

**An Exploratory Study of Islami Bank Bangladesh Ltd.:
Entrepreneurship Investment and Poverty Alleviation
Perspectives**

**Thesis Submitted to the Department of Accounting Rajshahi
University Rajshahi in fulfillment of the requirement for the
Degree of Doctor of Philosophy in Accounting**

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December 2002

IN THE NAME OF ALLAH THE BENEFICIENT, THE MARCIFUL

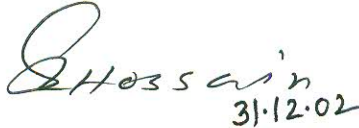
DECLARATION

I do hereby declare that this thesis entitled "**An Exploratory Study of Islami Bank Bangladesh Ltd: Entrepreneurship, Investment and Poverty Alleviation Perspectives**" submitted by me to Rajshahi University, Bangladesh, for the awarded of the degree of Doctor of Philosophy in Accounting, is an original work. It has not been submitted earlier, either partly or wholly, to any other university or institution for any degree, diploma or prize.

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CERTIFICATE

This is to certify that the thesis entitled, "**An Exploratory Study of Islami Bank Bangladesh Ltd: Entrepreneurship, Investment and Poverty Alleviation Perspectives**" by Mr. Abdul Mazid, Assistant Professor of Accounting, Birgonj Degree College, Dinajpur, is his own endeavour and not a conjoint work. We have gone through the draft thesis thoroughly and found it satisfactory for submission to Rajshahi University in fulfillment of the requirements for the degree of Doctor of Philosophy in Accounting.


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Acknowledgement

Praise is due to Almighty Allah, the Lord of the Universe and peace be on our Prophet Mohammed, his family, his companions, and all those who call to his message until the day of resurrection. First, I express my gratitude to Almighty Allah for keeping me physically and mentally fit for the successful completion of this thesis. I deeply acknowledge the help and cooperation, I received from different persons and organizations in the course of my study. Due to insufficiency of space, I am not able to mention all the names from whom I received valuable assistance and cooperation.

On the academic front I would like to thank, extremely grateful and indebted to my supervisors **Professor Md. Abdullah el Harun**, Department of Accounting, Rajshahi University, Rajshahi, and **Professor Dr. Syed Zabid Hossain**, Pro-Vice Chancellor, Khulna University, Khulna, for their guidance and supervision, encouragement, suggestions and critical comments at every stage of this research work.

I am thankful to Professor, Dr. Kabir Hassan, Department of Economics and Finance, College of Business Administration, University of New Orleans, USA for his cooperation and encouragement and suggestions at every stage of this work. I am also grateful to Dr. Mahmud Ahmed, SVP Islami Bank Training and Research Academy, Dhaka, for providing me books and journals from the academy and from his personal collection. I am thankful to Mr. Mozahidul Islam, Associate Professor, Department of Finance and Banking, Dhaka University, for providing me research articles from his personal collection.

I am grateful to my teachers Professor Habibur Rahman Akan, Professor Abinaya Chandra Saha, Professor Nazrul Islam, Professor Aubaidur Rahman Paramanik, Professor Mukarram Hossain, Professor Madan Mohan Dey, Mr.

Earjanj Ali Imam, Professor Shah Alam, Professor Mohshinul Islam, Department of Accounting, Rajshahi University, Rajshahi, for their valuable instructions and suggestions.

I also acknowledge the help, cooperation and encouragement, which I have received specially from Mr. Main Uddin and Mr. Kamrul Hassan, both Assistant Professor, Rajshahi University, Rajshahi. They supported me with their personal books, journals etc.

My sincere gratitude to all of the members of the Governing Body of Birgonj Degree College, Dinajpur, for granting me study leave from the college.

My heartiest thanks are due to those friends, colleagues and well wishers whose help and blessings encouraged me all along to carry on with my work.

I acknowledge with great honour and gratitude to those researchers, authors, and scholars for the insights that I have received from their works during each stage of my research.

I am deeply indebted to my wife, parents, in-laws, near and dear relations for their sacrifice, good wishes and encouragement to bring the thesis to an end. Among them my special thanks to my beloved spouse 'Hena' for sharing my anxieties and excitements and also for showing excellent understanding and patience as I was remain absent from home during the research work.

Finally, I feel guilty to my daughters 'Habiba' and 'Fatima', who were deprived of my attention and affection due to this research work. I hope, they will forgive me when they will grow up and see the dissertation, which I have produced for my professional development and career growth.

Md. Abdul Mazid.

Preface

Islami Bank Bangladesh Limited is the pioneer Islamic Bank in Bangladesh. It was established in 1983. The bank has been operating through a net work of 116 branches under 7 Zones (with Head Office). During this short span of time IBBL demonstrates high growth in its deposit, investment, foreign exchange business, employment generation etc. It has created direct employment of about 3000 people and indirect employment opportunities for a lot of people all over Bangladesh through its investment and other activities. The bank has also been contributing a lot of amount every year to the national exchequer in the form of tax and dividend. The bank established Islami Bank Foundation in 1991 for serving and rehabilitating the distressed humanity. The Foundation has so far established several modern hospitals, service centres, vocational training institutes, and model schools and colleges.

IBBL with its commitment to the society has also started Rural Development Scheme (RDS) for extending credit facilities to the rural poor. Since the inception of the Scheme, RDS has been creating farm and off-farm job opportunities through Micro-investments for alleviating rural poverty and nurturing rural entrepreneurs.

As an Islamic bank, it has to follow strictly the Islamic Shariah and Islamic values. It can not charge interest on its investments like traditional banks. Rather it invests on the basis of profit loss sharing or cost plus basis or some

other Shariah based systems. Profit and loss sharing system is a risky approach because all people are not honest and our economic system is not predominantly Islamic. The cost plus investment system has also some shortcomings. The main problem is whether it is in accordance with the Islamic Shariah or not. Some conservative Islamic scholars still believe that it is not in accordance with the Islamic Shariah. Again the question arises how far IBBL is successful in addressing rural poverty through entrepreneurship development. So all its activities such as deposit mobilization, investment, rural development scheme etc. need to be reviewed critically. Specially its investment, entrepreneurship development and poverty alleviation cycle should be thoroughly examined and evaluated in order to find out the hidden problems in the process.

Several Islamic Scholars and researchers have conducted their research on different aspects of Islamic Banking and Finance. But there is hardly any study on investment, entrepreneurship and poverty alleviation activities of Islami Bank Bangladesh Limited. There is thus need to make a thorough study of these aspects of IBBL. This study attempts to fill in this important gap.

The study covers a period of 18 years (1983-2000) and based on both primary and secondary data. The primary data have been collected through personal interviews with bank employees and selected entrepreneurs. The researcher has conducted face to face interviews with both the groups of respondents. While, secondary data have been collected from published annual reports, MIS reports and other related publications of IBBL. These have been supplemented, whenever necessary, from the information

collected from Ministry of Finance, Bangladesh Bank, Islamic Economics Bureau etc. The data so collected have been classified, analyzed and interpreted with the help of different financial and statistical techniques.

The thesis has been organized into seven chapters divided into three parts. The first part provides a theoretical setting for our study and includes three chapters viz. Emergence of Islamic Banking, An Overview Islami Bank Bangladesh Ltd., and objectives, Justification and Methodology of the study. The second part constitutes the main corpus of the study and contains three chapters dealing successively with entrepreneurship development, investment and poverty alleviation activities of the bank. The third part deals with only one chapter, which presents summary of the main findings of this study and suggestions for further improvement in different activities of the bank.

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Acronyms and Abbreviations

ABID CO:	Al-Baraka Investment and Development Company
AAIBL:	Al-Arafa Islami Bank Ltd
ACRP:	Action Cum-Research Project
ACP:	Agricultural Credit Program
BAB:	Bankers Association of Bangladesh
BIDS:	Bangladesh Institute of Development Studies
BBS:	Bangladesh Bureau of Statistics
BSK:	Bangladesh Sangskritic Kendra
CEO:	Chief Executive Officer
CIDD:	Centre for Integrated Development for the Disabled
CDD:	Centre for Development Dialogue
CIDRAP:	Centre for Integrated Rural Development for Asia and the Pacific
CSE:	Chittagong Stock Exchange
DSISDP:	Disaster Shelter and Integrated Social Development Project
DIB:	Dubai Islamic Bank
DSE:	Dhaka Stock Exchange
FFYP:	First Five Years Plan
FFYP:	Fifth Five Years Plan
FEI:	Food-Energy Intake
FIB:	Faisal Islamic Bank
FAO:	Food and Agriculture Organization
GCC:	Gulf Cooperation Council
GOB:	Government of Bangladesh
GDP:	Gross Domestic Product
GNP:	Gross National Product

GIC: Government Investment Certificate
 HRD: Human Resource Development
 HES: Household Expenditure Survey
 HPSM : Hire-Purchase Shirkatul Melk
 IDB: Islamic Development Bank
 IBBL: Islami Bank Bangladesh Limited
 IFMC: Islamic Foreign Minister's Conference
 IERB: Islamic Economics Research Bureau
 ILO: International Labour Organization
 IBF: Islami Bank Foundation
 IIC : Islamic Investment Company
 IFH : Islamic Finance House
 I.e. : Id est. (that is to say)
 KFH : Kuwait Finance House
 LDC: Least Developed Country
 NIB: National Investment Board
 NA : Not Available
 NGO: Non-Government Organization
 NACP: Non-Agricultural Credit Program
 OIC: Organization of Islamic Conference
 PLS : Profit and Loss Sharing
 RDS : Rural Development Scheme
 PTCS: Participatory Term Certificates
 RFEP: Rural Finance Experimental Project
 SIBL: Social Investment Bank
 Viz. : Videlicet (namely)

Chapter One

Emergence of Islamic Banking

Emergence of Islamic Banking

This chapter is divided into two sections. The first section presents the different aspects of Islamic Banking and Finance. While, the second section presents the conclusion of this chapter.

1.1 Introduction

One of the significant developments in the Islamic financial system in the last three decades has been the emergence of a number of Islamic Banks in almost all the Muslim as well as in some non-Muslim countries. The motivation for the establishment of these institutions came from a desire to formulate and recognize their social, economical and in particular financial activities on a non-riba (interest) basis. Islam, as a complete code of life, encourages all types of business activities to achieve material well being. Of course, these attempts have to be based on the principles of " Islamic Shariah". The vice associated with the institution of interest (riba) is clearly a means of exploitation. Islam is dead against riba (interest). According to Islamic Shariah Muslims are not allowed to give or take riba in any financial transaction. Before the emergence of Islamic Banks, Muslims were in a great problem to save money as well as to take loan from western style banks. In both the cases they had to face the problem of interest. Their Islamic believes prevented them from dealing that involved interest or usury. Yet Muslims need banking services as much as any one needs and for many purposes, to finance new business ventures, to buy a house, to buy a car, to facilitate capital investment, to undertake trading activities and to offer a safe place for savings. In no way Muslims are averse to legitimate profit as Islam encourages people to invest money in halal business ventures instead of keeping

their money idle. Making money from money is not acceptable in Islam. The Holy Qur'an makes it very clear that whatever is above the loaned amount one has no right to charge it or pay it. As far as financial dealings are concerned any increase on the original loan money, which is predetermined, whether it is simple or compound, is *riba*. Again, any increase whether it is borrowed for business purposes or production and consumption purposes, whether it is among the individuals or between people and government or government and government, is *riba* and forbidden in Islam (Ahmed, 1995: 3).

Money is only a medium of exchange, a way of defining the value of a thing. It has no value in itself and therefore, should not be allowed to give rise to more money through fixed interest payments, simply being put in a bank or lend to some one else. The human efforts, initiative and risk involved in a productive venture are more important than money. Money is a potential capital rather than capital, meaning money becomes capital only when it is invested in business. Thus money advanced to a business as loan is regarded as debt of the business and not entitled to any return (i.e. interest). In Islam money presents purchasing power which is considered to be the only proper use of money. This purchasing power without undergoing the intermediate step of it being used for the purchase of goods and services. (Nida-ul-Islam, 1995).

Muslim economists have pointed out that it is an historical accident that interest has become the kingpin of modern banking. The practice of interest has been condemned by foremost thinkers in human history and by all Biblical religions. Aristotle also criticized the "barren" nature of money and vehemently commented on the institutionalization of interest, which he described as "birth of money from money". Among the followers of Islam the institution of interest has always been

regarded highly ignoble because the holly Quran strictly prohibits interest based transactions of all forms in view of divine injunction against riba.

Against the above background, the theory of Islamic Banking is based essentially on the premise that interest is neither a necessity nor a desirable basis for the conduct of banking operations and that Islamic teachings provide a better foundation for organizing the working of banks. All the Muslim countries in the Middle East are now rich due to oil exploration. Some Muslim countries in Asia are also rich due to industrialization. As Muslim countries regained political independence and economic wealth their elites were called upon to manage their own affairs. In this context, a separate financial institution was felt necessary to cater the need of the Muslims all over the world. And during the last three decades some Islamic banks and financial institutions have started functioning mostly in Muslim countries and in Muslim dominated areas of some non-Muslim countries. This trend demands a more rigorous research from the Muslim Scholars and economist to develop a complete model Banking behavior under Islamic set up.

1.1.1 Growth and Development of Islamic Banking System

The actual history of Islamic Banking can be divided into two parts. First, when it remained an idea; second, when it becomes a reality –by private initiative in some countries and by law in others. We will discuss the two periods separately.

1.1.2 Islamic Banking - An Idea

Interest free banking is a very recent origin. The earliest references to the reorganization of banking on the basis of profit sharing rather than interest are found in Anwar Qureshi (1946); Naiem Siddeque (1948), and Mahmud Ahmad

(1952) in the late forties, followed by a more elaborate exposition by Maududi (1950, 1961). Mohammed Hamidullah's writings (1944, 1955, 1957, and 1962) too should be included in this category. They have all recognized the need of commercial bank and the evil of interest in that enterprise, and have proposed a banking system based on the concept of Mudarabah profit sharing.

In the last few decades interest free banking attracted more attention, partly because of the political interest is created in some Muslim countries and partly because of the emergence of young Muslim economists. Work specifically devoted to this subject began to appear in this period. The first such work is that of Mohammed Uzair (1955). Another set of works emerged in the late sixty and early seventies. Abdullah-al-Araby (1967), Nejatullah Siddiqi (1961,1969), Al-Najjar (1971), and Baqir-al-Sadar (1961, 1974) were the main contributors (Siddeqi 1980: 222).

To discuss the development of Islamic Banking we should start from the time of Prophet Muhammad (peace be on him) who introduced the system of Bayt-al-mal, welfare fund, in order to collect revenues from different sources. Zakat and ganimah were taken into account of the Bayt-al mal and latter on distributed among the destitute Muhajirs and Ansars. Hazrat Abu-Bakar Siddiq (R) the first Caliph of Islam, also continued that system. He distributed ten dirhams to every one in the first year, and twenty dirhams in second year of his Kelafat (13-14 H /632-634 A.D). The second Caliph Hazrat Omar al Faruq (R) (14-24 H/ 634-644 A.D) did census on the Muslims and introduced pension system like his predecessor. He appointed a Diwan to register names of the recipients of pensions and to deal with the social welfare of the citizens. Umar-al-Faruq proposed to establish a permanent treasury in each province. The proposal was approved by

the Majlis-al-Shura in 15 H/ 636-637 AD. The supreme head of the provincial Bayat-al-mal was the Amir and that of the centre the Khalifah himself. The Bayat-al-mal was also used for non-Muslims. The state was obliged to support needy non-Muslims as well as the poor Muslims. The main sources of revenue were Zakat, Sadaquah, Jizyah, Ushar and Khraj, taxes on mines. Khums and al-Fay (income from lands owned by the state), and being at-Fadak. The revenue collected in the Bayt-al mal-al-muslimins was spent for the needy and indigent Muslim collectors of Zakat, the emancipation of slaves, military enterprises, debtors, thieves and women of suspected characters, etc. While the earliest al-Fay land was the Fadak, the income from which was spent on the Prophets relatives, the orphans, the indigent, and on the general welfare of the Muslims society and state.

The Ummayyads first started the real banking through the public treasury of Bayt-al-mal. They started extending agricultural credit banking and commercial banking through Bayt-al-mal. We have no details about the conditions of such loan but we are sure that no interest was charged on it. In short, it may be maintained that all the main functions of banks were performed by the Bayt-al-mal in co-operation with the Jahabidhah office of the government, private Mudarabah and Shirkat Anan organizations. These are the predecessors of modern Islamic Banks. To eliminate interest from the society several Islamic financial institutions are working on the basis of Mudarabah, Musharaka and other principles of the Shariah where capital and labor can be combined together as partners in an enterprise and can share the profit and bear the loss equally.

Early seventies saw the institutional involvement. Conference of the Finance Ministers of the Islamic countries in Karachi in 1970, the Egyptian Study in 1972,

first International Conference on Islamic Economics in Mecca in 1976, International Economic Conference in London in 1977 were the result of such involvement. The involvement of institutions and governments led to the application of theory to practice and resulted in the establishment of the first interest-free banks, the Islamic Development Bank, an inter-governmental bank established in 1975, was born of this process.

1.1.3 Islamic Banking - A Reality

The first attempt to establish Islamic financial institution took place in Pakistan in late 1950s. It was a local Islamic bank in a rural area of erstwhile Pakistan (Wilson, 1983). It was an experiment initiated by some pious landlords. It could not last long. First, depositors deposited money once in the beginning. With the increasing number of borrowers, the gap between capital available and credit demanded was huge. Second, the bank staff did not have complete autonomy over the bank's operation and depositors showed considerable interest in the way their money was lent out (Wilson, 1983).

In 1962, the Malaysian government set up the "Pilgrims Management Fund" to help respective pilgrims to save and to earn profit (Arabia, April 1982: 46). The next attempt begun in Egypt in 1963. The bank was established in a rural area, which was 100 Km from the capital city Cairo. The bank was called Mit Ghamr savings bank. The bank's operation was based on Islamic principles of paying no interest to depositors and charging no interest on money lent. The experiment soon became successful. More branches were opened and started in different parts of the country. The experiment could not succeed owing to changes in the political atmosphere. Nevertheless, the project revived in 1971 under the name of Nasser Social Bank, the bank got supports from the then regime. The principles of

operation of the bank were very similar to those of Mit Ghamr Savings Bank. The new bank offered a full range of normal banking services and a wide range of investment activities through equity participation (Ashkar, 1987). Islamic Banking with a very different approach contemporary to that in Egypt emerged in Malaysia. It is a financial institute developed for the pilgrims of Malaysia. The reason for the establishment of this institution was the contention of the Malaysian Muslims that money spent on pilgrimage must be clean and free from *riba*. Since this was not possible by putting money with the traditional banks, this desire led to the establishment of a specialized financial institution. Consequently, Pilgrims Savings Corporation was established in 1963, which was later incorporated into the Pilgrims Management Fund Board in the name of Tabung Haji in 1969 (Ahmed 1992). In the ten years since the establishment of the first private commercial bank in Dubai, more than 50 interest free banks have come into being. Though nearly all of them are in Muslim countries, there are some in Western Europe as well as in Denmark, Luxembourg, Switzerland and the UK. Many banks were established in 1983 (11) and 1984 (13). The number have declined considerably in the following years (Ausaf Ahmed, 1994: 373).

A significant development in Islamic banking took place when a license for an Islamic bank was issued by Saudi Arabian Government to the fifty years old "Al Rajhi Company". It is an organization noted for its currency, exchange and commercial activities. The organization started operation in 1985 under the name of "Al Rajhi Banking Investment Corporation" and has since developed active relationships with major manufacturing and trading companies in Europe and USA. The successes of Al Rajhi in operating profitability in different regions of the world have increased pressure on the Saudi Government to go for full-fledged Islamic Banking (Mangla, Uppal and Swamy, 1988).

Islamic Development Bank was founded in 1975 as a multi national corporation by several Muslim countries. The motive behind the establishment of the Bank is

to support social and economical development in Muslim nations within an Islamic framework. The Dubai Islamic Bank (DIB) was also set up in 1975 by a group of Muslim businessmen from several countries. Two more private banks were established in 1977 under the name of Faisal Islamic Bank (FIB); one in Egypt and the other in Sudan. In the same year the Kuwaiti Government set up the Kuwait Finance House (KFH).

Furthermore, Islamic Investment Company (IIC) was established in Bahamas in 1977 as a multi national holding company. Its purpose was to establish Mudarabah in various parts of Islamic countries. The company has established two Mudarabah subsidiaries in Sarjah and Pakistan.

The second example of Islami banking in the west comes from Luxembourg. The Islamic Banking System International Holding Ltd. was established in 1978 as a joint stock company. Its purpose was to establish international Islamic banks in different parts of the western countries where there are Muslims communities. The company's investment operations spread over different parts of the world. As a holding company, it established a new affiliated company in London in June 1983, under the name of Islamic Finance House, and another in Denmark in 1982 under the name of the Islamic Bank International of Denmark. Dar-al- mal-al-Islami (DMI) also emerged in 1981 as a major multi-national company, the alternatives of which consist of Islamic Investment, Islamic Solidarity (insurance) and Islamic Banking Operations (Ashkar,1987).

The development, which had been gaining momentum since the second half of the 1970s took two courses. The first one was the attempts to establish Islamic financial institutions side-by-side with traditional banking. In such attempts, two types of institutions were involved; Islamic banks were established mostly in

Muslim countries and Islamic investment and holding companies started operating in some Muslims but mostly in non-Muslims countries. These institutions claimed to be operating without interest in their transactions and compete with conventional banks to attract deposits and invest these funds wherever they find profitable investment opportunities. The majority of these institutions were established through private initiative. In most countries, the establishment of interest-free banking had been by private initiative and confined to that bank. In Iran and Pakistan, however, it was by government initiative and covered all banks in the country. The government of both these countries took steps in 1981 to introduce interest-free banking. In Pakistan, from 1st July 1985 no bank could accept any interest bearing deposits, and all existing deposits became subjected to PLS rule. Yet some operations were still allowed to continue on the old basis. In Iran, certain administrative steps were taken in February 1981 to eliminate interest from banking operations. Interest on all assets was replaced by a 4 percent to 8 percent profit rate depending on the type of economic activity. Interest on deposits was also converted into a 'guaranteed minimum profits.' In August 1983 the usury free banking law was introduced and a fourteen-month change over period begun in January 1984. The whole system was converted to an interest free one in March 1985 (Iqbal and Mirakhor, 1987: 24, Gafoor, 1995).

The second course took the shape of restructuring the entire financial system in line with the teaching of Islam. This course had two directions: the Islamic one, as in Islamic Republic of Iran (IRI); and the other was Islamization of banking sector only, as in Pakistan (Khan & Mirakhor 1989, and Mangla and Uppal, 1990).

There was a proliferation of interest-free savings and loan societies in India during the seventies (Siddiqi 1988). The Islamic Banking System now called Islamic Finance House (IFH) established in Luxembourg in 1978 was the first

attempts of Islamic banking in the Western World. There are also two Islamic banks named Islamic Bank International in Copenhagen, and the Islamic Investment Company Melbourne.

1.1.4 Islamic Economic System

The fundamental sources of Islam- the Holly Quran and the Sunnah (teachings and traditions) of the Prophet Muhammad (SM) provide guideline for economic behavior and a blue print of the Islamic economic system. Therefore, the values and objectives of “ Islamic Economic Systems must necessarily conform to and comply with the principles derived from the fundamental sources” (Khan and Mirakhor, 1992: 2). Even though there is now a substantial body of literature on various aspects of the Islamic economic system, there is still considerable lack of understanding on what precisely is the system that emerges from the Quran and Sunnah, and show it differs from other types of economic systems. The guiding principles for an Islamic economic system is a set of rules and legislation, collectively referred to as “Shariah” guiding economic, social, political and cultural aspects of Islamic society. The fundamental source of the law in Islam is the Holly Quran, which includes all the necessary rules of the Islamic law as guidance for Muslims. The explanation of regulative rules of the law and their extensions to new situation was accomplished with the aid of consensus of the community, analogical reasoning which derived rules by dissecting as analogy between new problems and those existing in the primary sources and finally through independent reasoning of those specialized in the law.

These five sources - the Holly Quran, the Sunnah, consensus of the community, analogical reasons, and legal opinion- constitute the components of the Shariah.

Economic matters are covered by all the five components of Shariah (Khan and Mirakhor, 1992: 2).

The Islamic system places emphasis on ethical, moral, social and financial aspects of transactions to enhance equity and justice for the good of human society as a whole. Justice is necessary that each factors of production or each class is well rewarded and no economic entity is deprived of its due share in nation's product. The Islamic economic system can be fully appreciated only in the perspectives of Islamic teachings on the work ethic, wealth distribution, economic and social justice, and the role of the state.

Although prohibiting the receipt and payment of interest is the nucleus of the Islamic economic system, it should also supported by other principles of the Islamic doctrine. Those are risk sharing, individual obligations, rights and self interest, property rights, social justice, importance of contracts, work center, wealth distribution, competition and co-operation and over all Islamic values. As stated earlier the economic fundamentals or principles are invariable and stated in the Holly Quran and Sunnah whose implementation is obligatory on every Muslim of all times and ages. Among the Islamic economic fundamentals or principles that absolute property ownership belongs to Allah and people are treated as His trustees, with means of subsistence left at their disposal. There is a limit of sufficiency for everybody in order to achieve social justice and keep the economic equilibrium among the members of the society. The principle of respecting the restricted private property and economic freedom, the principle of comprehensive economic development, the principle of rationalizing consumption and expenditure etc. are worth maintaining (Locman and Najeen, 1996: 27).

Islamic economy is a market economy guided by Islamic values. All economic activities are based on the principle of co-operation and responsibility. Transactions that allow both parties to win are permissible and these indicate that most types of activities are needed for economic prosperity. While responsibility indicates that each individual is entitled for reward or return based on his efforts and contributions. But in all the cases social justice and equity should be maintained.

1.1.5 Key Features of Islamic Economics

The main feature of Islamic economics can be summarized as under:

- i) Implementation of Zakat
- ii) Establishment of Bayet-al-mal
- iii) Application of inheritance law on land and property
- iv) Implementation of labor laws giving special emphasis on human aspects
- v) Implementation land reforms and revenue collection system
- vi) Production, distribution and consumption in ways prescribed in the Shariah
- vii) Implementation of Quard-e-Hasana and Mudarabah system
- viii) State intervention in any economic activities as warranted by Islamic Shariah
- ix) Implementation of social welfare, social justice, and social and financial security systems

While the following activities must be discarded from Islamic economic arena:

1. Stop interest and interest related activities and businesses
2. Income and expenditure should be in legal ways

3. Avoid dishonesty in all business activities
4. Stop all sorts of gambling and speculations

1.1.6 Concept of Islamic Banking

An Islamic bank is a financial institution that operates with the objectives to implement and materialize the economic and financial principles of Islam in the banking arena. The Organization of Islamic Conference (OIC) defined an Islamic bank as “a financial institution whose statutes, rules, and procedures, expressly state its commitment to the principles of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations.” Dr.Ahmed opened that “Islamic banking is essentially a normative concept and could be defined as conduct of banking in consonance with the ethos of the value system of Islam.”

Islamic banking is designed for an economy whose feature is to operate under the Islamic system. The Islamic system, although very similar to a free market economy, does impose certain constraints on economic transactions. One such constraint is the prohibition of a fixed predetermined rate of return on financial transactions. A fixed rate of interest is replaced with a variable rate of return based on real economic activities.

Ahsan argues that, an Islamic Bank is a financial and social institution whose objectives and operation as well as principles and practices must conform to the principles of Islamic Shariah (jurisprudence) and which must avoid the use of interest in any of its operations. An Islamic Bank is not only a financier but also a partner in productive, economic activities and development. The system essentially involves the owner of capital and the entrepreneurs to share the results

of collective efforts, unlike the interest based system in which the risk is to be borne entirely by the entrepreneur or the user of capital.

Islamic Banks involve in adopting equity participation, profit and loss sharing, leasing and so fourth. It is clear that the Islamic banks under the new system will play the role of agents, using the funds of depositors along with their own equity funds to form partnership with other investors. Islamic banking is essentially an equity-based system where depositors provide fund, who receive no fixed interest but a dividend out of the banks profit.

1.1.7 Islamic Banking Movement around the World

Islamic banks have grown in size and number around the world. At present Islamic banks are operating over 60 countries, most of them are in Middle East and Asia. The history of Islamic banking is very recent. There has always been a desire to establish financial institutions to operate as per the tenets of Islamic Shariah. The first attempt in this regard was made in Pakistan during 1950s as a pilot scheme, but unfortunately it did not succeed. It is followed by more successful venture in the form of a local bank in Egypt (savings bank, July 1963). Subsequently, Islamic banking movement gathered steady progress and assumed significant size and role with the establishment of Nasser Social Bank (1972) and Dubai Islamic Bank (1975).

Since the establishment of the Islamic Development Bank (IDB) as an international financial institution in 1975 over half a hundred Islamic Banks and Investment / Finance Companies have been set up in deferent countries. Forty-four member countries of the Organization of Islamic Conference (OIC) are also members of the IDB. The purpose of the bank is to foster economic development

and social progress of the member countries. The Bank provides technical assistance, extends training facilities for personnel and undertakes research for enabling the economic, financial, and banking activities in Muslim countries to conform to the Shariah. IDB has promoted a number of Islamic Banks through contributing in their share capital and management. IDB's annual commitment totaled 600-700 Million IDS unit in 1983 and the same reached 1000 million IDS in 1985. The other Islamic banks and financial institutions in different countries have also shown steady growth in activities and profitability.

In Iran, Pakistan, and Sudan the operation of the entire banking system have been converted to the Islamic mode of finance. In other Muslim countries the banking system is still dominated by conventional banking institutions which operate alongside Islamic Banking.

In the beginning it was thought that Islamic banks were feasible only in the oil-rich Middle East like UAE, Kuwait, Saudi Arabia, and Bahrain. But Islamic banks have also been setup and successfully operating in some other non Middle East countries like Bangladesh, Sudan, Guineas, Nigeria, and Senegal. The biggest Islamic Banks of Asia has been setup in Malaysia in 1983. Non-Muslim countries like Bahamas, Luxembourg, Denmark, India, UK, etc. have established Islami Banks.

The South Asia alone has 47 Islamic banks. Apart from the 47 Banks in South Asia, 22 in the Middle East, 17 in the six-nation Gulf Co-operation Council (GCC) and four in Europe and North America have started working. The number is increasing gradually.

1.1.8 Objectives of Islamic Banking

The aim of all commercial banks is to conduct their businesses purely on profit motive. How to maximize profits is the main concern of all conventional banks. They formulate policies to earn higher profit rather than rendering services for economic and social development. Islamic Banking is naturally different from traditional banking. An Islamic bank aims at earning profit but not profiteering. Profit, which is unreasonably high and does not conform to general welfare of the society is termed as profiteering which is also prohibited in Islam and should be avoided by the Islamic banks. Moreover, interest accumulation of capital and wealth in few hands, holding of goods, usury etc. are thrown away by Islamic Shariah. So, the objective of the Islamic banks is to conduct their businesses and all types of transactions on the principle of giving and taking in accordance with the statute of Islam. To achieve this objective Islamic banks should do the following activities:

1. To offer contemporary financial services in conformity with Shariah. The payment or acceptance of interest should be understood in the light of all other innumerable injunctions of Islam. To refrain from paying or accepting interest is important as the payment of Zakat to enjoy purified wealth.
2. To issue guarantees infavour of third parties with or without security.
3. To undertake financial activities which are ethical, socially desirable and profitable.
4. To serve ummat-al-Islam and other nations having Muslim population.
5. To make the best effort to penetrate into the entire society with particular emphasis on low-income groups. They have to encourage the habit of savings regardless of how small the amount of savings may be.

6. To encourage small projects and secure funds required for them and in doing this, stay away from the traditional red-type-involving collateral, balance sheets etc. But should pay attention to the entrepreneurs themselves as well as to profitability of the projects.
7. To allocate part of the available funds to the artisans and small enterprises and not only to serve big businesses and procedures. Be aware that in managing Zakat funds, Islamic banks should allocate part of this fund securing Quard-e-Hassan (interest free loan). This Quard-e-Hassan should be directed to opportunities that would serve development, such as creating jobs in order to convert unemployed persons into productive elements within society or assisting small business to overcome their problems.
8. To bring diversity in the investment portfolio in accordance with the demand of the time and nature of the business by introducing various investment methods and techniques.
9. To create efficient management professionals through conducting jointly the business enterprises and production activities.
10. To establish equity and justice in the society through the fair distribution of earned profit on the principle of profit loss sharing.
11. To implement a compulsory ruling of Shariah by abolishing interest mechanism from the banking system.
12. To establish priority of labour and production as a source of profit earning activities for fulfillment of the basic needs of the poor mass.
13. To finance for the balanced development of countries agricultural, industrial, and commerce sectors to help reduce the ill-effects of discriminating investment or development, narrowed down the gap between the rich and poor and frame an investment plan on micro-level basis.

14. To discard various types of corruption framed-forgeries, misuse or under use of potential resources and establish strong culture of moral discipline in conformity with the tenets of Islamic Shariah.
15. To invest in the country's potential unutilized sectors and co-ordinating the economic development with the social development etc.
16. To help an economy to attain maximum growth, this can be attained by taking concerted efforts to invest in all possible undertaking or projects regardless of any positive net return obtained after deducting there utilization cost of capital. Unlike modern theory of interest, Islamic economic system does not apprehend that investors will invest only up to the point where the rate of return over the additional capital invested (marginal efficiency of capital) equalize the cost required for using the given capital (rate of interest) for a given time period. But in Islamic economic system investments are made in the form of a "Shirkat Inan" and Mudarabah.

