

A NEW DIMENSION OF ISLAMIC MICROFINANCE REVOLUTION IN BANGLADESH: A CASE STUDY OF RDS

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ABSTRACT: An ideal kind of financing under the observation of a growing lender-borrower network between banks and the rural based micro entrepreneurs, which are the formulated characteristics of interest free microfinance. Islamic Bank Bangladesh Limited (IBBL) is one of the fastest growing private banks of Bangladesh. To improve socio-economic state of Bangladesh, specially, the lives of the minor and hardworking people, therefore, the Rural Development Scheme (RDS) of IBBL has been initiated in 1995. And the main clients of this project are women who have been estimated to be about 85% approximately. This paper aims at poverty minimization and a hand-out help for suggestions to re-construct the Rural Development Scheme (RDS) through microfinance, so that, it can reach the ones in need. There are surplus number of institutions that have this Islamic microfinance service in Bangladesh but it is not mentioned here except for RDS and its activities are enumerated. A number of conventional MFIs are present in Bangladesh which work based on interest, those which did not measurably promote the status of poverty-stricken people over the years. The concern of this paper is to deduct poverty along with, to overcome the challenges of RDS and open opportunities of employment as a step towards poverty minimization. Though this research is analytic and descriptive yet it follows a comparative methodology in scrutinizing conventional microfinance institutions.

Keywords: Islamic Microfinance, RDS, Poverty, IBBL, Bangladesh.

BANGLADEŐTEKİ İŐLAMİ MİKROFİNANS DEVRİMİN YENİ BİR BOYUTU: RDS KONUSUNDA BİR ÇALIŐMA¹

ÖZ: Bangladeő İŐlam Bankası (IBBL), Bangladeő'in en hızlı Őekilde büyüyen ve geliŐen özel bankalarından biridir. Söz konusu banka Bangladeő'in sosyo-ekonomik durumunu iyileŐtirmek ve özellikle de bölgenin yoksul ve çalıŐkan topluluklarını ekonomik olarak kalkındırmak amacıyla 1995 yılında 'kırsal kalkındırma projesi'ni baŐlatmıŐtır. KuruluŐundan bugüne deĐin bu projenin müŐterilerinin %85'i kadınlardan oluŐmaktadır. Bu araŐtırma, bölgede yoksulluĐun minimuma indirilmesi ve 'kırsal kalkınma projesi'nin daha iyi Őekilde hizmet verebilmesi için yeniden yapılandırılması konusunda bazı teklif ve önerileri ele almaktadır. Zira, Bangladeő'te bulunan pek çok faizli mikro finans kuruluŐlarında yaptıkları projeler fakirliĐin azalması konusunda baŐarlı olamamıŐtır. Bu yüzden, araŐtırmada fakirliĐin giderilmesi ve kırsal kalkınma projesi baĐlamında bölge halkının iŐletime dahil edilebilmesi fırsatları üzerinde durulacaktır.

Anahtar Kelimeler: Bangladeő, kırsal kalkınma projesi, banka, İŐlam

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1. INTRODUCTION

Islamic banking is in its literal sense understood to be followed in accordance to the principle of Islamic law which is known as Shari'ah banking mode (Rosly, 2005) which refers to the four sources of Shari'ah law (Hallaq, 1997), When observed its technical processes i.e. Islamic financial can be alike conventional banking system. But it has created a bar between two notions from the trait of interest or "Riba". Therefore, it has maintained itself to become renowned in a short period of time not only among Muslims but also to the whole wide world. It is not limited to Muslim countries but to western and non-Muslims as well, as a step to gain economic development and stability. It has been proved that now non-Muslim countries have given priority to this Islamic banking system by opening a window to initiate Shari'ah banking activities; just like in 1963, the Egyptian bank in Mitghar, the first established Islamic bank in the world.

However, the years 2015 is very essential for Islamic banking for its asset growth. In many countries Shari'ah based banking has been implemented same way, Islamic finance triggered scholars research upon it. It is a fact that the percentage of Islamic finance to global banking is only 1%. In just few years, its asset has crossed over two trillion US dollars and it is estimated over more than five trillion US dollars within next few years.

In 1983, flourished the first Islamic bank in Bangladesh known as Islamic Bank Bangladesh Limited (IBBL). The number of global customers is 38 million where 35% are in Bangladesh and IBBL holds 30% of Islamic banking customers (IBBL Annual Report, 2015). It is for this reason that IBBL is known for its rapid and biggest bank of Bangladesh (Aminuzzaman 2010).

