfinancing is a word that specifies "the deal of financial facilities to clients with small income levels without charging interest or *riba*" (Ahmad, 2011). Thus, Islamic micro financing targets groups of people with very low income, having no access to the official lending system. Saad and Duasa (2010) has come out with the characteristics of Islamic microfinance as follows:

- (i) Microfinance products could serve as guidelines to microfinance institutions in designing Islamic microfinance products,
- (ii) Reasonable service charges,
- (iii) Easy and speedy evaluations,
- (iv) Flexibility in payment of arrears.

In addition to this, there are several initiatives taken to strengthen the Islamic microfinance institutions (Obaidullah & Khan, 2008):

- (i) Participate in equity of Islamic financial institutions with a view to create specialized microfinance divisions;
- (ii) Create *qard al-hasan* (interest free loan) specific funds to support various interest free based microfinance institutions across the globe;
- (iii) Create refinance facility to act as a whole-seller of Islamic microfinance products for a chain of Islamic microfinance retailers;
- (iv) Participate in equity of *takaful* (Islamic insurance) and *retakaful* (Islamic re-insurance) companies with a view to develop micro-takaful products and services;

- (v) Design a Credit Guarantee Scheme (CGS) for Islamic microfinance providers; and
- (vi) Promote dialogue among Shari'ah scholars for collective resolutions of *fiqhi* issues related to microfinance.

The implementation of microfinance should be based on concepts of human wellbeing (*falah*) and good life (*hayat tayyibah*) that emphasis the utmost importance of brotherhood and socio-economic justice. This in turn would require a balanced satisfaction of both the material and the spiritual needs of all human beings (Chapra, 1992).

Not many of the existing literature on Islamic microfinance provide empirical evidence in respect of the wellbeing of women through Islamic microfinance. Only recently, Ashraf *et al.* (2014), analyzed how common socio-economic factors such as income, assets, health care, etc., may explain the socioeconomic wellbeing of women who enrolled in microfinance. Also a few studies (Jahur, 2010, Alamgir, Hassan and Dewan, 2010; Rahman and Ahmad, 2014) show that family income, productivity of harvests and livestock, spending and employment had enlarged significantly due to the effect of invested money through Islamic microfinance scheme like RDS.

However, there is lack of studies on wellbeing and socio-economic empowering effects of Islamic microfinance on women. In other words, so far, there is no study that focuses on the socio-economic wellbeing of women through Islamic microfinance –RDS– since more than 80 percent members or beneficiaries under the scheme are women. Therefore, a study on the role Islamic microfinance (RDS) in eradicating poverty and in improving the socio-economic wellbeing of women will be more appropriate in the current situation.

Variables of Islamic Microfinance Model Study

Two different methods exist in measuring the effects of the microfinancing (Cerrutti, 2000). First, the 'Welfarist' method that highlights on progresses gathered by microfinance on the receivers' wellbeing. Second, the 'Institutionist' method, which focusses, on the other hand on the practical/formal aspects of the application, namely the financial sustainability and outreach of microfinance schemes (Chaves and Gonzalez-Vega, 1996; Buckley, 1997).

The first method is more appealing to donors and researchers, while the second method is used to economically validate the use of the capitals

dedicated to the Islamic microfinance schemes. The ‘welfarist’ method is the one that may conceptually escort our own investigational work. Actually, two diverse styles exist to associate between microfinance and women’s empowerment (Hashemi et al., 1996). This research represents a summative evaluation of Islamic microfinance business model under RDS scheme of Islamic Bank Bangladesh Limited, more explicitly; a socio-economic outcome study on women welfare following the methodology employed by Nader (2008).

A study conducted by Khandker (1998) displays that, in spite of the significance of the assessment of microfinance packages in matter of their economic sustainability and outreach, such norms do not essentially echo the real effect on the society and the recipients. Consequently, this study as well as the selection of the variables falls within the ‘welfarist’ method in evaluating the effect of Islamic microfinance business model of Islami Bank Bangladesh Limited. The variables have been selected to signify the socio-economic welfare of women. These variables are: income, possession of assets, health, schooling of children, and harmony in the family. The reasons of choosing these variables are:

Income

It is a general perception that obtaining Islamic microfinance loan would increase the income of the recipients while enabling them to widen their activity and to increase the quantity of the goods they sell. The income outcome is predominantly significant in Bangladesh in the perspective of the eradication of poverty. It may be stated that more than 27% of the families depend on women as the main sources of revenue (Ahmad, 2011).

Assets

The ownership of assets has been kept provision as a second variable since this variable echoes the sustainability outcome of Islamic microfinance. The growth in the revenue would not have a sustainable effect on women if the assets they hold should rise at the upper level. After apprehension of bigger profit, it appears that women would one day discontinue relying on the Islamic microfinance when sufficient capital would be accumulated, the credit / investment being accordingly used for culminations of not for consumption and nevertheless for production.