1.1.9 Functions of Islamic Banks

The existing Islamic Banks perform a number of functions. The traditional banks normally perform some of these functions and Islamic banks because of the constraint that have to operate in accordance with Shariah have modified some functions. Although there might be some differences in the performed functions among the Islamic Banks, it would be difficult to provide a list of functions performed by each banks, we have confined ourselves to a list of functions which are mostly performed by the Islamic banks. The main functions of Islamic banks are as follows:

1. Opening accounts for individuals and companies and accepting deposits for safe custody and investment both in local and foreign currency.

2. Giving credit and loans in conformity with Shariah.
3. Purchase and sale of gold bullion.
4. Purchase and sale of foreign exchange on the spot rate only.
5. Issue of letter of credit.
6. Issue of guarantee.
7. Collecting and processing drafts, cheques, promissory notes, bill of lading etc. on commission.
8. Purchase and sale of shares, certificates on investment, financial papers and bonds without interest.
9. Establishment and management of special funds for purposes e.g investment in trade, agriculture, industry, or real estate.
10. Providing finance on the basis of "Mudarabah".
11. Providing finance on the basis of Musharaka participation.
12. Operating of specified investment account.
13. Leasing of machines, equipments, apparatus and tools.
14. Sale and purchase of real estate.
15. Carry out agency function by appointing agents and working as an agent.
16. Sale and purchase for others on a pre-agreed profit basis (Mudarabah).
17. Establish solidarity and security of funds in order to cover deficits, in conformity with Islamic laws of co-operation.
18. Provide technical, economic, financial, management and marketing consultancy services for the preparation of feasibility studies of projects.

Some other functions of Islamic Banks might include financing and establishment of different kinds of projects on behalf of other companies, and on the basis of joint ventures to undertake the development, and promotion of development of the

existing project, to mobilize financial resources from local and national money market in accordance with Shariah.

It is not necessary that each Islamic bank undertakes all of the above functions. Working in divergent atmosphere, they may confine themselves to the functions, which are most appropriate to them.

1.1.10 Uses of Fund by Islami Banks

Islamic Banking activities have marked a significant departure from western style banking. This is mainly because of the prohibition of *riba*. As such Islamic banks can not use lending on interest as a financing device. Consequently, financing techniques of Islamic Banks conform to various requirements of the Islamic Shariah. They have products based on the risk sharing and profit sharing principles of Islamic Shariah. Islamic banks adopt several modes of acquiring assets for financing products those can be broadly categorized into trade and commodity, finance, property and leasing.

Some of the basic financial instruments of Islamic Banks are the followings:

1. Murabaha

Murabaha in its simplest sense refers to one of the three different possibilities in a sale. One of these possibilities is *Mudarabah*, which stands for supply of goods by the buyer at a specified profit margin mutually agreed between them (Chapra, 1985:170). Terms of the payment could be either cash or deferred. The other two possibilities are sale at cost without any profit for the seller is called "*Tawliuah*" and sale at specified loss is named "*Wadiah*". All three possibilities

are perfectly legal from the point of view of the Shariah (Chapra,1985: 170). Under Murabaha, the Islamic bank is usually finances trade, but because the bank takes title to the goods, and is therefore engaged in buying and selling, its profit derives from a real services that entails a certain risk and is thus seen as legitimate. This forms of financing is being widely used by the Islamic Development Bank for its foreign trade financing operations and also by almost all Islamic banks established so far.

2. Mudarabah

Mudarabah is based on the principles of no pain no gain i.e. no one is allowed to get any addition to the principal sum if he / she does not share in the risk involved. In this mode of financing bank contributes the finance and client provides the expertise, management and labor (Gafoor,1995). Mudarabah is a form of partnership. Here one of the contracting parties, called the shahib-al-mal or the rab-al-mal (the financier) provides a specified amount, while the other party called the mudarib (entrepreneur) provides the entrepreneurship and management for caring on any venture, trade, industry or service with the objectives of earning profits. The Mudarib is in the nature of a trustee as well as an agent of the business. As a trustee he is required to act with prudence and in good faith and is responsible for loss incurred due to his willful negligence (Chapra 1985: 248). Profits are shared by both the parties in a predetermined proportion. When loss occurs, the total of such loss is born by the bank. When bank invested money the bank is termed as rab-al-mal (beneficial owner or the sleeping partner). While the entrepreneur is termed as mudarib and the financing structure is called Mudarabah. The mudarib is to utilize the finance in an agreed manner and then returns to the rab-al-mal the principal and the pre agreed share of the profit. The

Mudarib gets the remaining portion of the profit. The Mudarib is not allowed to get any remuneration or allowance for his own labor except the share of profit. On the other hand, the investor (rabb-al-mal) is not liable for losses beyond the capital he has contributed. The Mudarib also does not share in the loss except for his loss of time and efforts. Under Mudarabah this is probably the reason why Mudarabah is sometimes referred to as partnership in profit (Chapra, 1985: 250).

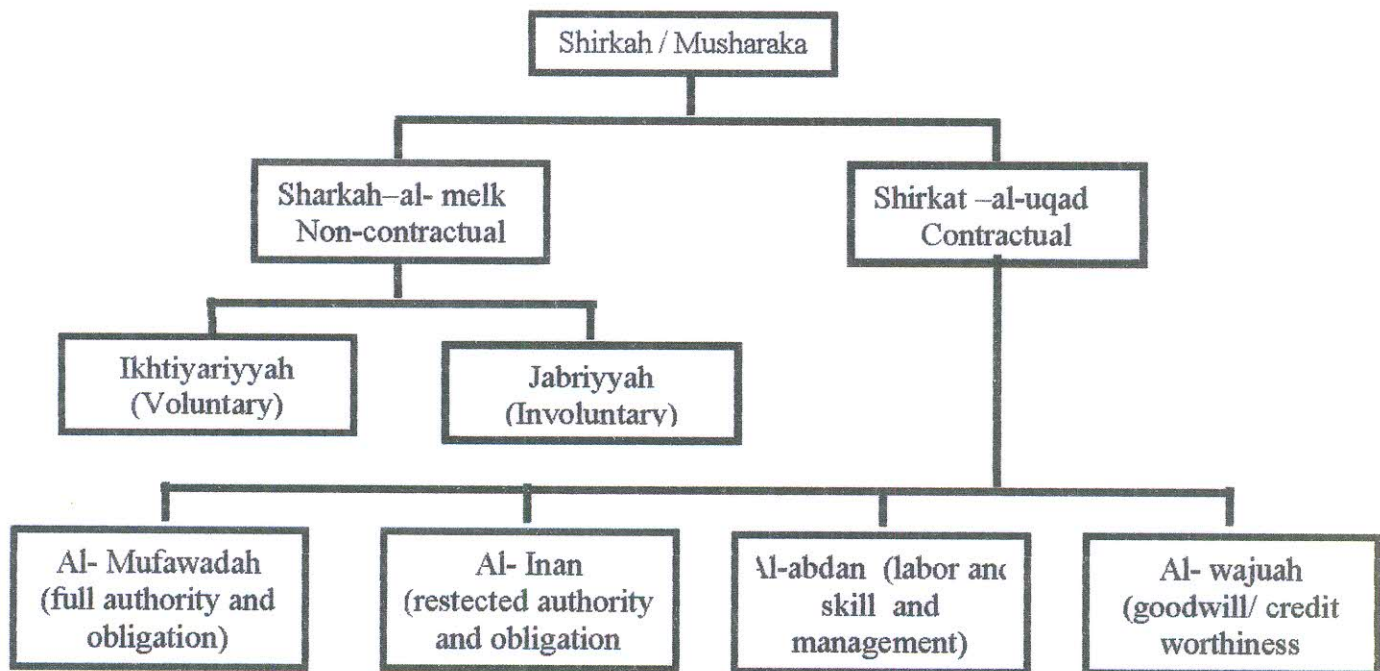
The Mudarabah would become dissolved with the completion of the venture for which it was undertaken, or the expiry of the specified time period, or the death of either the Shahib al mal or the Mudarib, or the serving of notice of his intention to dissolve the Mudarabah. The Mudarib is required to work with honesty and sincerity and to exercise the possible care and precaution in the exercise.

3. Musharaka

Financing through equity participation is called Musharaka. (Princeton Economic Journal, Princeton, USA: 1999). Shirka (Musharaka) refers to partnership between two or more persons. This is a partnership, normally of limited duration, to carry out a specific project. It is therefore, similar to a western style joint venture and also regarded by some as the most purest form of Islamic financial instrument, since it conforms to the underlying partnership principles of sharing in, and benefiting from risk. Participation in a musharaka can either be a new project, or by providing additional funds for an existing one. Profits are divided on a predetermined basis and any loss shared in proportion to the capital contribution. In this case, the bank enters into a partnership with a client in which both share the equity capital and may be even the management of a project or deal and both shares in the profits or losses according to their equity shareholding. All the

partners have a right to participate in the management of the project. However, they may also wave this right in favour of any specific partner.

There are two basic types of Musharaka, such as shirkat-al-melk and shirkat-al-Uqad. Both these types of Musharaka are also divided into different forms, which are show below:



Source: Chapra,(1985:252).

4. Muajjal

In the classical fiqh literature bay- al- muajjal refers to a sale against deferred payment either is lump sum or installments (Chapra,1985:169). Muajjal do not need nor have any reference to the profit margin that the supplier may earn. It is deemed acceptable to charge higher prices for deferred payments. Such transactions are regarded as trades and not loans. Property financing on such a deferred payment basis called Muajjal. The essential element, which distinguishes

it from a normal sale, is the deferred payment. The bank purchased goods desired by its customer and sells the same to the customer at an agreed price, which yields a specified margin of profit to the bank, the payment being settled by customer within an agreed time frame either in lump sum or installments (Chapra, 1985: 170). The danger will, however, always remain that the Muajjal forms of sales may deviate into purely financing arrangements with the agreed profit margin being no more than a camouflage for interest. Accordingly, it would not be advisable to use it widely or indiscriminately.

5. Bai- salam

It is one of the investment techniques of Islami Banks. The basic condition for the validity of sale in Shariah is that the commodity intended to be sold must be in physical position of the seller. A buyer pays in advance for a specified quality and quantity of a commodity deliverable on a specific date, at an agreed price. This financing technique, similar to a forward purchase contract, is partially applicable to seasonal agricultural purchase, but it can also to buy other goods in cases where the seller needs working capital before he can deliver. There are three conditions to sale Bai-Salam. Firstly, the commodity must be existing, a commodity that does not exist at the time of sale can not be sold. Secondly, the seller should have acquire the ownership of that commodity. If the commodity exists but the seller does not own it, he can not sale to anybody. Thirdly, mere ownership does not enough. It should have come in position of the seller, either physically or constructively. If the seller owns a commodity but he has not acquired its delivery by himself or through an agent, he can not sell it. It is necessary for the validity of Salam that the buyer pays the price full to the seller at the time of effecting the sale. Salam can be effective of those commodities only whose quality and quantity

can be specified exactly. Salam can not be effective on a particular commodity be agreed upon in unequivocal terms, If the commodity is qualified in weights according to the usage of the trader, its weight must be determined, and if it is qualified through measures, its exact measure should be known. The exact date of delivery must be specified in the contract. Salam can not be effected in respect of these things that must be delivered at the spot. The place of delivery must be stated in the contract. The Bank can purchase the future output of the firm at agreed price with specification of the goods and stipulated time / date of delivery.

6. **Ijara** (Leasing)

An Islamic form of leasing is called Ijara. Ijara represents a transaction in which a known benefit arising from a specified asset is made available in return for a payment, but where ownership of the asset itself is not transferred. The Ijara contract is similar to an installment leasing agreement, where fixed assets such as a machine, a car, a ship, a house, etc. are the subject of the lease. Such asset can return to the lessor at the end of the lease period, in which case the lease takes on features of an operating lease. Some generally agreed condition for Ijara are as follows :

It is a condition that the subject of the contract must actually and legally be attainable. It is not permissible to lease something that can not be delivered. The object of the leasing must not be perishable or consumable. The lease is for utilization and not for the cumsumtion of assets, the lessee must ensure that the asset is used for the purpose it is made for. The lease contract must state the lease amount and period clearly. The lessor bears the liabilities when leasing the assets such as damage to the assets, payments of premium cost and basic maintenance.

The condition of usage of the leased item must be stated. A price can not be pre-determined for sale of the assets at the expiry of the lease.

7. Ijara Wa Iktania (lease purchase)

Under the lease purchase systems, the possession of the lease is passed on to the hirer or client who pays the acquisition value in the installments spread over the agreed period together with the agreed amount of rent of the items provided. He makes an unconditional promise to purchase the leased asset at the end of lease period. After the amount of acquisition value and the agreed rent is paid in full, the ownership is passed on to the hirer.

8. Istania

Istania is the second kind of sale where a commodity is transferred before it comes into existence. It means to order a manufacturer a specific commodity for the purchaser. If the manufacturer undertakes to manufacture the goods for him, the transaction of Istania comes into existence. When the manufacturer started work, any one of the parties may cancel the contract after giving notice to other. Istania can be used especially for house building financing transactions. If there is land of a client and he seeks financing for the construction of a house on that open land if there is no land, and the financier may brought the land by an agreement on Istania basis. It is not necessary to pay the price of land and construction at the time of contract or delivery of the house. The payment may also be in installments.

Istania contracts open wide fields of application for the Islamic Banks to finance the public needs and to develop the Islamic economy. Istania contracts are applied

in high technology industries such as the aircraft industry, locomotive, and ship building industries and apartment building, hospital, schools and Universities also.

9. **Quard Hasana** (Interest-free Loan)

Most of the Islamic Banks also provides interest-free loan, e.g. "Quard-hassana" to their customers. Islamic banks provide interest-free loans to small producers, farmers, entrepreneurs who are not qualified to get finance from other sources (Ahmed, 1992).

1.12 Conclusion

Islamic Banks and Islamic financial institutions have come from a desire to formulate and recognize all financial activities on a non-riba (non-interest) basis. Before the emergence of Islamic Banks, Muslims were in a great problem to save money as well as to take loan from western style banks. In both the cases, they had to face the problem of interest (riba). While, Islam is dead against riba. Making money from money is not acceptable in Islam. Yet Muslims need banking services, as much as any one need. They are not averse to legitimate profit as Islam encourages people to use money in halal business ventures instead of keeping their money idle.

In this context, a separate financial institution was felt necessary to cater the needs of the Muslims all over the world. Many Islamic scholars have recognized the need of commercial bank and the evil of interest in that enterprise, and have proposed a banking system based on the concept of profit-sharing. And during the last three decades some Islamic Banks and financial institutions have started functioning all over the world especially in the Muslim countries and Muslim

dominated areas of non-Muslim countries. At present, Islamic Banks are operating over 60 countries; most of them are in Middle East and Asia.

Financing techniques of Islamic Banks conform to various requirements of the Islamic Shariah. Islamic Banks have products based on risk sharing and profit sharing principles of Islamic Shariah. On the other hand, depositors provide fund. They receive no fixed interest on their money deposited but a dividend out of the bank's profit.

Chapter Two

Islami Bank Bangladesh Limited: An Overview

Islami Bank Bangladesh Ltd.: An Overview

This chapter is divided into two sections. The first section addresses different issues of Islamic Bank Bangladesh Ltd., while the second section presents the conclusion of this chapter.

2.1 Introduction

Islami Bank Bangladesh Ltd. is the pioneer Islamic Bank in Bangladesh. It was incorporated on 13th March 1983. It formally started its banking business on 12th August 1983. The initial authorized capital of Islami Bank Bangladesh Ltd. was 500.00 million taka divided into 500000 ordinary shares of tk.1000 each. The authorized capital of Islami Bank Bangladesh Ltd. was further increased in 2000. At present the authorized capital of the bank is tk.1000 million divided into 1 million shares of tk.1000 each; 38 percent of the shareholders are local and 62 percent are foreigners. It's paid up capital and equity as on 31st December 2000 was tk.7549. There are two categories of shareholders viz. A & B. A category consists of sponsor/promoter shareholders and B category consists of public sector financial institutions. It had 7 zones (with head office) and 116 branches as at the end of the year 2000. Total deposit was tk.32112.81million, investment was tk.27471.48 million and foreign exchange business was tk.49860 million as at the end of the accounting year 2000. It has created employment opportunities of about 2750 people.

2.1.1 Islamic Banking: The Experience of Bangladesh

Bangladesh inherited an interest based banking system, which was introduced in the country when it was a part of British colony. At that time ownership of and employment in banks were limited with rare exception to non-Muslims. During

the period from 1947 to 1971 when the country was a part of Pakistan, banking of course came under Muslim control but the system was not changed.

While after independence, Bangladesh saw a new trend in banking both at home and abroad. During the seventies Islamic Development Bank and a number of Islamic Banks at national levels were established in the Islamic world. In Bangladesh, the Islamic groups started working vigorously for adoption of Islamic Shariah in the financial sector. Two professional bodies “Islamic Economics Research Bureau” (IERB) and “Bangladesh Islamic Bankers Association” (BIBA) took practical steps for introduction of Islamic banking in Bangladesh.

Due to continuous and dedicated works of these groups and individuals and active support of the Government, the first Islamic bank, IBBL, was established in the early eighties.

As early as in 1974 as a founder member of Islamic Development Bank, Bangladesh Government subscribed to its charter which stipulates to undertake research for enabling the economic, financial and banking activities in the Muslim countries (obviously including Bangladesh) to conform to Shariah.

The Islamic Foreign Ministers Conference held in Dakar, Senegal in April 1978, recommended to the members of the OIC to make systematic efforts to introduce Islamic Banking system gradually. Bangladesh participated in the above conference and agreed with the above recommendation.

Again in the Islamic Foreign Ministers Conference held in Islamabad, Pakistan in May 1980, Bangladesh proposed that steps should be taken for development of an

Islamic International Bank with branches in all the Islamic countries so as to co-ordinate and expand the credit facilities within the Islamic community.

In January 1981, Shaheed President Ziaur Rahman while addressing the 3rd Islamic Conference held of Makkah and Taif suggested.

“ The Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce. Both in the public and private sectors the Islamic countries would promote joint ventures and financial institutions, which could profitably use the Islamic investment. We (the Islamic countries) should promote an Islamic Development Authority or Corporation, which could function primarily on a commercial basis. The activities of the Islamic Development Bank should be expanded considerably not only in terms of project financing but also in the field of research.

This statement of Shaheed President Ziaur Rahman indicated favorable attitude of the GOB towards establishing Islamic Banks and financial institutions in the country.

Earlier in November 1980, Bangladesh bank, the country's Central Bank sent one representative to study the working of several Islamic Banks abroad. In November 1982 a delegation of IDB visited Bangladesh and showed keen interest to establish a joint venture Islamic bank in the private sector. They found a lot of work had already been done and Islamic banking was a ready form for immediate introduction. Two professional bodies Islamic Economic Research Bureau (IERB) and Bangladesh Bankers Association (BBA) made significant contributions toward introduction of Islamic banking in the country.

At last, the long drawn struggle to establish an Islamic bank in Bangladesh became a reality and Islami Bank Bangladesh Limited was established in March 1983. In this endeavor, 19 Bangladeshi nationals, 4 Bangladeshi institutions, IDB and two eminent personalities of the kingdom of Saudi Arabia Joined hands to make the dream a reality.

Al Baraka Islami Bank Bangladesh Ltd. is the second scheduled Islamic Bank in Bangladesh. It established on 20th May 1987. It is incorporated in Bangladesh under the then Bangladeshi Companies Act. 1913. It is a joint venture among Bangladeshi entrepreneurs, the GOB, and the Al-Baraka Investment and Development Company (ABID CO) of Jeddah, Saudi Arabia. Its authorized capital was tk.600 million divided into 600000 ordinary shares of tk.1000 each. Its initial paid up Capital was 150 million. In order to increase the paid up capital, the bank offered right shares in the ratio of 1:1 to the existing shareholders on August 01, 1992. It was under subscribed and the paid up capital actually stood at tk.259.55 million. The bank has been operating its business through a net work of 116 branches all over Bangladesh. A board of directors consisting of 24 members manages the bank. As the board members reside in different countries, the day to day affairs of the bank are managed by an executive council of directors. Like all other Islamic banks it has a Shariah council, which give decision on Shariah issues.

Another Islamic Bank named Al-Arafa Islamic Bank was incorporated on 18, June 1995 and started financing as 3rd Islamic Bank in Bangladesh. It is also a private sector bank having an authorized capital of tk1000 million divided into 10 million shares of tk1000 each. Its paid up capital is tk207.6 million. Its Board of Directors consists of 23 members. The Bank has a Shariah Council consisting of Fuqaha, lawyers, and Islamic economists. The council gives advice and directives

so that the bank may not involve in any unlawful and Shariah prohibited activity. By August 1998, Al-Arafa Islamic Bank opened 21 branches in different main cities of the country.

Another Islamic Bank named Social Investment Bank (SIBL) was incorporated on 5th July 1995 and started its banking operation from 22nd November 1995. It is the fourth Islamic Bank in Bangladesh and operating as a joint venture between some famous Islamic organizations of the world and the GOB.

2.1.2 Objectives of Islami Bank Bangladesh Ltd.

The objectives of Islami Bank Bangladesh Ltd. as mentioned in its Memorandum of Association are as under:

- 1) To carry on banking business and services including the acceptance of deposit of money on current account or otherwise subject to withdrawal by cheque, draft or pay order based on Islamic Shariah and in collaboration with foreign participants and to carry on all kinds of banking, financing, commercial, industrial and investment activities on interest free and profit /loss sharing basis with a view to attract foreign investment in Bangladesh and also to introduce and undertake new areas of banking activities such as marchant banking, syndication of foreign exchange loans, issue of guarantee for joint venture in Bangladesh or abroad with branches and / agencies and or abroad and to undertake “Musharaka” and “Murabaha” and other activities as permitted by Islamic Shariah.

The bank will not engage itself directly (in its own name) in any trading activity in commodities or dealing in real estates. However, specific

projects/schemes related to the above could be undertaken with the prior approval of Bangladesh Bank.

- 2) To carry out investments, or purchase or finance projects or activities owned by others on interest free basis.
- 3) To receive various types of cash deposits, either for safe custody or for unconditional reinvestment free of interest.
- 4) To purchase and sell gold, bullion and acquire foreign exchange on the spot and sell or purchase drafts on such exchange.
- 5) To provide short-term financing against collateral in the form of commercial papers and at an agreed commercial yield not involving interest.
- 6) To open letter of credit and provide banking credit facilities with or without security.
- 7) To issue guarantees infavour of third parties with or without security.
- 8) To collect the value of drafts, promissory notes, cheques, bills of lading, and other instruments against commission for the account of permanent customers and of the parties.
- 9) To receive subscription payment related to establishment of new share holding companies or capital increases.
- 10) To purchase and sell shares, certificates of investment and similar financial papers either for the account of other parties (on interest free basis).
- 11) To provide safe keeping for all kinds of currencies, precious metals, jewelry, packages and parcels and rent safes for private use.
- 12) To act as depository and agent, accept agencies and appoint agents with or without fee.
- 13) To provide individuals, organizations, and governments with studies, expertise, researches and advice on capital placements, including the provision of all services concerning such operations.

- 14) To open documentary credits, and provide all banking facilities with or without security, in return for participation in commercial yields.
- 15) To finance various activities related to land transport, marine and air navigation, or such activities for fleet construction or operation or invest money for construction of any kind of transport vehicles.
- 16) To finance all kinds of activities related to import and export of crops and various commodities and undertake investments in any kind of commercial or industrial projects or ventures.
- 17) To finance trade in commodities and movables.
- 18) To finance storing of all kinds of commodities and crops by traditional methods or in modern cold storage facilities or installations.
- 19) To acquire land and other real estates which the company may think necessary or convenient for the purpose of business of the company and sell or lease them out in their original condition as open land or after improvement or with installations, buildings and equipments added thereto as the Company may think necessary or convenient for the purpose of business of the Company.
- 20) To establish mutual relief association subject to Islamic Shariah provisions, to insure the companies own funds, cash deposits and all other fixed and movable assets as well as mutual insurance organizations for the benefit of other parties.
- 21) To invest funds in construction activities and related engineering industries, as well as in electronic and related activities.
- 22) To invest funds in activities related to metal and oil extractions, quarries, fertilizer production and other natural resources.

- 23) To invest funds in all agricultural enterprises related to production of natural crops, fruits and forests, or to animal husbandry or dairy or poultry or food and fruit canning or wool production.
- 24) To invest funds for the construction, expansion and replanning of towers and related infrastructure and housing.
- 25) To invest funds in fisheries, sponge dredging, pearling and other marine or river resources.
- 26) To invest funds for building ships, tankers, and boats of all kinds and sizes and for construction of dry-docks, floating docks, and shipping maintenance and repair yards.
- 27) To invest funds for digging, dredging and maintaining canals.
- 28) To invest funds in public information media such as newspapers, magazines, radio, television and in projects for verification, publication and dissemination of human heritage as well as in activities related to archaeological excavation and exhibits.
- 29) Generally to carry on and undertake any business undertaking, transaction or operation commonly carried on by bankers, capitalists, promoters, financiers, entrepreneurs and other financial houses.
- 30) To establish a Zakat Fund or charity fund to utilize the same for purposes enjoyed by Islam as charitable and meritorious.
- 31) To do all such other things as are incidental, as the company may think conducive, to the attainment of the above objects or any of them, but not inconsistent with Islamic Shariah provisions.
- 32) To carry on any other form of business, which the Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

2.1.3 Management and Organization Structure

Board of Directors
Executive President
Deputy Executive President
Executive Vice Presidents
Senior Vice Presidents
Vice Presidents
Assistant Vice Presidents

19 entrepreneurs took the initiative to establish the bank. Their names, addresses professions and nationality along with the number of shares taken by them are presented below.

Names, addresses, descriptions and nationality of subscribers.	Number of shares agreed to be taken by each subscriber.	No. of shares held by each shareholders
A) Bangladeshi Sponsors		
(1) Al-haj Mohammad Abdur Razzaque Laskar, 71, Motijheel C/A, Dhaka-2. Industrialist, Bangladeshi.	30	500
(2) Al-haj Mofizur Rahman, M/s Milan Cold Storage Ltd. 70, Dilkusha C/A, Dhaka, industrialist, Bangladeshi.	30	500

(3)	Al-haj Tomizul Haque, Bar-at-law M/s Haque Bros , Ltd., 85/Aa New Eskaton Road, Dhaka, industrialist, Bangladeshi.	30	
(4)	Al- haj Mohammad younus M/S. Redwan textile Mills Ltd. 28/J toyenbee circular Road Tikatuli , Dhaka. Business man, Bangladeshi.	30	500
(5)	Al-haj Mohammad Shaifuddin Dewan M/S. Dewan textile Mills Ltd. 2/2 R.k. Misson Road Tikatuli , Dhaka. Business man/Industrialist, Bangladeshi.	30	500
(6)	Al- haj Mohammad Bashiruddin M/S. Jamaluddin Limited, 16, Bangabandu Avenue Dhaka. Industrialist, Bangladeshi.	25	500
(7)	Al- haj Mohammad Hossain M/S. Joshore Cold Storage Ltd. 4/1-C, Hare street, Wari, Dhaka, Industrielist, Bangladeshi.	25	500
(8)	Janab Nasiruddin Ahmed M/S. Pak Industrial Enterprises Road No. 113, Hoose No 6, Gulsan , Dhaka, Industrialist, Bangladeshi		500
(9)	Janab Md. Mosharraf Hossain M/S Yourk Garments Industries Ltd. 19, Bangabandu Avenue, Dhaka, Industrialist, Bangladeshi.	25	500
(10)	Janab Mohammad Malek Minar M/S. Insecticide Enterprise Ltd. 120, Shajahanpur , Dhaka, Industrialist, Bangladeshi .	25	500
(11)	Janab Zakiuddin Ahmed M/S. Barneli Associates Ltd. 19, Bangabandu Avenue, Dhaka, Industrialist, Bangladeshi.	25	500

(12) Al-haj M/A. Rashid chawdhury M/S. Bangladesh Packing press Ltd. 228/A, Tejgson Industrial Area, Dhaka. Industrialist, Bangladeshi.	25	500
(13) Janab Mostafa Anwar M/S. Civil & General Construction Ltd. 1/7 Asad Avenue, Mohammadpur, Dhaka Businessman, Bangladeshi.	25	500
(14) Janab Mohammad Abdullah 20, Cantonment, Dhaka, Businessman, Bangladeshi.	25	500
(15) Janab Sirajuddowla M/S. Mohammadi Housing Ltd. 69, Motijheel C/A, Dhaka. Businessman, Bangladeshi.	25	
(16) Janab Shah Abdul Hannan IBN SINA TRUST, Road No, 5/A, House No, 57. Dhanmondi R/A, Dhaka, Social Welfare Institution, Bangladeshi.	25	
(17) Janab A.K.M. Nazir Ahmed Bangladesh Islamic Center 71, New Elephant Road, Dhaka. Social Welfare Cultural Organizations Bangladeshi.	25	
(18) Prof. Sharif Hossain Islamic Economic Research Bureau 71, New Elephant Road, Dhaka, An Islamic Research Institution, Bangladeshi.	25	
(19) Al-haj Mohammad Nuruzzaman 344, East Rampura, Dhaka, Businessman, Bangladeshi.	25	
(20) Al-haj Sirajuddowla M/S Mohammadi Housing Ltd. 69, Motijheel C/A, Dhaka, Businessman, Bangladeshi.		500

(21)	IBN SINA TRUST Road no, 5/A , House No. 57 Dhanmondi R/a, Dhaka . Social welfare institution , Bangladeshi ,		500
(22)	Bangladesh Islamic centre 71, new Elephant Road, Dhaka. Social welfare cultural Organization. Bangladeshi.		500
(23)	Islamic economics research Burea 71, New Elephant Road, Dhaka. An Islamic Research institution , Bangladeshi .		500
(24)	Al-haj Mohammad Nuruzzaman,344 – East Rampura , Dhaka, Businessman , Banhladeshi.		500
(25)	Al-haj Abul Quasem , M/S Allawalla Salt Crushing industries Coxes Bazar, Chittagong, Industrialist, Bangladeshi.		500
(26)	Janab Fazlul Haque 27/12 Topkhana Road , Dhaka, Service, Bangladeshi .		500
(27)	Janab Mohammad Dawood Khan 394, Anderkilla, Chittagong, Service, Bangladeshi.		500
(28)	Baitush Sharaf Foundation Limited, Dhanialapara, D.T. Road, Chittagong, Commercial & Social welfare Organization, Bangladeshi.		1000
(29)	Government of the Peoples Republic of Bangladesh		4000
Total numbers of shares			15,500
B. Foreign Sponsors			
(30)	Kuwait Finance House (KSC) Im-ad Commercial Centre, Kuwait. Financial Institution.		4202

(31)	Jordan Islamic Bank Amman, Jordan, financial Institution.	2828
(32)	Islamic Investment and Exchange Corporation , Doha, Qatar Financial Institution	2152
(33)	Bahrain Islamic Bank P.O.Box 5240 Manama , Bahrain ,Financial Institution	500
(34)	Islamic Banking system International Holding S.A Luxembourg 31 , Place De Paris, Luxembourg , Financial Institution.	574
(35)	Al- Rajhi Company , P.O. Box 28, Riyadh, KSA. Financial Institution	22979
(36)	H,E Sheeikh Ahmed Salah Jamjoom , Jamjoom Vehicles & Equipment's . P.O. Box –1247, Jiddah , KSA, Businessman.	2297
(37)	H,E Sheikh Fouad Abdul Hamid Al- Khateeb, P.O. Box –5334. Palestine Road,Jeddah KSA, Businessman .	2297
(38)	Dubai Islamic Bank P.O. Box 1080 Deira, Dubai, UAE Financial Institution.	681
(39)	The Public Institute for Social Security, P.O. Box 24324, Sajat, Kuwait Govt. Organization.	5170
(40)	Ministry of Waqf Islamic Affairs Kuwait, P.O. Box –13 Safat Kuwait Govt. Organization	3446
(41)	Ministry if Justice, Kuwait Department of Minors Affairs P.O. Box –6 Safat, Kuwait Govt. Organization	2872
(42)	Islamic Development Bank, P.O. Box 5929,Jeddah, Saudi Arabia, International Financial Institution	6002
	Total Number of Shares	56000

Total number of Shares (A+ B) = Shares 71500 and total amount is tk.7,15,00,000.

i) Board of Directors

The Board of Directors of IBBL consists of 24 members including one Chairman, two Vice-Chairman and one ex-officio Director (Executive President). The Board of Directors elect one of their members as Chairman of the bank and determine the period during which the Chairman is to hold office. Al-haj Mohammad Abdur Razzaque Laskar was the first Chairman and Shah Abdul Hannan is the present Chairman of IBBL. The Chairman also select two Vice-Chairman among themselves. They hold office until next annual general meeting. Between the two, one will exercise all the powers of the Chairman in his absence. Honorarium of Directors is decided as per the instructions of Bangladesh Bank.

