

Rural Development Scheme of Islami Bank Bangladesh Limited: An Analysis as an Alternative Microfinance Program

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Abstract: *The Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited (IBBL) was introduced in 1995 with the objective of eradicating poverty and to involve the largest number of village-living poor folks to create opportunity for income generation and employment of the rural poor. RDS, despite its limitations, has proven itself as an alternative microfinance program to the conventional microfinance providers and Non-Governmental Organizations (NGOs) in Bangladesh. This paper, following a comparative methodology, aims at analyzing the success and failure of the RDS of IBBL throughout the past few years, and testing its effectiveness as an alternative to the conventional microfinance programs which are mainly based on interest-bearing loans.*

Keywords: RDS Microfinance, Islamic Microfinance, Poverty Alleviation

1. Introduction

Inception and activities of the Rural Development Scheme (RDS): The Rural Development Scheme (RDS) of the Islami Bank Bangladesh Limited (IBBL) is the first Islamic Microfinance Institute of the country. It was initiated aiming at developing the rural economy, solving the problems related to unemployment, and establish model villages that would be gradually freed from widespread poverty and destitution. It promotes overall development of the poor people of village dwelling folks towards transforming them as self-reliant by improving their socio-economic conditions, and that of landless labor classes and the marginal farmers. The RDS is an alternative to Grameen Bank or many other

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conventional microfinance programs which lend money to the poor villagers with a high rate of interest. The RDS is not an MFI by itself, but uses the infrastructure and branch network of its parent, the IBBL for its microfinance operations. The stated objectives of RDS are (RDS, 2006: 5-6):

- To extend investment facilities to agriculture, other farming and off-farming activities in the rural areas;
- To finance self-employment and income generating activities for the rural people, particularly the rural unemployed youth and rural poor;
- To alleviate rural poverty through integrated rural development approach;
- To extend investment facilities for rural housing, keeping in view the needs of housing facilities of the rural dwellers;
- To provide educational services, facilities for hand tube-wells, sanitary latrines and rural housing, to ensure safe drinking water, proper sanitation and decent living.

2. Key Features of RDS

2.1 Geographical Outreach

RDS operates from the existing branch networks of IBBL, which selects suitable villages within 16 kilometers radius of the branch. The criteria used in selecting a village are based on easy communication, availability of agriculture and other off-farm activities therein, abundance of low-income people, and predominance of Islamic values and ideas in the population (RDS, 2006: 6). upto 31st August 2013, RDS's activities throughout the sixty-four districts of the country, covering 220 Branches of IBBL (IBBL 2013a).

2.2 Target Group

The Branch conducts detailed Baseline Survey to identify the target group and verifies possibility of economic activity in the area after initial selection of a project area which may consist of four to six villages. The RDS maintains strict means-test criteria to identify the potential beneficiaries. The eligible beneficiaries are restricted to (i) farmers having cultivable land of a maximum of 0.50 acres; (ii) sharecroppers with the consent of the landowners; (iii) able-bodied & industrious rural poor having age between 18 to 50 years and the permanent resident of the selected area; (iv) persons having an abandoned pond where hatchery cultivation is possible; and (v) destitute women and distressed people. Persons having liabilities with other banks/institutions are not eligible for financing under the Scheme (RDS, 2006: 6).

2.3 Group and Center Formation

RDS, like other NGOs and MFIs, follows the group format, which is based on the Qur'anic concept of Shura (Al-Qur'an, 42:38). The target group people are organized as members in groups of five under different centers. Initially two

members will be provided with investment facilities, and the remaining members will be considered eligible upon regular payment of installments for at least one month by the two members. It takes a minimum of two and a maximum of eight such groups to set up a Center that is put under the direct supervision of a Field Officer (FO). Each group selects a group leader and a deputy group leader. The group leaders in a center select the Center Leader and the Deputy Center Leader who are responsible for overall discipline and performance of the Center. (RDS, 2006: 8-11).

2.4 Saving Plan and Group Saving (A concept of micro Takaful)

RDS members are required to open a Mudaraba Saving Account, which is non cheque-able, with the IBBL branch from the very inception of the group activity. The compulsory savings of a minimum BDT10.00 per week is intended to inculcate savings habit among the members. This deposit may be withdrawn by a member if s/he does not have other liability with the branch. (RDS, 2006:15-16). Further, Each member of the group is required to deposit an amount of Tk.5.00 (five) per week at the minimum, in the Centre Fund, which will be saved under Mudaraba Saving Account (MSA) with IBBL branch. This is in addition to usual Saving Plan.