Health

Health care is chosen as one of the variables because health problem is an acute problem in Bangladesh and threaten people's productivity. So, health care is an important variable as a development indicator of the third world countries. This sector needed further improvement. As a result, Islamic microfinance should make it promising to women who may get better treatments and more health care. This is very important in the situation of Bangladesh since insurance and social security systems in Bangladesh are not much efficient.

Schooling of children

The education of children is another most significant variable to measure human progress of a country (Sinha, 1998). Certainly this variable echoes the greatest outcome of Islamic microfinance, that of the multiplier outcome, when the effects of a simple lending is provided over many generations. This is mostly stimulating since the struggle against illiteracy is one of the priority agendas of Bangladesh government for some years. Governmental movements and programs are set up to inspire parents to send their children to school. If the proposal to provide interest-free loan influences the schooling of the children of the beneficiaries, then the resources of the governmental and efforts might be transmitted towards other purposes. Furthermore, the education of girls is particularly significant in the circumstances of Bangladesh where boys frequently come first.

Family Harmony

The understanding of harmony in the family is selected as a fifth variable of the research because harmony in the family means the degree to which most of all the members of a family are living with tranquilly without facing any major problems and worrying events. While this variable has not been largely considered in the past researches, it is revealed that 'harmony' is well considered by Islamic microfinance, if it could reduce the household problems by enlightening the financial situation of the family.

Methodology of the Study

In this study, the research hypothesis tests whether Islamic microfinance (RDS) is confidently associated with the socio-economic welfare of women in Bangladesh with regard to: income, possession of assets, children's

schooling, health and harmony in the family. The used methodology relies mostly on regression analysis and doing correlation of cross-sectional data. A few other inquiries are comprised in the interviews to reflect the details regarding the happiness of the women vis-a-vis Islamic microfinance. Interviews were also conducted with the Field Officers of Islamic microfinance program managed by Islami Bank Bangladesh Limited and with Islamic microfinance specialists/experts in Bangladesh. The main purpose of these interviews is to offer a qualitative dimension to the investigation and to support the explanation of the outcome or results. This will provide the response of the second question relating to the operation of Islamic microfinance scheme and offer policy recommendations. It would, therefore, be of immense importance to examine the poverty and socio-economic welfare of women and their household by executing RDS – a prominent Islamic microfinance model in Bangladesh.

Sampling

This study aims at authenticating the relationship between Islamic microfinance and the socio-economic welfare of the recipients, and the unit of investigation - the women who benefitted from a Shari'ah compliant investment. In a domain of plentiful resources, a bigger sample might have been selected. However, the means and time for the completion of conducting the survey of this study were limited, the sample totalled 700 women, customers of our sample Islamic microfinance program.

This study shows the effects of the program or policy and links the observed changes of the program, which may be called 'treatment group' in term of statistical analysis (Sinha, 1998). In our case, women benefiting from Islamic microfinance (RDS) and on the same time, a control cluster, women who do not get benefit from Islamic microfinance (i.e. same RDS) but who are otherwise analogous to the members of the treatment group. Subsequently, finding women within the society with same class of likenesses is difficult, in this study the sample was separated equally into two groups following the same method employed by Nader (2008):

1. Group 1 (treatment group or experimental): comprising 350 women who benefited from Islamic microfinance program for at least 3 years to ensure that it got minimum time to have effect on their lives.
2. Group II (comparison group): covering 350 women who have recently joined the Islamic microfinance program in order to confirm that they have wished their likenesses with the treatment group not being immediately profited by Islamic microfinance program (RDS).

Since the treatment and control group could ideally vary only by the point that one group received the credit and the other group did not or just get the credit. Any observed changes might then, with some reasons, be mostly may be attributed to Islamic microfinance program.

The sample of participants was selected through the Field Officers of Islamic microfinance program (RDS) by means of the Islamic microfinance program database of 7,500 customers. The search and enrolment was operated by the Islami Bank Field Officers with concealment. Also, five key microfinance specialists were interviewed; out of them two were university professors and three microfinance officers who were from other microfinance organisations.

Data Collection

By following the same methodology as adopted by the study of Nader (2008), data has been collected by the ensuing process:

- (1) Verifying the program documents and archives to collect information about membership rules, mechanisms and running.
- (2) One to one interviews carried out with members employing open ended and closed ended survey questionnaires. The survey questionnaires were tested to confirm their transparency and understanding skill by the members who came from very poor background and have different literacy stages.