The Directors meet together for the dispatch of business and adjourn and otherwise regulate their meeting as they think fit and determine the quorum necessary for the transaction of business. The directors have the following powers as mentioned in the Articles of Association. Until otherwise so fixed, 50 percent of the total members shall form the quorum.

A Director may and the Secretary shall on the requisition of a Director at any time call a meeting of the Board of Directors and company. Generally 15 clear days notice is needed for meetings of Directors. Such meeting may be held at a shorter notice at the discretion of the Chairman / Convainor. Question arises at any meeting is decided by a majority of votes, each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote. The Chairman or in his absence a Vice-Chairman shall preside over all Board Meetings but if the Chairman and both Vice-Chairman are absent from any meeting the Directors present shall choose one of their members to be Chairman of such meeting.

The Directors may appoint any committee or committees (standing or otherwise) to assist them in discharging their functions. The Directors may also delegate any or all of their power to such committee or committees as they think proper. Any committee or committees so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed by the Directors.

ii) Executive President

The Board of directors appoint a chief executive officer (CEO) for the bank having experience of not less than 15 years in responsible position of any financial institution, upon such remuneration as they think fit. Executive President is the Ex-officio Director and member of the Board and Executive Committee.

iii) Shariah Council

The Board of director selects the members of the Shariah Council. The Shariah council of year 2000 had 10 members. The members are drawn from persons specialized in Islamic Shariah, economics, and financial & legal studies.

The Shariah Council of the Bank has played a vital role in advising and guiding on the implementation and complies of the bank particularly on the modes of investments. The council enjoys a special status in the structure of the Bank and consists of prominent ulema, reputed bankers renowned lawyers and eminent economists. Members of the Shariah council meet frequently and deliberately on different issues conforming the bank of Shariah matters. They also conduct

shariah inspection of Branches so as to ensure that the Branches of the bank are abiding Shariah.

2.1.4 Branch Network

The Bank has a plan to gradually open more Branches covering important areas. Seven administrative offices / zones are functioning all over the country for effective control, close supervision and proper monitoring of the total operations of the branches as well as assisting them in the development of the business. During the year 2000 the bank opened 6 new branches and rising the total member of the branches to 116.

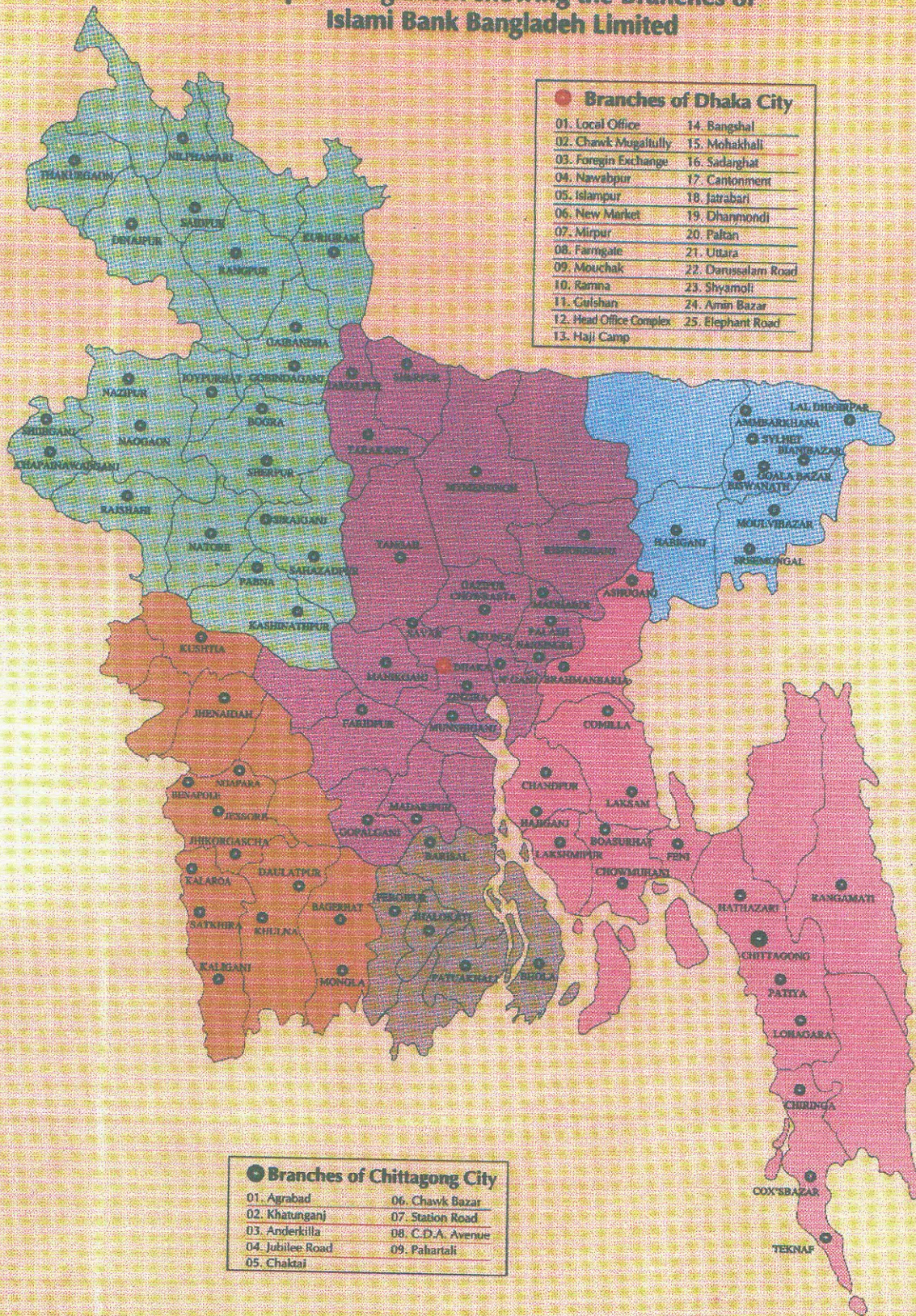
Office / Zones	Number of Branches as on 31.12. 2000
1. Branches under direct control of Head office	4
2. Dhaka North Zone	20
3. Dhaka South Zone	20
4. Chitagong Zone	16
5. Khulna Zone	18
6. Bogra Zone	20
7. Commilla	18
Total	116

Out of total 116 Branches, 88 are urban Branches (76 percent) and 28 are rural Branches (24 percent). (Map of Bangladesh showing the branches of Islami Bank Bangladesh Ltd.)

Map of Bangladesh showing the Branches of Islami Bank Bangladesh Limited

● Branches of Dhaka City

01. Local Office	14. Bangshal
02. Chowk Mughaltully	15. Mohakhali
03. Foreign Exchange	16. Sadarghat
04. Nawabpur	17. Cantonment
05. Islampur	18. Jatra Bari
06. New Market	19. Dhanmondi
07. Mirpur	20. Paltan
08. Farmgate	21. Uttara
09. Mouchak	22. Damsalam Road
10. Ramna	23. Shyamoli
11. Gulshan	24. Aman Bazar
12. Head Office Complex	25. Elephant Road
13. Haji Camp	



2.1.5 Sources of Fund of Islami Bank Bangladesh Ltd.

In modern capitalistic system banks are doing important functions like banking, extra banking, and non-banking. Islamic banks are also functioning like conventional banks. But the philosophy / objectives / scope, fundamental laws and principles of Islamic Banks are different from conventional banks. Interest based system is the main features of conventional banks. But Islami banks prohibit interest in all their transactions. Islami Banks operate according to the Shariah. Various sources of fund of Islami Bank Bangladesh Ltd. are stated below:

1. Paid up Capital:

Islami bank Bangladesh Ltd. is organized by the private entrepreneurs, but government and non-government organizations are also shareholders of the Islami bank Bangladesh Ltd. The bank was established under the company Act 1913. Bangladesh government has purchased 5 per cent shares of IBBL. Besides, many persons and institutions in Bangladesh and outside Bangladesh are shareholders of IBBL.

There are two main sources of funds of IBBL, such as, (1) owners equity and (2) deposits. Zakat is another special source of fund, which is called Zakat Fund. Owners equity or capital of the bank is one of the major components of the bank's fund. Islami Bank Bangladesh Ltd. is enlisted in DSE and CSE. Its shares are issued under Musharraka, all the partners have right to participate in the management of the project. However, they may also waive their right in favour of any specific shareholder. All the shareholders are entitled to a share in the total project according to the ratio.

Islamic economists argued that, as because Islamic economics is based on equity, so it is necessary that the equity base of Islamic Banks should be strong. It is needed to calculate the ratio of equity to deposit. Paid up capital, reserve fund, other reserves and undistributed profits are included in equity.

2. Statutory Reserve Fund

According to the rule of Central Bank a fixed amount of pre tax net profit is to be deposited into the central bank. Central Bank can change this ratio by notice from time to time. Every year IBBL is giving Zakat on statutory reserve fund.

3. Other Reserve and Undistributed Profit

To enrich the capital base, IBBL has been creating reserve fund out of its net profit. This reserve is a part of the bank equity. IBBL has also been creating a loss offsetting reserve with 15 percent of its net profit.

4. Loans from Central Bank

Central bank is the last shelter for commercial banks. IBBL has a Mudarabaha account in the name of central bank. The Bank takes loan from central bank through this account. IBBL keeps similar amount of money to the central bank for the same period.

5. Loans from Other Banks:

Islami bank can borrow money from other Islamic Banks inside or outside Bangladesh. There is no limitation of Islamic Shariah for this transaction. Besides, IBBL can also borrow money from conventional banks with pre

condition that they will deposit the same amount of money for the same period with the loan-giving bank.

6. Islamic Financial Transactions

With the progress of Islamic financial system, Islamic Financing Instruments are growing. As for example “Participation Term Certificates” (PTCS) and “Mudarabah Certificates.” in Zardan and Malaysia, “Government Investment Certificates ” in Egypt and Mishore.

7. Deposit

Islam categorically condemns hoarding of savings and demands their productive use for the realization of the socio-economic goals of Islam. Nevertheless, it is not possible for every saver to employ his savings productively. IBBL collect those idle savings and channel them effectively into productive purposes.

Deposits are mobilized through the application of the following two shariah principles: 1) Al-Wadia, and 2)Mudaraba. Al-Wadia principle implies that the bank receive funds with the undertaking to refund the deposit on demand and with authorization from the depositors to use funds for the benefits of and at the risk of the bank. IBBL current deposit accounts are managed in this principle. By opening such account, a depositor does not acquire any management (voting) right on the bank or on the funds deposited. Mudarabah principle implies that the bank receives deposits from the depositors with the authority that the bank will manage the fund, and the profit resulting from such will be shared between the bank and the depositor at a pre-agreed ratio. PLS accounts and various term deposits are operating on this principle. IBBL mobilizes deposits through the

operation of the following accounts: I) Current Deposit Account, ii) Profit and Loss Sharing Savings Account, iii) Profit and Loss Sharing Term Deposit Accounts, iv) Profit and Loss Sharing Short Notice Deposit Account, v) Hajj Savings Account (a Special Profit and Loss Sharing Deposit Account to facilitate performance of Hajj by fixed income group).

2.1.6 Foreign Exchange Business

The foreign trade handled by the bank may be classified as under:

- (1) Import Business
- (2) Export Business
- (3) Foreign Exchange Remittance

The achievement of IBBL in the area of foreign exchange business had been quite phenomenal. The bank has been providing services to import and export trade and for repatriation of hard-earned foreign exchange of Bangladeshi living and working abroad and has, by now, consolidated its position in these areas.

2.1.7 Growth of Foreign Exchange Business

Over the last 18 years, the bank has made remarkable setting progress in handling foreign trade and foreign exchange business. The total foreign exchange business in 1998 stood at tk.41493.20 million as against tk.36645.40 million in the preceding year registering an increase of 13.23 percent.

Table 2.1 Foreign Exchange Business

(Tk. in Million)					
Year	Import	Export	Remittance	Total foreign exchange business	Growth over previous year (%)
1983	10.80			10.80	-
1984	861.60	63.70	443.80	1369.10	-
1985	989.42	265.00	492.38	1736.80	27
1986	1800.61	622.42	1172.71	3595.74	107
1987	1578.45	971.15	1424.64	3974.24	11
1988	2015.30	1349.70	1125.40	4490.40	13
1989	3394.90	1543.80	901.60	5840.30	30
1990	3917.70	2588.30	1339.90	7845.90	34
1991	6204.27	3966.58	1814.13	11984.98	53
1992	8778.51	4948.81	2028.69	15755.91	31
1993	8612.70	5841.64	2402.51	16856.85	7
1994	14623.43	7790.42	2943.00	25356.85	50
1995	21218.38	11015.75	2447.21	34681.34	37
1996	17874.80	11766.40	3328.30	32969.50	-5
1997	17370.00	14469.40	4806.00	36645.40	11
1998	20238.30	14894.30	6360.60	41493.20	13
1999	20396.00	14798.00	8415.00	43609.00	5
2000	25327.00	16889.00	7644.00	49860.00	14

Source: Annual Reports of IBBL

To handle foreign exchange business effectively and efficiently, the bank has, over the years, developed a wide network of correspondents throughout the world. The bank has correspondent relationship with 190 banks and 650 branches in 71 countries as on 30.6.99. It is one of the top three thousand international banks of the world and its world-rank was 2100 in 1998. Total Foreign Exchange Business handle by the bank during the year 2000 demonstrated a growth of 14.33 percent compared to that of 1999. Although remittances have been steady

over the last 18 years, import and export business increased considerably over this period of time.

2.1.8 Social Welfare Activities:

Immediately after the inception of the bank, Sadaqah Tahabil was created on 4th July 1983, by the Board of Directors of the Bank. It was named as “Islami Bank Foundation” on May 20, 1991. The Islami Bank Foundation was established for providing financial assistance and other services to the poor and needy people.

In the backdrop of wide spread poverty, alarming level of unemployment, beggary, malnutrition, illiteracy, poor health care facilities, frequent natural calamities, social unrest and violence etc., Islami Bank Foundation has taken up various projects and schemes for serving and rehabilitating the distressed humanity and overall socio-economic development of the country.

The Foundation has established three modern hospitals named Islami Bank Hospital in i) Dhaka ii) Rajshahi iii) Khulna, three service centers at i) Neokhali ii) Manikgong iii) Feni and several other projects in different places for socio- economic development of the country. The Foundation has also established 5 (five) vocational training institutes named Islami Bank Institute of Technology. Two of them are in Dhaka, one at Bogra, one at Sylhet and the other in Chittagong for imparting vocational training to the unemployed youths so that they can get jobs at home and abroad.

The Foundation has established a center named “Center for Integrated Development for the Disabled (CIDD)” at Mohammadpur, Dhaka.

The Foundation has also established i) Islami Bank Model School & Collage in Dhaka city giving stress on religious and moral teaching, which are essential for students to become ideal citizens; ii) a sales center in Dhaka named “Monorum-Islami Bank Craft and Fashions” which is playing a significant role for economic upliftment of poor and distressed women through providing sales opportunities of their products; iii) a cultural center in Dhaka to save the youth force from derailment and to uphold & promote the culture of our own .

The Foundation has also drawn up a plan to look after education, health, and medicare requirements of the people of the areas where the Bank has lunched Rural Development Scheme.

The Foundation spent tk216.02 million during the year 2000 for a) Income generating project, b) Education, c) Health & Medicare, d) Humanitarian, e) Relief and Rehabilitation, f) Dawa Activities, g) Local Committee, and h) Special Project etc.

Besides, the foundation runs project like: i) Legal aid project for the welfare and legal support to victims and their family members holding of seminars and symposiums on the rights of the vulnerable (women, children, disabled etc.) and human rights, opinion mobilization against various forms of social ill, etc. ii) Talemul Quran project for propagating the teachings of the Holly Quran.

2.1.9 Contribution to National Economy :

The Bank has created indirect employment opportunities for lot of people all over Bangladesh through its investment and other activities. It has created direct employment opportunities of about 3000 people till date. The manpower position of IBBL for the last 5 years are given below:

Table 2.2 Manpower position of IBBL during 1996-2000.

Category	1996	1997	1998	1999	2000
Officer	1498	1563	1846	1823	2186
Staff	2	4	2	1	0
Sub-staff	278	336	323	478	499
Total	1778	1903	2171	2302	2685

During the year 1999-2000, the performance of National Economy has been more or less satisfactory indicating GDP growth of Bangladesh Economy by 5.50 percent against 4.90 percent of the preceding year. Growth in Agriculture sector was 5.50 percent in 1999-2000 as against 3.28 percent during 1998-1999. Industrial sector registered a growth of 4.30 percent during the year 1999-2000 from 3.19 percent of 1998-1999. The rate of inflation during 1999-2000 decreased to 3.45 percent from 8.91 percent of the previous year.

Total export earning increased by 8.23 percent compared to 2.94 percent in 1998-1999. Total import payment during the year 1999-2000 was US\$ 8403 million, which indicated an increase of 4.80 percent compared to 6.57 percent increase of the previous year. Inward Foreign Remittance also increased by 14.24 percent to US\$ 1949 million in 1999-2000 from US\$ 1706 million of 1998-1999. Trade deficits decreased by US\$ 53 million to US\$ 2641 million in 1999-2000.

The overall balance of payment recorded a surplus of US\$ 325 million during 1999-2000 against a deficit of US\$ 171 million during the preceding year.

Thus the macro-economic fundamentals worked positively but for socio-political unrest the economy could not achieve the desired growth exploiting the tremendous potentiality of the country.

2.2 Conclusion

After the independence of Bangladesh in 1971, several Islamic groups including Islamic Economics Research Bureau (IERB) started working vigorously for adoption of Islamic Shariah in the financial sector. Due to continuous and dedicated works of these groups and individuals and active support of the GOB, the Islami Bank Bangladesh Ltd. (IBBL) was established on 13th March, 1983. It was formally inaugurated on 12th August, 1983. The Bank has been operating its business through a network of 116 branches (31st Dec.2000) all over Bangladesh. It has seven administrative / Zone offices in different parts of the country. A Board of Directors consisting of 24 members including one Chairman and two Vice-Chairman and one ex-officio Directors (Executive President) manages the affairs of the bank. It has a Shariah Council of 10 members drawn from persons specialized in Islamic Shariah, Economics, Financial and Legal studies. The Shariah Council addresses the Shariah issues.

During the short span of time, IBBL demonstrates high growth in its deposit, investment, foreign exchange business, and employment generation. To handle foreign exchange business effectively and efficiently, the bank had correspondent relationship with 190 banks, and 775 branches in 72 countries at the end of the year 2000.

The bank has created indirect employment opportunities for a large number of people all over the country through its investment and other activities. It has also created direct employment opportunities of about 3000 people till date. Since inception the bank has been contributing a lot of amount to the national exchequer in the form of income tax and dividend.

Chapter Three

Justification Objectives and Methodology

Justification, Objectives and Methodology

This chapter presents the statement of the problem, justification, methodology, plan and limitation of the study.

3.1 Statement of the Problem

Bangladesh is poverty-ridden country having 80 percent of her population live in rural areas and about half of them live in abject poverty (FFYP, 1997-2002, p.13). Poverty is replicated in her low per capita GNP, dominance of cereals in the food basket of most of the people and absence of nutritional foods, such as meat, eggs, fish and diary products. Average daily calorie intake per capita hardly exceeds 2000. A survey showed that 64 percent of surveyed households had difficulty in satisfying their basic needs, 70 percent of those experienced it on a prolonged basis (BBS, 1975). Widespread poverty malnutrition and hunger have also been reported in a survey of BIDS (1989-90). It is also observed in another study that 60 percent of the respondents were below the poverty line. They were also exposed to serious health damage. Malnutrition among the children is even more serious and 94 percent of them have been suffering from some degree of malnutrition (Rahman, 1989-90). In other words, Bangladesh is still trapped in the vicious circle of poverty which stems from large scale unemployment and underemployment, low level of income, high population pressure, low productivity due to deficiency of capital and inefficiency of labour force, non professional attitude of management, lack of working opportunities outside agriculture, market imperfections and consequent lack of skill. Rural population density per sq. km. was 1157 in 1995 which is the second highest in the South Asian Region after Sri Lanka,(1082). Agricultural land per worker was only 0.3 hectare in 1993-94, which was the lowest in South Asia (World Bank Indicators

1998). Moreover, land is concentrated in few hands, two-thirds of the total farms representing one-fourth of the total cultivated area have size of less than one hectare. Hossain (1984) in his study also shows that about 29 percent of the rural households did not have any cultivable land other than homesteads, and 50 percent owned less than 0.50 decimals of cultivable land. They are called 'functionally landless'. Hossain (1984) observed that most of the marginal farmers are forced to borrow and sell their assets just to survive.

In Bangladesh, land being the important income assets in the rural areas, poverty afflicts mostly in the landless and marginal farmers. The incidence of poverty is 78 percent for households with no cultivated land and 71 percent for households with less than 0.5 acres. The incidence is only 9 percent for households with more than 5 acres. Similarly, the incidence of poverty is higher among tenant farmers than owner cultivators (Hossain and Sen, 1992, Mujerri, 1997).

In the past, the land reform policies of the country have addressed two major issues. One is tenancy reform, which have involved the prohibition of share tendency, regulation of leasehold rent to low levels, and enforcement of tenancy rights. Another is land redistribution program, which have usually tended to focus on distribution of public estates and transfer of private lands in excess of legislated ceiling.

While, the impact of past reforms on productivity and equity is still debated. Land reform is necessary but not sufficient in accelerating rural development and in sustaining rural poverty alleviation efforts in the country. The economic and political environment is required to be conducive in achieving the goals of land reforms (CIDRAP, 1999:p.36-37)

The purpose of development is to enrich the lives of the people and widen their choices. Sustainable community development should, therefore, be linked to poverty alleviation and for that rural development should get priority over urban development. Because the indicators of the rural-urban disparity index shows that the average per capita rural income is less than half of urban income. The rate of adult literacy in rural areas was 36.7 percent in 1995 as against 44.1 percent in urban areas. Similarly, glaring disparities exist in forms of access to basic facilities between rural and urban areas in Bangladesh (CIRDAP, 1999: p.11)

The Government of Bangladesh has also given priority to the development of villages and agriculture too. Different Five Years Plans of the GOB are directed to set up the purchasing power of the poor. The GOB has been expanding its rural activities by way of providing finance to the rural poor through "Agricultural Credit Programmes", "Non-agricultural Credit Programmes", 'Action Cum-research Project' and 'Rural Finance Experimental Project' etc. But government credit programmes in general, with a few exceptions, have not been effective in reaching the poor and have, in most cases, led to creation of high piece-meal compartmentalized efforts in addressing credit needs of the poor. Therefore, they are primarily dependent on village moneylenders who generally charge exorbitant rate of interest. The rate of interest of moneylenders in general is 10 percent per month which may go upto 10 percent per week and 10 percent per day according to circumstances (Younus: 1985). The implicit rate of interest on the average turned out to be 439 percent per annum (Rashid, 1986).

Provision of credit at a reasonable rate of interest can play a significant role in alleviating rural poverty. But traditional financial institutions in the country could not provide credit to the rural poor due to the following reasons:

1. The poor cannot provide collateral against loan;
2. The cumbersome formalities for obtaining credit that the illiterate poor finds difficult to complete;
3. The bankers' preference for handling big rather than petty loans which the rural poor need (Siddiqui, 1984:5-7).

It is in this context that micro-credit gain prominence as an important intervention for poverty alleviation. Several NGO, Grameen Bank and self-help groups are working in this area. The major players in the fight against poverty are women, usually through a group approach. It is not only gave rise to a new breed of women entrepreneurs but also gave a new lease of life to the very concept of entrepreneurship.

We know investment, entrepreneurship development and poverty alleviation activities are closely related. In fact, investment and entrepreneurship have been identified as two vital forces in the process of rural poverty alleviation in particular and rural development in general. Investment and entrepreneurship are acting as the catalysts in the development process. There is global emphasis on micro credit for rural entrepreneurship development and poverty alleviation.

Islami Bank Bangladesh Ltd. (IBBL) with its commitment to the society has started Rural Development Scheme (RDS) for creating farm and off-farm job opportunities for alleviating rural poverty and nurturing the rural entrepreneurs.

Like traditional banks, IBBL can not charge interest on its investments. It has to follow strictly the Islamic Shariah and Islamic values. Rather it invests on the basis of profit sharing or cost plus basis of some other Shariah based systems. Profit sharing method is a risky approach because all people are not honest and

our economic system is not predominately Islamic. Its cost plus investment system has also some problems. The main problem is whether it is in accordance with the Islamic Shariah or not. Some conservative Islamic scholars still believe that it is not in accordance with the Islamic Shariah. Again the question arises how far IBBL is successful in addressing rural poverty through entrepreneurship development. So all its activities such as deposit mobilization, investment, rural development scheme etc. need to be reviewed critically. Specially its investment, entrepreneurship development and poverty alleviation cycle should be thoroughly examined and evaluated in order to find out the hidden problems in the process.

3.2 Justification of the Study

Several Islamic Scholars and researchers have conducted their research on different aspects of Islami Banking and financial system. Among them the works of the earliest references to the reorganization of banking on the basis of profit sharing rather than interest are found in Anwar Qureshi(1946); Naiem siddeque (1948), and Mahmud Ahmad (1952) in the late forties, followed by a more elaborate exposition by Maududi (1950, 1961).Mohammed Hamidullah's writings (1944,1955,1957,and1962) too should be included in this category. Siddique (1982,1983,1985 and 1988), Mohsin (1982), Khan (1986), Abdullah (1987), Edwards (1999), Gafoor (1995, 1999), Alam (2000), Ahmed (1994), Gathura (1996), Nassif (1988), Muhiuddin and Rashid (1993) and so many researchers have written on different aspects of Islamic Banking and finance. They have all recognized the need for commercial banks and the evil of interest in those enterprises, and have proposed a banking system based on Islamic Shariah and values. While Loqman and Muhiuddin (1992) Azizul (1989), Ali and Sarker (1995), Haque and Parven (1997) and some other researchers have written on

different aspects of Islami Bank Bangladesh Ltd. But till date no in-depth study has yet been done on investment, entrepreneurship and poverty alleviation activities of Islami Bank Bangladesh Limited. Finding clue from this gap the present study has been conducted.

3.3 Objectives of the study

The main objective of the study is to appraise the existing investment, entrepreneurship, and poverty alleviation programs of Islami Bank Bangladesh Ltd. The specific objectives of the study are as follows:

- a). To identify the special nature and characteristics of Islamic Banking in contrast with traditional Banking;
- b). To asses the impact of Rural Development Scheme (RDS) of IBBL on the socio-economic development of its member / borrowers;
- c). To examine the growth, development, and operational performance of IBBL over the period;
- d). To examine and evaluate the investment activities of IBBL over a period of time;
- e). To examine the role of RDS in entrepreneurship development and rural poverty alleviation;
- f). To identify the problems relating to investment, poverty alleviation and entrepreneurship development activities of IBBL and to suggest accordingly.

3.4 Selection of Study Area and IBBL Branches

Two IBBL branches have been purposively selected as because these branches have Rural Development Scheme (RDS). Before selecting the sample banks,

relevant information was collected from the secondary sources and some other primary exercises were under taken. The name and location of those branches are given below:

- (i) Islami Bank Bangladesh Limited, Dinajpur Branch.
- (ii) Islami Bank Bangladesh Limited, Rajshahi Branch.

It was presumed that those areas would represent the whole of Bangladesh. Moreover, easier communication facilities and nearness to the residence of the researcher have also influenced us to select these areas for our study. Further, coverage of all areas of the country obviously demands more money, material and men which an individual researcher could not afford. Therefore, we have a reasonable excuse to justify our action in matter of selection of the study areas.

Islami Bank Bangladesh Limited, Rajshahi Branch started its RDS activities in 1997 with only two female centers having 90 members only. In 1997, it disbursed only tk.214000/- under RDS. While in the year 2000, its members were 1940- male 110 and female 1830; centers 75 – male 7 and female 68; total villages covered 27; and total amount disbursed tk. 5058000/-. Islami Bank Bangladesh Limited Dinajpur Branch started its RDS activities in 1997 with two female centers having 25 members only. In 1998, it disbursed tk. 1198000/- only. While, in the year 2000, its total members were 1405- male 60 and female 1405; centres 56 – male 2 and female 54; total villages covered 19; and total amount disbursed tk 9119000/- only.

3.5 Selection of Samples

We have randomly selected 10 percent of the total RDS members in the study areas. Total number of members was 3345 in our study area. Among them 170 are male and 3175 are female. The sampling of our respondent is shown below:

Year	Branch	Male	Female	Total Number	Amount disbursed
2000	Rajshahi	110	1830	1940	5058000/-
2000	Dinajpur	60	1345	1405	2864000/-
TOTAL		170	3175	3345	7922000/-

Out of 335 selected respondents we have been successful in getting response from 313 only. Thus 22 members did not co-operate us and as such we have failed to collect information from them. So, they were excluded from the sample. The selection was based on random sampling technique. Data were collected through interviews with the selected RDS members covering information on socio-economic backgrounds of the member households, their credit history, income, expenditure pattern, investment and their own view about the future of RDS members and themselves. The collected data were thoroughly checked by the researcher to find out the data gap. After checking the collected information the researcher revisited the study area to fill up data gap. Then the raw data were processed for preparation of statistical tables, charts, and graphs. Subsequently, necessary statistical tables, charts, diagrams, etc. have been prepared to facilitate analysis and interpretation of collected information.

3.6 Selection of the Respondents

The questionnaires designed are meant for two categories of respondents viz. bank personnel and RDS member borrowers, Two branch managers, two regional managers, eight sectional heads at IBBL head office, were interviewed at different points of time during the study period. A total of 313 member borrowers, who have taken financial assistance from IBBL, have been interviewed. Among the members some group leaders and deputy group leader have been purposively selected to get their views.

3.7 Selection of Study Years

The study covers a period of 18 years (from 1983-2000). The selected years appear appropriate for the study because the period represents all range of operation of the IBBL. IBBL started its activity in the middle of 1983 and that is why the year 1984 has been selected as base year of our study.

3.8 Sources, Collection and Analyses of Data:

We have used the following two methods for collection of data for our study. Such as

- (1) The library work method, and
- (2) The interview method.

The work has been primarily confined to studies relating to various aspects of IBBL finances for entrepreneurship development and poverty alleviation. We have gone through different journals, periodicals, books and government publications and have obtained necessary secondary data for the purpose. We have also gone

through the annual reports and publications of IBBL for the purpose. An interview method is always called an oral exchange of information. It is an important method for obtaining facts. The primary data have been obtained through personal interviews with the bank personnel, officers, and executives of the banks, selected entrepreneurs and RDS members. The researcher has conducted a carefully designed sample survey with the help of two sets of interview schedules, specially prepared in the light of the research objectives. One set of the schedules was used for the RDS member respondents and the other one was used for the bank employees. The researcher conducted face to face interviews with both the groups of respondents. The data thus collected have been subsequently arranged, processed, tabulated and analyzed for the purpose of the study.

3.9 Tools and Techniques Used

Several statistical techniques have been applied for data analysis and interpretation. To address the problems and issues posed earlier relevant statistical and financial tools and techniques like percentage and ratio analysis as well as common size analysis have been used. In addition, descriptive analysis technique has been used to address the qualitative aspect of the study.

3.10 Limitation of the study

This study is not free from limitation. The poor entrepreneurs did not maintain proper accounts and as such they had to provide information from their memories and notebooks. The researcher is not fully confident about cent percent accuracy of the collected information. Moreover, the respondents were reluctant in providing information about investment, dues, income, expenditure, savings, and their relationship with the bank employees. However, all attempts have been made to collect the required information as accurately as possible.

Due to financial problem and time constraints, the present study could not cover a large sample. A large sample would have given more detailed information about investment, entrepreneurship development and poverty alleviation activities of IBBL, but that would required more men and money, which was beyond the capacity of the researcher. With a view to reduce the volume of work and expenditure, the researcher selected two IBBL branches and 335 RDS members. However, we were aware of the limitations and tried to be as much objective in assessment and evaluation as possible under existing circumstances.

3.11 Plan of the Study

The study is divided into three parts consisting of seven chapters. Part- A consists of three chapters, which deals the theoretical aspects of the study and Part-B also consists of three chapters and presents the main body of the study. While, Part-C contains only one chapter i.e. the summery of main findings and conclusion of the study. The detailed chapter plan is given below:

First two chapters are introductory. The first chapter deals with emergence and evolution of Islamic Banking in the World. Chapter two represents an overview of Islami Bank Bangladesh Ltd. Chapter three exclusively deals with statement of the problem, justification of the study, and methodology of the study outlining data sources, methods of data collection, selection of the study area, and limitation of the study. Chapter four concentrates upon entrepreneurship development activities of IBBL. Chapter five attempts to explain investment activities and performance of IBBL. Chapter six is devoted to poverty alleviation concepts and the impact of RDS finance on the socio-economic conditions of the members. While, chapter seven gives the Summery of the main findings and suggestions.

Chapter Four

Entrepreneurship Development of IBBL

Entrepreneurship Development

This chapter is divided into three sections. The first section briefly presents a conceptual framework. The second section deals with the analysis and interpretation of entrepreneurship development through RDS finance. While, the third section presents the conclusion of this chapter.