2.5 Types of Investment

Three types of investment facilities are offered to the beneficiaries under the RDS program, which are:

- a. Micro-investment (collateral-free investment, maximum Tk.75,000/- offered to the poor in different income generating activities);
- b. Micro-Enterprise Investment Scheme (MEIS) (collateralized investment, maximum Tk.400,000/- provided to the graduated micro-clients and local micro-entrepreneurs) and
- c. Qard Program (cost-free loan, maximum Tk.10,000/- provided to the distressed & hardcore poor for rehabilitation and water & sanitation). Allocation for Qard Program is given from RDS Welfare Fund. Since inception, cumulative disbursement under micro-investment and micro-enterprise investment was Tk. 68,252.69 million (approximately USD 853.16 million).

2.5.1 Investment under Micro Investment (MI)

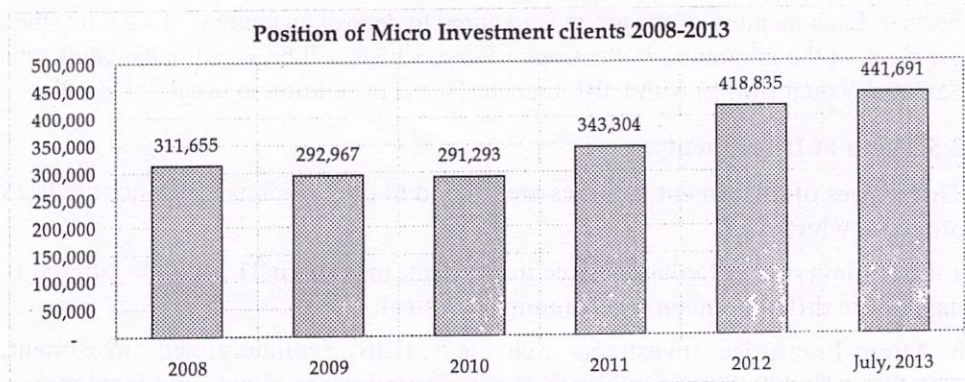
Investments are restricted to bai-muwajjal (deffered payment sale) mode in practice, though RDS intends to use various Shari'ah compliant modes, like Mudaraba, Ijarah, and Bai- salam etc. (Obaidullah, 2008,17). There is no collateral required for financing. Initial financing is kept in the range of BDT8000 – 10000 (USD100-125). The highest ceiling for financing under the scheme is BDT30000 (USD375) for nursery and commercial production of fruits and flowers and four other sectors.

Investment activities under RDS at a glance as on July 2013 are shown below (figure):

Table 1: Micro Investment (MI) performance: Dec. 2012 – July 2013

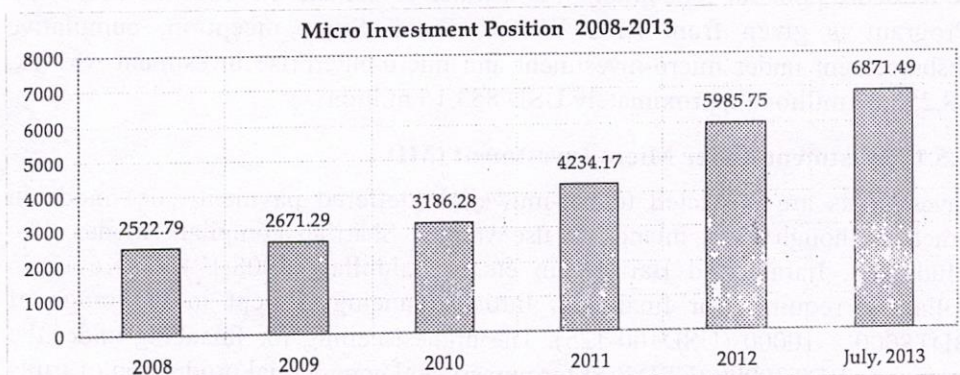
Particular	Dec, 2012	July, 2013	Growth
No. of Branches	197	197	-
No. of Employees	2,154	2,313	7%
Micro Investment Clients	418,835	441,691	5%
Yearly disbursement of Micro Investment (taka in millions)	9,592.87	7,606.63	(20.7%)
Outstanding of Micro Investment (taka in millions)	5,985.75	6,871.49	15%

Source: IBBL Quarterly RDS Performance Report published in August (.2013b).



[Figure 1: Micro Investment (MI) Clients: 2008 – July 2013]

Source: IBBL, Ditto: (2013b)



[Figure 2: Micro Investment (MI) Outstanding: 2008 – July 2013]

Source: IBBL, RDS performance report. (2013b).