The researchers met with key specialists of the microfinance area, specifically with university professors who conducted academic studies in the microfinance area, and Microcredit Officers of Grameen Bank. The limitations of this study include the fact that, some women were unwilling to respond to some of the queries regarding their education and income levels. In some other cases, the details and clarification of the purpose of this study motivated some of them to cooperate. In addition, if women believed that giving constructive comments about the program might increase their likelihoods of receiving more credits, the study would be prejudiced.

To overcome these issues, a detailed demonstration about the nature and type of the study facilitated the understanding of the target group of our sample, helped clear the understanding and reduce mistakes. Furthermore, the recklessness ratio of the Islamic microfinance program would have signified a limitation of the investigation. Subsequently it would have caused a variance between the profiles of the two groups and made them

unhealthy for comparison. The fact is that this rate remained very small and made this risk irrelevant.

Regression Equation and Statistical Test

Most of the previous studies aimed at examining the impact of conventional microfinance on the socio-economic welfare of the recipients have used simple quantitative methods in the form of regression analyses and correlation tests where the indicators of welfare signified the dependant variables (El-Solh, 1999; Doumato and Posusney, 2003). In this study, firstly the correlation is made in order to investigate the existence of relationships between the Islamic microfinance and selected dependent variables and to show the possible size effect. Secondly, the regressions were done in order to examine the causality and importance of such relations. It may be pointed out that because the sample of this study is relatively small, simplification should be avoided. Eventhough, a few studies have previously measured the effect of Islamic microfinance packages on recipients; our expectation is to shed some focus on the following research questions:

- What is to be anticipated from the Islamic microfinance model in Bangladesh on the wellbeing of beneficiaries?
- Under what circumstances will such offer add extra benefit?

To respond to these research questions, the recipients of Islamic microfinance were questioned, on one hand, with a varied kind of queries like: what is the purpose of availing Islamic microfinance?, what type of small activities or entrepreneurships they are themselves operating?, how much they earn of that activity/entrepreneurship?, do they have other source of earnings?. The purpose of the questions were to distinguish it from the money they earn from Islamic microfinance linked entrepreneurship. The beneficiaries were also questioned about the properties or asset they hold and the method of use of the money they earn, i.e., whether it is used for buying or investment of new assets or they use the earnings for consumption purposes.

On the other hand, the participants were asked to state the number of their children, who were going to school and why others did not go. The beneficiaries were also asked about their health conditions, and were asked to rank the level of their healthiness status. In case, they were receiving any treatments, then in what way they met the expenditure of such treatments?.

The purpose of asking these questions was to ascertain their views- whether Islamic microfinance helped to improve their health.

Other queries related to harmony in family affairs with husband and sons have been addressed by requesting the beneficiaries to rank their situations with respect to 'stability or lack of problems'. Further, the beneficiaries were requested to answer whether the income from Islamic microfinance helped them improve the relations within their families- added steady and harmonious circumstances. They were also asked to offer any comments or suggestions they desired to make in respect of the above-mentioned subjects or any supplementary Islamic microfinance/ conventional microfinance related issue.

The Microfinance Specialists were requested to give their opinion or assessment about the efficiency of Islamic microfinance programs in Bangladesh, in terms of planning, outreach and operation; and effect on both microfinance recipients and on the economy.

The regression equations have been replicated from Nader (2008) as follows:

- (1) $\text{Income} = A1 + B1 \text{ Islamic microfinance} + C1 \text{ age} + D1 \text{ education} + F1 \text{ marital status} + G1 \text{ number of children} + e_1$
- (2) $\text{Assets} = A2 + B2 \text{ Islamic microfinance} + C2 \text{ age} + D2 \text{ education} + F2 \text{ marital status} + G2 \text{ number of children} + e_2$
- (3) $\text{Schooling of girls} = A3 + B3 \text{ Islamic microfinance} + C3 \text{ age} + D3 \text{ education} + F3 \text{ marital status} + G3 \text{ number of children} + e_3$
- (4) $\text{Schooling of boys} = A4 + B4 \text{ Islamic microfinance} + C4 \text{ age} + D4 \text{ education} + F4 \text{ marital status} + G4 \text{ number of children} + e_4$
- (5) $\text{Perception of health} = A5 + B5 \text{ Islamic microfinance} + C5 \text{ age} + D5 \text{ education} + F5 \text{ marital status} + G5 \text{ number of children} + e_5$
- (6) $\text{Observation of the harmony in household} = A6 + B6 \text{ Islamic microfinance} + C6 \text{ age} + D6 \text{ education} + F6 \text{ marital status} + G6 \text{ number of children} + e_6$ where Islamic microfinance used the independent variable in the recent and since 3 years. The designated control variables were education, age, married status and children.