Rural Development Scheme (RDS) is one of the most important schemes of Islamic Bank Bangladesh Limited (IBBL) that deals with village related activities that has made drastic change in economic and ethical level. Despite that Grameen bank (GB) is called the pioneer of microfinance but RDS is functioned based on GB's model and run as Shari'ah law which is one of the fruitful tools of poverty reduction in rural and urban areas through activities. According to Siddiqi (1973) In the progression of the society a mass contribution of IBBL is definite in the development of economy.

1.2. Literature review on poverty and rural development in Bangladesh

Bangladesh is taken in consideration to be one of the developing countries, however, one third of the population remain poverty stricken. By an estimation, the number of poverty is more in village rather than in cities (World Bank 2014). Despite the fact that Bangladesh is a Muslim country, zakat is one of the main principle of Islam, but its distribution is not implemented properly to bring lives easy as Islam prescribed. Thus, poverty reduction is becoming more complicated day by day. A step towards it can be taken through zakat banking to minimize poverty in less developed countries (Uddin, 2016). In 1976, noble winner, Muhammad Yonus discovered a new idea of "Micro-Credit-System" which is globally promoted and taken as the key of ecological and economic development at present (Grameen Bank). Bangladesh, which has a large number of GDP growth yet 72% of the population does not involve its utilization in any financial banking services in Muslim countries (UNDP, 2012). Since, Islam forbids interest or 'Riba', they are allegedly forced to not enjoy any kind of interest based profit at all. Also, the

conventional banks, do not sanction to a loan unless collateral is offered, which forms a barrier for the poor to extend in their field of work. According to Friedman (1969) an eminent factor for resource allocating efficiency requires a nominal zero interest rate.

On the other hand, countries like Malaysia and other Muslim countries have established central Islamic Banking system which successfully reach out by implementing Islamic micro finance activities. But Bangladesh not being able to follow such services yet fulfilled a system for the villagers i.e. IBBL developed an idea of poverty reduction within the Islamic ethics for the rural people named “Rural Development Scheme” (RDS) and another project for the cities as “Urban Poverty Development Scheme” (UPDS) for employment in 1995 and 2012 respectively. Hence, a bridge between industrial development and RDS is built.

It can be said that after its establish RDS has provided opportunities in renovation of rural lives (Rahman et. al., 2008). According to Hawlader (2008), in order to eliminate poverty from Bangladesh, RDS is the key principle, meanwhile UNDP in a research declared that Bangladesh, which has both Islamic and conventional microfinance institutes but only RDS has the most accelerated performance. Shohrowardhy (2015) marks that the only bank living up-to the axis of stability in Bangladesh is IBBL.

1.3. Why Shari’ah based micro-credit is needed in Bangladesh

Bangladesh, with its land reserve stands at 94th position in the world, it is at number eight in population and it is in third place among Muslim countries, not only that, 31% of the total population under poverty line and among which 11% are very extreme poor (Hossain, 2014). It is a loss with its great population and few agricultural lands also, it is disappointing that conventional banks or microfinance institutions of this country do not offer loans until collateral is offered and repaid with an extra amount of interest. IBBL took an initiative towards the betterment of lives and attainment of financial stability by introducing rural development scheme in 1995. It is to be noted that Bangladesh administration has it in estimation of that more than 20,000 thousand conventional and Islamic microfinance institutions are registered but only RDS is the sole financial institute that has accomplishment in loan repayments from customers to 99%. Behind such success lies the fact that RDS always provides tools and equipment to the beneficiaries instead of giving money hand to hand like other micro financial institutions to make sure the money is placed to start a business. However, RDS takes a very low amount among all Bangladeshi institutes against Qard al Hasana loan.

The year 2015 was an economical challenge for the globe. Where, American economy fall by for the lowest ever and its interest rate in the federal reserve hiked to a quarter of a percentage in the last decade. Greece was to be disqualified from EU and for the first time, China’s economy falls lower than 7%. On the other side of it, the price of oil in the world market declined that caused to have negative effects in many countries. However, Islamic finance market brought itself forward, as for Bangladesh, it can be said that eight full fledge of Shari’ah banks, nine conventional banks whose nineteen Islamic branches and a twenty-five Islamic banking windows of seven non-Islamic banks accomplished a prosperous position than their counterparts in 2015. Its market share deposit stands at 22% and market share investment increased to 23%. This progress of Islamic finance market proves that it needs more Shari’ah based microfinance industry so that it will be the cause of poverty reduction from the country

2. A REVIEW ON RURAL DEVELOPMENT SCHEME OF IBBL

The revolutionary conception of Rural Development Scheme (RDS) was in 1995 by IBBL, a leading private Islamic Commercial bank which formulated the first Islamic Microfinance Institute of the country. Its main aim is alleviation of poverty and some other factors of economy such as, developing the rural economy, solving the problems related to unemployment and establish model villages that are gradually freed from widespread poverty and injustice of distribution specially the ones where illiteracy rate is high.