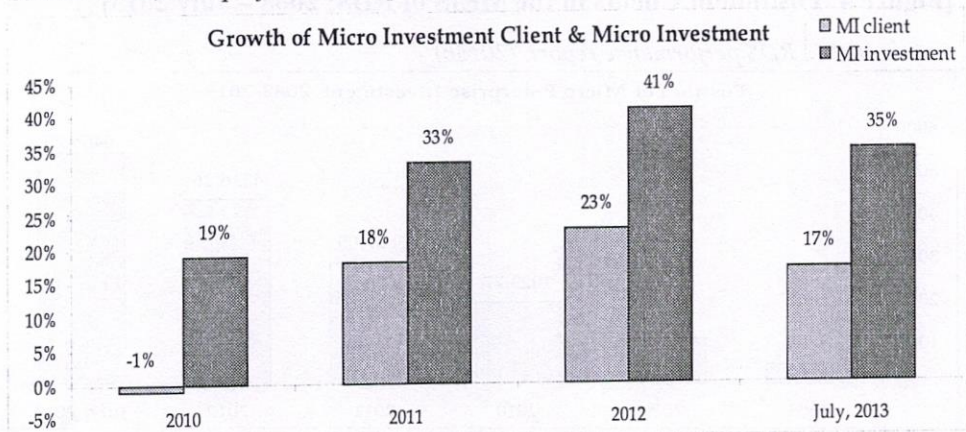
2.5.2 Growth of Clients & Investment of MI under RDS

A comparative position of growth of micro-investment (MI) under RDS between 2010 and July 2013 is shown in the following table:

Table 2: Growth of clients & investment of MI under RDS

Particular	2010	2011	Growth	2012	Growth	July-12	July-13	Growth
Micro Investment clients	291,293	343,304	18%	418,835	23%	377,669	441,691	17%
Micro Investment Outstanding (taka in million)	3,186.28	4,234.18	33%	5,985.75	41%	5,102.82	6,871.49	35%

Source: IBBL, RDS performance report, (2013b)



[Figure 3: Growth of clients & investment of MI under RDS: 2010 – July 2013]

Source: IBBL, RDS performance report, (2013b)

2.5.3 Investment under Micro Enterprise Investment Scheme (MEIS)

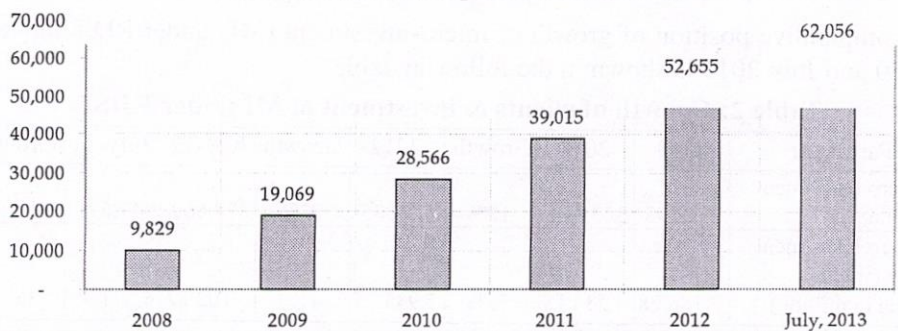
A special scheme has been introduced by RDS in the name and style of Micro Enterprise Investment Scheme (MEIS) in 2005 in order to satisfy the graduated clients who have already availed highest limit of investment under the Scheme. Investment activities under the MEIS of RDS as on July 2013 are provided below:

Table 3: Micro Enterprise Investment Scheme (MEIS) :

Particular	Dec, 2012	July, 2013	Growth
No. of Branch	197	197	-
MEIS clients	52,655	62,056	18%
Yearly disbursement of ME (taka in millions)	4,825.08	3,942.88	(18.28%)
Outstanding ME (taka in millions)	4,316.26	5,405.75	25%
% of MEIS investment	42%	44%	

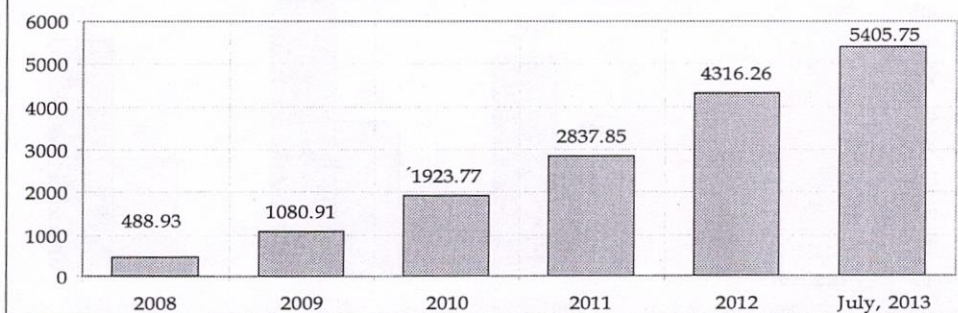
Source: IBBL, RDS performance report, (2013b)

Position of Micro Enterprise clients 2008-2013

**[Figure 4: Position of Clients in the MEIS of RDS: 2008 – July 2013]**

Source: IBBL, RDS performance report, (2013b)