Empirical Results

The results in Tables IA, IB and II show that Islamic microfinance has been positively linked to income ($r = 0.737$), assets ($r = 0.267$), education of girls ($r = 0.382$) and education of boys ($r = 0.405$), but the correlation is not statistically significant between Islamic microfinance and the awareness of health and the awareness of harmony in the household. These results were confirmed by the regression coefficients.

Table IA. Results of Correlation

	Age	Nos. of Children	Income of the members	Assets	Health	Harmony within the family
Age	1	0.472**	0.014	-0.011	-0.395**	-0.146
Nos. of Children	0.472**	1	0.232*	-0.251*	-295**	0.028
Income of the members	0.014	0.232*	1	0.454**	-0.056	0.227*
Assets	-0.011	0.251*	0.454**	1	0.068	0.214*
Health	-0.393**	-0.295**		0.066	1	0.366**
Harmony within the family	-0.146	0.028	-0.056	0.214*	0.366**	1
Islamic Microfinance	0.000	0.172	0.737**	0.267**	-0.033	0.123
Girls' schooling	-0.020	-0.058	0.208	0.232*	0.018	0.014
Boys' schooling	-0.042	0.019	0.371**	0.228*	-0.098	0.092
Education	-0.306**	-0.238*	0.51	0.111	0.210*	0.149
Martial status	-0.367**	0.068	0.088	0.192	0.186	0.578**
Sample (Table 1A +1B)	700	700	700	700	700	700

The results, further, show that the ‘income’ equation in matter of income of the recipient is inclined to rise on average by BDTK (Bangladesh Taka) 2,040.00 per month when taking the Islamic microfinance loan. As per the survey results, the average income of women, who did not obtain/newly receive Islamic microfinance loan was BDTK 4,010.00. An increase of BDTK 2,040.00 represents about 49 per cent increase, which gives evidence that Islamic microfinance has a significant economic

outcome on the women getting the loans. In the ‘assets’ equation, getting Islamic microfinance loan is linked with a normal growth of assets of BDTK 4,850.00 as compared to those who did not get advantage from Islamic microfinance loan. The equation of ‘schooling of girls’ is linked with an average rise of 29 per cent in the number of girls going to school from each family benefitting from Islamic microfinance loan. Similarly, the equation of ‘schooling of boys’, is linked with an average rise of 31 per cent in each family benefitting from Islamic microfinance loan. Regarding the equation of the ‘perception of health’, it is observed that Islamic microfinance coefficient is not at the significant level, suggesting a lack of a strong relationship between the two variables.

Table IB. Results of Correlation

	Islamic Microfinan ce	Schooling of Girls	Schooling of Boys	Education Women	Marital Status
Age	0.000	-0.021	-0.044	-0.308**	0.365**
Number of Children	0.172	-0.059	0.019	-0.238*	-0.066
Income	0.736**	0.208	0.373**	0.051	-0.088
Assets	0.267**	0.232	0.228*	0.111	-0.192
Health	-0.032	0.018	-0,097	0.210*	-0.188
Harmony in the family	0.121	0.014	0.094	0.147	-0.578**
Islamic Microfinance	1	0.382**	0.405**	0.023	0.000
Schooling of Girls	0.382**	1	0.164	0.155	0.097
Schooling of Boys	0.405**	0.164	1	0.064	-0.136
Education	0.023	0.155	0.066	1	-0.154
Martial status	0.000	-0.099	0.152	0.152	1
Sample (Table 1A +1B)	700	292	298	700	700

As regards to the equation of the ‘perception of harmony in the family’, the Islamic microfinance coefficient is also not at the statistically significant level. The results suggest that there is lack of a significant relationship between the harmony in the household and the fact of getting Islamic microfinance loan.

While examining the effect of Islamic microfinance investment/loan on women’s wellbeing, some interesting were results. First of all, it is imperative to see how much of the change is due to the intervention in these women’s lives. In the study, if we employ the Cohen’s benchmark for the economics field to interpret *r* of size effect estimation, we observe that the consequence of Islamic microfinance on income is huge while its influence on the schooling of boys, girls and ownership of assets is average. When we personify the power of this measure of the effect of size by the proportion of variance clarified by squaring the correlation coefficients in assessing the affiliation in the context of the total variance, we see that Islamic microfinance accounts for almost 54 per cent of the variance on income.