Bangladesh is one of the poorest countries of the world in terms of income and other social factors; the estimation of unemployment is rising on a daily basis; it can be evaluated that the national wage is still below the poverty bar of USD 2.00 per day. Also, the rate of Bangladesh's unemployment rate was 5.1% in 2010 (Bangladesh Bureau of Statistics). But focusing on the economic sector of the country it mostly depends on agriculture with vast majority of the population living in rural areas in addition to it also, it depends partly on the garments manufacturing service sector.

By adopting this microfinance program since it targets women of the rural poor, it aids in the reduction of poverty. This conventional microfinance program is different in its characteristics to other conventional programs especially in the interest based credit flow which is prohibited in Islam, however, IBBL provides Shari'ah based microfinance program. Both the traits of microcredit and micro-savings are integrated in microfinance (Soumitra Sarkar, 2011)

RDS, performs based on the Quranic concept of Shura (Al-Quran, 42, 38). It organizes the target people into five groups comprising of similar occupation but not from the same family. Each member is allocated with group responsibility so that the members abide by the discipline of the program and ensure against any defaults but no form of collateral is taken from the members. (RDS, 2006, 11-12)

Although RDS uses various Shari'ah compliant modes like Mudarabah, Ijarah and bay'-salaam; investments are centered to bay'-Muajjal (deferred payment sale) mode in practice. (Obaidullah, 2008, 17)

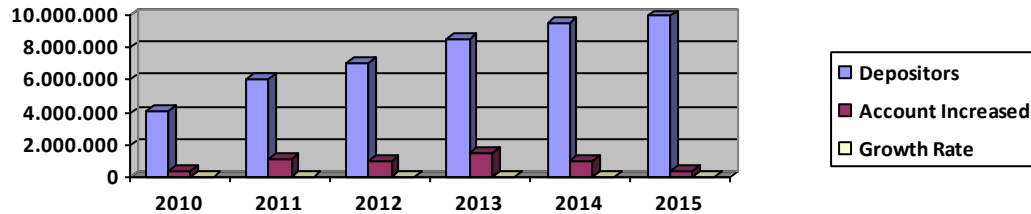
IBBL- Islamic Bank Bangladesh Limited has pioneered a socially responsive and Shari'ah compliant welfare oriented banking through operations and services unique by mechanism and objectives since its birth at the early nineteen eighties. As said in the Holy Qur'an (surah an-Nahl: 114) so eat of the lawful and pure (things) which Allah has provided for you. And be grateful for the favor of Allah, if it is He whom you worship.

2.1. IBBL- A Business Review

As per the IBBL business review it has successfully transacted Tk.615,359.21 million BDT deposit from 9,926,315 depositors and deployed Tk.530,192.50 million BDT as general Investment into 728,145 accounts up to 31st December 2015. During the year 2015, the total income of the Bank was Tk.56,551.90 million BDT and total Expenditure was Tk.42,204 million showing 1.22% decrease than that of 2014 resulting in pre-tax profit of Tk.13,814.46 million. As for the year 2015, the Board of Directors suggested 20% cash Dividend to the shareholders. In the case of core depositors, in 2015, with 4% an amount of 338,896 accounts, growth over 2014.

In addition, the growth of deposit increased by 10% with 54,663 BDT million in 2015 over growth rate of 2014 (Annual report of IBBL, 2015).

Chart: 1: Date of account opening, depositors and growth rate trend from 2010-2015



(Source Annual Report 2015-IBBL)

Above chart describes that the depositors section increased in 2015 over than previous years with 4%, while in terms of account, it decreased in the year of 2015 and it stands same as like 2010. In 2011 and 2013 both have same quality with securing 22% and 21% in terms of depositors, account increased and growth rate respectively.