Position of Micro Enterprise Investment 2008-2013

**[Figure 5: MEIS of RDS Investment in millions taka: 2008 – July 2013]**

Source: IBBL, RDS performance report, (2013b)

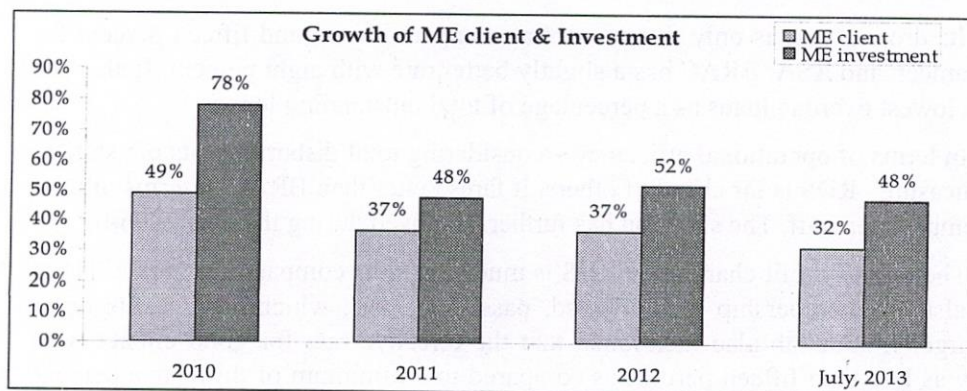
However, large amount of investments are offered to the 'graduates' of RDS only, who have already availed the highest limit of financing under off-farm activities. Their investments are catered under a special scheme – Microenterprise Investment Scheme (MEIS) – under RDS, under which financing is provided from BDT 50,000/= (\$625) to BDT 300,000/= (\$3750) (IBBL, 2013c).

A comparative position of growth of micro-enterprise investment has been provided in the following table:

Table 4: Growth of Micro Enterprise investment between 2010-2013

Particular	2010	2011	Growth	2012	Growth	July-12	July-13	Growth
ME client	28,566	39,015	37%	52,655	37%	46,862	62,056	32%
ME investment Outstanding (taka in millions)	1,923.77	2,837.85	48%	4,316.26	52%	3,649.11	5,405.75	48%
Total investment under MI & ME	5,110.05	7,072.03	38%	10,302.01	46%	8,751.93	12,277.24	40%
% of MEIS investment	38%	40%	-	42%	-	42%	44%	-

Source: IBBL, RDS performance report, (2013b)



[Figure 6: Growth of MEIS clients and Investment: 2010 – July 2013]

Source: IBBL (2013b)

3. Corporate Social Responsibility (CSR) Issues

With the help of Islami Bank Foundation (IBF), a non-profit service oriented sister organization of the Islami Bank Bangladesh Limited (IBBL), RDS operates programs to cater to the needs of rural people's education, healthcare and medicare services. RDS runs elementary religious schools, mass education centers, libraries and cassette clubs under the education program, and works towards rural immunization, installation of sanitary latrines, tube wells and other health and medicare services under the health and medicare program. A detailed section has been dedicated to describe the corporate social issues related to RDS in the next part of the paper.

One of the salient features of the RDS is creating Islamic awareness among the clients and member. M. M. Rahman's (2008) survey figures out that more than 21 percent of RDS clients have started saying daily prayers and another 24 percent have started to recite holy Qur'an regularly after joining RDS. Next part of the research deals with the positive contributions of RDS, which will discuss this issue in details.

4. RDS and conventional MFIs: A Comparative Viewpoint

RDS started its journey only in the mid nineties, whereas other conventional NGOs like BRAC, ASA, Grameen Bank, Proshika – the 'big four' – were more than a decade and half old. Nevertheless, RDS's performance was never less than the other conventional NGOs. Obaidullah (2008: 23-24) has studied the various dimensions of the conventional NGOs and RDS, which shows that RDS has performed marginally better or at least as good as the three conventional leaders in terms of repayment record. Some striking facts disclosed in the research about the operational efficiency of RDS are discussed below :

1. Its growth rate is as high as 12.57 percent as compared to six-seven percent for others.

2. Its dropout rate is only five percent as compared to around fifteen percent for Grameen and ASA. BRAC has a slightly better rate with eight percent. It also has the lowest overdue loans as a percentage of total outstanding loans.

3. In terms of operational efficiency – considering total disbursements per staff as a measure –RDS is far ahead of others. It fares better than BRAC in terms of total members per staff. The situation has further improved during the year 2006-07.

4. The rate of profit charged by RDS is much lower as compared to others. There is also no membership fees charged, passbook costs, which other MFIs often charge. Obaidullah also mentioned that the effective rate for good clients is as low as less than fifteen percent as compared to a minimum of thirty-five percent for other MFIs.