Table II. Regression Analysis

Coefficient	Income	Assets	Health	Family Harmony	Girls’ Schooling	Boys’ Schooling
Age	0.037 (0.023)	-2.802 (-2.89)	-0.029 (-2.171)	0.021 (1.369)	0.003 (0.601)	0.002 (0.215)
Islamic microfinance	2040.499 (9.222)	4850.699 (2.281)	-0.017 (-0.015)	0.376 (1.633)	0.295 (3.588)	0.311 (4.688)
Education	19.666 (0.456)	255.225 (1.325)	0.221 (0.777)	0.227 (0.837)	0.107 (1.192)	0.055 (0.648)
Marital Status	30.901 (0.955)	272.137 (1.311)	0.263 (0.855)	2.399 (6.712)	-0.083 (-0.844)	0.118 (1.198)
Number of Children	9.586 (1.376)	99.021 (2.188)	-0.095 (-1.399)	-0.059 (-0.875)	-0.021 (-0.967)	-0.008 (-0.374)
Constant	252.098 (2.611)	1033.212 (2.834)	7.729 (12.988)	5.502 (10.102)	0.334 (1.728)	0.364 (2.178)
Adjusted R²	0.551	0.129	0.141	0.331	0.132	0.142
Standard Error	120.27138	779.58812	10.09321	1.14762	0.3417	0.34175
F- score	24.379	3.599	4.209	10.811	3.489	3.913
F- probability	0.000	0.003	0.002	0.000	0.006	0.001

In the following sections, details of economic and social implication of these results are given. The outcomes are, in fact, enormously important and decisive, which may be clarified in the light of the socioeconomic settings in which Islamic microfinance is presented, from which the women get benefit from Islamic microfinance when they avail it. The interpretation of the results and their implications are as follows.

Income-positively associated with Islamic microfinance loan and hypothesis confirmed in the results (Table III)

The income effect was extremely bad when the women availed of private loans before benefitting from Islamic microfinance. At that time, women did not join Islamic microfinance yet and they were forced to receive their dealers' terms and conditions, amongst which getting sub-standard goods.

There are many cases of exploitation of the poor women by private loan suppliers or money lenders. One female member exposed through the interviews that she confronted severe difficulties in her vegetable selling business before her joining in the Islamic microfinance program: "The private dealer was very harsh, as I did not possess adequate money; so he provided me with only faulty goods of last stock. I did not have right to select the goods or vegetables I want. So I was forced to take the rotten vegetables. If I did not take it, then I would be given nothing. As a result, I always suffered losses because of sub-standard goods, which I had to take from the suppliers. By becoming a member of the Islamic microfinance group (RDS), I do not face extortion anymore. I can select what I want!".

After availing Islamic microfinance, the women can now pay dealers immediately after receiving goods and henceforth do not necessarily need to face severe circumstances. The malicious circle is, thus, cracked with their capacity to make their own choices that would absolutely increase their volumes of trade as well as incomes.

There were some other cases earlier, where some women borrowed some cash from their friends or their families and neighbours to pay for their acquisitions of goods. Sometimes, some women got humiliated as a result of not been able to repay on time or just for borrowing from them in the first place. This lead to the feeling of worsening their societal status. One woman spoke in the interviews saying: "My parents-in-law termed me 'useless' and forced me to do their housework since they loaned me the cash that I needed for the buying the goods I needed to purchase. Certainly, I paid them back".

Now self-confidence and self-reliance are boosted after the women joined the group and obtained Islamic microfinance loans. With these loans, the women involved with microfinance have increased their income, and felt economically liberated. The increase in their revenues also permitted them to achieve basic requirements of consumption as well as meeting their daily expenses that otherwise they could not have afforded in the past. In

view of this, it seems that the Islamic microfinance programs have enhanced the wellbeing of the woman involved and definitely empowered them.

Another significant fact to note when speaking about incomes, is one question that was asked to the women contributing in this research. The question was related to the kind of projects or activities they started with after getting Islamic microfinance loans from the group. The responses were separated into five types of activities and the outcomes display that practically, 50 per cent of the sample women work in the retail trade of household objects such as bed sheets and homemade handicraft articles in narrow geographic zones. Some of the women earned smaller incomes as they faced severe price competition.

There were also some other questions associated with the other sources of income of women, comprised in the survey. Their responses were used to distinguish what were their motivations to avail Islamic microfinance loan. The answers received of these questions found that almost 79 per cent of the women who answered the question were monetarily unstable. They did not have other sources of income and therefore, they suffered consequently, because of the husband’s unstable income from unstable occupation. Hence, the result displays that there was a shift of economic role. This was the role of supplementing the household with an extra income provided by the wife in the family.