The activities of the RDS foundation have increased manifold with the passage of time. It has undertaken some new projects apart from carrying out its regular programs. Such as Green Banking, Islami Bank Hospitals and colleges in Khulna, Rajshahietc (IBBL Annual report, 2014, p. 123, 111)

IBBL, to help the disaster areas of the country, contributes an amount (27.49%) of its investment and takes as its one of the priorities to support the economic role in the mostly less and needs areas, in case of any emergency using its Climate Risk Fund (CRF) as part of its CSR.

During 2015, the amount of investments in the economic activities of 32 districts are shown in the chart:

3. OBJECTIVE OF THE STUDY

The following are the main aims of the study:

- To establish model village within the command area of designated branches of the bank.
- To extend investment facilities in the rural areas.
- To open opportunities to the rural youth for employment and income generation.
- To provide educational services and sanitation, safe drinking water and health care services.

3.1. Methodology of the Study

The present study has been both empirical and theoretical ones. Both primary and secondary data are used in this study. The primary data has been retrieved by personal decoration of interviews for collection of data on the basis of expert's opinion preparing a questionnaire to the field officers of RDS in different branches of IBBL. Whereas, the secondary data has been

collected by consulting articles on RDS of IBBL and their annual report of 2015, existing publication and literatures, websites etc. Analysis of the data is theoretically explained, tabulated and presented graphically.

4. MANAGEMENT SYSTEM OF RDS

Under the provision of RDS, there is a maintenance of grouping, the schematic features of the group formation are as the following:

- a- To be formed belonging to the same profession containing 5 members each.
- b- The members of each group select their Group Leader and Deputy Group Leader to coordinate the activities. Then, the Branch Manager visits each group to give formal recognition through the issuing of pass Books.
- c- The Centre that is the decision making of the Leaders comprise of 2 to 8 maximum members
- d- In order to become a dependable client member of the scheme and their meeting are recorded in a Resolution Book with signatures of the members.
- e- The RDS works with an allocation of project officer in each village by the district officer making ten officers to work on the field. Then under them there are several sections of supervision which are appointed to senior Assistant Project Officer (APO).
- f- Subservient to them there are junior field officers (JFO), and then divided into unit officers. Furthermore, in the final step of the investment application, the list of the selected clients is submitted to the Branch manager duly signed by the group leader, center leader, field officer and project officer for sanction and disbursement of the prescribed amount.²

4.1. Analysis of RDS in Comparison to Other Banks:

RDS started its mission since the mid-nineties and it set a mark higher than other conventional MFIs that implemented their micro-financial programs a decade ago like Grameen Bank(GB), Bangladesh Rural Advancement Committee (BRAC), ASA, Proshika and ACTION AID etc.

RDS has a positive reaction in the selection and allocation of target groups. They accept offering loans to farmers having land holding of maximum 0.50 acres. Sharecroppers who have consent from the land-owners along with, persons engaged in off-farm activities having no land or 16 and up-to maximum 0.50 acres' persons/farmers permanently residing in the selected villages. Persons having derelict pond will be qualified for investment but not those who have liabilities with other banks etc.

The scheme has a recovery center fund where each members of the selected groups have to deposit minimum BDT 2.00 per week in the Centre Fund. This fund is preserved by opening a Mudarabah Savings Account in the name of the respective of the members by way of Qard as per decision of the Centre in the weekly meeting. This account is operated by center Leader and Deputy Centre Leader jointly and its fund is refundable. In contrast, this program does not require any security against investment like Grameen Bank etc. (www.islamibankbd.com).

To evaluate the essential impact of RDS of IBBL in comparison to GB have been spotted in a study. Whether consciously or unconsciously, not a single member has decided to walk out of RDS and join GB. Firstly, as it is near their dwellings and delivery of goods is at their foot of the door whereas GB pervades weekly installment pressure. And more importantly RDS avoids (Haram) interest. Secondly, the clients themselves noted their experiences with RDS, it talks about Shari'ah, also it is flexible in the weekly installments and the workers of RDS provide the investment money at a close range. Thirdly, the

² Personal interview with RDS's operation manager.

members expect more from RDS, like in a year an increased volume of investable funds and more than one type of finance. They also demand special assistance for multi purposes such as construction of houses, tube wells for drinking water, sanitation and medical treatment. The eligibility of persons in the program are functional and industrious rural poor between the ages of 18-50 yrs. Also, for destitute and distressed people.