5. RDS is also an exceptional MFI in the sense that it fosters the need of ethical development, as we have already mentioned.

From the research, it is quite evident that RDS, though quite young compared to the conventional NGOs, is going ahead with a very good pace. Despite the barriers RDS has to face as an Islamic MFI, it has high potentials to lead the market in the near future. The following table (table 5) gives a very clear picture of the differences of performances between RDS and Nobel Peace Prize winner Grameen Bank.

Table 5: RDS and Grameen Bank: A comparison

	Areas of performance	RDS	Grameen Bank
1	Year of Establishment	1996	1983
2	Districts	64 (2013a)	64
3	Villages	16,346 (2013a)	81,388 (2013a)
4	Branches	220 (2013a)	2,567 (2013a)
5	Female member (mil.)	0.666 (2013a)	8.115 (2013a)
6	Male member (mil.)	0.127 (2013a)	0.320 (2013a)
7	Total member (mil.)	0.793 (2013a)	8.436 (2013a) ¹
8	Total staffs / Field Officer	2432 (2013a)	22261 (2013b)
9	Disbursement (mil. TK.)	69,667.79 (2013a)	903,734.14 (2013a)
10	Outstanding loan (mil. TK.)	12,305.86 (2013a)	83,393.47 (2013a)
11	Overdue loan (mil. TK.)	53.77 (2013a)	1597.25 (2013a)
12	Rate of recovery %	99.56% (2013a)	97.10 (2013a)
13	Total Member/Total Staff	326.07 (2013)	378.95 (2013)
14	Membership fees	Not Required	Required
15	Cost of pass book	Not Required	Required

Figures in the parentheses indicate respective year of the information.

Sources: IBBL (2013a), GB (2013a), GB (2013b),

4.1 Financial and Socio-economic Performance of RDS

4.1.1 Growth rate

Researchers have proven that the RDS is performing tremendously well in terms of growth and economic sustainability. Due to its rising popularity, RDS holds a very strong position in the market as regards growth of membership, savings, loan disbursement and recovery, and promises to lead an exemplary model of an Islamic MFI. The table below shows that RDS's average growth rate in the last four years (2010-2013). RDS has grown 67% in 2.5 years in terms of its members, and disbursement growth is tremendously high at very close to 50 percent.

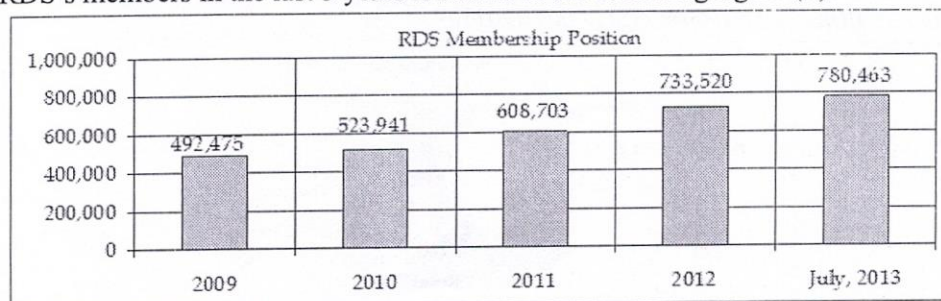
Table 6: RDS's growth between 2010 to July 2103

Particular	2010	2011	Growth	2012	Growth	July-12	July-13	Growth
No. of villages	11,482	12,857	12%	15,507	21%	14,525	16,206	12%
No. of Centres	20,833	22,206	7%	24,623	11%	23,340	25,246	8%
No. of Members	523,941	608,703	16%	733,520	21%	669,729	780,463	17%
No. of Clients	319,859	382,319	20%	474,766	24%	424,531	503,747	19%

Source: IBBL, RDS performance report (2013b)

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The target group people are organised as members in the selected villages/areas in groups under different Centres. At present, 793,346 members are enjoying financial services under 25,351 centres in 16,346 villages. It may be mentioned that ratio of female members in the Scheme is 84% (IBBL, 2013b). Expansion of RDS's members in the last 5 years is shown in the following figure (7):



[Figure 7: Growth of RDS's Members: 2009 – 2013]

Source: IBBL, RDS performance report, (2013b)

4.1.2 Growth in Financial Investments

Besides the bai' muajjal and mudharabah modes of financing, the musharaka mode of investment has been introduced under RDS since 2008. Investment under RDS in musharaka mode up to July, 2013 is shown in the table (7) below:

Table 7: Investment in Musharakah Mode

Sl.	Particulars	Amount/Number
01	No. of Branches	62
02	No. of clients	344
03	Cumulative no. of clients	1099
04	Cumulative disbursement	55.33
05	Investment outstanding (taka in millions)	17.51
06	% of Musharaka Investment in RDS	0.14%

Source: IBBL, RDS performance report, (2013b)