Table III. Validation Hypothesis

Variables	Correlation with Islamic Microfinance	Regression Coefficient of Islamic Microcredit	Hypothesis Validation
Income	0.737**	2040.499 (9.222)	Confirmed
Assets	0.267**	4850.699 (2.281)	Confirmed
Schooling of Boys	0.405**	0.311 (4.688)	Confirmed
Schooling of Girls	0.382**	0.295 (3.588)	Confirmed
Health perception	-0.033	-0.017 (-0.015)	Rejected
Harmony in the Family	0.123	0.376 (1.633)	Rejected

Assets-positively associated with Islamic microfinance and hypothesis confirmed in the results (Table III)

The result of this hypothesis testing echoes a long-term improvement of the recipients' welfare. This betterment is sustainable since the growth in their revenues is financed with the assets, which they own. Nevertheless, one must notice that occasionally the growth arise in households and individual assets (like TV, Computer and others) and did not increase in production. Some of the recipients spent all their revenues and proceeds for consumption purposes. Some even did not understand how to capitalize their additional income in a project since they lacked the suitable talents. Indeed, one woman believed: "No practical difference in the magnitude of my venture occurred after getting Islamic microfinance loan. But it simply facilitated my life to have an extra liquidity for sufficient spending at home and on my children."

Another woman admitted during the survey interview that: "I categorically availed of Islamic microfinance loan as my children's wants are limitless. A good sum of money is needed for their day-to-day subsistence and wants; such as private tuition, schooling of children and preparations for girls' marriage when they reach the teenager stage. I used to borrow money from family and friends in the past, but now I meet these expenditures from the income I earn from my micro- business which is quite adequate".

Schooling of Children - positively associated with Islamic microfinance and confirmed the hypothesis in the result (Table III).

The result of this test is one of the most interesting of this study. The improvement of the schooling of children signifies a multiplier outcome of providing Islamic microfinance loans to women. During the interview, most of the women announced that the education of their children is the greatest significant investment they made in their lifetime. This is a precedence since in their own lifetime they did not get such an opportunity to get education during their young age. Therefore, they want to provide opportunity to their children to become educated. The participants also believe that their children can have a better future with better education. One woman, who recently joined Islamic microfinance program, has five sons and a girl. She stated during the interview: "My kids were not receiving any education because earlier my modest revenue did not permit me to meet the expenditure. I felt very bad. After availing Islamic microfinance loan, I would invest the money in the education of my

children.” Another woman also confirmed that the cause for which she was asking for a loan from Islamic microfinance was to provide education for her children: "I will provide education for my children!”.

It may be noted here that the very vital result exposed by this study is correlated to the link between getting an Islamic microfinance loan and progress in schooling of the beneficiaries’ children, both boys and girls. Furthermore, it shows that no major variance occur between the rise in the improvement of schooling of girls and boys. This result is certainly encouraging in respect of education in general and human resources development in particular.

In this regard, some women also stated that an advanced level of education of their children is redirected by an advanced volume of private coaching needed in Bangladesh since private coaching became essential for good success at the school test. As stated earlier, the key stimulating result of this research was that there was no key difference among the coefficients of schooling for girls and boys, which have echoed a deep transformation in the community.

In Bangladesh, conventionally a head of the household preferred the education of boys to girls, since girls would be married outside the households and would take care of their husbands and new households, whereas the boys are engaged as only the future bread-winners of their families. However, the trend is changing. Currently guardians ponder that the education of both boys and girls are equally vital since learning will benefit girls to get better marriage with ‘better’ grooms, henceforth a decent life, while boys want ‘job oriented ’ education and extra ‘practical’ skills to secure a superior job. This reflects the social and cultural dimension of the choices they make.

In summary, the above results are mainly motivating in the circumstance of Bangladesh as the combat against illiteracy has been urgent on the government program for some years now. In this respect, the governmental actions and packages are set up to inspire families to direct their children to schools. Consequently, the governmental resources and determinations could be transmitted towards some other purposes.

Health awareness- no significant link with Islamic microfinance and the hypothesis is not confirmed in the result (Table III)

This result shows that women take less care about their health. They give preference to the education of their children and to the provision of

food to the family members with certain extravagance stuffs such as purchasing superior clothes etc. Most of the women are brought up with an understanding that they are lower in ranking than men and ought to sacrifice themselves and attend to their households. The women contemplate that the expenses associated with their individual medical or health care may be taken care of with the service run by government, which is free even though it is normally not very adequate due to secondary quality of facilities used.

Opinion about harmony in the family- Positively non-significant associated with Islamic microfinance and hypothesis is rejected in the result (Table III)

Actually, this hypothesis needs a bigger sample to test, to see that the hypothesis can be accepted or rejected, since minor effects need bigger samples to confirm. However, the objective of the selection of this variable in the research was due to the special situation of women in Bangladesh where in the past, it was considered that women's labour outdoor of the house was offensive and that women's key role should solely be caring for their family members. In this regard, a desire, to test in what way a variation in this role would upset the harmony of the family, was felt. The outcome could be one or the other, as reflected by growing encounters because of the disapproval of husbands in the matter of the women's new roles, or by increasing the family solidity as a consequence of the family income rise.