4.1 Conceptual Framework

4.1.1 Entrepreneur

The word entrepreneur is derived from the French *entreprendre*, meaning 'to undertake'. Webster's Dictionary (1961) defines entrepreneur as an organizer of economic venture- specially one assumes the risk of a businessman. Economist Richard Cantillon first identified the entrepreneur and his unique risk-bearing function in the early 18th century in French (Kirzner, 1979: 38-39). He associated the risk bearing activity in the economy with the entrepreneur. In England during the same period, the Industrial Revolution was evolving, with the entrepreneur playing a visible role in risk taking and the transformation of resources (Kirzner, 1979: 38-39). Entrepreneur acts as an intermediary between capital and labour. According to Evans (1949: 338) " entrepreneurs are persons who take initiative, organize, manage and control the affairs of a business to supply goods and services, whether the business pertains to agriculture, industry, trade or profession"

Haggen (1982), described entrepreneurial functions in terms of creating opportunities for investment and production, establishing an organization capable of introducing new product process, accumulation of capital, collection of new materials, innovating new production techniques and new products, searching for new sources of raw materials and above all selection of an efficient manager to run the day to day affairs of the organization.

Thus the very term 'entrepreneur' has been defined in different ways, an organization builder, an innovator, a risk bearer, a resource assembler, a careful planner for economic changes, and so on. Clayton (1981:23-25), have identified the characteristics of an entrepreneur like:

"Be aggressive, be competitive, be goal oriented, be egocentric, make directions, be an achiever very early in life, be a loner in your final decision, put family and friends second to business, be an opportunist, do not security-oriented, be persistent, have determination, be an optimist (to an extreme), have desire to achieve, be hyperactive mentally, be a dreamer, be a calculated risk-taker, want power, learn from previous mistakes, be a perfectionist, and be intuitive". However, for our present study entrepreneurs are defined as the rural poor men and women who are the members of Rural Development Scheme of IBBL and have taken any farm or non-farm activity with IBBL credit.

4.1.2 Entrepreneurship

Entrepreneurship entails a lot of definitional and operational ambiguity. Some are related to what the entrepreneur does other to who is. But it is difficult to deny that entrepreneurship is a matter of individuals. 'It consists of doing things that are not gradually done in the ordinary course of business routine; it is essentially a phenomenon that comes under the wider aspect of leadership' (Schumpter, 1951: 255). In entrepreneurship, there is agreement that we are talking about a kind of behaviour that includes: (1) initiative taking, (2) the organizing or recognizing of social economic mechanisms to turn resources and situations to political account, and (3) the acceptance of risk failure (Cole, 1959: 27-28). Ronstadt (1984: 28) put it in a different way. He states "entrepreneurship is the process of creating wealth. This wealth is created by individuals who assume the major risks in terms of

equity, time, and / or career commitment of providing value for some products and services. The product and service may or may not be new or unique but the entrepreneur must somehow infuse value by securing and allocating the necessary skills and resources. Schumpeter had the opinion that both manager and entrepreneur bear risk, but entrepreneurial challenge is to find and use new ideas. The range of alternatives include:

- a) developing new products and services
- b) developing new methods of production
- c) identifying new markets
- d) discovering new organizational forms

It is generally recognized that entrepreneurs serve as agents of change, provide creative, innovative ideas for business ventures, and help business grow and become profitable. In short entrepreneurship is the "Pioneership" on the frontier of business. Timmons (1990: 5-6) has given a most precise definition of entrepreneurship. He states "entrepreneurship is the ability to create and build a vision from practically nothing: fundamentally it is a human, creative act. It is the application of energy to initiating and building an enterprise or organization, rather than just watching or analyzing. This vision requires a willingness to take calculated risks- both personal and financial - and then to do everything possible to reduce the chances of failure. Entrepreneurship also includes the ability to build an entrepreneurial or venture team to complement your own skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction, and confusion. It is possessing the know-how to find, marshal, and control resources (often owned by others)". Entrepreneurship then, is a function of creating

something new, or organizing, co-ordinating, undertaking risks and handling uncertainties.

4.1.3 Entrepreneurship Development

Rahman (1999:37) have identified five components of entrepreneurship development. Those five components are innovation, expansion of business, new line of business, employment generation and technological changes. These components are explained below:

i) Expansion of Business

Generally, expansion of business means increase in production volume, more market penetration, more capital investment and more employment opportunities. While for our study, expansion of business means increase in the amount of capital invested.

ii) Innovation

Generally, innovation denotes new technique or new idea or introduces a new product or service or a new market. Innovation is a key function in the entrepreneurial process. "It is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth" (Drucker, 1985: 20). Innovation is a combination of the vision to create a good idea and the perseverance and dedication to remain with the concept through implementation. An entrepreneurship introduces something new into the economy. In our study, innovation means introduction of new product and services.

iii) New Line of Business

If an entrepreneur engaged him / her in more than one activity simultaneously and if he / she gives up any activity and undertake a new activity is called 'new line of business'.

iv) Technological Change

If an entrepreneur uses a new production technique and change the existing process in the business than it is termed as technological changes. In our study technological change means the change of production process and improvement of the quality of the existing products.

v) Employment Generation

Employment generation means creation of new employment opportunities. Creation of new employment in excess of existing employment is called employment generation. This includes family members who were unemployed.

4.2 Analysis and Interpretation of Collected Information

The main objectives behind the setting up of RDS programme is to provide credit to the poor at reasonable terms and conditions so that they can generate productive self-employment and thereby improve their economic condition. RDS programme is, thus, seen as an instrument for alleviating poverty. The success of RDS largely depends on its impact on raising the level of income and consumption of its poor members. Most of them have reduced or completely eliminated their dependence on landlords, village moneylenders and relatives for consumption loans. The RDS members became self-sufficient by involving themselves in production, pond fishing, off-farm activities, irrigation charges, agriculture and irrigation equipment, rickshaw, and rickshaw van etc. Collected data have been analyzed and evaluated in this section.

4.2.1 Sources of information About RDS

Table 4.1 Source of information about RDS loan

Sources	Number of respondents	Percentage
Bank personnel	214	68.37
Neighbor	38	12.15
Husband	11	3.48
Others	50	16.00
Total	313	100.0

Source: Field Survey

The table 4.1 shows that 68.37 percent of the entrepreneurs have come to know the information about RDS loan from Bank personnel followed by neighbor, which stood for 12.15 percent. The remaining 19.48 percent of the respondents came to know from their husbands and other sources. Therefore, it can be said that Bank personnel are the major source of RDS information.

4.2.2 Inspiration to take Entrepreneurship as a Profession

The entrepreneurial activities in rural areas have taken a new shape with RDS credit. During the preindependence period as well as in the early part of the post-independence period scope for developing entrepreneurship was limited. It could have been a tremendous shift in the policy of the government, mainly to encourage young people to adapt entrepreneurship as a profession to acquire the desired spirit to start productive activity and to get them employed. It was learned that the entrepreneurs of the villages under study area came to the fields of entrepreneurship for any one of the factors mentioned in table 4.2.

Table 4.2 shows that husband's inspiration has been considered the most favorite factor (45.38 percent) for the female entrepreneurs to join RDS. In the next stage,

the factors like own wishes of the respondents and advice of the bank personnel occupied 40.86 percent (17.72+23.14). While, neighbors and others (i.e. relatives, parents, in-laws, and brothers etc.) inspired 13.76 percent (7.67+6.09) of the entrepreneurs. The role of husband was important to make the rural women entrepreneurs to earn extra income for themselves and their families.

Table 4.2 Factors as perceived important for joining RDS

Factors	Number of respondents	Percentage
Husbands inspiration	142	45.38
Own wishes	55	17.72
Bank personnel	72	23.14
Neighbor	25	7.67
Others	19	6.09
Total	313	100.0

Source: Field Survey

4.2.3 Amount of Capital

The amount of capital is divided into two categories i.e. owned capital and loaned capital. Owned capital is that capital which is supplied by the entrepreneurs from their own funds. On the other hand, loan capital means the amount of money, which is borrowed, from the RDS. Table 4.3 and 4.4 exhibits the amount of own capital and borrowed capital of the entrepreneurs before and after joining RDS program.

Table 4.3 shows that 61 percent of the respondents had no capital, 22.04 percent had capital up to tk.2000, while 9.59 percent had capital within the limit of tk.2001 to tk.6000 and the remaining 7.35 percent had capital above tk.6000. This was the position of the entrepreneurs before joining RDS program. However, this position has changed after the use of loan money. Subsequently, it was observed that the percentage of entrepreneurs who had no capital before joining RDS

program, declined from 61 percent to 26.33 percent. The percentage of respondents having capital of tk.2001 and above has decreased from 22 percent to 15 percent. On the other hand, after joining RDS and using loans, the percentage of respondents having capital of tk.2001 and above have increased from 17 percent to 58.67 percent. The financial strength of the entrepreneurs has increased a lot after joining RDS.

Table 4.3 Amount of own capital of the entrepreneurs

Amount of capital	Before		After	
	Number of respondents	Percentage	Number of respondents	Percentage
No capital	191	61.02	82	26.33
Up to tk.2000	69	22.04	47	15.00
Tk.2001 to tk.4000	21	6.71	30	9.67
Tk.4001 to Tk.6000	9	2.88	4	11.67
Tk.6001 and above	23	7.35	117	37.33
Total	313	100.0	313	100.0

Source: Field Survey

4.2.4 Amount of Borrowed Capital

Table 4.4 Amount of borrowed capital

Amount of borrowed capital	Before		At Present	
	No. of respondents	Percentage	No. of respondents	Percentage
Up to Tk.2000	176	56.23	5	1.67
Tk.2001 to Tk.4000	127	40.58	11	3.67
Tk.4,001 to Tk.6000	9	2.88	14	4.33
Tk.6001 to Tk.8000	00	00	28	9.00
Tk.8001 and above	1	0.31	255	81.33
Total	313	100.0	313	100.0

Source: Field Survey

Table 4.4 (Amount of borrowed Capital) depicts that the amount of borrowed capital has increased gradually. At the beginning of the business, 56 percent of the entrepreneurs had borrowed up to tk.2000, while 44 percent of the respondents had borrowed capital above this amount. However, at present this position has changed. With the experience in business, the amount of borrowed capital has increased.

It was also observed that about 81 percent of the entrepreneurs had taken tk.8000 and above as loan under RDS program. Therefore, it can be said that by taking more funds from RDS program, the entrepreneurs were able to generate more income and mostly found their employment in various non-farm activities.

4.2.5 Use of Loans

Islami Bank Bangladesh Ltd. through its Rural Development Scheme provides loan for a wide range of activities. According to the annual report of IBBL, it is evident that loans were sanctioned about 400 different activities (Annual Report). These activities are grouped under seven broad categories.

Table 4.5 shows that 343 types of off-farm activities occupied the top position that accounted for 50.00 percent. The next activity was 21 types of farm activities accounted for 35.00 percent, other activities 5.33 percent, rickshaw van and other rural transport 4.67 percent, agriculture and irrigation equipment 3.33 percent, and irrigation charges 1.67 percent in that order.

Table 4.5 Use of loan money by the entrepreneurs

Activities	Number of respondents	Percentage
Production activities (21 types of crop)	110	35.00
Off-farm activities (343 kinds)	156	50.00
Irrigation charges	5	1.67
Agriculture and irrigation equipment	10	3.33
Rickshaw and other rural transport	15	4.67
Other activities	17	5.33
Total	313	100.0

Source: Field Survey

Among the activities, agriculture, livestock, pond fisheries, trading and small business and rural transportation played a dominant role to the development of entrepreneurship using RDS loan in the study areas.

4.2.6 Desire for Further Loan

Table 4.6 Distribution of respondents according to desire for further loan

Desire of loan	Number of respondents	Percentage
Yes	239	76.34
No	74	23.66
Total	313	100

Source: Field Survey

From the above table, it is observed that majority of the respondents (76.34 percent) required more loan for doing their activities in a better way. Thus majority of RDS members opined that the amount of loan was not sufficient to meet their requirements.

4.2.7 Repayment of Loan

The repayment of borrowed money along with interest according to the agreed schedule is an indication about the improvement in loan repayment behavior of the RDS members.

Table 4.7 Payment of installments by the entrepreneurs

Payment of installment	Number of respondents	Percentage
Regular	311	99.33
Irregular	2	0.67
Total	313	100.0

Source: Field Survey

From the above table 4.7 it is observed that RDS members were very much punctual in exercising loan repayment culture. The credit repayment situation of the entrepreneurs also indicates an improvement in their income.

4.2.8 Future Plan of the Entrepreneurs

Every person has a plan to do something in future. The entrepreneurs were asked about their future plan. Their responses are presented in table 4.8. It is evident from the table that majority of the entrepreneurs (55 percent) plan to raise their standard of living in future. Again 42 percent wants to expand their present business. While 34 percent replied that they wish to give higher education to their children and 27 percent have expressed their intention to increase their assets and property in future.

Table 4.8 Future plan of the entrepreneurs

Plans	Yes		No	
	No. of respondents	Percentage	No. of respondents	Percentage
Expansion of business	131	42	181	58
Purchase of land	122	39	190	61
Children education	106	34	206	66
Raising standard of living	171	55	140	45
Increase of asset	85	27	228	73

Source: Field Survey

4.2.9 Problem Faced by the Entrepreneurs

Table 4.9 Problems in doing works by the entrepreneurs

Nature of problem	No. of respondents	Percentage
Working capital	220	70.33
Production	59	19.00
Sales	18	5.67
With bankers	-	-
Others	16	5.00
Total	313	100.0

Source: Field Survey

Table 4.9 shows that 70.33 percent of the entrepreneurs suffered from working capital shortage in doing their present business. On the other hand, 19 percent reported that they suffered production problem. Marketing is also a problem. Among the respondents, 5.67 percent reported that they have marketing problem with their products. Detoriating law and order situation and shortage of electricity were two other problems. While, none reported any problem with the bank employees.

4.2.10 Hindrances of Entrepreneurship Development as Reported by the Respondents

In this section we have strived to identify the main problems of entrepreneurship development as experienced by the entrepreneurs and the bank personnel in the study area. The major problems are summarized below:

i) Expansion of Business

Most of the respondents (38 percent) opined that they could not expand their activities mainly due to shortage of fund. They are not getting adequate amount of loan under RDS programme, which is affecting the growth of their business. We have observed earlier that there is a positive relationship between funding and expansion of activities. But under the existing system they are not getting adequate amount of loan from RDS, which could partially meet up their needs. Consequently, income and employment generation as well as wealth accumulation was low. While, disorganized market is also a problem in case of processing and manufacturing, and farm activities. Training is also a problem for processing, manufacturing, and livestock. Educated and trained entrepreneurs (15 percent+5 percent) are more comfortable in expanding their activities than uneducated and untrained entrepreneurs. Natural calamities and hazards are sometime hindering the expansion of farm activities and plantation. While smuggled goods in the market from across the boarder is a major problem in case of expansion in most of the activities.

ii) New Line of Business

The problems for expansion of business and new line of business are almost similar. Opening new line of business needs additional fund. Most of the

respondents opined that capital (35 percent) is the main problem for starting new line of business or activity, followed by income (21 percent), market (15 percent), experience (10 percent) and unwilling to take risk (7 percent) and training (2 percent) in that order. Availability of smuggled goods in the local markets is a problem in this case. Improvements in income and savings, and availability of required finance have significant positive impact on new line of activities. Most of the respondents are in the opinion that education, training, motivation and market are some of the problems for new line of business. A few respondents (3 percent) opined that infrastructure facilities specially transportation is also a problem for new line of activity.

Table 4.10 Major hindrances of entrepreneurship development

Particulars	Education (%)	Income (%)	Capital (%)	Experience (%)	Training (%)	Market (%)	Unwilling to take risk (%)
Expansion of business	15	20	38	10	5	10	2
Innovation	24	18	20	7	20	3	8
New line of business	10	21	35	10	2	15	7
Change in technology	12	19	30	5	27	0	8
Employment generation	6	24	34	16	17	0	3

Source: Field Survey

iii) Innovation

Entrepreneurship means innovation. Where there is no innovation there is no entrepreneurship development. Illiterate poor villagers can hardly demonstrate their innovative qualities. They need formal / informal

education (27 percent), training (20 percent), and suitable equipment and support for innovation. Most of the respondents relating to agriculture and irrigation equipment, manufacturing and processing, and livestock reported that they could not demonstrate their innovative ideas mainly due to lack of education and training. Disorganized market (3 percent), shortage of finance (20 percent) and unwillingness to take risk (8 percent) also prevented a good number of respondents to take innovative exercises.

iv) Technological Change

Development of the modern world is the continuous development of technologies. Today's technologies are obsolete tomorrow. If we want to meet the ever-changing demand of the market, we need to improve the quality of our products every time with the up-dated technology. It is reported that most of the respondents are using traditional technology, which is augmenting cost and decreasing their productivity and profitability. The opportunities for training and the scope for using modern technology have increased remarkably in our country. But unfortunately such opportunities are mostly available for the city people. Contrarily, there is very little scope for the rural poor to enjoy such opportunities. Lack of education (12 percent) and training (27 percent) to use modern technology, inadequate finance (30 percent) and underdeveloped infrastructural facilities (8 percent) and unwilling to take risk (4 percent) are the major hindrances for technological changes in the rural areas. Formal or informal training is needed to use new technology in some of the manufacturing, processing, livestock, and pond fisheries activities. Thus extending credit facilities to the rural poor is not

enough, they should get the opportunity to develop necessary skills to use new technologies through formal or informal training for innovation, expansion and new line of activities.

v) Employment Generation

Entrepreneurship development has a positive relationship with employment generation. Entrepreneurship development contributes positively in expansion of economic activities and overall economic development. Which ultimately creates employment opportunities for the unemployed and underemployed segments of the society. Thus it can safely be said that employment generation had a positive relationship with entrepreneurship development. Most of the respondents replied that capital (34 percent) is the main problem for employment generation. While, income is the major problem for 24 percent of the entrepreneurs for the creating employment opportunity.

4.2.11 Problem Faced by the Bank Employees

The bank employees have identified some problems, which stand in the way to success of Rural Development Scheme. The main hindrances that have been affecting the success of RDS are presented below:

- 1) First, group leaders and IBBL staff are extremely careful in screening out potential risks. Households having some assets, some steady incomes (the better off among the poor) are usually encouraged to join RDS. It is their assumption that even if RDS funded enterprises do not immediately generate income or if there are some losses these households will be able to tackle it

through their other incomes or through sale of assets. Thus in order to ensure increasing disbursement and high repayments (the targets that are set by the program) RDS field staff and group leaders are, therefore, almost led to screen the hard-core poor. These people are so destitute that they even consider themselves not credit-worthy. They do not feel that they have enough resources to generate incomes to pay back loans. The very poor are in such consumption crisis that loans are immediately used for meeting 'consumption space' that is required to be able to purchase assets or make investments with the credit funds is available only for those that are able to at least be at some basic subsistence level. Therefore, the hard-core poor 'self-select' themselves out of RDS membership.

- 2) Nearly 95 percent of the RDS members are poor rural women. Their social customs, religious belief, and family pressure sometimes create problem for the IBBL staff to work with those women.
- 3) The rate of literacy especially women literacy in Bangladesh is very low. Illiterate women entrepreneurs can not handle their business transactions smoothly. They can not even make effective use of RDS credit and often fail to make optimum use of their limited resources. They lack managerial and technical skills. They can not use modern and sophisticated technology. Consequently, their productivity, profitability and loan repaying ability are low. In such a situation extending credit to the illiterate poor women is very risky.
- 4) The bank employees opined that they usually face the problem of identifying the right entrepreneurs and right purpose of loan. In such a situation misuse and diversion might occur. RDS is not a relief program; nor is it a welfare measure.

Those who get of RDS credit must put it to productive use, reap the benefit and repay the loan along with interest. Only then will this become a sustainable program.

- 5) Most of the RDS funded activities are profitable only because of the exploitation of family labour. The returns of these activities generally do not cover costs of labour, if it were to be valued at the market rate. Expansion of such activities through bringing in hired labour, therefore, is not economically feasible since the cost of hired labour would exceed the add value due to such labour inputs. In such a situation extension of more credit (large amount) is risky.
- 6) Sometimes political influence, pressure from local leaders and village moneylenders, unconsciousness of the entrepreneurs, natural calamities, quarrel between husband and wife, sudden illness hinder the recovery of loan.
- 7) Overlapping is a major problem faced by the bank employees. Several NGO's are also working side by side with RDS of IBBL. Some of these NGO's are extending credit among the RDS members with utmost secrecy. In such a situation diversion of loan is inevitable. Consequently, recovery of loan becomes difficult in those cases.

4.3 Conclusion

Rural Development Scheme of IBBL has been playing a vital role in rural entrepreneurship development as the same contributes positively in expansion of economic activities and overall economic development. The poor entrepreneurs can be a driving force in our economic development if they get necessary financial assistance and other support services.

Five components have been chosen for entrepreneurship development for this study. Those are innovation, expansion of business, new line of business, employment generation and technological changes. While, the major hindrances of entrepreneurship development are education, income, capital, experience, training, market and unwilling to take risk.

Among the hindrances, shortage of capital was the dominant problem for expansion of business, technological changes and new line of business in all types of activities. Majority of the entrepreneurs had shortage of working capital, while they could not get required finance from RDS. And due to shortage of capital they could not create employment opportunities through expansion of existing activities or through opening new line of business. Lack of education and training are two important problems for technological changes and innovation.

Extending investment facilities to the poor entrepreneurs is not enough, they should get the opportunity to develop necessary skills to use new technologies through formal or informal training for innovation, expansion, and new line of activities. While smuggled goods in the market across the boarder is also a problem in case of expansion and new line of business.

However, overlapping of loan, political and religious pressure, social customs, illiteracy, poor managerial and technical skills of the entrepreneurs, diversion of loan for consumption and unproductive purposes, natural calamities, influence of the village moneylenders sometimes hinder the success of entrepreneurship development through RDS investment.

Chapter Five

Investment Activities of IBBL

Investment

This chapter is divided into three sections. The first section deals with the theoretical aspects of investment; the second section presents the analysis and interpretation of quantitative information; while the third section presents the conclusion of this chapter.

5.1 Introduction

Bangladesh is one of the Least Developed Countries (LDC) in the world. Its per capita income is very low (\$210) and consequently low standard of living. A vast majority of its population lives below the internationally accepted poverty line. Since independence, its development budgets have been mostly dependent on foreign loan and aid. Any move to reduce dependence on foreign aid is highly dependent on efficient and effective mobilization of internal resources. In this context, Islami Bank Bangladesh Ltd. has been playing an important role in mobilizing country's scattered savings as well as investing the same into various desirable sectors of the national economy.

The special feature of the investment policy of the bank is to invest in accordance with the tenets and principles of Islamic Shariah. Earning profit is not the only motive and objective of the bank's investment policy rather emphasis is given on attaining social goal and on creating employment opportunities. Islami Bank Bangladesh Ltd. is firmly committed to implement and materialize the economic and financial principles of Islam in the banking arena and to do away with disparity and establish justice in the trade, commerce, and industry and to promote socio-economic upliftment and sustainable economic growth of the country.

Investment operation of a Bank is of vital importance as the lion share of the total revenue is generated from it; maximum risk is concentrated in it; and the very existence of a bank mostly depend on prudent management of its portfolio. Pursuant the investment policy adopted by the bank a “7 Years Perspectives Investment Plan” has been drawn-up and put into implementation. The plan aims at diversification of the investment portfolio by size, sector, geographical area, economic purpose and securities to bring all sectors of the economy and all types of economic groups of the society within the fold of the bank’s investment operations.

Accordingly, the plan envisages composition of the investment portfolio with 2.5 percent for agriculture and rural investment, 18 percent for industrial term investment, 13 percent for industrial working capital, 10 percent for housing and real estate, 4 percent for transport and communication, 0.5 percent for electricity, gas, water and sanitation services, 2 percent for storage, 43 percent for import, export, and local trade & trade related activities, 1 percent for poultry and dairy, 2 percent for rural development scheme, 2.5 percent for other special schemes, 0.5 percent for micro-industry and 1 percent for other productive purposes by the end of the plan period, i.e. the year 2002. Further, in order to diversify investment portfolio, the bank engaged itself in investment operations through special schemes introduced at the different points of time. The bank is planing to introduce other new investment schemes such as micro-industries investment scheme, apartment projects scheme, self-employment scheme for the youths, hawkers investment scheme and specialized investment scheme in addition to welfare oriented investment schemes, viz., rural development scheme, transport investment scheme, small business investment scheme, doctors investment scheme, household durable investment scheme, housing investment scheme, agricultural implements investment scheme, poultry investment scheme, and Mirpur silk weavers

investment scheme. Besides, the bank is financing various economic groups of the society in both urban and rural areas for upliftment of their economic condition.

5.1.1 Objectives of IBBL's Investment Policy

The Investment Policy is formulated keeping in view of the following objectives:

- i. Strict observance of the Islamic Shariah principles
- ii. Investment to national priority sectors
- iii. Investment to trade and commerce sector (whole sale, retail and services)
- iv. Support to denationalization of industries by the Government
- v. Investment to foreign trade (import and export)
- vi. Investment to industrial sector according to national priority
 - a) Cottage industries
 - b) Agro-based, agro-processing and agro-supportive industries
 - c) Fish canning, freezing and preservation units
 - d) Rice, flour, oil, and pulse mills
 - e) Wearing apparel
 - f) Glass and glass products
 - g) Cements and asbestos
 - h) Leather and leather products
 - i) Paper, paper product and printing
 - j) Manufacturing units of hydrogenated oil, banaspati gee and edible oil & fats
 - k) Textile linkage industries
 - l) Basic chemical, chemical products, plastic products and rubber products

- m) Ceramic products
- n) Bricks and tiles
- o) Iron and steel mills
- p) Aluminum industries like Thai aluminum
- q) All types of electric goods/components manufacturing and assembling industries including PCB manufacturing and assembling industries
- r) Small scale industries
- s) Computer manufacturing and assembling program
- t) Computer services oriented training program
- u) Power generation and distribution industries
- v) Power cable/ wires and power equipment industries
- vii. Working capital investment to industrial units
- viii. Investment to transport and communication
 - a) Road transport
 - b) Water transport
 - c) Telecommunications including
 - 1. Mobile telephone exchange
 - 2. Satellite ground station
 - 3. Existing telephone and telex exchange service oriented program
- ix. Investment to housing and construction sector
 - a) Housing societies/ companies
 - b) Housing individual
 - c) Other than housing
- x. Investment to electricity, gas, water, and sanitary services
- xi. Investment to storage (warehousing and cold storage)
- xii. Investment to hotels and restaurants

- xiii. Private welfare and development activities
- xiv. Investment under special investment schemes
- xv. Investment for personal services (doctors, engineers, and other technically qualified persons)
- xvi. Other services actives i.e. hospital, education etc. on commercial basis
- xvii. While extending investment, to keep in view the environmental factors including the issues related to health hazards, environmental pollution and maintaining ecological balance should be taken into consideration
- xviii. To work for human resources and entrepreneurship development
- xix. To take care of the need of the low-income groups
- xx. To meet investment requirement for afforestation, reforestation, plantation of mango trees for development of mangrove, cultivation of silk cocoon
- xxi. Exploration of existing money and capital market and creation of Islamic money / capital market for profitable deployment of banks investable and short-term liquidity surplus. Exploration of the possibility of investment in Islamic Development Bank (IDB) Unit Fund and other safe overseas Islamic instruments
- xxii. Diversification of investments by size, sector, geographical area, economic purpose, security with particular emphasis on investment in power generation and distribution and telecommunication sector specially in the wake of privatization of these sectors
- xxiii. Rural development and the upliftment of village poor by means of under taking employment and income generating projects, promoting cultivation of multiple and high yielding crops indigenous and traditional industries including cottage industries and handicrafts etc.

- xxiv. Improvement of the condition of the urban poor by means of entrepreneurship development, assisting the development of vocational training organizations and various service enterprises and providing small businessman access to investment facilities
- xxv. Employment generation for the youth
- xxvi. To adapt and diffuse appropriate technology to enhance productivity and also to stimulate innovation in technology

5.1.2 Salient Features of the Investment Policy

The salient features of the investment policy are outlined below:

- i. Observance of the legal investment limit of the bank
- ii. Observance of legal investment limit per client
- iii. Optimum utilization of investable fund
- iv. Profitability of the investable fund
- v. Safety and security of the investment
- vi. Investments at minimum possible risk e.g. default risk and liquidity risk etc.
- vii. Liquidity of investments
- viii. Conform to Central Bank's investment restrictions / policy
- ix. Preference to short term investments
- x. Preference to small investment / size
- xi. Satisfactory return on investments
- xii. To take in view, interalia, the following points while considering an investment proposal :
 - a) Sector and sectoral performance
 - b) Management of the company

- c) Location of the company
- d) Market demand / supply gap, import / export position
- e) Past performance if any
- f) Cash flow position
- g) Financial / internal rate of return
- h) Investment service coverage position
- i) Capability of the sponsors
- j) Infrastructural facilities in and around the proposed project

5.1.3 Strategies of the Investment Policy

Risk in the investment and return thereon is inter-related. An investment policy that emphasizes a high return must accept relatively high risk. Conversely, an investment policy that will tolerate only small amount of risk must be prepared to accept a low return. Nevertheless, considering all aspects, following guidelines have been followed by IBBL as strategy for investments.

- i. If two portfolios have the same risk but different returns, the portfolio having higher return shall be preferred.
- ii. If the two portfolios have the same expected return, but different degrees of risk, the portfolio with lower risk shall get preference.
- iii. If one portfolio has both a higher return and a lower risk than another does, the first portfolio shall be preferred.
- iv. Keeping in view of the risk factor, the bank shall maintain flexibility in determination of return on investment on case to case basis. Higher rate of returns for taking higher degree of risk and comparatively lower rate of return for taking lower degree of risk.

- v. Emphasis is given for expansion and strengthening cottage and small industries sector and rural industries sector and rural industries. These immensely potential industrial sub-sectors shall create employment opportunities to rural and semi-urban population and income generation and poverty alleviation of the low-income group.
- vi. Investment facilities shall be extended for establishment and expansion of export oriented forward / backward linkage and import substitute industries.
- vii. While considering investment proposals, preference shall be given to the 100 per cent export oriented labour intensive industries based on indigenous raw materials and other ingredients.
- viii. It shall be looked into that bank's industrial investment is spread over large geographical area to keep the socio-economic balance and special attention be given to the less developed areas of the country.
- ix. Money and capital markets are not at all organized, attractive and efficient in Bangladesh. Besides no Islamic instrument is available here to enable the bank to invest a portion of its surplus for meeting liquidity and also to invest daily surplus, if any, for efficient management of funds and optimum utilization of resources.

The floating rate introduced by National Investment Board (NIB) of the government primarily to encourage the Islamic Banks was not acceptable to the bank from Islamic Shariah point of view due to which that opportunity could not be availed by the bank. As such, emergence / establishment of new Islamic Investment Companies shall be encouraged for opening opportunity for investment of bank's surplus fund. Moreover, because of regulatory constraints, the bank is not in a position to invest its surplus fund in Islamic Investment Products available in limited scale in the International Financial

Markets. Under the above situation, the bank is left with no option but to go for general investments in agriculture, trade, commerce, industry etc. So bank's Investment Policy, Investment Planning and Investment Budgeting, till situation changes / improves, shall aim at promotion of quality general investments.

- x. General Investment shall be made in the following ways and under the following modes :
- a) Bai-murabaha.
 - b) Bai-murabaha post import.
 - c) Bai-muajjal.
 - d) Hire purchase.
 - e) Hire purchase (Shirkatul Melk).
 - f) Musharaka.
 - g) Mudaraba.
 - h) Bai-salam.
 - i) Leasing.
 - j) Investment auctioning.
 - k) Any other mode found appropriate which conforms to the principles of Islamic Shariah.

All the general investment modes have been discussed in details in the first chapter of our study.

- xi. Keeping in view the objectives of the Bank, policy guidelines of Bangladesh Bank for upliftment and socio-economic emancipation of the underprivileged, down-trodden, neglected and weaker section of the populace, improving the standard of living of low income group, development of human resources and creation of avenues for self –

employment, the following Special Investment Schemes have been introduced :

5.1.4 Special Investment Schemes

- a) Small Business Investment Scheme
- b) Agricultural Implements Investment Scheme
- c) Housing Investment Scheme
- d) Small Transport Investment Scheme
- e) Investment Scheme for Doctors
- f) Poultry Investment Scheme
- g) Household Durable Investment Scheme
- h) Transport Investment Scheme
- i) Car Investment Scheme
- j) Rural Development Scheme

There is plan for introduction of the following Special Investment Schemes, which are under process:

- a. Barendra Multipurpose Development Projects Investment Scheme
- b. National Minor Irrigation Development Project Investment Scheme
- c. Meghn-Dhonagoda Multipurpose Project Investment Scheme
- d. Chandpur Irrigation Project Investment Scheme
- e. Investment Schemes for Hawkers
- f. Investment Scheme for Employment of the Youths
- g. Micro Industries Investment Scheme
- h. Macro Industries Investment Scheme
- i. One stop service Mini Industrial Park Investment Scheme preferably in the nearby industrial belt of Dhaka, Narayangonj, Narsandi and Jaydebpur
- j. Apartment / Real Estate Project Investment Scheme

- k. Specialized Investment Scheme (for investment in livestock, dairy, poultry, pisciculture, mango processing, cultivation of silk cocoon etc.)