Table 1: Showing the compared version of micro-credit program- RDS

Differentiated Features	Rural Development Scheme	Other conventional IMFs in Bangladesh.
Target Group	Rural people with 0.50 to 1.50 acres of land. Both men and women are covered. RDS prefers women.	Rural people with 0.50 acres of land. Both men and women are covered.
Sources of Funds	Member Savings; Depositor's Savings; PKSF.	Member Savings; PKSP; International Donor Agencies.
Sanction of Loan	Two months after the formation of group	One week after formation of group.
Program	Mainly micro-investment.	Micro Credit, Non-Formal Education and Water & Sanitation.
Criteria Applied for Selection	Land ownership and permanent residence	Land ownership
Size of Loan	Minimum: 10,000 BDT & Maximum 50,000 BDT. Core product: 25,000 BDT (for a year) Rural transport: poultry: 35,000 BDT (for a year) Fisheries: 50,000 BDT (for a year) Rural housing: 50,000 BDT (for a year) Off-firm activities: 50,000 BDT (for a year) Agricultures implements: 50,000 BDT (1-3 year) Nursery: 50,000 BDT (for a year)	Minimum - Tk. 3,000 Maximum - Tk. 40,000
Savings	Tk. 25 Per week	Tk. 5- Tk.10 per week
Mode of Disbursement	Goods / Assets: Bye Muajjal (Sale on credit)	Cash credit
Profit Rate	10% (Flat Rate); but 2.50% rebate in the case of regular and timely payment; Profit –Sharing basis: risks are shared by IBBL if loss is genuine.	24%- 30%; All risks and rewards are transferred to borrowers.
Repayment-Period Starts	After two weeks of disbursement.	After one week of disbursement.
Activities Financed	Both farm and non-farm activities.	Both farm and non-farm activities; Special emphasis is on non-farm activities.
Collateral Required	No collateral except personal guarantee and savings.	No collateral except personal guarantee and charge documents.
Waiver	Waiver is allowed	No waiver is granted except the cause of death

Source: Juhur and Quadir, 2010.

4.2. Functional Progression of RDS and Its Analysis:

Rural Development scheme, since 1995 has been working for the upliftment of the rural poverty and creating generation of income. The factors causing high rate of poverty prevailing till now majorly in Muslim countries alone is because of them being a colony to the western autocracy that resulted in the drought of economy (Hanafiah, 2009, 1). It is further evident from unfair distribution and a biased gap between poor and wealthy people (Affandi and Astuti, 2013). Islami Bank Bangladesh Limited (IBBL) introduced another investment Scheme in May 2012 for the poor of urban areas known as ‘Urban Poor Development Scheme (UPDS)’. This way IBBL extends such collateral-free micro-investments to the target groups. (IBBL, Annual report 2014), A more suitable environment of profit and loss sharing contract to work in equilibrium for IBBL that is more appropriate in IBBL but its downfalls of success come about resulting from social awareness, rehabilitation, economic and psychological support and strict enforcement of laws etc. (Begum, 2004).

In this scheme, there are certain limitations for the field officers and the target groups to follow such are:

Every selected village will have ten field officers sent from the bank to allocate target groups who are in real need. Firstly, they survey the village to understand the needs of the people and separate them for investment. The officers group members containing 30-40 members forming 6 to 8 groups. Then, their next step is to familiarize them with the scheme and its principle of Shari’ah.

Table 2: Performance under both the scheme at a glance as on 31.12.2015

SI.	Particular	RDS	UPDS	TOTAL
01	No. of Branch	227	24	251
02	No. of Employees	2,366	103	2,469
03	No. of Member	9,23,250	24,055	947,305
04	No. of client (members availing investment)	553,098	16,772	595,820
05	Total disbursement during the year	29,023.84	900.20	29,924.04
06	Investment outstanding	20,074.20	724.62	20,798.82
07	Overdue	96.62	12.92	109.54
08	Savings	6,779.50	111.18	6,890.67

(Source: Annual Report 2015, IBBL)

4.3. Investment and recovery strategy:

For the purpose of investment depending upon the sector, the Branch selects any of the modes such are: Bai Muajjal, Hire-purchase ShirkatulMeelk (HPSM), Bai-Salam, Murabaha and Musharaka.

Savings plan:

- From the beginning of the group activity, its members must open a Mudarabah Savings Account (RDS) in their individual names.
- This savings account is a non-cheque account which makes a habit of mandatory savings.
- If, however the member has no other liability with the Branch then the savings may be withdrawn.
- An amount of minimum Tk. 10.00 is made as a weekly savings in the account.