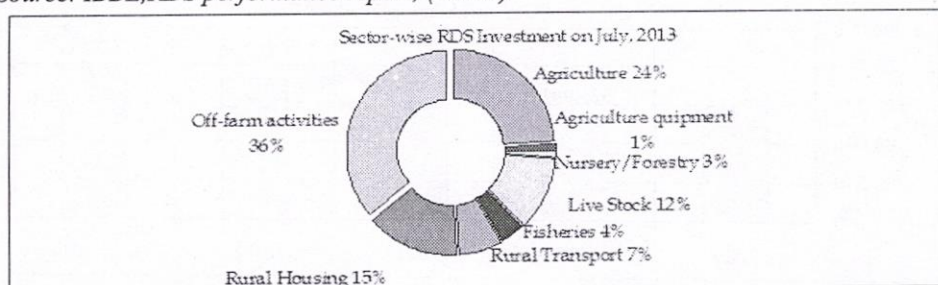
4.1.3 Growth of Sector-wise Investment

Investments under RDS are extended in the rural areas especially in the agriculture sector. However, a significant investment has also been extended in different income generating off-farm activities, rural housing & transportation facilities. It has been furnished in the following table (8) that 42% investment was extended in different sub-sectors of agriculture (sl. no. 1 to 5), 22% in rural housing & transportation sectors and 36% in different off-farm activities:

Table 8: Growth in terms of sector-wise investment under RDS

Sl.	Particular	Clients	Share in %	Investment (Taka in millions)	Share in %
1	Agriculture	149,480	30%	2,980.93	24%
2	Nursery/Forestry	6,707	1%	119.89	1%
3	Agricultural Equipment	7,189	2%	140.08	1%
4	Livestock	78,025	15%	1,462.21	12%
5	Fisheries	19,211	4%	418.87	4%
6	Rural Housing	45,857	9%	1,840.44	15%
7	Rural Transport	36,058	7%	788.00	7%
8	Off-farm Activities	161,220	32%	4,526.82	36%
	Total	503747	100%	12,277.24	100%

Source: IBBL, RDS performance report, (2013b)



[Figure 8: Sector-wise Investment]

Source: IBBL, RDS performance report, (2013b)

4.2 Changes in Family Income

A research by Rahman (2008) shows that RDS's effort to increase clients' family income by investing their borrowed money in different income generating activities was quite successful. Table 9 shows that on an average clients' income have increased by more than 33 per cent from the time they joined RDS until 20062. The highest income change (BDT. 6763 per year) was observed for small business which implied that clients preferred investing money to business sector, which was followed by income from services (BDT. 4615 per year). The crop sector's income has also significantly increased recognizably.

Table 9: Annual Income Generation of the Households by Sources

Source of Income	Households' income (BDT./year)		Change of Income	
	Present	Joining	Taka	Per cent
Crops	13118	10993	2125	19.33
Fruits selling	1629	977	652	66.73
Vegetable	2109	1464	645	44.06
Livestock	4070	2841	1229	43.26
Poultry	1669	1195	474	39.67
Small Business	32061	25298	6763	26.73
Labour Selling	13617	11003	2614	23.76
Service Income	14827	10212	4615	45.19
Others	9927	5751	4176	72.61
Total	93027	69734	23293	33.4

Source: Rahman, M. M. (2008: 13)

4.3 Human Development and Socio-economic Change by RDS

During the survey conducted by Rahman for his research (2008), clients acknowledged the positive changes in their skills, social and economic condition after joining RDS. Results also showed that micro-investment program had brought positive changes in their socioeconomic status. Significantly changing the members' self confidence (80%), economic solvency (78%), communication skills (79%) and knowledge on business (76%) are highly gratulatory. RDS has proven itself in bringing about a human development shift in the rural areas of Bangladesh. Table 10 shows a clearer picture:

Table 10: Human Development and Socio-Economic change by RDS

Serial	Types of change	Increased		No change	
		Frequency	Percentage	Frequency	Percentage
1	Economic Solvency	775	77.97	219	22.03
2	Islam Practice	240	24.14	754	75.86
3	Social Dignity / Status	211	21.23	783	78.77
4	Self Confidence	800	80.48	194	19.52
5	Business knowledge	720	72.43	274	27.57
6	Communication skills	785	78.97	209	21.03
7	Knowledge on business computation	755	75.96	239	24.04
8	Confidence on education	596	59.96	398	40.04

Source: Rahman (2008: 19)

4.4 RDS's Contribution in Increasing Religious Commitment And Awareness among The Clients and Staffs

Religious and ethical development of the clients was one of the important objectives of RDS. Unlike other conventional MFIs and NGOs, RDS aims to build bridge between the material and the spiritual developments of the clients, which is core of Islamic worldview. It is widely thought by many economists and development researchers that the Islamic system of purdah (hijaab or covering) is a major barrier to development, poverty alleviation, women's rights and gender equity. It is also a fact that Dr. Muhammad Yunus mentioned this as a major obstacle while establishing Grameen Bank (see Canlas, 2009: 6).