Operational guidelines of the introduced Schemes have been prepared and circulated. Operational guidelines for the planned schemes and other new schemes shall be prepared and circulated in due course as and when approved. Meanwhile, a sum of tk.50.00 million is hereby marked for Specialized Investment Scheme.

- xii. The Bank is required to retain 5 per cent of total deposit liability as Cash Reserve Ratio (CRR) and another 5 per cent as Statutory Liquidity Ratio (SLR) totaling 10 per cent of total deposit liability with the Central Bank. The Bank may go for investment up to 90 percent of its total deposits. A separate Perspective Investment Plan up to 2002 (from 1995-2002) has been formulated quantifying the allocation of investments size-wise, sector-wise, geographical area wise, economic purpose-wise, security-wise keeping in view of 20 percent projected growth of deposit each year.
- xiii. Taking into consideration the broad objectives of the national priority, socio-economic need, growth level of the economy, the investments portfolio of the Bank may gradually be diversified and allocated in terms of size, geographical area, economic purpose, and security.

The bank since inception has been working for the upliftment and emancipation of the underprivileged, downtrodden and neglected sections of the populace and has taken up various schemes for their well being. The objectives of these schemes are to raise the standard of living of low-income group, development of human resources and creation of avenues for self-employment. About 80 per cent of IBBL credit is canalized through commercial (whole sale, retail and services) and

industrial operation. While the remaining 20 percent are disbursed through special investment schemes. Some of the special investment schemes are stated below:

i) Household Durable Scheme

The objective of the scheme is to increase standard of living and quality of life of the fixed income group by extending them credit facilities to purchase household articles such as furniture like Almirah, Sofa set, Wardrobe, Electric and Electronic Equipment like television, refrigerator, gas cocker, air conditioner, PC, washing machine; electric generator-IPS; UPS; motor cycle; corrugated iron sheet, cement, rod, wood etc. for construction of dwelling house; gold ornaments, tube-well, mobile telephone set, etc. and medical/ engineering instruments/ equipment, educational instruments / equipment, computer, books etc. for students.

ii) Housing Investment Scheme

The bank has introduced this scheme recently to solve the serious housing problem in the urban areas and to make arrangement for accommodation of the fixed income group. Officials of the Defense Forces; permanent officials of government, semi-government and autonomous organizations; teachers of the Universities, University Collages & Medical Collages; graduates engineers, doctors and established professionals; Bangladeshi officials of reputed multinational companies, International Financial Organizations, Donor Agencies, Foreign Embassies etc., officials of local established & reputed public limited companies, wage earner professionals like doctors, engineers, accountants, teachers and any other professionals doing good job abroad earning hand- some pay-package shall be eligible to apply for availing investment facilities under the scheme.

iii) Real Estate Investment Program

Professionals, Service holders, Businessmen, Real Estate Developer and other categories of people who are not entitled for availing investment facilities under Housing Investment Scheme, shall be eligible under this program. Investment is to be extended to build new houses and for extension/ completion of the house already constructed, commercial building, shopping complex, flat / apartment etc.

iv) Transport Investment Scheme

To ease the existing transportation problem and ensure speedy economic growth and development of the country particularly the expansion of trade, commerce and industry, the bank has taken up this scheme. Under this scheme investment is being allowed to the existing successful businessmen and potential entrepreneurs in this sector for all types of road and water transport like bus, mini-bus, truck, launch, cargo-vessel, transport for rent a car service; and baby taxi, tempo, pick up, van for self-employment; and ambulance for clinic & hospital. The bank is also extending investment facilities to multinational companies, established business houses and well to do officials and professionals for acquisition of private cars, microbus and jeeps.

v) Car Investment Scheme

Car is considered as an essential mode of transport in the modern society, particularly by a section of the officials, business houses and business executives and established professionals for movement in discharging their duties and responsibilities punctually and efficiently. To meet this need Islami Bank has introduced the "Car Investment Scheme" for the mid and high ranking officials of government and semi-government organizations, corporations, executives and

directors of big business houses and companies and also for persons of different professional groups on easy payment terms and conditions.

vi) Investment Scheme for Doctors

The Bank has taken up this Scheme to help unemployed qualified doctors to go for self-employment and to provide latest medical equipment to specialist doctors to extend modern Medicare facilities throughout the country.

vii) Small Business Investment Scheme

This Scheme has been taken up for self-employment of educated unemployed youths of rural areas and to provide investment to small businessmen and entrepreneurs. Investment is extended for about 200 economic activities in sectors as livestock, fishery, agro-farming, processing and business, manufacturing, trading/ shopkeeping, transportation, agricultural implements, forestry and service viz. laundry, signboard, painting etc.

viii) Agriculture Implements Investment Scheme

In keeping with the view of the people-oriented and welfare objectives of the Bank, this scheme has been introduced to provide power tillers, power pumps, shallow tube-wells, thresher machines etc. on easy terms to the farmers in agricultural sector.

ix) Micro-Industries Investment Scheme

To create wider base for industries as well as to encourage establishment of micro-industries in different areas of the country by the potential entrepreneurs and for diversification of bank investment port-folio, the bank introduced "Micro Industries Investment Scheme". Different sections including food and agriculture based

industries, plastic & rubber industries, forestry and furniture industries, service industries, textile industries, recycling industries, electrical accessories industries, computers technology industries, paper products industries, handicrafts industries, fishery and other viable micro-industries have been identified for financing under the scheme.

x) Rural Development Scheme

Bangladesh is predominantly an agricultural country with vast majority of its population living in rural areas. More than 60 percent of the people live below the poverty line. Seasonal unemployment and under-employment is so acute that people remain idle and without job in most of the time of the year. As a result people in large number are migrating to urban areas, particularly in metropolis in search of employment thereby creating social and environmental hazards. Islami bank has, therefore, taken up a scheme to reactive the rural economy and develops model villages through integrated rural development approach. The objective of the scheme is to create income generating and productive self-employment opportunities through extension of investment for the development of rural areas and thereby reducing rural poverty. Investment is allowed for the purpose of amongst others, production of 21 types of main crops viz. food cereals and cash crops, off-farm activities like dairy, beef fattening, goat rearing, poultry, shop keeping, peddling etc., rural transport like rickshaw, rickshaw van, cart, etc., irrigation equipment, hand tube well, housing materials, in all covering about 343 types of economic activities, Islami Bank Foundation, a subsidiary of the bank is engaged in special welfare activities, side by side, take care of the requirement of villages through integrated area development approach under Islamic model.

xi) Mirpur Silk Weavers Investment Scheme

The scheme has been taken up to assist the silk weavers of Mirpur area particularly in respect working capital requirements, BMRE of existing units by adding further to develop new entrepreneurs and to assist the workers for getting further training for producing products of various modern design and for modernization of the silk factory.

5.2 Analysis and Interpretation Financial Information.

This section deals with the analysis of secondary data relating to deposits, investments, profitability, productivity and liquidity of IBBL over the period of study.

5.2.1 Growth in Deposit

Table 5.1 Deposit growth of IBBL during 1983-2000.

Year	Deposit	(Tk. in Million)	
		Increase over the previous year (%)	Increase over the base year 1984 (%)
1983	144.15	NA	NA
1984	635.94	341.17	NA
1985	1563.85	145.91	145.91
1986	2230.60	42.64	250.76
1987	2419.70	8.48	280.49
1988	2812.76	16.53	342.30
1989	3455.52	22.85	443.37
1990	4462.71	29.15	701.75
1991	5671.61	27.09	791.85
1992	6703.78	18.20	954.15
1993	8261.08	23.23	1199.03
1994	10226.66	23.79	1508.11
1995	12669.33	18.20	1892.22
1996	14027.08	10.72	2105.72
1997	16557.29	18.04	2503.59
1998	19750.99	19.29	3005.79
1999	24858.81	25.86	3808.99
2000	31557.95	26.95	4862.41

Source: Annual Reports of IBBL.

Average Growth = 3740.08%

It is evident from table 5.1 that IBBL had registered a high growth in its deposit mobilization during the period of study. Yearly average growth of deposit was 3740.08 percent or 37.4 times over the base year 1984. The growth over previous year was highest in 1985 (145.91 percent) and lowest in 1987 (8.48 percent). While, the overall growth during the period was 4994 percent or about 50 times. In absolute term the amount of deposit increased from tk.635.94 million in 1983 to tk.31757.95 million in 2000. Thus IBBL has demonstrated high success in deposit mobilization activities.

5.2.2 Structure of Deposit

Table 5.2 shows that deposits of IBBL consist of three components such as fixed deposits, saving deposits and current deposits. Savings deposits dominated the structure of total deposits in almost all the years under study, followed by fixed deposits and current deposits in that order. Savings deposits ranged between 31.79 percent (1984) and 63.28 percent (2000) with an average of 53.43 percent. Thus, on an average saving deposits occupied more than half of the total deposit in IBBL. Current deposits occupied 14.22 percent (1998) to 38.82 percent (1984) with an average of 18.82 percent. Current and contingency deposits occupied less than one-fifth of the total deposit of IBBL. While fixed deposit ranged between 23.78 percent (1999) and 32 percent (1993) with an average of 27.75 percent. Fixed deposits occupied more than one-fourth of the total deposit structure of IBBL.

Table 5.2 Structure of deposit of IBBL during 1983 –2000

Year	Fixed deposits	Savings deposits	Current deposits	(Tk.in Million) Total deposits
1983	NA	NA	NA	144.16 100%
1984	189.92 29.86%	201.74 31.72%	244.29 38.42%	635.95 100%
1985	476.64 30.48%	497.19 31.79%	590.02 37.73%	1563.85 100%
1986	555.35 24.90%	818.42 36.69%	856.83 38.41%	2230.60 100%
1987	663.33 27.41%	1014.92 41.94%	741.45 30.64%	2419.70 100%
1988	709.02 24.99%	1264.47 44.56%	864.26 30.46%	2837.75 100%
1989	901.75 26.10%	1525.93 44.16%	1027.85 29.75%	3455.53 100%
1990	1207.36 27.05%	1995.70 44.72%	1259.65 28.23%	4462.71 100%
1991	1571.21 27.70%	2377.75 41.92%	1722.65 30.37%	5671.61 100%
1992	2113.29 31.52%	3115.07 46.47%	1474.64 22.00%	6703.78 100%
1993	2643.66 32%	4028.42 48.76%	1589.00 19.23%	8261.08 100%
1994	3142.96 30.73%	4989.35 48.79%	2094.35 20.48%	10226.66 100%
1995	3700.74 29.21%	6231.23 49.18%	2737.36 21.61%	12669.33 100%
1996	4289.51 30.58%	7157.19 51.02%	2580.38 18.40%	14027.08 100%
1997	5241.92 31.66%	8768.79 52.96%	2546.68 15.38%	16557.29 100%
1998	6419.31 32.50%	10522.80 53.28%	2808.89 14.22%	19751.00 100%
1999	5910.23 23.78%	15214.40 61.20%	3734.18 15.02%	24858.81 100%
2000	9902.03 21.73%	20095.46 63.28%	4760.46 14.99%	31757.95 100%
Average	2743.43 27.75%	5283.45 53.43%	1860.76 18.82%	9887.64 100%

Source: Annual Reports of IBBL

5.2.3 Growth in Equity

As is evident from table 5.3 that the equity base of IBBL has increased remarkably over the period. In absolute term, it increased from tk.77.11 million in 1984 to tk.2394.88 million by the end of 2000. It registered an average yearly growth of 802.94 percent or more than 8 times during the period of review. In relative term, the highest growth over previous year was in 1990 (75.60 percent) and the lowest in 1989 (3.12 percent).

Table 5.3 Growth in equity of IBBL during 1983-2000.

Year	Equity	(Tk.in Million)	
		Increase over the previous year (%)	Increase over the base year 1984 (%)
1983	67.86	NA	NA
1984	77.11	13.63	NA
1985	92.69	22.20	20.20
1986	106.85	15.38	38.56
1987	128.91	20.53	67.18
1988	139.32	8.08	80.68
1989	143.67	3.12	86.32
1990	252.28	75.60	227.17
1991	273.43	8.38	254.60
1992	299.65	9.59	288.60
1993	369.36	23.26	379.00
1994	467.57	25.51	506.36
1995	695.08	49.94	801.41
1996	1075.08	54.67	1294.22
1997	1248.15	16.10	1518.66
1998	1329.82	6.54	1624.58
1999	1435.61	7.96	1761.77
2000	2394.88	66.76	3005.80

Source: Annual Reports of IBBL

Average growth = 802.94 percent.

Table 5.3 reveals that growth over base year 1984 was 3005.80 percent or 30 times during the period. In order to increase the equity base the bank issued right shares in the ratio of 1:1 in 1990, 1996 and 2000 respectively. Thus over the period IBBL has increased its equity base through issue of right shares and through accumulation of undistributed profits.

5.2.4 Growth in Investment

Table 5.4 Investment growth of the IBBL during the year 1983-2000.

(Tk.in Million)

Year	Investment	Increase growth over previous year (%)	Increase over the base year 1984 (%)
1983	55.94	-	-
1984	457.79	718.35	-
1985	948.55	107.20	107.20
1986	1412.60	48.92	208.57
1987	1809.10	28.09	295.18
1988	2132.38	17.87	365.80
1989	2358.43	10.60	415.18
1990	3252.46	37.91	610.47
1991	4283.12	31.69	835.61
1992	5164.16	20.57	1028.06
1993	5934.36	14.91	1130.77
1994	8076.49	36.10	1664.23
1995	11532.82	42.79	2419.24
1996	13539.35	17.40	2857.55
1997	13095.31	-3.28	2760.55
1998	13454.74	2.74	2839.06
1999	18283.07	35.89	3893.77
2000	27471.48	50.80	5900.89
Average	7403.45	NA	NA

Source: Annual Reports of IBBL

Table 5.4 gives the investment growth of IBBL over previous year and base year. It was very high during the whole period of study except in 1997. In 1997, the investment growth was negative (-3.28 percent) over the previous year 1996. In absolute amount, it increased from tk.55.94 million in 1983 to tk.27471.48 million in 2000. The highest growth over previous year was noticed in 1985 (107 percent) and negative in 1997(-3.28 percent). The average growth being 1607.77 percent or 16 times. This is evident from the fact that IBBL was more or less successful in investing its fund.

5.2.5 Investment Per Employee

Table 5.5 Investment per employee during 1983-2000.

Year	Investment	Number of employee	(Taka in Million)
			Investment per employee
1983	55.94	127	0.44
1984	457.79	291	1.57
1985	948.55	539	1.76
1986	1412.60	712	1.98
1987	1809.10	720	2.51
1988	2132.38	690	3.09
1989	2358.43	843	2.80
1990	3252.46	840	3.87
1991	4283.12	991	4.32
1992	5164.16	1057	4.89
1993	5934.36	1169	5.08
1994	8076.49	1116	6.93
1995	11532.82	1350	8.54
1996	13539.35	1778	7.61
1997	13095.31	1903	6.88
1998	13454.74	2171	6.20
1999	18283.07	2302	7.94
2000	27471.48	2685	10.23
Average	7403.45	1185	6.25

Source: Annual Reports of IBBL

In order to judge the manpower utilization of IBBL, investment per employee during 1983–2000 have been shown in table 5.5. In absolute amount, investment per employee had an increasing trend during the period of review. Investment per employee ranged between 1.57 million (1984) and 10.23 million (2000) with an average of 6.25 million. Therefore, with the passage of time, manpower productivity of IBBL has been increasing gradually.

5.2.6 Sector Wise Investment

Table 5.6 shows that IBBL has divided its investment activities into six board sectors such as Commercial, Industrial, Agriculture, Real estate, Transport and Others. Among all the sectors, commercial activities alone occupied, on an average, 48.84 percent of the total Investment of IBBL. But the share of investment in commercial activities had a fluctuating trend during the period. It ranged between 30.25 percent (1998) and 70.59 percent (1987) with high yearly fluctuation. It was above 50 percent in 9 out of 18 years of the study. The second important sector of investment is industrial sector. It occupied on an average 31.41 percent with high fluctuation from year to year. It ranged between 23.29 percent (1984) and 43.65 percent (1997). It is also evident from the table that commercial activities (Avg. 48.84 percent) dominated the total structure of investment followed by industrial sector 31.41 percent, others (Avg. 11.25 percent), real estate (Avg. 4.39 percent). Transport (Avg. 3.60 percent) and Agriculture (Avg. 53 percent) in that order. Investment in agricultural activities was very negligible during the whole period of review. While, commercial and industrial activity combindly occupied near about four-fifths of the total investment in IBBL. Thus IBBL has given priority in investing in commercial and industrial activities.

Table 5.6 Sector wise investment of IBBL during 1983-2000.

(Tk.in Million)

Year	Commercial	Industrial	Agricultural	Real estate	Transport	Others	Total
1983	19.30 34.50%	4.70 8.40%	NA	4.10 7.33%	NA	27.84 49.77%	55.94 100%
1984	275.36 60.15%	106.67 23.29%	NA	12.91 2.82%	NA	62.85 13.74%	457.79 100%
1985	643.70 67.86%	226.00 23.83%	8.80 0.93%	24.40 2.57%	17.50 1.84%	28.15 2.97%	948.55 100%
1986	888.71 62.91%	274.94 19.46%	10.67 .77%	9.74 0.69%	54.14 3.83%	174.40 12.34%	1412.60 100%
1987	1277.00 70.59%	248.08 13.81%	17.83 0.98%	8.18 0.45%	49.70 2.75%	208.35 11.52%	1809.10 100%
1988	1379.74 64.70%	534.12 25.04%	20.60 0.97%	9.80 0.46%	58.80 2.76%	129.32 6.07%	2132.38 100%
1989	1529.10 64.83%	650.60 27.59%	21.50 0.91%	12.40 0.52%	76.00 3.22%	68.83 2.92%	2358.43 100%
1990	1451.60 44.63%	613.98 18.88%	21.58 0.66%	18.74 0.57%	69.06 2.12%	1077.50 33.12%	3252.46 100%
1991	2609.15 60.92%	1189.30 27.77%	20.82 0.49%	75.04 1.75%	86.47 2.01%	302.34 7.06%	4283.12 100%
1992	3381.60 65.48%	1398.42 27.08%	14.90 1.81%	164.70 3.19%	90.00 1.74%	114.54 2.22%	5164.16 100%
1993	3838.90 64.69%	1670.02 28.14%	22.40 0.38%	173.80 2.93%	108.30 1.82%	120.94 2.02%	5934.36 100%
1994	5202.71 64.42%	2166.00 26.82%	23.40 0.29%	194.50 2.41%	176.80 2.19%	313.08 3.87%	8076.49 100%
1995	6902.31 59.96%	3131.65 27.21%	37.09 0.32%	289.19 2.51%	507.60 4.41%	664.98 5.77%	11532.82 100%
1996	6132.31 45.36%	4518.07 33.42%	77.18 0.57%	482.64 3.57%	670.48 4.96%	1658.67 15.50%	13539.35 100%
1997	4857.15 37.15%	5707.01 43.65%	55.71 0.43%	263.03 2.01%	469.77 3.59%	1742.64 13.17%	13095.31 100%
1998	4063.88 30.25%	5417.30 40.32%	104.12 0.78%	557.82 4.15%	545.02 4.06%	2766.60 20.44%	13454.74 100%
1999	8969.94 49.13%	4153.46 22.75%	108.94 0.60%	1142.13 6.25%	702.23 3.85%	3207.37 17.42%	18283.07 100%
2000	11662.85 42.51%	9849.80 35.90%	134.00 0.49%	2406.20 8.77%	1120.90 4.08%	2298.45 8.25%	27471.48 100%
Avg.	3615.80 48.84%	2325.54 31.41%	38.86 0.53%	324.96 4.39%	266.79 3.60%	855.95 11.23%	7403.45 100%

Source: Annual Reports of IBBL

5.2.7 Mode Wise Investment

Table 5.7 Mode wise investment of IBBL

(Tk.in Million)

Year	Mudarabaha	Musharaka	Bai-Muajjal	Hire Purchase	Purchase Negotiation	Others	Total
1983	8.20 14.66%	6.50 11.62%	4.60 8.22%	8.90 15.91%	NA	27.74 49.59%	55.94 100%
1984	217.20 47.45%	117.40 25.65%	60.00 13.11%	3.10 0.68%	23.40 5.11%	36.69 8.00%	457.79 100%
1985	656.70 69.23%	132.00 13.92%	81.70 8.61%	4.00 0.42%	22.10 2.33%	52.05 5.49%	948.55 100%
1986	918.05 64.99%	134.55 9.53%	149.20 10.56%	36.42 2.58%	43.71 3.09%	130.67 9.25%	1412.60 100%
1987	1112.38 61.69%	116.94 6.46%	214.60 11.86%	43.78 2.42%	55.00 3.04%	266.40 14.73%	1809.10 100%
1988	1225.80 57.48%	82.70 3.88%	339.60 15.92%	94.20 4.42%	280.80 13.17%	109.28 5.13%	2132.38 100%
1989	1140.40 48.35%	64.10 2.72%	585.50 24.83%	309.00 13.10%	139.50 5.91%	119.93 5.09%	2358.43 100%
1990	1359.59 41.80%	70.70 2.17%	665.66 20.47%	465.46 14.31%	526.63 16.19%	164.42 5.06%	3252.46 100%
1991	2143.05 50.04%	98.70 2.30%	893.51 20.86%	611.43 14.28%	367.74 8.58%	168.69 3.94%	4283.12 100%
1992	2739.25 53.04%	117.33 2.27%	1029.32 19.93%	643.13 12.45%	431.60 8.36%	203.53 3.94%	5164.16 100%
1993	3019.49 50.88%	190.22 3.21%	1131.32 19.06%	768.44 12.95%	584.29 9.85%	240.60 4.05%	5934.36 100%
1994	4304.26 53.29%	282.84 3.50%	1465.14 18.14%	1014.00 12.56%	698.30 8.65%	311.95 3.86%	8076.49 100%
1995	6162.99 53.54%	445.83 3.87%	1989.25 17.25%	1677.55 14.57%	826.61 7.18%	430.59 3.56%	11532.82 100%
1996	6797.50 50.28%	429.69 3.18%	2479.44 18.34%	2251.67 16.66%	976.49 7.22%	604.56 4.32%	13539.35 100%
1997	5559.07 42.51%	342.09 2.62%	2602.02 19.90%	2681.33 20.51%	1261.81 9.65%	648.99 4.81%	13095.31 100%
1998	5397.65 40.18%	289.82 2.16%	2825.87 21.03%	2908.63 21.65%	1389.07 10.34%	643.53 4.64%	13454.74 100%
1999	7501.51 41.03%	402.89 2.21%	3172.69 17.38%	4437.35 24.30%	2164.36 11.86%	604.27 3.31%	18283.07 100%
2000	12003.92 43.75%	428.91 1.56%	4478.34 16.32%	8496.87 30.97%	1387.05 4.87%	726.39 2.63%	27471.48 100%
Average	3662.28 46.43%	220.39 2.81%	1421.36 18.15%	1555.67 19.85%	654.62 8.36%	321.33 4.10%	7403.45 100%

Source: Annual Reports of IBBL

As is evident from table 5.7 that Mudarabah mode of investment alone occupied, on an average, near about half (46.43 percent) of the total investment followed by Hire Purchase (Avg. 19.85 percent), Bai-Muajjal (Avg.18.15), Purchase and Negotiation (Avg. 8.36 percent), Others (Avg.4.10 percent) and Musharaka (Avg.2.81) in that order. Thus Mudarabah, Hire Purchase and Bai Muajjal are the most important modes of IBBL investment.

5.2.8 Investment to Total Deposit

Table 5.8 Total investment to total deposit during 1983-2000.

(Tk.in Million)			
Year	Investment	Deposit	Investment to deposit (%)
1983	55.94	144.15	38.80
1984	457.79	635.94	71.98
1985	948.55	1563.85	60.65
1986	1412.60	2230.60	63.33
1987	1809.10	2419.70	74.77
1988	2132.38	2812.76	75.81
1989	2358.43	3455.52	68.25
1990	3252.46	4462.71	72.88
1991	4283.12	5671.61	75.52
1992	5164.16	6703.78	77.03
1993	5934.36	8261.08	71.83
1994	8076.49	10226.66	78.97
1995	11532.82	12669.33	91.02
1996	13539.35	14027.08	96.52
1997	13095.31	16557.29	79.09
1998	13454.74	19750.99	68.12
1999	18283.07	24858.81	73.54
2000	27471.48	31557.95	87.05
Average	7403.45	9395	78.80

Source: Annual Reports of IBBL

As is evident from table 5.8 that investment to deposit ranged between 38.80 percent (1983) and 96.52 percent (1996) with an average of 78.80 percent. In the initial years investment to deposit was low, but it increased gradually. On an average IBBL kept one-fifth of its total deposit for maintaining liquidity. However, high liquidity in most of the years under study might have affected the profitability of the bank. Moreover, year to year fluctuation was also observed.

5.2.9 Growth in Net Profit

Table 5.9 Growth in net profit before appropriation during 1983-2000.

(Tk. in Million)

Year	Net profit	Increase over the previous year (%)	Increase over the base year 1984(%)
1983	(2.56)	NA	NA
1984	7.83	NA	NA
1985	8.87	13.28	113.28
1986	0.13	(98.53)	1.66
1987	7.23	545.40	92.33
1988	30.67	324.79	191.70
1989	22.59	(26.34)	188.51
1990	140.55	522.22	1595
1991	105.76	(24.76)	1151.70
1992	NA	NA	NA
1993	80.00	NA	821.71
1994	222.58	178.22	2642.66
1995	311.36	39.87	3776.50
1996	283.52	(8.94)	3420.09
1997	170.75	(39.77)	1980.72
1998	148.39	(13.10)	1695.15
1999	178.31	20.16	2077.26
2000	330.24	85.21	4017.62
Average	113.68		

Source: Annual Reports of IBBL

Note: Figure within bracket indicates negative figure

Table 5.9 shows that IBBL had suffered loss in the first year of the study. Thereafter, it earned profit in all the years under review except in 1992. In 1992, IBBL could not earn any profit. In absolute amount, it ranged between -2.56 million (1983) and 330.24 million (2000) with high yearly fluctuation. Increase/ decrease in profit over previous year demonstrated negative growth in 1986 (-98.53%), 1989 (-6.34%), 1991(-24.76%), 1996 (-8.94%), 1997 (-39.77%), and in 1998 (-13.10%). While growth over base year 1984 was 4018 percent or 40 times over the period.

5.2.10 Net Profit to Total Investment

Table 5.10 Net profit to total investment during 1983-2000.

(Tk.in Million)

Year	Net profit	Investment	Net profit to investment (%)
1983	(2.56)	55.94	(-4.55)
1984	7.83	457.79	1.71
1985	8.87	948.55	0.94
1986	0.13	1412.60	0.00
1987	7.23	1809.10	0.40
1988	30.67	2132.38	1.42
1989	22.59	2358.43	.96
1990	140.55	3252.46	4.32
1991	105.76	4283.12	2.47
1992	NA	5164.16	NA
1993	80.00	5934.36	1.35
1994	222.58	8076.49	2.76
1995	311.36	11532.82	2.70
1996	283.52	13539.35	2.09
1997	170.75	13095.31	1.30
1998	148.39	13454.74	1.10
1999	178.31	18283.07	0.98
2000	330.24	27471.48	1.20
Average	113.68	7403.45	1.54

Source: Annual Reports of IBBL

Table 5.10 gives the growth in net profit during the period over base year 1984. Net Profit growth was 42 times, while investment growth was 50 times during the same period. Net profit as percentage of investment after deducting all expenses including profit apportioned to deposits ranged between a negative figure of (-) 4.55 percent (1983) and a positive figure of 4.32 percent (1990) with an average of 1.54 percent. It had no definite trend of rise and fall. Rather a fluctuating trend had been set in. This situation does not suggest sound business practice of IBBL. Its assets utilization had also a fluctuating trend during the period.

5.2.11 Net Profit to Working Fund

Table 5.11 Profit to working fund during 1983-2000.

(Tk.in Million)			
Year	Net profit	Working fund	Profitability (%)
1983	(2.56)	210.03	(1.22)
1984	7.83	834.31	0.94
1985	8.87	1891.25	0.47
1986	0.13	2542.86	.005
1987	7.23	2824.97	0.26
1988	30.67	3283.09	0.93
1989	22.59	3852.38	0.59
1990	140.55	5233.61	2.69
1991	105.76	6914.71	1.53
1992	NA	8412.88	NA
1993	80.00	10095.71	0.79
1994	222.58	12198.06	1.82
1995	311.36	15489.78	2.01
1996	283.52	16989.49	1.69
1997	170.75	20,013.24	0.85
1998	148.39	23443.32	0.63
1999	178.31	28967.38	0.62
2000	330.24	39366.09	0.84
Average	113.68	11253.51	1.01

Source: Annual Reports of IBBL

Note: Figure within bracket indicates negative figure

It is evident from table 5.11 that growth in working fund of IBBL during the period was also high. It ranged between tk.834.31 million in 1984 and 39366.09 million in 2000. Thus an increase of 47 times was noticed during the period of review. But net profit to working fund had a fluctuating trend. It ranged between .005 percent (1986) and 2.69 percent (1990) with high yearly fluctuation.

5.2.12 Return on Total Assets

Table 5.12 Return on total assets during 1983-2000.

(Tk.in Million)

Year	Net profit	Total asset	Net profit to total assets (%)
1983	(2.56)	223.25	(1.15)
1984	7.83	1043.19	0.75
1985	8.87	2237.05	0.40
1986	0.13	3088.20	0.01
1987	7.23	3693.14	0.20
1988	30.67	4030.20	0.76
1989	22.59	5184.68	0.44
1990	140.55	6677.19	2.10
1991	105.76	9382.84	1.13
1992	NA	11695.75	NA
1993	80.00	13920.17	0.57
1994	222.58	18498.44	1.20
1995	311.36	22990.59	1.35
1996	283.52	22746.48	1.25
1997	170.75	26826.60	0.64
1998	148.39	30843.90	0.48
1999	178.31	36785.96	0.48
2000	330.24	48280.33	0.66

Source: Annual Reports of IBBL

Note: Figure within bracket indicates negative figure

Growth of net profit was about 48 times during the period over base year 1984. While, growth of total assets was over 66 times during the same period. Net profit to total assets also demonstrates high fluctuating trend. It ranged between 0.75 percent (1984) and 2.10 percent (1990) with high yearly fluctuation. The situation does not suggest sound business practice of IBBL.

5.2.13 Return on Equity

Table 5.13 Return on equity during 1983-2000.

(Tk.in Million)

Year	Net profit	Equity (capital + reserve)	Net profit to equity (%)	Number of shareholders	Earning per share
1983	(2.56)	67.86	(-0.04)	NA	NA
1984	7.83	77.11	10.15	NA	NA
1985	8.87	92.69	9.57	NA	NA
1986	0.13	106.95	0.12	NA	NA
1987	7.23	128.91	5.60	6325	0.001
1988	30.67	139.32	22.01	5691	0.005
1989	22.59	143.67	15.72	5516	0.004
1990	140.55	252.28	55.72	5636	0.025
1991	105.76	273.43	38.68	5540	0.019
1992	NA	299.65	NA	5480	NA
1993	80.00	369.36	21.66	5335	0.015
1994	222.58	463.57	48.01	5453	0.040
1995	311.36	695.08	44.79	5803	0.054
1996	283.52	1075.08	26.37	5924	0.048
1997	170.75	1248.15	13.68	6863	0.025
1998	148.39	1329.82	11.16	6989	0.021
1999	178.31	1435.61	12.42	7185	0.025
2000	330.24	2394.88	13.79	7549	0.044
Avg.	113.68	588.52	19.32		

Source: Annual Reports of IBBL

Note: Figure within bracket indicates negative figure

Return on equity in IBBL had a fluctuating trend during the period of study. It ranged between 10.15 percent (1984) and 55.72 percent (1990) with an average of 19.32 percent. In 1983, IBBL earned a negative return on its equity and in 1992 it could not earn any profit. But in the remaining years of study return on equity in IBBL were positives but had a fluctuating trend. EPS and ROE had also fluctuating trends during the period. The management should look into this area and take necessary steps to prevent high fluctuation in EPS and ROE.

5.2.14 Return per Employee

Table 5.14 Return per employee during 1983-2000.

Year	Net profit	Number of Employee	(Tk.in Million)
			Net profit to employee
1983	(2.56)	127	(0.20)
1984	7.83	291	0.027
1985	8.87	539	0.01
1986	0.13	712	0.0002
1987	7.23	720	0.01
1988	30.67	690	0.04
1989	22.59	843	0.03
1990	140.55	840	0.17
1991	105.76	991	0.11
1992	NA	1057	NA
1993	80.00	1169	0.07
1994	222.58	1116	0.020
1995	311.36	1350	0.23
1996	283.52	1778	0.16
1997	170.75	1903	0.09
1998	148.39	2171	0.07
1999	178.31	2302	0.08
2000	330.24	2685	0.12

Source: Annual Reports of IBBL

Note: Figure within bracket indicates negative figure

Return per employee had also a fluctuating trend during the period of study. It ranged between (-) Tk.0.027million (1984) and tk.0.23 million (1995) with an average of tk.0.1041. Thus manpower utilization and efficiency was not equal and consistent from year to year.