The responses were considerably expanded concerning this issue amid the women of the sample of study. Some of the women stated that the Islamic microfinance programs endangered their family solidity since the husband disliked the work activity of his wife. Certain others believed that stiffness in the family diminished because of the enhanced economic situations they enjoyed. Another woman stated: "I desired to accept an income making activity to evade the difficulties and family disparities caused by the need for money", while certain women thought that they possibly would not report any noteworthy change in that part of their lives.

Financial and Social Development (Harmony) among Beneficiaries

The performance of Islamic microfinance has been quite promising. In this study, the results reveal that the performance of RDS (Rural Development Scheme) of IBBL was better in terms of growth (12.50 per

cent), dropout rate (5.00 per cent), and operational efficiency as compared to three conventional leaders in microfinance; Grameen Bank, ASA (Association for Social Advancement), and BRAC (Bangladesh Rural Advancement Committee). Having lower rate of return charged (10.00 per cent with 2.50 per cent rebate for on time payment) than other microfinance (16.00 per cent to 22.50 per cent of interest), this offers advantage for the poor (Obaidullah, 2008a.) The Islamic microfinance also offers active spiritual development programs with the purpose to improve members' awareness of social rights and responsibilities in order to improve better relationships with others (Obaidullah, 2008a). These programs have not been provided by conventional microfinance institutions.

Concerning the impacts of Islamic microfinance, based on the empirical evidence of this study, it can be discussed into two areas: economic and social aspect.

In general, it is expected that the provision of financial access to poor people will enable them to increase their income and enhance their economic wellbeing, develop assets, decrease weaknesses, and get involved in economic development. The latest economic impact on rural poverty presented by empirical study of IBBL's (Islamic Bank Bangladesh Limited) found that loans affected considerably the improvement of household earnings, output of harvest and cattle, disbursement and employment (Obaidullah, 2008b; Rahman and Ahmad, 2010). In particular, based on field survey of 1,024 respondents, Rahman and Ahmad (2010) found that the family income increased by more than 33 per cent, the expenditure for health increased 50 percent, family employment increased from 1.91 to 2.1 working members, all types of assets have also increased.

Moreover, the impressive economic impact based on the study of three Islamic Microfinance Institutions in Bangladesh was explored by Ahmed (2002). He found that the economic impacts include increasing time spent on productive activities by beneficiaries and other family members, output of economic activity, improving amounts of goods/services, innovation of new products, increasing assets and other properties. In line with this study, he revealed that these economic aspects might imply that Islamic microfinance has an advantage to offer, although it still has weaknesses to overcome.

Social development impacts might include improvement of Islamic knowledge and relationships with others and health care. This study found that the health awareness of the respondents increase in term of increasing number of people in consuming quality drinking water and using quality

latrine for sanitation. Besides, the clients also have positive opinions towards improvement of their skills and social and economic wellbeing. These findings are similar with the study of Rahman and Ahmad (2010).

Ahmed (2002) also revealed that the beneficiaries of Islamic microfinance not only get financial advantages, but also improvement of other aspects through social development programs: improvement of Islamic knowledge, improving relationship with spouses and other group members. These two studies support the results of this study and it can be implied that Islamic microfinance considers social aspects including family harmony, although more attention should be emphasized.

On the overall, it can be inferred from the results of this study that Islamic microfinance has considerable social aspects, although it requires more attention. Hence, in order to have a wider impact, Dusuki (2008) argues that microfinance should provide market-based services, creativity to innovate new programs and product differentiation, efficient operation, and broader outreach, offering not only productive loans but also loans for consumption purposes to cover the cost of health, education and social responsibility.

Diversification of the Scheme- Experts' Opinion

There are two Islamic microfinance strategies that exist to answer the needs of two different targeted groups. Firstly, the 'protectionist' or 'survival' strategy which targets the very poor recipients to whom survival is the main concern. In this case, low amounts of loan are offered, allowing them to address the very urgent and basic needs of consumption through very modest economic activities. Secondly, the 'promotional' approach is when the amount of loan is higher and targets less poor recipients permitting substantial investment in income generating activities. This differentiation is very important in analysing the outcomes of Islamic microfinance program, as we will see in the discussion of the results.