- No collateral taken for investment.
- Unlike the other MFIs, such as Grameen Bank it invests properly by purchasing the tools and items of need for the required field which is done by the field officers themselves and given hand-to-hand to the member of a group.
- Group discipline is guaranteed by the other members of the group.
- Muslims and non-Muslims can apply for the scheme however, the principles of Shari'ah do not apply for the non-Muslims.
- Every week they are given updates and have open discussions with the field officers.
- First installment of investment is 8000/- BDT which the bank recovers with 10% profit that makes 8800/-tk.
- In one year, the recovery is made by taking 194.95/-BDT in 45weeks.
- In case the recovery is made completely by any group then, an MSS Savings account gives a loan of 50thousand taka approximately.
- And further the recovery made of it then, they are shifted to Micro-finance projects where they will be given a loan of minimum 4 hundred thousand BDT.

4.4. RDS Growth Effect:

- It has nourished itself through its activities at a level where the demand of MFI project of other banks is declining such as GB, BRAC & ASA etc. a research conducted by (Ahmed et al, 2009) where BRAC had failed to reach the extreme poor in Bangladesh.
- It includes a system of liquidity in investment considering all factors of liability if the loan-taker dies then their file and their group works are sent for inspection which recovers the money of the bank from a Social Security Fund which is created for such cases.
- IBBL has successfully implemented its steps towards removal of poverty by making possible for the members under the scheme to deposit compulsory weekly savings at least 25\BDT per week making savings for their future days (Praveen: 2009). Found that within a short time, since inception of RDS has been treated as a sustainable Micro-finance program to remove poverty in the rural area of Bangladesh.
- The bank also provides training for the beneficiaries on difficult categories such as agriculture, livestock, fisheries and various vocations. Another project under the bank to meet the investment need of the graduated members of RDS, who have successfully paid-up maximum of investment and also, to provide investment facilities to the potential small businessmen of the locality namely “(Micro Enterprise Investment Scheme (MEIS))” has been introduced. The non-financial welfare activities under the scheme are considered most effective in the fields of Education, Health and Environment. (IBBL: www.islamibankbd.com)

Table 3: A comparative preview of growth of micro-investment (MI) and micro-enterprise investment (MEI) under the schemes is shown below:

Sl.	Particular	2011	Growth	2012	Growth	2013	Growth	2014	Growth	2015	Growth
01	MI client	343,304	18%	421,703	23%	472,146	12%	506,303	7%	300,216	1%
02	MEI client	39,015	37%	53,063	36%	60,089	13%	39,891	4%	69,604	
03	Total	382.319	20%	474,766	24%	532,235	12%	546,194	10%	569,820	4%

(Source: Annual Report 2015, IBBL)

These two upgraded projects of both RDS and UPDS, a) Micro-Investment (collateral free) maximum BDT-75000/- is only for the group members and b) Micro-enterprise Investment (with collateral security) which grants the amount for both experienced RDS members and newly introduced local entrepreneurs with maximum amount of BDT- 500,000/- are provided for the beneficiaries who previously went through their payment in due time within the conditions. RDS has ballads of its success in many people's lives. One of them is Laxmi Rani (a non-Muslim woman) who had wooden crafts in village and lived a very hard life. But after an investment of 8000\)-BDT initially changed her life completely making owner of wood-making. There are many Laxmi Rani's who have started a new life with IBBL under this RDS scheme. Today, about 227 branches are handling the program surfacing more than 17,104 villages under 64 districts of the country, whereas, 24 branches are handling UPDS in Dhaka, Chittagong and Sylhet metropolitan cities. Under varied centers, the target group people are organized as members in the selected villages/areas in groups. It can also be mentioned that the ratio of female members under the scheme is 85%. (Annual report 2014, IBBL). It is remarkable that IBBL has a Qard al Hasana project to the eligible members of RDS to setting up tube-well, sanitary latrine and other very needed things like rehabilitation and natural disasters up to TK 10,000/- besides this, they extend their help to the extreme poverty lives who are not the members of RDS providing amount of TK-5,000/- for the cause of humanity.