5.2.15 Productivity Position

5.15 Productivity ratios during 1983-2000 (First Method)

(Tk.in Million)

Year	Working fund	Total expenditure	Total productivity	Manpower	Manpower productivity
1983	210.03	5.98	35.12	127	1.63
1984	834.31	37.17	22.45	291	2.87
1985	1891.25	91.34	20.71	539	3.68
1986	2542.86	136.60	18.62	712	3.57
1987	2824.97	173.43	16.29	720	3.92
1988	3283.09	202.21	16.24	690	4.76
1989	3852.38	263.22	14.64	843	4.57
1990	5233.61	311.70	16.79	840	6.23
1991	6914.71	436.04	15.86	991	6.98
1992	8412.88	527.05	15.96	1057	7.96
1993	10095.71	542.89	18.60	1169	8.64
1994	12198.06	603.98	20.20	1166	10.46
1995	15489.78	786.25	19.70	1350	11.47
1996	16989.49	948.83	17.91	1778	9.36
1997	20,013.24	1198.02	16.71	1903	10.52
1998	23443.32	1480.29	15.84	2171	10.80
1999	28967.38	1787.93	16.20	2302	12.58
2000	39366.09	2877.57	13.68	2685	14.66
Average	11253.51	689.47	16.32	1185	9.50

Source: Annual Reports of IBBL

Table 5.15 presents the productivity dimensions of IBBL during 1983 – 2000. It is evident from the table that under the first method total productivity was highest in 1984 (22.45) and lowest in 2000 (13.68) with an average of 9.50. IBBL did high cost banking in 2000. During the early years IBBL's expenditure in relation to working fund was low. It gradually increased over the periods. However, manpower productivity had gradually increased over the period.

Table 5.16. Productivity ratios during 1983-2000 (Second Method)

(Tk.in Million)

Year	Income	Total expenditure	Manpower	Total productivity	Manpower productivity
1983	3.43	5.98	127	0.57	0.04
1984	45.00	37.17	291	1.21	0.15
1985	100.21	91.34	539	1.10	0.19
1986	136.73	136.60	712	1.00	0.19
1987	180.66	173.43	720	1.04	0.25
1988	232.88	202.21	690	1.15	0.34
1989	258.81	263.22	843	0.98	0.31
1990	452.26	311.70	840	1.45	0.55
1991	541.80	436.04	991	1.24	0.55
1992	527.05	527.05	1057	1.00	0.50
1993	622.89	542.89	1169	1.15	0.53
1994	826.56	603.98	1166	1.37	0.71
1995	1097.61	786.25	1350	1.40	0.78
1996	1232.35	948.83	1778	1.30	0.69
1997	1368.77	1198.02	1903	1.14	0.72
1998	1629.38	1480.29	2171	1.10	0.75
1999	1966.24	1787.93	2302	1.10	0.85
2000	3207.81	2877.57	2685	1.11	1.19
Average		689.47	1185	1.13	0.52

Source: Annual Reports of IBBL

Note: (1) Total productivity = Income divided by expenditure

(2) Manpower Productivity = Income divided by total manpower

According the second method, total productivity ranged between 1.21 (1984) and 1.45 (1990) with an average of 1.16. It is also evident from the table that total expenditure was more than total income in 2 out of 18 years of study. Again, total income was almost equal to total expenditure in 3 out of 18 years of study. As such IBBL could not make any profit in 4 out of 18 years of study even though the organization has been successful in increasing its investment volume per employee over the period of study.

5.16 Liquidity Position

Table 5.17 Liquidity position of IBBL during 1983-2000.

(Tk.in Million)

Year	Cash in hand	Total deposits	Liquid assets	Total assets	Cash to total deposits (%)	Liquid assets to total deposits(%)	Liquid assets to total assets (%)
1983	48.26	144.15	138.13	223.25	33.48	95.82	61.87
1984	139.07	635.94	306.25	1043.19	21.87	48.15	29.35
1985	211.94	1563.85	771.06	2237.05	13.55	49.31	34.47
1986	339.69	2230.60	907.97	3088.20	15.23	40.71	29.40
1987	272.16	2419.70	824.97	3693.14	11.25	34.09	22.34
1988	373.24	2812.76	1060.35	4030.20	13.15	37.37	26.31
1989	453.59	3455.52	1247.90	5184.68	13.13	36.11	24.07
1990	674.13	4462.71	1568.42	6677.19	15.11	35.15	23.49
1991	1210.97	5671.61	1798.35	9382.84	21.35	31.71	19.17
1992	1894.64	6703.78	2560.22	11695.75	28.26	38.19	21.89
1993	2946.92	8261.08	3552.70	13920.17	35.67	40.58	24.78
1994	3320.11	10226.66	3644.40	18498.44	32.46	35.64	19.70
1995	3125.20	12669.33	3535.45	22990.59	24.67	27.91	15.38
1996	2604.08	14027.08	3021.36	22746.48	18.56	22.82	13.28
1997	5403.40	16557.29	5751.97	26826.60	32.63	34.74	21.44
1998	8247.84	19750.99	8691.45	30843.90	41.76	44.00	28.18
1999	8189.61	24858.81	8577.04	36785.96	32.78	34.50	23.32
2000	6895.94	31557.95	8368.42	48280.33	21.71	24.51	17.33
Avg.	2572.82	9346.39	3118.13	14875.33	143.99	39.52	20.96

Source: Annual Reports of IBBL

Table 5.17 presents the detailed liquidity position of IBBL during the study period. Cash to total deposit ranged between 11.25 percent (1987) and 41.76 percent (1998). Liquid assets to total deposits ranged between 22.82 percent (1996) and 95.82 percent (1983) with an average of 39.52 percent. While liquid assets to total assets ranged between 13.28 percent (1996) and 61.87 percent (1983) with an average of 20.96 percent. Thus IBBL has been maintaining high liquidity.

5.2.17 Financial Structure

According to Table 5.18 four components such as Capital, Reserve, Deposits, and other liabilities constitute the financial structure of IBBL. Among the four components, deposits alone dominated the financial structure during the whole period of study. It ranged between 55.11 percent (1995) and 65.78 percent (1999) with an average of 62.74 percent. Thus deposits occupied, on an average, nearly two-thirds of the financial structure of IBBL. The second most important component of financial structure was other liabilities, which occupied on an average, one-third of the total financial structure of IBBL. It ranged between 31.65 percent (1984) and 41.87 percent (1994) with high yearly fluctuation during the period. Capital and Reserve occupied on an average, 1.15 percent and 2.80 percent respectively. Thus the equity base of IBBL was very low during the whole period of review. It is obvious, because IBBL is a financial institution which collect fund through deposit mobilization from people.

Table 5.18 Financial structure of IBBL during 1983-2000.

(Tk. in Million)

Year	Capital	Reserve	Total deposit	Other liabilities	Total
1983	67.50 30.24%	0.36 .16%	144.15 64.57%	21.14 5.03%	223.25 100%
1984	71.50 6.85%	5.60 0.54%	635.94 60.96%	330.15 31.65%	1043.19 100%
1985	79.50 3.55%	13.19 .59%	1563.85 69.71%	580.51 25.95%	2237.05 100%
1986	79.50 2.57%	27.45 .89%	2230.60 72.23%	750.65 24.31%	3088.20 100%
1987	79.50 2.15%	49.40 1.34%	2419.70 65.52%	1144.54 31%	3693.14 100%
1988	79.50 1.97%	59.82 1.48%	2812.76 70.41%	1053.13 26.13%	4030.20 100%
1989	79.50 1.53%	64.17 1.30%	3455.52 66.65%	1585.49 30.58%	5184.68 100%
1990	160.00 2.40%	92.28 1.39%	4462.71 66.83%	1962.20 29.39%	6677.19 100%
1991	160.00 1.71%	113.43 1.21%	5671.61 60.45%	3437.80 36.64%	9382.84 100%
1992	160.00 1.37%	139.65 1.19%	6703.78 57.37%	4692.32 40.12%	11695 100%
1993	160.00 1.15%	209.36 1.50%	8261.08 59.13%	5289.83 38%	13920.17 100%
1994	160.00 0.86%	303.57 1.64%	10226.66 55.22%	7808.81 42.21%	18498.44 100%
1995	160.00 0.70%	535.08 2.33%	12669.33 55.11%	9626.18 41.87%	22990.59 100%
1996	315.69 1.39%	759.39 3.39%	14027.08 61.67%	7644.32 33.61%	22746.48 100%
1997	317.98 1.03%	930.17 3.47%	16557.29 61.72%	9021.16 33.63%	26826.60 100%
1998	1011.84 1.03%	1011.84 3.28%	19750.99 64.04%	9763.09 31.61%	30843.90 100%
1999	1115.61 0.57%	1115.61 3.03%	24858.81 67.58%	10491.52 28.52%	36785.96 100%
2000	2074.88 0.66%	2074.88 4.30%	31557.95 65.78%	14127.50 29.26%	36785.33 100%
Total	3088.15 1.15%	7505.25 2.80%	1,68,209.84 62.74%	89329.74 33.31%	268147.96 100%

Source: Annual Reports of IBBL

5.2.18 Employment Growth

Table 5.19 Manpower growth during 1983-2000

(Tk. in Million)

Year	Officer	Staff	Sub-Staff	Total	Total branches	Average per branch
1983	NA	NA	NA	127	NA	NA
1984	NA	NA	NA	291	NA	NA
1985	NA	NA	NA	539	NA	NA
1986	NA	NA	NA	712	NA	NA
1987	295	221	204	720	21	34
1988	278	227	185	690	27	26
1989	352	298	193	843	40	21
1990	346	302	192	840	49	17
1991	354	413	224	991	61	16
1992	417	422	218	1057	71	15
1993	456	460	253	1169	76	15
1994	681	225	260	1166	83	14
1995	1086	2	262	1350	90	15
1996	1498	2	278	1778	95	19
1997	1563	4	336	1903	100	19
1998	1846	2	323	2171	105	21
1999	1823	1	478	2302	110	21
2000	2186	0	499	2685	116	23

Source: Annual Reports of IBBL

It is observed from table 5.19 that manpower growth in IBBL during the period was 9.2 times. In absolute figure number employees increased from 291 persons in 1984 to 2685 persons in 2000. The most remarkable is that number of staff increased gradually till 1993 and thereafter a decreasing trend was set in. Number of staff decreased so much so that in the year 2000 IBBL had no staff and there was only two categories of employee i.e. officer and sub-staff.

Average employee per branch ranged between 14 (1994) and 34 (1987) with a fluctuating trend. While, total number of branch has a gradual-increasing trend. It

increased from 21 in 1987 to 116 in 2000. Thus IBBL has demonstrated high growth in its branch expansion and employment generation.

5.2.19 Contribution to National Exchequer

Table 5.20 shows that since inception IBBL has been contributing a large amount of money to the national exchequer in the form of tax and dividend. It ranged between tk.1.22 million (1984) and tk.164.34 million (1995) during the period of review. The total contribution during the period was tk.951.32 million. It also observed that IBBL is contributing, on an average, 46.55 percent of its net profit to the national exchequer.

Table 5.20 Contribution of IBBL to national exchequer during 1983–2000.

(Taka in million)					
Year	Income tax	Dividend @ 5 %	Total amount	Net profit	Contribution to net profit (%)
1983				(2.56)	
1984	1.06	0.16	1.22	7.83	15.58
1985	2.00	0.20	2.20	8.87	24.80
1986	0.02	NA	NA	0.13	NA
1987	0.81	NA	NA	7.23	NA
1988	11.05	0.60	11.65	30.67	37.99
1989	7.73	0.52	8.25	22.59	36.52
1990	88.44	1.20	89.64	140.55	63.78
1991	55.61	1.20	56.81	105.76	53.72
1992	NA	NA	NA	NA	NA
1993	40.00	1.20	41.20	80.00	51.50
1994	139.07	1.20	140.27	222.58	63.02
1995	162.90	1.44	164.34	311.36	52.78
1996	127.58	3.18	130.76	283.52	46.12
1997	68.30	3.34	71.64	170.75	41.96
1998	51.94	3.34	55.28	148.39	37.25
1999	62.41	3.38	65.79	178.31	36.89
2000	104.27	8.00	112.27	330.24	34.00
Total	923.19	28.96	951.32	2046.22	

Source: Annual Reports of IBBL, Average = 46.49 %

5.3 Conclusion

The main feature of the investment policy of IBBL is to invest in accordance with the tenets and principles of Islamic Shariah. The objective of the bank's investment policy is to give emphasis not on profit but on attaining social goals and on creating employment opportunities for the unemployed and under employed people. The Bank is totally committed to materialize the economic and financial principles of Islam in the banking arena and to do away with disparity and establish justice in trade, commerce, and industry and to promote social development and sustainable economic growth of the country. The bank has diversified its investment portfolio by size, sector, mode, geographical area, economic purpose and securities to bring all sectors of the economy and all types of economic groups of the society within the fold of the bank's investment operations.

The financial information shows high growth in deposit (50 times), equity (36 times), investment (60 times), net profit (42 times), and assets (37 times). The Bank's investment activities are divided into six sectors, such as commercial, industrial, agricultural, real estate, transport and others. The first two sectors occupied, on an average, four-fifths of the total investment. While Mudarabah (Avg.46 percent), Hire Purchase (Avg. 20 percent), and Bai-Muajjal (Avg.18 percent) are the most important modes of investment. The productivity, profitability and liquidity ratios demonstrate good performance during the period of review.

As regards financial structure is concerned, two components such as deposits and other liabilities occupied about half and one-third respectively. Thus, on the whole, all financial indicators of IBBL show good performance.

Chapter Six

Poverty Alleviation of IBBL

Poverty Alleviation

This chapter is divided into three sections. The first section deals with the theoretical aspects of poverty alleviation. The second reveals the analysis and interpretation of collected information. While, the third section presents the conclusion of this chapter.

6.1 Introduction

Poverty is an important socio-economic global problem facing the human race. About 40 percent of the world population live below poverty line; most of them struggle hard for mere survival. The situation is alarming in the developing world, including the Muslim countries.

Conceptualization of poverty is essential in order to determine the criterion of poverty (Sen, 1981:9). Moreover, poverty is not simply a matter of physical or material deprivation, but a much more complex phenomenon, a dimension that can easily be lost sight of if one does not have conceptual frame which accommodates the social processes (Kurien, 1978: 8). Poverty divided into three sections, such as (i) absolute poverty or hard core poverty (ii) relative poverty or general poverty and (iii) externality concept of poverty. But all these phenomenon of poverty without touching structural aspect of it would keep analysis of poverty incomplete. Because, it is only structural aspect of poverty which analyses the root causes of poverty. Which according to Marx lies in the economic structure of the society and not in mere functioning of the society. Structural approach to poverty is the relation of poverty to the social, economic and political systems within which the poor are deprived. (Joshi, 1983: 356). We shall conceptualize poverty as the socio-economic phenomenon whereby the resources available to a society are used to satisfy the wants of the few while the many do not have even

their basic needs met (Kurien, 1878 :8). Capitalism created income inequality and the resulting poverty. Socialism failed to solve it. It can now Islam's term to come for the rescue. Islam has provided a pragmatic solution to this problem.

There is no standard definition of poverty in the conventional analysis. It refers to a person or a country having little wealth or a small income (Halson,1986: 308), a low income insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency (Rowntree,1988: 16-17), a action in which needs are not sufficiently satisfied (Drewonski,1976:15), insufficiency means relative to human needs (Dale Tussing,1991:495) and so on.

Poverty has been associated with low income in relation to meeting physical needs, and insufficiency of basic needs. The physical needs approach seems to be quite inadequate, since meeting such needs is not enough for a human living in low income or insufficiency of basic needs approaches do not also provide a clear picture of what is meant by poverty. This is because luxurious items, a century ago, may be considered basic needs in the contemporary world. Similarly, low income in one place may be treated as luxury elsewhere. This has been reflected in defining poverty lines in terms of different level in different countries.

6.1.1 Absolute Poverty

Absolute poverty is lack of resources in an absolute sense. According to the definition of absolute poverty, poor are those who are unable to maintain a minimum subsistence level of living. This types of poverty is also known as minimum necessities for the maintenance of merely physical efficiency. While, secondary poverty existed when total income is expended to purchase the necessities to sustain life and health. This happened, according to Rowntree, due to the defect of moral character and native intelligence of a person rather than an insufficiency of resources with him (Townsend,1970:49). In the mid seventies the ILO gave currency to Basic Needs Approach.(Ezazul,1984). In recent period,

absolute poverty are defined in terms of draw back a hierarchically arranged list of such needs (Drewonski and Scott, 1996:3).

1. Basic Physical Needs: Nutrition, Shelter, Health.
2. Basic Cultural Needs: Education, Leisure, Recreation and Security.
3. Higher Needs: Surplus Income

Khan selects the items like i) food, ii) clothing, iii) shelter, iv) health, v) education, vi) drinking water, vii) contraceptives to constitute the basic needs bundle. The cost of the “acceptable” bundle of these basic needs constitute the poverty line and persons with incomes inadequate to meet the cost of this bundle are regarded as poor (Khan:1977:4). VRKV Rao has argued “ Poverty has to be identified with deficiency in the total living which includes not only energy requirements but also balanced diet needed for health and the other components of basic needs essential for human existence at a level (Rao, 1981: 1241). Dandikar has mentioned four such as (a) food (b) calorie value (c) cost of balanced diet and finally (d) cost of essentials of tolerable human existence (Rao,1981:1241). Poverty is generally defined as the condition in which incomes are insufficient to cover what is for that society and at that time the subsistence minimum (Baran and Sweezy, 1966:281).

6.1.2 Relative Poverty or Inequality Approach

Relative Poverty is nothing but the relative position of various income groups to each other. This is the inequality approach as defined by Rein (Heineman,1970:46). Needs which are believed to be absolute for basic can be shown to be relative. Poverty must be regarded as a general form of relative deprivation, which is the effect of the mal- distribution of resources (Townsend, 1974:2).

6.1.3 Externality Concept of Poverty

Externality concept of poverty is the third concept of poverty. According to this concept poverty should not be allowed to the rest, non- poor society. Discomfort and cost of the rest of the society is the crucial aspect of this concept rather than misery and plight of the poor.

Absolute poverty and relative poverty approaches are not two isolated concepts so that one should choose one between the two rather these are two related mutually supplementary aspects of poverty which are both important. It is advisable to include both the concepts in the poverty definition although practical difficulties are not ruled out (Mohalla,1975:77). Roadgards changed the terminology in order to escape from the confusion between absolute and relative poverty. He distinguished between what he called "Cardinal poverty and Ordinal poverty". Cardinal poverty makes reference to specified poverty line, a bundle for economic, social and cultural goods, services and possibilities; Ordinal poverty refers to a comparison between different members of the society in terms of their access to what is considered good or useful in the society (Rpdgers,1987:44).

6.1.4 Structural Approach to Poverty

Structural approach to poverty is to define poverty in the structural perspective. This is also known as Marxist approach to poverty. According to it, roots of poverty are identified in the economic structure and not merely in the functioning of this structure. Challenging the structure rather than influencing the functioning of the structure appears as a crucial characteristic of the Marxist strategy for eradicating poverty (Joshi, 1979:44).

The tendency is to speak of the poor as the old; or as members of fatherless families; or as the chronic sick and disabled; or as the unemployed and their

families; as the low paid. But old age, membership of fatherless families, sickness and disablement, and even unemployment are not as such necessarily synonymous with povertyold age, disablement, low pay, unemployment etc. became synonymous with poverty in so far as those involved are members of the working class, things, closely linked to a general situation of class inequality ; and ultimately remediablein general class terms (Milliband,1981:79). Townsend has demonstrated that poverty is much more extensive than it is generally understood. He argued that poverty is created by wealth and it is rooted in the complex resources and social sponsorship of styles of living and not in individual capacities, minority adversity and community sub- cultures, the institutions and principles governing all allocation of resources and the promotion of styles of living need to be reconstructed (Townsend,1979: 892-926).

Joshi (1979: 356) has been drawn an another aspect of structural approach to poverty which is divided into two distinctions (i) artificial poverty and (ii) natural poverty. This distinction originates from Marx who mentioned that new category namely "free laboring poor" is the artificial product of the modern capitalistic society distinguished naturally poor which is the product of the old pre-capitalistic society (Marx 1979: 357). To quote Marx, "For it is not the naturally arising poor but artificially impoverished, not the human masses mechanically oppressed by the gravity of the society but the masses resulting from the drastic dissolution of the society, mainly of the middle estate, that from the proletariat, although as is easily understood, the naturally arising poor and the Christian Germanic serfs gradually join the ranks (Joshi,1979:357). Natural poverty is the result of low level of development of productive forces and artificial poverty is resulted of economic development, which is associated with the growing control of man over resources. Artificial poverty which is a more naked form of poverty is the result of exploration of material property of the poor ruthlessly and make them sellers of labor power. Marx wrote, it is not enough for thought to strive for realization.

Reality must itself strive towards thought (Marx and Engles,1957:52). Thus the struggle of the deprived class is the main instrument to bring structural change in the society. But Marx did not believe that only with the structural change of the society, poverty would be automatically removed. Structural change will abolish artificial poverty, which is the product of the exploitative system of the society, but the natural poverty, which is the result of the underdevelopment of the productive forces, will remain intact. The abolition of artificial poverty through structural change will bring favorable climate to initial struggle against the low level of development of productive forces –which is the ultimate root of poverty. (Joshi,1979:355-366). Solution of poverty lie, in the structural change, which means the property of the society, should be brought within the access of all people of the country.

The weight of global burden of poverty continues to be enormous, with 1.31 billion absolute poor persisting below the \$ 1 a day line adopted for international comparison in 1993. About 43 per cent of them live in South Asia. Within South Asia, the incidence, depth and severity of poverty are highest in the eastern region (Revallion and Chen,1996) and within the latter Bangladesh has the largest absolute number of the poor.

A poor number of changes have occurred in the poverty profile in Bangladesh over the years with considerable success in some respects, and notable failure in others. The most visible change has taken place in the way of poor themselves have positively responded to whatever development has reached them. The silent ascent of the poor, including the women and the marginalized, has brought to the poor new opportunities as well as new challenges. An in-depth review of what caused these changes demands further scrutiny, but a few key factors are analyzed here.

Poverty is a multidimensional concept. It focuses on various aspects of deprivation, both income and non-income. It reflects disempowerment, insecurity

against shocks, lack of opportunities. It has manifold expression and indeed, many roots. It is about income deprivation, about short falls in consumption and inadequate supply of nutrition. It is about poor access to education and low physical asset base. It is about risks, uncertainties, and vulnerabilities. It is about personal security. It is about crises coping capacities. It is about self-development initiative. It is static and dynamic transient and chronic, sporadic and systematic. It is seasonal as much as it is special. It is intergenerational. It is about all known vicious circles of low income, low savings, low investment and low growth. It is about personal freedom, alienation, and social justice. It is expressed in each of these and all of those together. Given the multidimensionality, it is not difficult to see why all routes, income, should matter for poverty reduction. Nevertheless, it is useful to highlight the most important routes for attacking the multidimensional aspects of poverty.

There are four broad avenues that can help to think strategically about poverty. These are:

- (i) Lack of pro-poor economic growth
- (ii) Lack of human development
- (iii) Lack of social safety net and
- (iv) Lack of participatory governance.

All the four avenues have important poverty effects influencing both the income and non-income dimension of poverty.

In Bangladesh context, the poverty line corresponds to 2112 calories per person per day. There are several methods for setting the poverty line. Of these, the approach which is based on costing of a given food bundle (corresponding to 2112 calories per person per day) the so-called fixed bundle approach.....is found to be better than other methods such as Food - Energy Intake (FEI).

The Fifth Five Years Plan (FFYP) of the Government of Bangladesh envisages GDP growth at an average annual compound rate of 7 per cent. Given this GDP growth rate and an average population growth rate about 1.37 per cent per annum. It will take about 10 years for an average poor person to cross over the poverty line. The plan includes poverty alleviation as one of its major objectives. The plan wants to achieve this objectives through accelerating economic growth during the plan period to bring about a noticeable improvement in the standard of living of the citizens of Bangladesh by rising their level of income and ensuring adequate supply of basic needs. But no where in the plan, the government talks about the institution of zakat and potential role it can play in eradicating poverty from society.

The methodology of the poverty alleviation started with the concept of trickle down growth, then moved to basic needs approach, and finally adapted target group approach. The budgets of the governments reflected these changes over time. In the seventies most of the developing countries, influenced by the ideas of welfare state, incorporated funds for supporting the have not in their society. The concept of zakat originated more than 1400 years ago, a divine mandates, as a means of support and relief for the poor. This way the equitable growth for all members in a society can be ascertained.

In principle, all public interventions expressed through public expenditure under the Annual Development Plans and even the Revenue budget are ultimately intended to improve the well being of the poor. In practice, both the allocate basis of the public expenditure programs and their actual outcomes influence the distribution of benefits directly and indirectly as between different social groups in the country.

abject poverty. According to World Bank cited in Begum et.al., poverty rate in Bangladesh is around 36 percent – 40 percent with 40 percent ultra poor living in the rural area and 15 percent in the urban area.³ After independence the government has undertaken massive poverty reduction programs. The main objective of all five year plans was poverty reduction. But poverty is still pervasive and alarming because of inadequate assets, large population and sometimes lack of willingness. Broadly speaking, poverty refers to forms of economic, social and psychological deprivation occurring among people lacking sufficient ownership, control or access to resources for minimum required level of living. The profile of human deprivation (UNDP, Human Development Report, 1996) for 1993 reveals that 47.50 percent of the people of Bangladesh were income poor (head count index) while 76.90 percent were capability poor (capability poverty reflects the percentage of people who lack basic or minimally essential human capabilities considered as the capability to be well nourished and healthy, capability for healthy reproduction, and capability to be educated and knowledgeable.) On the basis of this report 52.85 percent of people were without access to health services, 63.35 percent were without sanitation and 26 percent of children were not attending primary school.⁴ The declining trend in income - poverty during the first half of the nineties is corroborated by other sources of data. Panel data collected over 1987-94 for a large scale survey show that the proportion of rural poor fell from 57.50 percent in 1987 to 51.70 percent in 1994. The early nineties has also witnessed improvement in terms of reducing extreme poverty. The incidence of hard-core poverty (corresponding to less than 80 percent of minimum calories needs) has registered a decline from 26 to 23 percent during the 1987-94 period. The proportion of rural households living in extreme

³ Syeda Feroza Begum, et.al, "Role of NGOs in Rural Poverty Eradication: A Bangladesh Observation" in Mofizuddin Ahmed (ed.), *BRAC University Journal*, (Dhaka, Bangladesh: BRAC University, April 2004), 16.

⁴ GOB, *The Fifth Five Year Plan (1997-2002)*, 44

direct provisions of social services such as primary education, skill development, primary health care, family planning access to credit etc.

The first strategy provides opportunities to utilize the assets of the poor i.e. physical labor. The second increases the productive capabilities of the poor to enable them to take advantages of the available economic opportunities, to improve their quality of life through augmentation of their levels of employment, income and consumption. Policies for poverty alleviation can thus be classified broadly into two categories: indirect policies and direct policies. The indirect policies target neutrally and potential benefit to all groups of the population along with the poorest groups through the trickle down process derived from high investment for growth. For instance, high economic growth may benefit the poor through increasing demand for labour or employment opportunities, which in turn may lead to an increase in wage rates in the absence of unemployment at all levels and hence in income.

6.1.5 Islamic View of Poverty

Islam treats poverty as a social as well as an ideological evil. It is a social evil because it degrades societal status of the Vicegerents of Allah, gives birth to many social problems, and put the poor nations at a disadvantaged position in the world society of human race. It is also an ideological evil, since it affects performance of ones socio-relegious, obligations towards humanity and Islam, and may lead to kufr by making one indulge acts that befit only a kufr (an infidel and rebel against religion). It is such an evil that the prophet (SAW) has sought Allah refuge us from its grip.

“O, Lord, seek your refuge from infidelity (kufr), poverty and destitution (faqr), and I seek your refuge from paucity (Qillah) and humiliation (dhillah) (Nasai, al-

sunan, Kitab al Isia'dha). Islam dislike poverty and hence it is the obligation of the rich to help the needy for its eradication so much so that the neglect of this obligation resembles denial of Islam itself. As for example, Quran lays down very clearly that wealth should not circulate only among the rich of the society. And in their wealth there is a right (share) for the beggar and the deprived (Al Quran 51: 19).

Islam's dislikes poverty and hence it is the obligation of the wealthy people to help the needy for its eradication so much so that the neglect of this obligation resembles denial of Islam itself. Islam suggests ways to eradicate the curse of poverty from the society. For example, if any Muslim breaks an oath after its confirmation, he is penalized by a compulsory payment to the poor in the form of feeding ten poor people giving them clothing, or freeing a slave. He may fast 3 days, instead, only if he can not afford to pay the poor as prescribed (Al-Quran 5: 89).

There is hardly any universal definition of poverty. We can define poverty as that level of living that lies below a healthy subsistence level. It implies a state of the individual whereby resources are lacking to meet the basic needs of food, clothing and shelters that are necessary not only for continued survival, but also adequate for a healthy and productive survival. Poverty in the Islamic perspectives is the state of inadequacy of goods, means or both that are necessary for the continued physical well being of the human being. And in terms of economic categories, it encompasses the unemployed poor, the unemployables, and all other who face destitution and want. In our view, two level of poverty have been implied in the Islamic sources, which may be translated to two poverty lines, and also two associated income levels. First, a high poverty incidence, which may be called 'Hard-core Poverty' as reflected in concept of 'faqir' and 'miskin' in the Islamic

terminology. Second, a low poverty incidence, which may be called 'General Poverty', as implied in the nisab of zakah (Sadeq).

6.1.6 Rural Development Scheme

Islami Bank Bangladesh Limited has been founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural -urban disparity and equitable distribution of income. Islami Bank has, therefore, taken up a scheme to reactivate the rural economy and develop model villages through integrated approach. The objective of the scheme is to create income generating and productive self-employment opportunities through extension of credit for the eradication of rural poverty.

Initially the scheme will be introduced in 18 districts through 21 branches of the Bank, which will gradually be extended throughout the country. Investment is allowed for the purpose of production of 21 types of main crops viz. food, cereals and cash crops, off farm activities like dairy, beef fattening, goat rearing, poultry, shopkeeping, peddling etc., rural transport like rickshaw, van, cart etc., irrigation equipments, hand tubewell, housing materials in all covering about 343 types of economic activities. Islami Bank Foundation, a subsidiary of the Bank is also engaged in social welfare activities, side by side taking care of the requirement of sanitation, medicare and education of the villagers through integrated area development approach under Islamic model.

In view of the above, all the branches of the Bank have been encouraged to invest their deposits in their respective areas and in particular for the economic upliftment of the rural people.

Accordingly, a scheme in the name and style of “Rural Development Scheme” has been introduced to cater the investment needs of the agricultural and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty.

6.1.7 Objectives of Rural Development Scheme

The main objectives of the scheme are:

- a) To extend financial assistance for farming and off-farming activities in the rural areas.
- b) To finance self-employment and income generating activities of the rural people, particularly the rural unemployed youths and the rural poor.
- c) To alleviate rural poverty through integrated rural development approach.
- c) To extend investment facilities for hand tube-wells and rural housing, keeping in view the needs of pure drinking water and housing facilities to the down-trodden people.
- d) To generate employment, income aiming at economic upliftment of the rural poor through Integrated Area Development Approach.

6.1.8 Target Area

Initially the Scheme was started as a Pilot Scheme in rural areas of certain districts under the direct supervision of the nearby Branches of Islami Bank Bangladesh Ltd. The Scheme is being gradually extended to other districts / areas through different Branches of the Bank.

6.1.9 Command Area and Baseline Survey

Each designated Branch will select villages initially within a radius of 10 kilometers of the Branch. The criteria to be followed in selecting a village should be the following:

- a) Easy communication;
- b) Availability of agriculture and other off-farm activities;
- c) Abundance of low-income people;
- d) Predominance of Islamic values and ideas;

After initial selection of the area, Branch will conduct detailed baseline survey to identify the various economic activities and types of people residing in the command area. Besides, the concerned Branch should ensure that at least 200 clients are available and the investment will be financially viable.

6.1.10 Target Group

- a) Farmers having land holding of maximum 0.5 acres.
- b) Sharecroppers with consent from the landowners.
- c) Persons engaged in off-farm activities having land up-to-maximum 0.5 acres.
- d) Persons / farmers permanently residing in the selected villages.
- e) Persons having derelict pond will be eligible for investment for re-excavation and fish cultivation.
- f) Destitute women and distressed people will be provided investment for milch cows, poultry birds, ducks, goats etc. and other suitable off-farms activities for raising their supplementary income.
- g) Persons having liabilities with other banks / institutions including defaulters will not be eligible for the investment under the scheme.