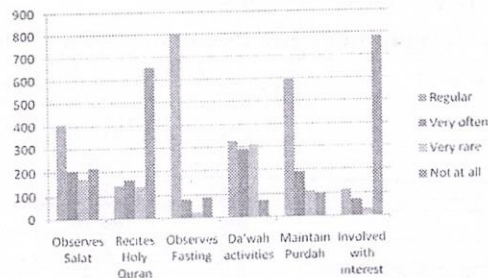
Clients' present religious performances have been demonstrated in Figure 9 and Table 11. Result shows that most of the clients observe fasting, while almost 85 percent clients maintained purdah. Although, 85 percent clients avoid taking interest, however this cannot be relied on, as 15 percent clients have involvement with other interest based NGOs. It is also true that many among the clients are not still clear about the difference between interest and profit.

Table 11: Performance of religious activities among the RDS clients

Statements	Regular	Very often	Very rare	Not at all
Score (no.)	10 (0)	6 (4)	4 (6)	0 (10)
Saying prayer	405	204	170	215
Know how to recite Holy Quran	643	-	-	351
Reciting Holly Quran	139	164	136	655
Fasting	807	79	21	87
Inviting towards Islamic activities	324	289	311	70
Involvement with dowry	033	-	-	961
Maintain Purdah	596	191	109	98
Involve with interest	111	71	29	783
Misunderstanding with husband	049	29	11	905
Involvement with social activities	007	305	372	310

Source: Rahman (2008: 10)

Note: Figure in the parentheses are the score for dowry, interest and misunderstanding with husband



[Figure 9: Religiosity of the RDS clients]

Source: Author's source, adapted from Table 11.

Research has also proved that RDS was successful to create religious awareness among the clients. For instance, more than 21 percent of the respondent clients have started praying after joining RDS programs. Similarly, 24 percent people have started reciting Holy Qur'an, and another 8 percent have stopped transactions with interest. The results have been put in the following table (12).

Table 12: Increased awareness among the RDS clients after joining RDS

Indicators	At Present	At Joining	Change Status	
	Frequency	Frequency	Frequency	Percent
Saying prayer	779	643	136	21.15
Know how to recite Holy Quran	643	600	43	7.17
Reciting Holy Quran	339	273	66	24.18
Fasting Regularly	907	880	27	3.07
Inviting towards Islamic activities	924	870	54	6.21
Involvement with dowry	033	-	-	-
Wearing Hijab	896	885	11	1.24
Not involve with interest	883	814	69	8.48
Misunderstanding with Husband	089	-	-	-
Involvement with any local crime	007	-	-	-

Source: Rahman (2008: 14)

Besides, there was a rising awareness of Islam among the RDS staffs, as a result majority of them believes that RDS is not only a microfinance service, but rather it's the duty of the IBBL towards achieving Ridha-Allah (Allah's satisfaction). The results were the outcomes of a survey conducted in 2008 among 36 RDS staffs. The following table (13) shows other major reasons for RDS

Table 13: Major reasons for IBBL to maintain RDS

Reasons \ Level of importance	(Highest) 1	2	3	4	5	(Lowest) 6
For Allah's satisfaction	19	8	4	3	1	1
It is social responsibility of Islamic bank to have Microfinance	11	9	8	5	2	1
Microfinance will create good relation between bank & society	6	11	5	6	7	1
To create job opportunity	3	7	11	8	1	6
Profit rate is higher in Microfinance	0	2	6	7	16	5

Source: Bin Hossain, Siwar, and Al-Mubarak. (2008)

4.5 RDS's concerns for Corporate Social Responsibility (CSR)

The RDS program of the IBBL has also kept mentionable remark in the CSR measures. Although, it is primarily funded by the non-profit service oriented sister concern of IBBL – RDS's parent organization, the major role is played by RDS. This support project was established with the objective to provide mass education, health and medicare services for the integrated development of the villages covered by the RDS, with special emphasis on a) Providing general elementary and moral education to the children of the areas covered, and

establish libraries towards eliminating illiteracy, b) creating health awareness among the people, and opportunities for primary health care, and c) to encourage the people to use safe water for drinking, sanitary latrines.

Under this project, RDS runs programs in any of the two categories, namely:

1. Educational Programme, and
2. Healthcare and Medicare programme.

The educational programmes include a) elementary religious schools, b) mass education centre, c) libraries, and d) cassette clubs. Elementary religious schools are aimed at creating religious awareness among the rural people and especially to cater the children in an Islamic framework and enlighten them to develop proper Islamic understanding. These schools are often placed at a masjid, or in a schools or in any suitable place in the village. The mass education centres are especially focussed to provide basic reading and writing skills to the rural people so that they can at least 'sign' their names. Besides the schools and mass education centres, RDS have put up libraries to enhance the reading habits of the local community; and cassette clubs were to provide them an opportunity for recreation (see RDS, 2006: 24-30).

