

An Islamic Microfinance Business Model in Bangladesh and Its Role in Poverty Alleviation

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Abstract : Present socio-economic context and women wellbeing in Bangladesh imposes lots of constraints on women's involvement in income generating activities. Different studies showed that the implementation of World Bank structural adjustment policies have had mixed impacts on women and their wellbeing. By involving poor people specially women in Islamic microfinance programmes in Bangladesh are used as a tool to combat poverty. Women are specifically targeted by Islamic microfinance under the rural development scheme of Islami Bank Bangladesh that provide interest free loan to the women groups. The programme has a multiplier effect since women invest largely in their households. The aim of this research is twofold: firstly, it wanted to confirm or refute a positive link between Islamic microfinance and the socio-economic wellbeing of women in Bangladesh and secondly, to explore the context in which Islamic microfinance programs function in Bangladesh and the way their performance can be improved. Based on structured questionnaires' survey, this study addressed two research questions: (1) What can be expected from the offer of Islamic microfinance on the welfare of recipients and (2) Under what conditions would such an offer be more beneficial. The main result of this study shows that increase in women's income and assets played a very important role in enhancing women's economic independence and sense of self-confidence. An important policy recommendation is that it is necessary to redirect Islamic microfinance towards diversified developmental activities that will contribute to the improvement, in the long run, of the wellbeing of the recipients.

Keywords : business model, Islamic microfinance, women's wellbeing

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