6.1.11 Purpose, Payment, Period and Ceiling

Sl. No	Purpose	Period	Maximum ceiling
1.	Production need		
a.	Production of 21 types of crop	1 Year	Tk.10,000/-
b.	Pond fishing (maximum 3 years, but the period of investment will be decided on the basis of the nature of fish cultivated)	3 Years	Tk. 25,000/-
c.	343 kinds of off-farm activities	1 Year	Tk. 10,000/-
d.	Irrigation charges	1 Year	Tk. 5,000/- depending upon the requirement .
e.	Agricultural and irrigation equipments	3 Years	Tk. 25000/- Net investment of the Bank (minimum 10% down payment to be paid by the client)
f.	Rickshaw/ Rickshaw-van and other rural transport	2 Years	Actual price to a maximum tk. 5,000/-
2.	Other Needs :		
a.	Hand tube well for pure drinking water	3 Years	Tk. 3000/-
b.	Construction materials for house	3 Years	Tk. 15000/-

Investment will be allowed to an individual client in phased manner. Those clients only who are successfully utilizing the investment for production purposes will be eligible to avail investment for housing and pure drinking water needs. Their past performance in respect of installment payment, group activities, savings plan and fund rising as per stipulation of the Scheme shall be considered while recommending for investment in other needs. The phasing should be done in the following manner;

- | | |
|--|----------|
| 1. Production needs | 1st year |
| 2. Hand tube-wells for pure drinking water | 2nd year |
| 3. Housing needs | 3rd year |

6.1.12 Integrated Development Approach: Group Formation and Others Rules thereof:

The cardinal principle of the Scheme shall be the ' Group Approach', Allah loves those 'who conduct their affairs by mutual consultation' (Al Quran 42:38). For all decision making activities, this mutual consultation should be given high priority. The salient features of the Group formation shall be following:

- Small Groups to be formed consisting of 5 members preferably of similar professions/ occupations.
- Each Group selects their Group Leader and Deputy Leader to coordinate the Group activities. After formation of the Group, the Branch Manager will meet the Group and have discussion with the Group members and then he will give formal recognition of the Group through issuance of a passbook.

Group Leader selects eligible members of the Group and ascertains the following:

- a) Liability of a members, if any, from any other Banks and sources.
- b) The size of his / her landholdings and whether he cultivates land as owner cultivator or sharecropper.
- c) Identify the persons engaged in off-farm activities and ensure participation in group activities.
- d) Group Leader acts along with the Field Supervisor in selecting the genuine client members and should have full command over the Group members.
- e) The Group Leader will ensure regular attendance of all Group members in weekly meetings and deposit of the personal savings. Initially two members of a Group will be given investment facilities after 3 months from the date of formation of the Group. The remaining members of the Groups will be eligible for investment facilities after regular payment of installments for at least one month by the two members who availed investment facilities

initially. The Group Leader will extend sincere co-operation in selection of the first two investment clients from the members of the Group.

- Minimum 2 and maximum 6 of the above-mentioned Groups form a centre. Each centre is to select a Centre Leader and a Deputy Centre Leader from amongst the Group Leaders and Deputy Group Leaders to co-ordinate the centre activities.
- The centre will have regular weekly meeting. The regular weekly Group meetings are to be organized in a particular place, day and time as decided in the meeting of the centre.
- Centre meeting will be recorded in a Resolution Book along with signature of the members (members who do not know signature must learn it). Attendance in the Centre meeting is the first requirement to become a dependable client member of the Scheme.
- Centre meeting will be held on weekly basis.

The following activities are conducted in the centre meeting. Field supervisor of the Bank organizes all the centre meetings.

- a) Maintain attendance of the members.
- b) Discuss ideals, moral values and norms of the Scheme, problems and prospects of the Scheme and duties and responsibilities of the members in the successful implementation of the Scheme.
- c) Collection of funds viz. installments, personal savings, centre fund etc. are only through members Pass Book duly signed by the field Supervisor.
- d) Recording of resolution in the Resolution Book will be duplicated. Carbon copy to be kept with the Field supervisor and the original copy to be sent to the Branch on the same day for record and posting

in the respective ledger on account of the client with the Branch. Project Officer should check up the ledger entry through the Resolution Sheet everyday and passbook of the client every month.

- e) Field Supervisor prepares list of the eligible clients with detail purposes and terms of disbursement and payment within the norms of the Scheme. On the basis of this, investment clients will be selected in the centre meeting and the selected clients are to be supplied with the application forms and other related papers. The investment applications will be submitted to Branch Manager duly signed by the Group Leader, Centre Leader, Field Supervisor and Project Officer.
- f) If any of the members of the Group fails to comply with the principles of the Group activities, the other members of the Group will be bound to compel him to observe Group discipline and in case of failure they will be responsible to recover the defaulted amount and / or loss, if any and will expel the defaulted members from the Group for breach of Group discipline. Expelled member will not be allowed any investment facility and other benefit in future from the Bank. If any of the members of the Group becomes a defaulter, other members will be liable to pay his defaulted amount.
- g) Each member of the Group will give guarantee for the other members of the Group for the investment by signing in the application form and other charge documents.

6.1.13 Rate of Return, Supervision Charge and Risk Fund

- a. Banks rate of return is 6 percent per annum (approximate)
- b. Supervision Charges is 4 percent per annum on the net disbursement.

- c. Risk Fund contribution of the client is 2 percent per annum, on the net disbursement.

6.1.14 Modes of Investment:

The branch selects any of the following modes depending upon the sector and purpose of investment:

a. Bai-Muajjal

Under this mode Branch sells goods to the client under deferred payment basis. The payment will be made in installment / lump sum on predetermined future date.

b. Hire-Purchase Shirkatul Melk (HPSM) or leasing

Under this mode Branch may supply implements on rental basis. The ownership of the equipment will be with the Bank but the client will be authorized to possess the equipment for certain period. Under HPSM the client will have to contribute minimum 10 percent of the cost price of the equipment as cash security and the rest will be invested by the Bank towards payment of the purchase price to the supplier. Under leasing system 100 percent cost price of the equipment will be paid by the Bank while the client deposits down-payment of equipment equivalent to 2 installments prior to availing the investment which will be kept as cash securities and will be refunded at the expiry of lease term.

c) Mudaraba

Under this mode Branch will supply capital to the Mudarib (agent) for conducting business, purchase of inputs, commodities etc. to be repaid on future date. The profit is to be negotiated and will be determined so as to ensure minimum 12 percent rate of return.

d) Musharka

Under this mode the bank will extend investment on profit and loss sharing basis in this case. Branch should receive investment proposal on a very selective basis with prior discussion with the Zonal Head. The capital sharing ratio will be maximum 80: 20 between bank and the client. The profit is to be negotiated and will be determined so as to ensure minimum 12 percent rate of return.

e) Bai-salam

Under this mode Branch will execute advance purchase contract with the client and make payment against purchase of product, which is under process of production. A Bai-salam contract will be executed before making any investment showing price, quality, time, place and mode of delivery. The profit is to be negotiated and will be determined so as to ensure minimum 12 percent rate of return.

f) Murabaha

Under this sale contract the Bank purchases a certain commodity for the client as requested and specified by him which are deliverable to him on payment at a pre-determined price. Under this mode client will provide minimum cash security 20 percent of the cost price.

While considering the investment proposal under Mudaraba and Bai-salam modes, Branch must ensure not to exceed 20 percent of the total investment under the scheme, Branch should also be very selective in considering proposals under the above modes and confer with the Zonal Head before sanction.

6.1.15 Other Investment Facilities:

The investment requirements of the deserving and investment worthy clients of the area who are not covered under the scheme may be accommodated under other existing / proposed Schemes of the bank:

- I. Small Business Investment Scheme
- II. Agriculture Implements Investment Scheme
- III. Micro Industries Investment Schemes
- IV. Dairy Investment Scheme
- V. Others

The existing field supervisor and designated Project Officer explore the possibilities of investment in the area under the aforesaid Schemes and recommend to the Branch for sanction. If the Branch is designated to handle the proposal of the client under the above schemes, and if it is within business, discretionary power of the Branch incumbent, the Branch may sanction; but if it is not, the Branch may send the same to Zonal Office / Head Office for sanction. The entire Scheme has been chalked out in such a way so that all the persons within the command / target area may be brought within the fold of Bank's Investment Scheme for productive economic activities.

6.1.16 Recovery of Investment

To ensure recovery of the investment in time, the Branch will determine the installments judiciously. Installments should be fixed in the following manner, keeping in view the income generation capacity of the investment and time thereof:

- a) In case of off-farm activities installments to be fixed on weekly basis.

- b) In case of agricultural / crop production, installments to be fixed on quarterly basis or on the basis of harvesting period of the crop in each of the investment area. A token installment may be realized on weekly basis.

6.1.17 Areas of Integration

Two types of programs will be undertaken in the villages covered by the Rural Development Scheme of the Bank.

1. Educational Program
2. Health and Medicare Program

1. Educational Program

Objectives

- a. To establish and operate Ebtedayee Madrashas
- b. To establish and operate Mass Education Centres
- c. To establish and operate Libraries.
- d. To establish and operate Cassette Clubs.

Programs

a) Ebteayee Madrasha

A fund shall be created out of subscription of the members of the centres of the RDS to be realized in weekly /monthly installments.

- i) The foundation (IBF) shall bear 50 percent of the total establishment and recurring expenditure of the Madrasha as donation for the 1st year.
- ii) The donation of the Foundation shall be reduced every year @ 10 percent subsequently so that the Madrasha becomes self reliant gradually.
- iii) Mass Education Centre, Library and Cassette Club.

b) Mass Education Centre

- i) Member of the Centre shall attend in the Mass Education Centre in the evening.
- ii) They can choose an educated member of the centre as teacher or can appoint a teacher out of their own initiative or can appoint teachers of the Ebtedayee Madrasha for their teaching.

c) Library

- i) Initially the IBF will provide one set of Islamic literature to the library.
- ii) The members shall subsequently purchase books out of their own resources to further develop the standard of the Library.

d) Cassette Club

- i) The IBF shall supply a cassette recorder that would cost approximately TK.3000/- along with a set of cassettes of Islamic songs, religious lecture and speeches etc.
- ii) The member shall pay back the cost of the cassette recorder on weekly / monthly basis.

2. Health and Medicare Program**Objectives**

- i) To create health awareness among the people by disseminating the knowledge of health and hygiene.
- ii) To encourage the people to follow up the Islamic teaching regarding health and cleanness.

The health and Medicare programs will include:

- a) Preventive measures
- b) Curative measures

Programs

a) Preventive Measures

i) Installation of Tube Well

- a) The cost of the tubewell not exceeding tk 1500/- shall be borne by the IBF as quard.
- b) The quard amount is to be realized within a year in weekly installment basis.

ii) Construction of Sanitary Latrine

- a) The IBF will provide maximum tk. 500/- for the construction of a sanitary latrine as quard.
- b) The quard amount shall be realized within a year in weekly installment of tk 10/-.

iii) Immunization of Children

- a) Rural health worker trained by the IBF shall launch the Programme.
- b) Existing facilities provided by the Government, Non-Government Hospitals should also be available.

iv) Health-hygiene Awareness

- a) To create opportunities for primary health care of the villagers, the IBF will train up two local energetic youth (One male and one female in one village) who shall permanently stay in their own villages to provide health and Medicare services to the people.
- b) The male health workers shall provide primary health care facilities to all.
- c) The female health workers shall render primary Medicare to the children and pregnant women.

b) Curative Measures**i) Rural Health Centre**

- a) To engage one or more qualified Doctors of the nearest areas to render Medicare facilities to these centres on specific days of a week.
- b) Reasonable fees shall be given to Doctors for the purpose.
- d) Rural Health Workers shall receive training under Rural Health Training Project of IBF shall be appointed in these centre to support the qualified Doctor(s).

ii) Easy Available Health Service

- a) The critical patients of the villages covered by RDS shall be referred to Islami Bank Hospital or nearest Clinic or Hospital directly or through Health centre for their better treatment.

Necessary arrangement shall be made so that the referred patient can receive treatment at reasonable cost.

6.1.18 Social Welfare Programs of Islami Bank Foundation (IBF)

Development is basically a multidimensional process. No progress can take place unless appropriate steps are taken for the upliftment of education, income generation and providing health and Medicare services. The development becomes easy if stride and growth in these basic fields are ensured. It is, therefore, essential to take integrated approach in these fields. The Bank, basically being a profit earning financial institution, can hardly afford education, health, and Medicare is still not high profit yielding commercially viable sectors.

The initiative by Islami Bank Foundation, side by side Islami Bank Bangladesh Ltd., in these sectors is considered most suitable and effective. IBF being a welfare organization has included education, health and Medicare service in its regular programs. As a non-profit and service-oriented organization, it is relatively easier for the Foundation to operate in the education, health, and Medicare sectors and has, therefore, taken up support project of the Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited.

Immediately after the inception of Islami Bank Bangladesh Ltd. a welfare fund named "Sadaqah Tahbil" was created (on July 4,1983) by the Board of Directors of the Bank. It was renamed as "Islami Bank Foundation" on May 20,1991. The Foundation has been working as a subsidiary organ of Islami Bank Bangladesh Ltd. with separate accounts and administration. It is registered with Registrar of Joint Stock Companies of the Government of Peoples Republic of Bangladesh under no S-1214 (25) 1988,dated 25-06-88. It is also registered with NGO Affairs Bureau under no 668 dt.24-11-92.

6.1.19 Aims and objectives

The aim and objectives of Islami Bank Foundation are income generation, service to the distressed, promotion of people oriented mass education system, extension of health and Medicare facilities, development of culture, art, literature, science, technology, and sports, assisting in the research and propagation of Islamic ideology, creation of facilities for productive self employment through human resources development, disaster, relief and rehabilitation management.

6.1.20 Organizational Structure

A 10-member Committee headed by the Chairman and with a Vice-Chairman and a Member-secretary conducts all activities of the foundation. This Committee is nominated by the Board of Directors of the Bank for a period of 3 years. A secretariat consisting of efficient manpower assists this committee to run the day - to-day activities smoothly.

6.1.21 Source of Income

The sources of income of the Foundation are:

- a) Zakat of Islami Bank Bangladesh Ltd., other institutions and generous persons
- b) Donation or gift from generous persons or institutions
- c) Income of Islami Bank which is doubtful in view of Islamic Shariah
- d) Income from projects run by the Foundation

The Foundation keeps head-wise separate accounts of the aforementioned income and spends them according to the principles of Shariah.

6.1.22 Activities

In the backdrop of widespread poverty, alarming level of unemployment, beggary, malnutrition, illiteracy, poor health care facilities, frequent natural calamities, social unrest and violence etc. Islami Bank Foundation has taken up various projects and schemes for serving & rehabilitating the distressed humanity and overall socio-economic development of the country.

6.1.23 Special Projects

a) Islami Bank Hospital

With the objective of providing low –cost curative services to the less affluent segment of the society, the foundation has so far set up Hospitals at four Divisional Headquarters Dhaka, Rajshahi, & Khulna and Barishal. Services of eminent general practitioners and specialists in various fields of treatment like Medicine, Surgery, Gynae, Pediatric, Urology, Neurosurgery, Skin, Orthopedic etc. are provided in these hospitals. Standard diagnostic, medical and surgical equipment are used in these hospitals. The Foundation plans to establish Hospitals at each Divisional Headquarter of the country.

b) Islami Bank Community Hospital

Besides establishing Hospitals at the Divisional Headquarters, Foundation has taken plan to arrest local initiatives in setting up Hospitals at District level. The aims and objectives of the Hospital are creation of an integrated and comprehensive health care system at low cost, bringing health care and medical treatment to the door steps of vast majority people; ensure qualitative & reliable health care and medical treatment to the people; creation of opportunities for self-employment of young and educated doctors and encourage to engage themselves

in the district, thana, and rural areas; creation of awareness among the people about health hygienic, environment etc. and above all, upholding the noble cause of human service in the medical sector. Establishment of four such Hospitals is planned during 1999. Under this programme two Hospitals are in process at Satkhira and Manikganj.

c) Islami Bank Technical Institute

The large number of unemployed youth of the country may be turned as assets through taking up Human Resource Development (HRD) programme. The youth with skills in various sectors of technology may become self-employed in the country and can also get employment opportunities abroad. Islami Bank Foundation has, therefore, established 4 Technical Institutes, two in Dhaka, one in Bogra, and one in Sylhet, which are rendering training facilities in Computer, Secretarial Science, Driving, Electrical, Refrigeration and Air Conditioning, Radio and TV, Tailoring and Garments etc. The Foundation has also taken initiative to establish a Global Standard State of the Art-Information Technology (IT) Institute.

d) Islami Bank Model School and College

As Dhaka, the capital of Bangladesh, is turning to be a Mega City, a large number of English Medium Schools are creeping up which follows curriculum not comforting fully to the need of the country. As an attempt to combine modern education with religious values for a total development of the children, Islami Bank Foundation has established English medium Model School and College in Dhaka.

e) Monoram (sales centre for products of distressed women)

The Project, located at 23, Paribag, Sonargaon Road, Hatirpool, Dhaka, has been taken up as a sales outlet of home-made garments, handicrafts and other items produced by the distressed women for their honorable rehabilitation under Self-reliant Scheme. The main objective of the project is to create conducive and healthy atmosphere in which women can contribute to the family income by working within the limits of Shariah.

The other objective of this project is to develop designs of women-wear, which will conform, to the principles of decency and modesty as laid down by Islam and at the same time compare well with the modern-day-fashions.

f) Centre for Integrated Development for the Disabled

In Bangladesh, there are a large number of unfortunate disabled persons who have no other means to maintain themselves without resorting to beggary. The burden of the society might be lessened and these people can be helped to become self-reliant through imparting special skills.

Keeping this in view, Islami Bank Foundation has decided to rehabilitate these unfortunate disabled persons through establishing a centre named "Centre for Integrated Development for the Disabled" (CIDD). This centre while making temporary arrangement for food and shelter for the disabled, will arrange for health check up, physiotherapy and occupational therapy and look for job placement through internship in various factories and trading houses. Preparatory work is going on to make the project full functional during 1999.

g) Service Centre

To save the people of coastal and river belt from natural disaster, erosion etc. a special project has been taken in the name and style of the “Service Centre” (Disaster Shelter and Integrated Social Development Project). Under this program pucca structures constituted in coastal areas, river belts and off-shore islands would be used for integrated social development of the people as well as provided safe shelters during natural calamities. Two such Service Centres have already been established at “Abdullah Miar Hat” of Noakali and “Horrirampur” of Manikganj .

h) Bangladesh Sangskritic Kendra (Cultural Centre)

Culture is a very important leading factor of a nation. A nation can be treated developed which is culturally advanced. Now a days, no state is conquered through applying physical force but through imposing ideas, thinking, norms, belief etc. Like many other Muslim countries, the elite, affluent section and new generation of Bangladesh are presently motivated by western culture, which is very harmful for the nation. Islami Bank Foundation has, therefore, established “Bangladesh Sangskritic Kendra” (Cultural Centre) in Dhaka for upholding and promoting national culture and heritage of the country.

i) Centre for Development Dialogue

Alongside the governmental efforts at national level and multilateral and bi-lateral institutions at the international level, Non-Government Organizations (NGOs) in different parts of the world especially in the developing countries are playing increasing role in experimentation with development models. Most of the organizations, unfortunately, try with development techniques from a standpoint which often turn antagonistic to the belief and social norms of the people. The

renowned foreign and national NGOs have established training centres where they train their own people and also rent-out the facilities to others. Islami Bank Foundation has decided to establish training centre named “Centre for Development Dialogue” which will create opportunity for imparting training facilities for its own staff members as well as the staff members of other institutions.

6.1.24 General Programs

i) Income Generating Programs

Access to required finance and other related inputs might help many to become self-employed. In absence of such opportunity the unemployed youths entangle themselves in various anti-social activities. Islami Bank Foundation has, therefore, taken up the following self-employment projects:

- a) Small Trade, b) Milch cow / Goat rearing, c) Poultry Keeping,
- d) Rural Health Service, e) Sewing, f) Rickshaw / Van, g) Fishery etc.

ii) Educational Programs

Education is the backbone of a nation. Awareness building, skill training, access to information-all depend on education. But it is regrettable that the rate of literacy is still very low in Bangladesh. Most of the children are deprived of the light of education due to poverty, lack of sufficient educational institutions, non-availability of textbooks and equipment. The Foundation has, therefore, taken up the following programmes to improve the country’s Educational Institutions.

- a) Financial support to Educational Institutions.
- b) Scholarship / lump-sum grant for poor and meritorious students.
- c) Support to Model Forqania Maktabas.

iii) Health and Medicare Programs

Health and Medicare facilities are the basic and fundamental rights of each individual but most of the people of our country are still deprived of it. The Foundation has, therefore, taken up the following programmes to extend health, Medicare and sanitation facilities to the urban and rural areas:

- a) Establishment of Medical Centers and Hospitals
- b) Supporting Charitable dispensaries
- c) Tube-well installation
- d) Sanitary Latrine construction
- e) Lump-sum help for medical treatment

Such assistance is also extended to the members of Rural Development Scheme (RDS) of IBBL. Under Health and Medicare Programmes preventive measures have also been taken. Special steps have been taken for construction of sanitary latrines and installation of tube wells in the villages covered where Islami Bank Bangladesh Ltd. is providing finance for income generation activities.

iv). Humanitarian Help Programs

The program aims at providing help to distressed people whom are unable to meet their basic needs like food, clothing, shelter and medicine. The old, widow and children without guardians get preference. Besides, the Programme extends assistance to orphanages, provide fund for the marriage of poor girls, assist indebted people, and help distressed welfare.

v). Relief and Rehabilitation Program

Participation of relief and rehabilitation activities in natural disasters and in emergency forms is an important program of Islami Bank Foundation. During

calamities like flood, tornado, tidal surge etc. the Foundation mobilizes its own people as well as donates to the relief fund opened at the government level. The Foundation also tries its best to extend hands of assistance and co-operation to the Muslim brethren elsewhere in the worlds. The mentionables are relief for wartorn people of Bosnia-Herzegovina, victims of earthquake in Iran in 1997, relief for distressed Muslims of Kosovo who were brutally tortured by Serbs and the Government of Yugoslavia in 1999.

vi). Dawah Programs

One important objectives of Islami Bank Foundation is to disseminate the true knowledge and teachings of Islam. The Foundation has, therefore, taken up various schemes to enlighten the common people as well as the elites and make them familiar with the concept of Islam. Islamic research magazines and other Islamic Literatures are being distributed among the Academicians, Journalists, Justice, Lawyer, Imam of mosques, high Civil and Military Officials, Bankers, Litterateurs and important Libraries and Institutions of the country.

vii) Other Projects

Besides the above mentioned projects, the Foundation runs projects like: (i) Legal Aid Project for the welfare and legal support to victims and their family members, holding of seminars and symposium on the rights of the vulnerable (women, children, disabled etc.) and human rights, opinion mobilization against various forms of social ills etc. (ii) Talimul Quran project for propagating the teachings of the Holly Quran.

6.1.25 Performance of the Foundation

Table 6.1 The Performance of the Foundation at a Glance

(From 1984 to June, 1999)

Sl. No	Programs	Amount of expenditure (in hundred thousand taka)						
		1984 to 1994	1995	1996	1997	1998	Up to June 1999	Total
1.	Special Projects: Islami Bank Hospitals, Islami Bank Technical Institute, Monoram (Sales Centre), Service (Disaster Shelter, Integrated Social Dev. Project), Islami Bank Model School and College, Centre for Integrated Development for the Disabled and Islami Bank Cultural Centre.	158.73	35.14	85.05	132.91	194.44	58.03	664.30
2.	Income Generating Programs through self-employment like Small Trade , Rickshaw, Sewing, Poultry, Rural Health Worker.	97.73	30.50	31.07	67.06	20.34	14.51	260.95
3.	Educational Program: Model Forkania Maktab, Scholarship / Lump-sum Grant/ Quard-e-Hasana for poor and meritorious Students, Financial Support to Educational Institutions.	193.29	48.68	53.00	74.70	96.95	24.64	491.26
4.	Health and Medicare Programs: Supporting Charitable Dispensaries, Assistance for Medical Treatment, Tube well Installation, and Sanitary Latrine Constitution.	65.56	38.68	21.60	27.29	41.39	7.99	202.91

5.	Humanitarian Help Programs : Lump-sum Grant for Distressed , Assistance for Marriage of Poor Girls, Assistance to Orphanages, Miscellaneous	52.00	18.83	18.05	22.87	46.79	8.27	166.81
6.	Relief and Rehabilitation activities at different areas to the country, Relief abroad etc.	166.50	30.36	19.87	51.99	74.17	.41	343.30
7.	Dawah Programs : Distribution of Islamic Books and Periodicals , Helping Youth Clubs , Dawah through Audio Visual Method etc.	107.30	44.69	32.06	42.16	75.00	24.84	326.05
8.	General Programs : Implemented through Foundation Local Committees at district level branches of Islami Bank Bangladesh Ltd.	1.49	3.06	7.92	10.90	30.00	40.00	93.37
	Grand Total :	842.34	249.94	268.62	429.88	579.08	178.69	2548.55

The activities of Islami Bank Foundation was so far diversified, spread thinly all over the country although the fund had been very meager. Attempts are gradually being made for increasing the number of self-reliant projects, providing assistance to more institutions/ organizations. Instead of individuals, fostering community based undertakings and integrating the on-going projects in small-localized areas for greater impact on the society.

Development is a continuous process. Development of few without the development of vast majority is not meaningful. Various forms of development models have so far been experimented in various parts of the globe. The plight of the poor and the marginalized in the developing countries, unfortunately

continued, rather worsened. Search for an effective development models is still on. It is our belief that the most appropriate model is hidden in Islamic Economic System. Prophet Mohammad (SM) introduced self-reliant scheme first while a beggar approached him for help and he advised him (the man) to sell his last belonging, buy an axe and start generation of income.

6.2 Analysis of Collected Information

6.2.1 Age-Sex Distribution of the Respondents

According to the labor force survey 1995-1996, 61.9 percent of the labor force in Bangladesh was male and only 38.1 percent was female (Statistical Pocket Book, 1997). Against this background, table 6.2 shows that about 95.20 percent of our respondents are female and only 4.80 percent are male. Thus female participation in productive activities with RDS loans was much higher than male participation. This situation suggests that RDS has given more emphasis on rural women than men. Moreover, if credit facilities are provided a large proportion of the poor women can be brought into the arena of productive activities, which could improve their socio-economic condition and also increase their labour force participation in Bangladesh.

Table 6.2 Age-sex distribution of RDS member

Age group	RDS members				Total
	Male		Female		
	Number	Percentage	Number	Percentage	Percentage
Up to 15	-	-	9	3.02	2.88
15 to 25	2	13.33	81	27.20	26.52
25 to 35	5	33.33	145	48.61	47.92
35 to 45	4	26.67	34	11.34	12.14
45 to 55	3	20.00	20	6.80	7.35
55 to 65	1	6.67	9	3.02	3.19
Above 65	-	-	-	-	-
Total	15	100.0	298	100.0	100.0
Percentage		(4.80)		(95.20)	(100)

Source: Field Survey

Consequently, average household income of the rural poor would increase and dependency ratio would reduce. The table further reveals that the majority of the RDS members (47.92 percent) are concentrated in the most active age group of 25 to 35, while 26.52 percent are concentrated in the age group of 15 to 25. Only 2.88 percent of the members are 15 years or below, and 3.19 percent of the members are in the age group of 55 to 65. But none of the members is above the age 65. The female members are relatively younger than the male. For, 48.61 percent of the female belong to the age group of 25 to 35 compared to 33.33 percent among the male. Contrarily, 53.34 percent of the male and 21.16 percent of the female members are in the older age group of 35 and above.

6.2.2 Family Structure and Dependency

As is evident from table 6.3 that extended family type dominated the total structure of member households followed by joint family type and nuclear family type in that order. About 73.48 percent of the respondent households are of extended family type composed of husband, wife (wives), unmarried sons, daughters and dependent unmarried relations. Another 16.30 percent of the households are of nuclear family type composed of husband and wife (wives) only. The remaining 10.22 percent are joint families with two or more extended / nuclear families. An important feature is that, 80 percent of the male respondents are from extended families as against 73.05 percent of the female respondents. While 6.67 percent of the male as against 10.58 percent of female are from joint families. Similarly households containing nuclear family constitute 16.37 percent for female as against 13.33 percent for male.

Table 6.3 Distribution of household by family type

Family types	Male		Female		All members	
	Number	Percentage	Number	Percentage	Number	Percentage
Nuclear	2	13.33	49	16.37	51	16.30
Extended	12	80.00	218	73.05	230	73.48
Joint	1	6.67	31	10.58	32	10.22
Total	15	100.0	298	100.0	313	100.0

Source: Field Survey

6.2.3 Member Households by Number of Income Earners

Table 6.4 shows that 70.29 percent of the respondent households had one earning member at the time of survey. While 25.88 percent had two earning members, 3.19 percent had three earning members and 0.64 percent had four or more earning members. But the earning members in male households were higher than female households. For, 71.03 percent of the female member households had only one income-earning member, while none of the male member households had only one income-earning member.

Table 6.4 Member households by number of income earners

Number of income earners	Male members		Female members		All members	
	Number	Percentage	Number	Percentage	Number	Percentage
One	8	53.33	212	71.03	220	70.29
Two	4	26.67	77	25.94	81	25.88
Three	3	20.00	7	2.27	10	3.19
Four or more	-	-	2	0.76	2	0.64
Total	15	100.0	298	100.0	313	100.0

Source: Field Survey

However, it was reported that a large number of the respondent households had multiple sources of income. This is because of the fact that a single member is often employed in more than one job. The inference is that the female member households had less income earners than male and as such per capita income of the former was lower than the latter.

6.2.4 Sources of Credit before Joining RDS

Table 6.5 presents the share of different sources of credit for the RDS members before joining the program. It shows that 76.02 percent of the credit-receiving households obtained 82.44 percent of the total loan from non-institutional sources. While only 23.8 percent of the loan recipients tapped only 17.56 percent of the total loan from institutional sources. The major non-institutional source was village moneylenders. They provided the major share i.e. 67.45 percent of the non institutional loan, followed by relatives and friends 8.14 percent, and others such as shopkeepers and neighbors 24.11 percent in that order. The average size of loan was tk.4538, tk.3995, and tk.2316 respectively. Moneylenders alone provided about three-fourths of the total non-institutional loan and the average size of loan were the largest. A point is to note that village moneylenders lend money at an interest rate of 300 to 400 percent per annum.

It is observed that 18.22 percent of the institutional credit-receiving households obtained co-operative loans and they tapped 15.44 percent of the institutional loans. The average loan size was tk.1632. While 45.58 percent received loans from NCBs and Krishi Bank and they tapped 53.26 percent of the total institutional loans. The average loan size was tk.4955. The remaining 36.2 percent obtained loan from different non-government organizations and they tapped 31.30 percent of the total institutional loans. The average loan size was tk.3838.

Table 6.5 Sources of credit to members before joining RDS

Sources of credit	Percentage of the total loan recipients	Percentage of loan received	Average size of loan (Tk)
1. Institutional sources :	(23.88)	(17.56)	3475
a) NCBs, Krishi Bank and Grameen Bank	45.58	53.26	4955
b) Co-operative	18.22	15.44	1632
c) NGO(%)	36.20	31.30	3838
Total	100.0	100.0	
2. Non institutional sources :	(76.02)	(82.44)	(3616)
Mohajans (Village money-lenders	77.57	67.45	4538
b) Relatives and friends	13.43	8.14	3995
d) Others (against land /gold Mortgage to shopkeepers and Neighbors)	9.00	24.11	2316
Total (%)	100.0	100.0	

Source: Field Survey

The inference that could be drawn is that non-institutional sources provided about 83 percent of the total loan disbursed. While, the institutional sources provided only 17.56 percent. Moreover, among the non-institutional sources the village moneylenders alone provided two-thirds of the total non-institutional loans.

6.2.5 Availability of Credit

As is evident from table 6.6 that the size of RDS finance was small. About 43.45 percent of the loan receivers got loans upto tk.2000, and about 44 percent (24.6+19.77) from tk.2001 to tk.6000. While the remaining 12 percent obtained loans more than tk.6000. The inference that can be drawn from the above analysis is that the size of RDS loan was very small.

Table 6.6 Credit from different sources by size of loan before joining RDS

Size of loan (Tk.)	Male members		Female members		All members	
	Number	Percent	Number	Percent	Number	Percent
Up to tk . 2000		00	136	45.63	136	43.45
Tk.2001 to tk.4000		00	77	25.84	77	24.60
Tk.4001 to tk.6000	5	33.33	55	18.46	60	19.17
Tk.6001 to tk.8000	3	16.67	23	7.72	26	8.30
Tk.8001 to tk.10000	2	13.33	7	2.35	9	2.88
Tk.10001 and above	5	33.33		00	5	1.60
Total	15	100.0	298	100.0	313	100.0

Source: Field Survey

6.2.6 Level of Education

Table 6.7 Educational background of members at the time of joining RDS

Educational status	RDS members at the time of Joining					
	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
1. Illiterate	6	40.00	146	49.12	152	48.48
2. Can sign only	3	20.00	79	26.45	81	26.00
3. Attended primary school	4	26.67	59	19.65	64	20.37
4. Attended secondary school	2	13.33	12	4.03	14	4.45
5. Have more than Secondary level	-	-	2	0.76	2	0.70
Total	15	100.0	298	100.0	313	100.0

Source: Field Survey

Table 6.7 provides educational background of the RDS members at the time of joining the program. It is observed that 48.48 percent of the members were illiterate. A further investigation into the table shows that 26 percent of the members could sign only, 20.37 percent attended primary school and 5.25 percent (4.45+0.70) attended secondary and above. A point is to note that the rate of

illiteracy was higher in female members than in male members. For, 49.12 percent of the female members were illiterate as against 40 percent of the male.