Table 4:

No	Name	2011	2012	Grow	2013	Grow	2014	Grow.	2015	Grow
1	Micro-Investment	4,234.18	6,036.74	43%	7,956.89	32%	10,254.76	29%	11,781.60	15%
2	Micro-E Investment	2,837.85	43,53.97	53%	5,774.03	33%	7,125.20	23%	9,017.21	27%
3	Total	7,072.03	10,390.71	47%	13,730.92	32%	17,379.96	27%	20,798.82	20%
4	Recovery	99%58	99%72	-----	99%70		99%50		99.47%	---

(Source: Annual report of IBBL, 2015)

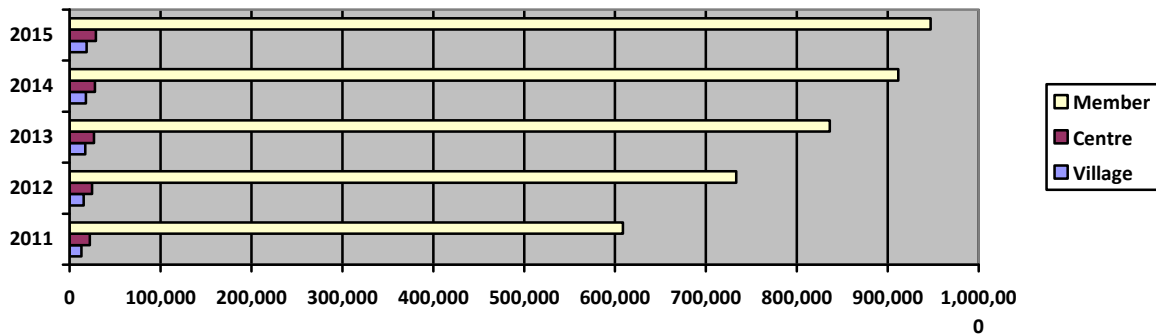
In the mentioned table, it is seen that the investment of MI and MEI projects under the RDS, since 2011 to 2015 has a big difference. While in 2011, the total investment was 7,072.03 million TK, in 2015 it reached to 20,798.82 million of BDT. On the other hand, in the case of recovery rate, both 2012 and 2013 was a remarkable point for RDS as the percentage touched 99.72% & 99.70%.

Table 5: A figure showing the growth rate of RDS and UPDS schemes in the last 5 years:

Particular	2011	2012	Growth	2013	Growth	2014	Growth	2015	Growth
Village	12,857	15,371	20%	17,104	11%	18,086	6%	18,615	3%
Centre	22,206	24,623	11%	26,887	9%	27,874	4%	28,822	3%
Member	608,703	733,520	21%	836,227	14%	911,470	9%	947,305	4%

(Source: www.islamibankbd.com)

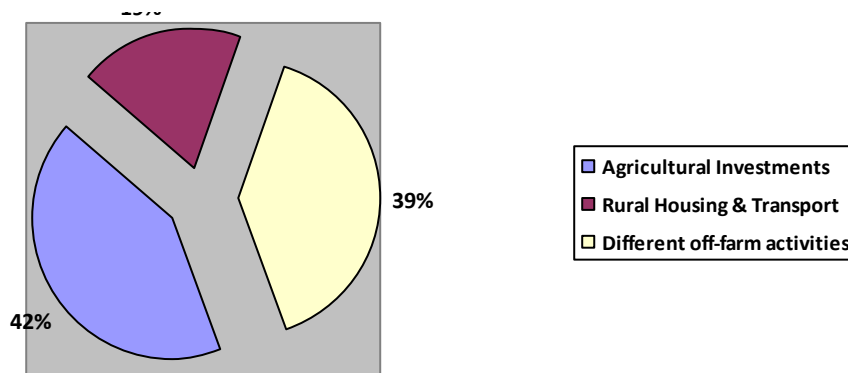
Chart: 2



(Source: Annual report of IBBL-2015)

Its investment is made broadly in all the sectors of income generation but mostly in agricultural sectors. It is estimated that in sub-sectors of agriculture an investment of 42% is made, 19% in rural housing transport and 39% in different off-farm activities. It also provides skill development programs to the clients like educational program and graduation programs but since poverty alleviation requires support of both financial and non-financial welfare services like health services and clinics etc.

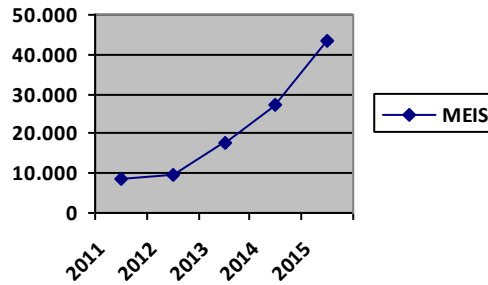
Chart 3: Sector-wise disbursement under agricultural investment in 2015 is shown in the following graph:



RDS also examines the clients within their performance like payment in due time, fulfilling the conditions that are sought by RDS authority in the beginning of investment. According to their commitment by availing highest ceiling of investment from time to time having enough collateral

security, then they are transferred to the MEIS i.e. launching rural housing investment, income sources entrepreneurs project and other logistic supports by RDS. In last five years, the transferred clients to MEIS from RDS because of their best performance in term of dully payment in time reached from 8,482 to 43,604 persons.