Most of the microcredit programs in Bangladesh are working for the 'survival' programs of the poor since these programs could only help women to survive by generating some extra income through the activity they undertake for meeting their daily expenses (Ahmad, 2011). No substantive investment is made in most of the programs and thus no real sustainable effect. Most of the microfinance programs only offer credit without any other accompanying services such as training or marketing. Coupled with the women's lack of skills, RDS (Islamic microfinance) program helps to

increase the first effect (survival not promotional). According to a former Economic Professor of a local University who is devoted researcher in the area of interest free microfinance program in Bangladesh, explained the reason why Islamic microfinance program does not offer 'start-ups'. This program requires that the project applying for the loan must be running for at least 6 months. In fact, according to him and other experts in the field of Islamic microfinance program, he mentioned that: "it is necessary to provide other non-financial services to women to help them better manage Islamic microfinance loan. This can significantly improve the products the Islamic microfinance offers and increases the chances of success of the project. If the program is limited to the offer of Islamic microfinance, and if the only concern of the beneficiary is to have the loan and reimburse it, then one will face a simple vicious circle of loan".

According to the experts, the objective should rather be the success of the projects via high quality needs based entrepreneurship training and services. Even if the program does not directly offer the services, it could make available information about it and provide a network of useful services. Furthermore, there is a big competition between different programs offering conventional microcredit and Islamic microfinance program in the same geographic zones. Therefore, there is a chance of the group members to switch from one program to another for no specific reason and consequently limits the positive impact of such programs. Sometimes some regions have a surplus offer of credit and others have a lack of such an offer. There is therefore a need for a better planning of the existing Islamic microfinance programs in Bangladesh so that these anomalies do not exist in the future.

CONCLUSION AND POLICY RECOMMENDATIONS

Islamic microfinance run by Islami Bank Bangladesh has become a very important tool to combat poverty. This has been used in Bangladesh, Egypt, Indonesia, Iran, Nigeria, Pakistan, Turkey and Yemen to combat poverty and enhance the social and economic wellbeing of the recipients. Women are specifically targeted because they are very vulnerable. They lack the necessary resources to adapt to changes their pathetic economic conditions. However, evidence shows that when women are involved in any income generation activities- they exhibit greater courage in venturing into experiences and proved to be productive. In order to invest largely in beneficiaries' families and increase family member's involvement with

income generating activities, would reflect in borrowers' wellbeing. In this regard, Islamic microfinance program is an important input.

The aim of this research was twofold: Firstly, it wanted to confirm or refute a positive link between Islamic microfinance business model RDS under Islami Bank Bangladesh Limited and the socio-economic wellbeing of women in Bangladesh. Secondly, to explore the context in which Islamic microfinance program (RDS) functions under Islami Bank Bangladesh Limited and the way their performance can be improved. The research also addresses the following two research questions:

- (1) What can be expected from the offer of Islamic microfinance business model of Islami Bank Bangladesh Limited on the welfare of recipients?
- (2) Under what conditions would such an offer be more beneficial?

The outcomes exposed some interesting facts and important policy implications. It was important to notice that the increase in women's income and assets played a very important role in enhancing women's economic independence and sense of self-confidence. It helped in breaking the cycle of poverty they lived in and allowed them to have more control over their lives and economic decisions. Moreover, both Islamic microfinance loan recipients' answers and interviews with the experts were analysed.

The results show that Islamic microfinance (RDS) has been found to exert a positive and significant influence on the gross monthly income of the borrowing members. This means that Islamic microfinance program can influence the socio-economic factors mentioned in the study. The strategy followed by Islamic microfinance business model of Islamic Bank Bangladesh resembles the subsidies system to the targeting beneficiaries, definitely helped in the limited way in transforming the women's lives. Moreover, this was supplemented by the small amount of Islamic microfinance loan offered to the women of the groups. These women lacked the skills needed to engage in highly profit making activities or entrepreneurship. Lack of opportunity to pursue diversified income generating activities in the villages is one of the major causes of poverty. Therefore, there is need to establish small and cottage industries in the rural areas. Necessary technical support should also be given to the village entrepreneurs.

A very important policy recommendation is the necessity to review the existing programs in respect of the way Islamic microfinance is offered by Islami Bank Bangladesh Limited. The Program should shift from the

simplistic 'survival' ones to pluralistic ones that offer services besides Islamic microfinance (such as marketing, match-making, training etc.). It is also necessary to redirect Islamic microfinance towards developmental activities that will contribute to the improvement, in the long run, of the wellbeing of the recipients.

Furthermore, Islami Bank Bangladesh Limited should increase the size of investment in order to cope with the change in the value of currency because of inflation and other economics reasons. The scheme should project their value of activities for future, then all parties be involve by assigning in managing Islamic microfinance scheme and held responsible for job assigned at the beginning of the year.

Further, the performance of the Islamic microfinance should be subject to balance scorecard system. The development would be possible when an Islamic microfinance loan allows real and substantial investments in the production/investment capital and assets, not only personal assets.

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