The healthcare and medicare programmes include preventive programmes like providing tube wells, sanitary latrines, immunisation programmes, and health awareness programmes; and the curative programmes include establishing healthcare centres and providing easy access for the RDS clients to take treatments at the Islami Bank Hospitals nearby.

RDS also offers environmental care services. For example, in the rainy season, the RDS members are encouraged to go for plantation. For every three plantations, IBBL provides one small plant free of cost to each of the RDS members. During natural calamities like flood, storm etc. the IBBL distributes relief among the affected members. Besides, during the recent cyclone SIDR, in 2007, RDS provided special waiver from paying instalments to the affected people (see Parveen, 2009: 119).

The stance that RDS has taken to initiate an Islamic MFI (IsMFI) and the challenges faced throughout the time is certainly awarded with its high success and grand applauses from around the corner. RDS is likely to create an example of an IsMFI to the world, with its microfinance, socio-economic and overall human development programmes.

5. Conclusion and Recommendations

Microfinance, with the growing popularity in Bangladesh, has so far been in existence for the last three decades, yet the change and shifts in terms of poverty alleviation and better lifestyle is still tremendously low. More than 40 percent people are still under the poverty line (WB, 2007), and many still do not have access to healthcare, sanitation, safe drinking water and basic nutrition.

These issues are rising with the depression and the recent economic turmoil. However, researches have proven that far reaching effects of the 'high interest rate' of the credits from the conventional MFIs, deprivation from the rights of 'human development', excessive importance on women empowerment, and most notably absence of an ideal model for developing a 'balanced life' have all equally contributed to the current crisis (see Sadeq et al., 2000).

On the other hand, RDS as an IsMFI, faces problems of sponsorships, investments, resources, and mechanisms (see Rahman, 2008: 20) besides fighting the human psychology of 'interest-profit' war. There are still a very large number of clients who do not have a clear understanding of interest (riba) and the difference between interest and profit. Above all, as an IsMFI, RDS's ventures are also limited and needs scrutiny from the Shari'ah perspectives. This is a grave challenge for RDS towards being a leading IsMFI in the world.

A personal interview with a researcher on microfinance programs in Bangladesh has also revealed other common problems faced by the MFIs, Islamic or conventional, which includes client's debts from multiple MFIs, debts being utilized to pay for 'dowry' – which itself is illegal, husband's pressure to take loans from different MFIs and misuse of the funds for non productive investments, and most importantly usage of the funds for their basic family needs (Personal interview, 2009).

Despite many other problems, RDS is going ahead quite fast, with growth rate of more than 10 percent. RDS is unique among all other MFIs in terms of rebating 2.5 percent for duly payment of installments. It has positively contributed in creating human capital, providing the clients with basic human needs as Shari'ah objectives, and developing balanced personalities. Yet, it is true that there are still long way to go, and wide rooms to improve, in terms of developing mechanisms, guiding the clients towards better investments, creating jobs as means of poverty alleviation, and educating the rural mass towards shifting them to real 'human capitals'.

For investments, RDS offers projects under Mudarabah, Musharakah, Murabahah, Bai' muwajjal, Bai' salam and HSPM or ijarah. However, Qard hasan (benevolent loan) is the best way to invest for poverty alleviation programs. It is also true that with such little sources of revenue and income, it is not possible to take on Qard hasan projects right now. However, a better alternative is to create job opportunities besides providing investment opportunities. In terms of creating jobs, the employees will not have to bother about timely installments, nor would they be suffering from investment decisions as they may lack skill and ideas. The clients will also be able to plan their income, as the salary will be fixed, and not variable like in businesses. Besides, there will be no risk of loss. In small enterprises, only one entrepreneur is benefitted, however, in a small or medium (or even large) enterprise a handful number of people benefits.

Jobs which are feasible to fit the local conditions would be more preferable to the employees than moving out for their jobs. For example, opening a 'fish processing factory' in a coastal area will help a large number of people with job, contribute to the local economy as well as exports, and increase skills of the employees through their work experience which they may utilize to start their own business, later on.

An overall observation of the RDS's performance leads to conclude that it can soon reach a global arena to prove itself as a leading IsMFI, and widely open the opportunities to replicate it in other Muslim nations. It needs to keep its development progress on track, and with the help of Allah, it will be able to establish itself to the world as a unique model of IsMFI.

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Footnotes

- 1 The figure includes the number of Beggar members as well as the Higher Education Loan recipients along with the microfinance recipients.
- 2 The survey was done in 2006.