Chart: 4



RDS of Islamic Bank Bangladesh Limited is an institution not only for poverty reduction but it has other activities that must acknowledge to be a non-profit organization as well. It has various project in the name of welfare project which runs every year specific programs for the needy people. This shown in the below:

Table 6: A portrait of non-financial (welfare) activities of RDS in sector-wise investment:

Sl.	Program	2015		Cumulative	
		Beneficiary	Amount	Beneficiary	Amount
01	Education Program	42,983	57.94	127,509	125.74
02	Training Program	169,217	26.87	422,222	29.60
03	Health Program	48,612	66.97	151,624	104.00
04	Relief & Rehabilitation Program	4,032	30.59	14,750	50.83
05	Environment Program	757,556	20.92	722,376	59.39
Grand Total		1,015,454	161.90	2,156,170	455.46

(Source: Annual report 2015, IBBL)

5. THE LIMITATIONS AND PROBLEMS OF RDS

- A few field officers appointed by the scheme does not ensure 100% honesty with their work such as handling the money, surveying properly and recovering the money to the bank which makes that 1% of non-recovery from 99% of RDS recovery.

- The bank when receives recovery of a one-year loan duration within three months then it makes the members of the target group to wait for a whole six months' time that provokes the members to reach other banks for help.

- Although, RDS is a Shari'ah compliant project where the officers handling under this scheme must have a clear concept of the principles of Shari'ah yet there are few officers who are unaware of the basics of Shari'ah.

- The IBBL is known for its renowned position in Bangladesh than other MFI banks however, it has yet not reached completely to many rural areas of Bangladesh where poverty scale is very high, which BRAC and GB has achieved to reach out.

- Absence of a central Shari'ah board of Islamic microfinance industry for monitoring the institutions according to the Shari'ah standard.

- Since Bangladesh is an agricultural based country where Islamic microfinance institutions have failed to launch new products based on its appeal.

6. RECOMMENDATIONS

- RDS must reach out to the extreme poor people also who cannot afford at all.
- Instead of investment, if employment is offered to every member of each family. In small projects under the scheme itself like dairy-farm and fisheries which will enable job opportunities for the members that will bring a stability in the poverty rate.
- Also, to open job opportunities for poor women specially the widows of the villages.
- To provide complete Shari'ah teachings to the field officers of the scheme.
- To shorten the time duration of a second-time investment after the recovery of first investment to two or three months than six months.
- Other conventional MFIs like GB, BRAC etc. have a wide awareness around Bangladesh; however, RDS of IBBL does not. Therefore, to create awareness of the scheme through billboards or advertisements etc.
- To increase the amount of first investment from 8000/-BDT to a higher amount according to the inflation of the contemporary market price.

7. CONCLUSION

For forty years, Bangladesh has Micro-financial programs yet it is not successful in removing poverty from its geography. Because of the high interest rate charge of these programs (Momen and Begum, 2006) that made only 1% of poverty to erase and the other 99% remains (Islam, 2007) whereas, IBBL has followed the RDS project as of Grameen Bank's but RDS of IBBL has been successful in becoming the lone project in reducing poverty which has moved ahead in its elimination now. IBBL provides 50% of the global shari'ah based microcredit product to the poor and hardworking people and in Bangladesh it covers one fifth of total banking of the country.

It offers a complete Shari'ah compliant discipline instead of interest (Riba) taking, it functions in investment routine by applying the principles of Mudarabah, Musharakah, bay'-Muajjal and Ijarah; that has a huge positive impact on the society of Bangladesh in many sectors like food, sanitation and clothing etc. (Raqib, 2011) commented that the success journey of RDS can be an Islamic pathway for other Islamic banks in alleviating poverty in Bangladesh.

From its inception, it is estimated that many lives have changed their lifestyle from poverty to a mid-level of style that is differentiated from others MFIs in its prioritizing not in profit earning rather in the welfare of the poor. (Mizan et al, 2008)

Several researchers have proved that RDS has set a new Islamic model for alleviation of poverty in many zones of the world. From the works and strategies of RDS it is anticipated that it can grasp to be a new structure for the other developing countries as an Islamic Microfinance Institute.

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