Table 6.8 Educational back ground of RDS members at the time of survey

Educational status	RDS members at the time of survey				
	Male		Female		Total
	Number	Percent	Number	Percent	Percent
1. Illiterate		-	16	5.29	4.92
2. Can sign only	9	60.00	215	72.29	69.02
3. Attended primary school	5	33.33	52	17.63	20.91
4. Attended secondary school	1	6.67	13	4.03	4.45
6. Have more than Secondary level	-	-	2	0.76	0.70
Total	15	100.0	298	100.0	100.0

Source: Field Survey

Table 6.8 presents the educational background of the borrowers at the time of survey. It is observed that the percent of illiteracy has dramatically reduced in the study area after the intervention of RDS. Near about half of the RDS members were illiterate before joining the scheme, while the figure was reduced to 4.92 percent after joining the program. Rate of illiteracy was higher in case of female than in male. It is also noticed that the rate of signing ability had increased to 72.29 percent after joining RDS from 26.45 percent before joining. While for higher levels, the rate of improvement was insignificant and demonstrates very little improvement.

6.2.7 Land Ownership Pattern

The Pattern of distribution of land ownership of the member households is presented in the Table 6.9. It is evident from the table that only 9.97 percent (5.75 percent+2.22 percent) of the households reported ownership of more than 25

decimals of land. While 79.65 percent (16.93 percent + 52.72 percent) of the RDS member households owned only up to 10 decimals of land and 22.68 percent in the range of 11 to 25 decimals of land.

Table 6.9 Distribution of owned land at the time of joining RDS

Land ownership group (decimals)	Percentage of households		All members (Percentage)
	Male members	Female members	
Nil	10.0	17.33	16.93
Up to 10	40.0	53.33	52.72
11 to 25	30.0	22.00	22.68
26 to 50	20.0	5.00	5.75
51 to 100	-	2.34	2.22
100 and above	-	-	-
Total (%)	100.0	100.0	100.0

Source: Field Survey

The pattern of distribution of land ownership (homestead + agricultural land) of the member households is presented in the Table 6.10. It is observed that 3.90 percent of the sample members was landless after joining RDS as against 16.93 percent before joining. Up to 10 decimals of land owned by 47.04 percent of the members, while 52.72 percent owned the same quantity of land before joining RDS. Again, 48.06 percent (36.42 percent + 9.90 percent + 2.74 percent + 0) of the members owned more than 10 decimals of land, while the same quantity of land owned by 30.65 percent (22.68 percent + 5.75 percent + 2.22 percent) of the sample members before joining RDS. The inference that can be drawn is that:

- (i) There is an insignificant improvement in the ownership pattern of land holding after joining RDS.
- (ii) IBBL has succeeded in reaching the land-poor group because only 2.74 percent of the member households exceeded the ceiling of owning 50 decimals of land.

- (iii) Land is not the main source of income of the RDS members. Most of the RDS members do not have any cultivable land except homestead land. Even a few members (3.90 percent) do not have any homestead land.

Table 6.10 Distribution of owned land at the time of survey

Land ownership group (decimals)	Percentage of households		
	Male members	Female members	All members
Nil	2.00	4.00	3.90
Up to 10	28.0	48.00	47.04
11 to 25	50.0	34.67	36.42
26 to 50	15.0	9.00	9.90
51 to 100	5.0	4.33	2.74
Total	100.0	100.0	100.0

Source: Field Survey

6.2.8 Ownership of Non-land Assets

One may argue that owned land might not give the exact picture of the members' economic position. They may have substantial non-land assets to augment their income. We observed that 22.48 percent (table 6.11) of the households owning non-land assets up to tk. 10000 before joining RDS.

Table 6.11 Non-land assets at the time of joining RDS

Value of non- land assets	Number of members	Percent of members
Up to Tk.5000	20	6.32
Tk.5001 to Tk.10000	70	22.48
Tk.10001 to Tk.15000	139	44.50
Tk.15001 to Tk.20000	46	14.75
Tk.20001 to Tk.25000	25	7.96
Tk.25001 and above	13	3.98
Total	313	100.0

Source: Field Survey

While the corresponding figure stood at only 13.84 percent (3.64 percent +10.20 percent) at the time of survey. It is also observed that 64.45 percent (100 percent–35.55 percent) of the borrowers have non-land assets of more than tk. 10000; 50.61 percent (22.78 percent+16.63 percent+11.20 percent) have more than tk.15000; 27.83 percent (16.63 percent +11.20 percent) have more than tk.20000 and 11.20 percent have more than tk.25000 after joining RDS. While the corresponding figures were 44.50 percent 22.48 percent, 14.75 percent and 3.98 percent respectively before joining RDS. The inference is that the value of non-land assets of the sample borrowers has increased moderately after joining RDS.

Table 6.12 Non-land assets at the time of survey

Value of non-land assets	Number of members	Percent of members
Up to Tk. 5000	7	3.64
Tk. 5001 to Tk .10000	82	10.20
Tk. 10001 to Tk . 15000	139	32.55
Tk. 15001 to Tk. 20000	93	22.78
Tk. 20001 to Tk. 25000	71	16.63
Tk. 25001 and above	35	11.20
Total	427	100.0

Source: Field Survey

6.2.9 Impact of RDS Loans on Income Level of the Members

It is very difficult to collect accurate information on income. The respondents were asked to report their yearly household income and since they do not keep any record the information may contain reporting error. However, we have tried our best to collect the accurate information on income of the respondents as far as possible.

6.2.10 Level of Income: Before and After Joining RDS

The level of income and pattern of its distribution as reported by the respondents are shown in table 6.13. It is evident from the table that 56 percent of the households had earned up to tk.3000 per capita before joining RDS. These households may be categorized as extremely poor. Another one-third of the households were in the income bracket of tk.3001 to tk.6000. Most revealing is that none of the household had earned more than national average before joining RDS. Even all the RDS members had earned income below the national average, and in fact 55.97 percent had earn income below one-fourth of the national average. The inference that can be drawn from the above analysis is that IBBL has been successful in providing its services to the real poor as measured by their income position.

Table 6.13 Level and distribution of income of members

Size of per capita income	Before joining RDS		After joining RDS	
	No. of households	Percent of households	No. of households	Percent of households
Up to Tk.3000	175	55.97	30	9.61
Tk.3001 to Tk.6000	92	29.51	39	12.41
Tk.6001 to Tk.9000	30	9.60	140	44.73
Tk.9001 to Tk.12000	16	4.92	75	24.12
Tk.12001 and above	-	-	29	9.13
Total	313	100.0	313	100.0

Source: Field Survey

The table 6.13 further reveals that the level of income of the RDS members increased remarkably. Households with per capita income less than tk.3000 per annum were about 56 percent before joining IBBL, the proportion has come down to less than 10 percent at the time of survey. On the other hand, the proportion of households with per capita income of tk.6001 to tk.9000 increased from 9.61 percent to 44.73 percent after joining the scheme. Thus the income levels of the

member households have increased significantly with the utilization of IBBL credit.

6.2.11 Age of Membership and Level of Income

With the passage of time, not only the size of loans expanded but also the level of income expanded simultaneously.

Table 6.14 Level of income by age of membership with RDS

No. of times loan taken	Avg. households income (Tk.)	Avg. family size (persons)	Avg. per capita income(Tk.)
1 st Time	14900	7	2129
2 nd Time	21700	6	3617
3 rd Time	30200	6	5033
4 th Time	36300	5	7260

Source: Field Survey

It is evident from table 6.14 that there is a clear positive relationship existed between the age of membership and the level of income of the member households. The level of income of a member who took loan for several times was found to be much higher than that of a first time member. Per capita average household income of the first time member was tk.2129, second time member was tk. 3617, third time member was tk.5033, and fourth time member was tk.7260.

6.2.12 Size of Loan and Level of Income

Table 6.15 shows a clear positive relationship between the size of loan and the level of income of the borrower households. The average household income of the large size member (with loan above tk.9000) was about three times higher than the small size member (up to tk 5000). On the other hand, per capita income for loan size up to tk. 5000 was tk. 2917 and similarly that for loan size tk. 5001 – 7000

was tk.4320. Thus there is also a positive relationship between size of loan and per capita income of the RDS member households.

Table 6.15 Per capita income by size of loan taken

Size of Loan	Avg. household income (Tk.)	Avg. family size (persons)	Avg. per capita income (Tk.)
Up to Tk.5000	17500	6	2917
Tk.5001 to Tk.7000	21600	5	4320
Tk.7001 to Tk.9000	32900	7	4700
Tk.9001 and above	39400	6	6567

Source: Field Survey

6.13 Expenditure on Clothing

Table 6.16 Expenditure on clothing of RDS members

Range of expenditure	Before joining RDS		At the time of survey		Total
	Number	Percentage	Number	Percentage	Percentage
Up to Tk.800	166	53.03	9	2.86	55.91
Tk.801 to Tk.1100	106	33.87	28	8.94	42.81
Tk.1101 to Tk.1400	34	10.86	160	51.11	61.98
Tk.1401 to Tk.1700	7	2.24	100	31.95	34.19
Tk.1701 and above	-	-	16	5.14	5.11
Total	313	100.0	313	100.0	100.0

Source: Field Survey

It may be noted that there has been significant rise in the level of expenditure on clothing after joining RDS. As is evident from table 6.16 that about 90 percent (53.03 percent + 33.87 percent) of the sample member households were within the ceiling up to tk1100 for purchasing cloths. While, the figure reduced to about 12 (2.86 percent+8.94 percent) after joining RDS. Contrarily, about 90 percent (51.11percent + 31.95 percent+5.14 percent) of the respondent households have been expending tk.1100 and above after joining RDS.

6.2.14 Housing Status of RDS Members

The Islami Bank Bangladesh Limited have initiated a housing loan program very recently. It is observed from table 6.17 that the implementation of the housing programme has been satisfactory. The table reveals that 89.22 percent of the members had bamboo made house (huts) before joining RDS. While after joining RDS, the share of bamboo made houses has reduced substantially. The share of bamboo made houses reduced to 66.04 percent from 89.22 percent. The share of tin shed with RCC pillars (4 RCC corner pillars and CI roofing) houses were only 3.28 percent before joining RDS, while the same has increased to 22.95 percent after joining RDS. The inference that can be drawn is that the IBBL housing program has been very timely and it addressed the acute problem of shelters for the poor members who do not have any good quality house.

Table 6.17 Housing status of RDS members

Housing status	Before joining RDS		After joining RDS	
	Number	Percent	Number	Percent
Bamboo made	279	89.22	207	66.04
Tin shade with wooden frame	24	7.50	34	11.00
Tin shade with RCC pillar	10	3.28	72	22.95
Building	-	-	-	-
Total	313	100.0	313	100.0

Source: Field Survey

6.2.15 Status of Primary Health Care

With the improvement of the economic condition of the members the attendance of the borrower households towards the qualified physicians (the doctors who have at least MBBS degree) have been increasing. It is observed from table 6.18

that 93 (or 29.71 percent) out of 313 members, were attended qualified doctors before joining IBBL, which changed to 220 (70.28 percent) members after joining.

Table 6.18 Respondents attending qualified physicians

Status of respondents	Total respondents	Attending qualified physicians	
		Number	Percentage
Before joining RDS	313	93	29.71
After joining RDS	313	220	70.28
Total	313	313	100.0

Source: Field Survey

It is a social custom to go and see quacks and spiritual healers by the villagers. This situation has changed with education and economic development. It is observed from our field survey that 64.86 percent of the members visited quacks and 22.04 percent visited spiritual healers before joining RDS. While after joining RDS the figures have reduced 57.83 percent and 15.02 percent respectively.

Table 6.19 Respondents attending quacks and spiritual healers

Status of respondents	Total respondents	Attending quack		Attending spiritual healers	
		Number	Percentage	Number	Percentage
Before joining RDS	313	203	64.86	69	22.04
After joining RDS	313	181	57.83	47	15.02

Source: Field Survey

6.2.16 Sources of Drinking Water

Use of safe drinking water has also been increasing after the intervention of RDS. Table 6.20 reveals that 78.7 percent of the borrowers had access to safe drinking water (tube well) before joining RDS. The percentage of using safe drinking water has increased dramatically to 98.1 percent among the rural people of Bangladesh.

The inference is that, in general, the awareness of using safe drinking water has been increasing gradually.

Table 6.20 Sources of drinking water

Source	Member households (%)	
	Before joining RDS	After joining RDS
Tap	-	-
Tube- well	78.67	98.9
Well	-	-
Pond	19.33	1.1
Cannel / River	2.0	-
Total	100.0	100.0

Source: Field Survey

6.2.17 Toilet Facilities of the Respondents

Only 10.1 percent of the respondents replied that they had hygienic sanitary latrines before joining RDS. The percentage of using sanitary latrines has increased to 30.3 percent after joining RDS. While the percentage of using sanitary latrines in rural Bangladesh was only 14.9 in 1994. It is also observed that 23.5 percent of the respondents did not have any kind of latrine before joining the program.

Table 6.21 Toilet facilities of the respondents

Types of Latrine	Member households(%)	
	Before Joining RDS	After Joining RDS
Sanitary	10.1	30.3
Other	66.4	61.0
None	23.5	8.7
Total	100.0	100.0

Source: Field Survey

While, the figure reduced to only 8.7 percent after joining RDS. Again unhygienic (other) latrines were used by 66.4 percent of the total respondents before joining RDS, which went down to 61.0 percent after joining the programs.

6.2.18 Electricity Connection

Table 6.22 reveals that RDS has made its members conscious and financially capable of using electricity. Before joining RDS, 87.5 percent of the respondents were without electricity connections in their houses. But after joining RDS the percentage has reduced dramatically from 87.5 to 68.5 percent.

Table 6.22 Electricity connection in the houses of the respondents

Particular	Members household(%)	
	Before joining RDS (percentage)	At the time of survey (percentage)
Electricity connection	12.3	31.5
Without electricity connection	87.7	68.5

Source: Field Survey

6.2.19 Perception of RDS Members Regarding Change in Economic Condition

Questions were asked to the respondents to know their perception of change in their economic condition after joining RDS. Four-fifths of the male members opined that their economic condition have improved after joining RDS as against 85.7 percent of the female members. While 85.4 percent of the total members replied that there economic condition have improved subsequently after joining RDS.

Table 6.23 Participation of change in economic condition after joining RDS

Economic condition	Male members (%)	Female members(%)	All borrowers(%)
Improved	80.0	85.7	85.3
Unchanged	10.0	8.9	8.98
Deteriorated	10.0	3.2	3.68
No response	-	2.2	2.04
Total	100.0	100.0	100.0

Source: Field Survey

But 10 percent of the male members, 8.9 percent of the female members and 8.98 percent of the total members opined that there has been no change in their economic condition after joining RDS. The most revealing feature is that 10 percent of male members, 3.2 percent of female members and 3.68 percent of the total members replied that their economic condition have been deteriorated after joining the program. The inference that can be drawn from the above analysis is that majority of the members are in the opinion that their economic conditions have improved substantially with the use of IBBL loan.

6.3 Conclusion

Islami Bank Bangladesh Ltd. was established in 1983 with the main objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income. IBBL has, therefore, introduced Rural Development Scheme to reactivate the rural economy and develop model villages through integrated approach. The Bank extends credit to the rural poor for productive self-employment. Initially the scheme was started in 18 districts through 21 branches. The scheme is being gradually extended to

other districts. IBBL has a 24 years perspective plan for expansion of RDS into all villages in the country by the year 2020. Each designated branch is to select villages within the radius of 10 KM of the branch. The scheme is based on 'Group Approach'. Five members of same sex with poor economical background can form a group. Two to six groups form a centre. Two members of a group are initially selected for investment after 3 months from the date of formation of the group. The remaining members will get finance after regular payment of the installments for at least one month by the two members who availed investment facilities.

Field Supervisor prepares list of the eligible clients with detail purposes and terms of disbursement and payment within the norms of the scheme. The investment applications are submitted to Branch Manager duly signed by the group leader, centre leader, field supervisor, and project officer. Each member of the group has to give guarantee for the other members of the group for the investment by signing in the application form and other charge documents.

Empirical analysis of collected information shows that the scheme had given emphasis on rural women then men, and near about three-fourths of the RDS members were from extended family. While, majority (70.29 percent) of the member households had only one-income earner and female member households had less income earners than male. About half (48.5 percent) of the RDS members were illiterate and village moneylender was the dominant source of credit for them before the emergence RDS. While, signing ability of the members have increased and dependence on village moneylender has decreased after the intervention of the program.

The program has been successfully reached the land poor and assets poor groups. The income levels of the poor member households have increased significantly with the utilization of IBBL investment. The level of income and age of membership as well as size of loan and level of income have positive relationship.

Similarly, housing status, attendance of qualified physicians, using of safe drinking water and sanitary latrines, expenditure on clothing, electricity consumption etc. of the member households have increased after joining the program. Similarly, almost all the members perceived that their economic condition have improved substantially with the use of RDS finance.

Chapter Seven

Conclusion and Suggestions

Conclusion and Suggestions

7.1 The Prelude

One of the significant developments in the Islamic financial system during the last 25 years has been the emergence of a number of Islamic banks in different Muslim and non-Muslim countries. The basic motivation for the establishment of these institutions is the desire of the Muslims to formulate and recognize their financial activities in a way to preclude violation of any canon of Islamic Shariah in general and enable them to conduct their financial activities without dealing in *riba* (interest) in particular. The vice associated with the institution of *riba* (interest) is clearly a means of exploitation. 'Birth of money from money' is not acceptable in Islam. Money is only a medium of exchange, a way of defining the value of a commodity or service. It has no value in itself and therefore, should not be allowed to give rise to more money through fixed interest payments, simply being put in a bank or lend to someone else. The human efforts, initiative and risk involved in a productive venture are more important than money. In this context, the theory of Islamic banking is based essentially on the premise that interest is neither a necessity nor a desirable basis for the conduct of banking operations and that Islamic teachings provide a better foundation for organizing the working of banks. A fixed rate of interest is replaced with a variable rate of return based on real economic activities. An Islamic bank is not only a financier but also a partner in productive economic activities and development. The system essentially involves the owner of capital (depositors and shareholders of the bank) and the entrepreneurs to share the results of collective efforts, unlike the interest based system in which the risk is to be borne entirely by the entrepreneur (the user of capital). Islamic banks can not use lending on interest as a financing device. Their

financing techniques conform to various requirements of Islamic Shariah. They have products based on the risk sharing and profit sharing principles of Islamic Shariah. While, depositors provide fund. They receive no fixed interest on their money deposited but a dividend out of the bank's profit.

Interest free banking is a very recent origin. At present about 100 Islamic banks are operating over 60 countries, most of them are in Middle East and Asia. IBBL is the pioneer Islamic bank in Bangladesh. The bank was established in March 1983 in the private sector. The Board of Directors of the bank consists of 24 members including one Chairman, two Vice-chairman and one ex-officio Director (executive president). The Board of Directors select the members of the Shariah Council. The members are drawn from persons specialized in Islamic Shariah, law, economics, and financial and legal studies. Members of the Shariah Council meet frequently and deliberately on different issues conforming the bank on Shariah matters. They also conduct Shariah inspection of branches so as to ensure that the branches of the bank are abiding Shariah.

The bank had 116 branches, 88 urban branches (76 percent) and 28 rural branches (24 percent) as on 31st December 2000. It has seven administrative offices/ zones (including head office) which are functioning all over the country for effective control, close supervision and proper monitoring of the total operations of the branches as well as assisting them in the development of the business. The sources of IBBL fund are equity capital, statutory reserve, other reserve and undistributed profit, loan from central bank and other commercial banks, and deposits. The bank receives deposit with the undertaking to refund the deposit on demand and with authorization from the depositors to use funds for the benefits of and at the risk of the bank. The depositors get no fixed interest on their funds but a dividend out of the bank's profits.

The main feature of the investment policy of the bank is to invest in accordance with the tenets and principles of Islamic Shariah. Earning profit is not the only motive of the bank's investment policy rather emphasis is given on attaining social goal and on creating employment opportunities. The bank has created indirect employment opportunities for a lot of people all over Bangladesh through its investment and other activities. It has also created direct employment opportunity for about 3000 people till date. Moreover, the bank has been contributing a big amount to the national exchequer in the form of taxation and dividend.

The Board of Directors created 'Sadaqah Tahabil' in 1986 and the same was named as 'Islami Bank Foundation' on 20th May 1991. The IBF was established for providing financial assistance and services to the poor and needy people. In the backdrop of wide spread poverty and hunger, alarming level of unemployment, beggary, malnutrition, illiteracy, poor health care facilities, frequent natural calamities, social unrest and violence etc, IBF has taken up various projects and schemes for serving and rehabilitating the distressed humanity and overall socio-economic development of the country.

The bank has also taken up a Rural Development Scheme to reactivate the rural economy and develop model villages through integrated approach. The objective of the RDS is to create income generating and productive self employment through extension of credit for about 400 different activities. The entrepreneurial activities in rural areas have taken a new shape with RDS investment.

7.2 Summary of Findings

The summary of main findings of the study is as under:

7.2.1 Entrepreneurship Development

Entrepreneurship is a dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some products and services. The product or service itself may or may not be new or unique but value must somehow be infused by the necessary skills and resources (Ronstadt, 1984:28). For our study, we have focussed on the activities of micro-entrepreneurs who have taken investment facilities under RDS of Islami Bank Bangladesh Ltd.

Collected information has revealed that majority of the entrepreneurs got information about RDS from bank personnel (68.4 percent). The husbands of the women entrepreneurs as source of information about RDS was very low (3.5 percent). But the inspiration of their husbands (45.4 percent) has been considered the most favourite factor for the women entrepreneurs to join RDS. Factors like own wishes of the entrepreneurs (17.7 percent) and advice of the bank personnel (23.2 percent) have contributed a lot to make the rural women entrepreneurs inspired to earn extra income for their families through RDS investment.

Rural entrepreneurs are getting finance through RDS of IBBL for a wide range of activities (about 400 activities). Among them, 343 types of off-farm activities collectively occupied half of the total RDS finance. While 21 types of farm activities jointly occupied more than one-third (35 percent) of the total RDS investment. Rural transportation, agriculture and irrigation equipment, and other

activities collectively occupied a negligible portion of the total RDS investment. It is reported that almost all the entrepreneurs were regular in paying their dues (99.3 percent) although they were in need of additional finance as they were facing working capital shortage. Majority of the entrepreneurs wants to expand their businesses, educate their children and increase their assets base and for these they need adequate working finance. However, the financial strength of the entrepreneurs has increased a lot with the use of RDS finance. Their income level have improved substantially and they found employment in various off-farm activities.

Five components of entrepreneurship development have been identified for this study. Those are innovation, expansion of business, new line of business, employment generation and technological changes. Most of the entrepreneurs opined that shortage of capital was the most important problem for expansion of business, new line of business, technological changes, and employment generation. While, lack of education and training was the most important problem for innovation. The other important hindrances of entrepreneurship development were low income, lack of experience, unwilling to take risk and disorganized market. However, bank personnel opined that overlapping of loan, political and local pressure, social customs, illiteracy, poor managerial and technical skills of the entrepreneurs, use of loan for consumption and unproductive purposes, natural calamities, etc affects the success of entrepreneurship development through IBBL investment.

7.2.2 Investment

The investment policy of IBBL is to invest in accordance with the tenets and principles of Islamic Shariah. The bank has been playing an important role in mobilizing country's scattered savings as well as investing the same into various desirable productive sectors of the national economy. Earning profit is not the main objectives of the bank's investment policy rather emphasis is given on attaining social goal and on creating employment opportunities. About 80 percent of the IBBL investment is used for commercial (wholesale, retail, and services) and industrial operations. While, the remaining one-fourth is disbursed through special investment schemes such as Rural Development Scheme, Household Durable Scheme, Housing Investment Scheme, Real Estate Investment Program, Transport Investment Scheme, Micro-industries Investment Scheme, Investment Scheme for Doctors, Mirpur Silk Weaver Investment Scheme etc.

Financial information shows that IBBL has achieved high success in its deposit mobilization activities (50 times) over the period. Among the modes of deposits, savings deposit (Avg. 53.4 percent) dominated the structure of deposits followed by fixed deposit (Avg. 27.8 percent) and current deposit (18.8 percent) in that order. IBBL has also achieved high growth in its investment activities (17 percent) over the period. Commercial (Avg. 48.8 percent) and industrial (Avg. 31.4 percent) activities collectively occupied the two-thirds of the total fund invested. Investment per employee demonstrates high growth (over 8 times) during the period of review, which suggests manpower productivity has been increasing gradually.

As regards mode-wise investment, Mudarabah (Avg. 46.4 percent), Higher Purchase (Avg. 19.9 percent) and Bai-Muajjal (Avg. 18.2 percent) are the most

important. But Musharaka (Avg. 2.8 percent) mode occupied very negligible share. However, IBBL had been maintaining high liquidity (one-fourth of the total deposits) during the whole period of study, which might have affected the profitability of the bank.

As regards growth in net profit, it was very high (about 40 times) over the period. The growth of working funds and assets were also high. While in relative terms, net profit to investment and net profit to total assets were low during the period. The bank had been maintaining high liquidity (Avg. 39.5 percent), which might have affected the profitability of IBBL. Contrarily, the equity base of the bank was very low and the gearing ratio was too high. Deposits and other liabilities occupied on an average about 96 percent of the financial structure of IBBL. It is obvious, because IBBL is a financial institution, which collects fund through deposit mobilization from people.

7.2.3 Poverty Alleviation

Bangladesh have one common feature with other less developed countries (LDCs), that of having a predominantly rural economy. The development of the rural sector has been given high priority in the national plans of the country considering its importance in the national economy. Over the year, this sector has been the focus of policies and programs aimed at increasing production and alleviating poverty. Micro-finance has been identified as an important poverty intervention mechanism and a facilitating tool for increasing production and productivity. In brief, micro-finance is seen as a vital catalyst for rural development. In this context, Islami Bank Bangladesh Ltd. has taken up a Rural Development Scheme (RDS) to reactivate the rural economy and develop model

villages through integrated approach. The objective of the program is to create income generating and productive self-employment opportunities through extension of microfinance. The bank extends investment facilities for about 400 economic activities through 'Group Approach'. Small groups to be formed consisting of 5 poor people preferably of similar professions / occupations. Each group selects their group leader and deputy leader to coordinate the group activities. The group leader ensures regular attendance of all group members in weekly meetings. Two to six groups form a centre. Initially two members of a group are provided with investment facilities after 3 months from the date of formation of the group. The remaining members of the group will be eligible for investment facilities after regular payment of installments for at least one month by the two members who availed investment facilities initially.

Field supervisor prepares list of the eligible clients with detailed purposes and terms of disbursement and payment within the norms of the scheme. Investment clients are selected in the centre meeting and they are supplied with the application forms and other related papers. Each member of the group has to give guarantee for the other members of the group for the investment by signing in the application form and charge documents. The investment applications are submitted to the Branch Manager duly signed by the group leader, centre leader, field supervisor and project officer. Funds are to be disbursed and installments are to be collected in the centre meetings through members' passbook duly signed by the field supervisor.

In addition to micro-finance, RDS has been working in other two areas, such as education, and health and Medicare programs. Empirical evidences suggest that women are getting preferential treatment than men. More than 95 percent RDS

members are women. If investment facilities are offered, most of the poor women of rural Bangladesh can be brought into the arena of productive activities, which could improve their social, political and economic conditions and also increase their labor force participation. Majority of the RDS (three-fourths) member households had only one income earners and before the emergence of the scheme non institutional sources provided more than four-fifths of the total credit obtained by the members. Among the sources, village moneylenders provided two-thirds of the total non-institutional loan.

As regards education, signing ability of the RDS members have increased remarkably after joining the program. While, for higher levels, the rate of improvement was insignificant. Similarly, there was little improvement in the ownership pattern of land holding and moderate improvement of non-land assets of the RDS members. While, the income level of the member households has increased remarkably with the utilization of RDS investments. There is a positive relationship between age of membership and level of income, as well as size of loan and level of income. There is also a significant rise in the level of expenditure on clothing of the member households. Similarly, the housing program has been very timely and it addressed the acute problem of shelters for the poor members who do not have any good quality house. Other facilities like attendance to qualified doctors, using of safe drinking water, using of sanitary latrines, electricity connection etc. have improved significantly with RDS investments. Most of the members have also perceived that their economic conditions have improved after the emergence of the scheme.

7.3 Suggestions and Recommendations

An attempt is made here to offer some important suggestions, which have emerged from our study. These are presented below:

1. IBBL should maintain separate pools for PLS deposits held in PLS savings accounts and in PLS term deposits of various maturities. With this change it will be possible for IBBL to invest PLS term deposits of longer duration in long term investments. Consequently, it would be possible for the bank to earn and distribute better rate of profit on long-term PLS deposits. This will also facilitate matching of bank's investment port-folio with its deposit-mix which is considered a good banking practice all over the world. Separate pools of funds may preferably be maintained for PLS term deposits of each maturity. The bank should always try to match the maturities of its assets (investments) and liabilities (deposits).
2. It is difficult to find avenues for short-term profitable investment of PLS funds. The need of finding profitable avenues for short-term investments in interest free basis is essential for maintaining the profit-wise competitive edge of Islamic banking. The problem is acute now and demands an early solution. But we believe, in the long run, when the number of Islamic banks will grow and their areas of operation will expand nationally and internationally a financial market shall develop. Then IBBL with other Islamic banks shall be able to deal among themselves in inter-bank call money on the basis of shared risk in a national or even an international financial market comprising of Islamised institutions.

3. For implementing profit and loss system in real sense, it is necessary that all business enterprises/ entrepreneurs obtaining investments from IBBL should keep proper accounts and these should be done honestly so as to reveal the true working results of the enterprise. The actual situation, however, is that most of the enterprises either do not maintain accounts or do not maintain them properly, or keep different sets of accounts for different purposes. Thus the accounts of farms often fail to reveal their true working results. In this situation IBBL have to devise new products which are investment friendly and could cover default risk.
4. RDS investment aims to tackle poverty. But we must remember what Amartya Sen said about poverty index: one should be clear whether one's antipoverty program targets the poor who are 'just below' or 'far down below' the poverty line. It seems that RDS and similar micro-investment programs have failed to effectively target the hard core poor resulting in most of them remaining outside the micro-finance net. These people are so destitute that they consider themselves not credit-worthy. They, therefore, self-select themselves out of RDS membership. Even the bank employees think that the destitute people do not have enough resources to generate income to payback loans. Thus hostile attitude of the bank employees needs to be changed and the hard core poor should be encouraged to join the program. The bank should arrange special fund or subsidy for social mobilization, social preparedness and training for the vulnerable illiterate women to make use of RDS investments.
5. Some RDS members are proxy clients. Some times relatives, friends, or wealthy persons in case of their emergency take loan from RDS using poor man/ woman as proxy. This type of irregularities is very few in members. The

bank employees should take utmost care and do continuous checking of the utilization of RDS investments to prevent proxy membership.

6. It is evident that some rural poor join more than one anti-poverty programs. Thus there is every possibility to take loan from different sources simultaneously. Lack of information sharing and cooperation among micro-credit giving organizations has created unhealthy competition among those organizations. It is suggested that there should be a free flow of information and coordination among the micro-credit providers to avoid overlapping of credit. RDS employees may take the leading role to arrange a system of information sharing.
7. Practical need based training with some basic education should be provided to the micro-entrepreneurs for innovating new ideas and for expansion of activities. Lack of training affects expansion of business in case of dairy, poultry and fisheries. These entrepreneurs should be provided with necessary skills and training to take care of their businesses. RDS employees in collaboration with Thana fishery and veterinary officers may conduct training programs for RDS members. If possible, the bank authority may think of appointing one veterinary doctor and one fishery officer for each area office. Moreover, the bank should establish one model hatchery and poultry farm in each zone so that the entrepreneurs can get high yielding varieties of juvenile fishes, chicken and duck.
8. In order to save the entrepreneurs from natural disasters and calamities, all RDS investments should be insured with an Islamic Insurance Company. The insurance company should extend crop insurance, fisheries insurance, poultry

insurance, dairy insurance, other manufacturing and processing insurance, and services insurance to protect the entrepreneurs against natural disasters and hazards.

9. It is observed that there is a positive relationship between investment and income of the entrepreneurs. While, in most of the cases, RDS investments are insufficient to meet the demand of the entrepreneurs. Moreover, the entrepreneurs have been suffering from acute shortage of working capital for expanding their activities and opening new line of business. In such a situation, it is suggested that the need of the micro-entrepreneurs should be assessed properly and funds should be disbursed accordingly.
10. It is also found that disorganized market and availability of smuggled goods in the local market have been affecting all categories of entrepreneurs. It is a national problem. Government should look into the matter.

However, IBBL may arrange exhibitions and display-cum- sale centres for processing and manufacturing products to expand the market of these commodities.

It is also noticed that farm activities are badly affected due to poor marketing facilities. The entrepreneurs are usually deprived of reasonable price of their products as in most of the cases they are forced to sell their products just after the harvesting or even before the harvesting due to financial crisis. In this situation, RDS may extend short-term financial support to the entrepreneurs so that they can keep their product for better price. Moreover, if possible, IIBL may establish warehouses in different areas for storage of agricultural products of the RDS members.

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Annexure- 1**The Eighteen Decisions**

The RDS members have developed “**Eighteen Decisions**” in order to promote social and financial disciplines among themselves. They are encouraged to adopt these decisions. The decisions are presented below:

- 1) We shall sought help from Almighty Allah in all circumstances.
- 2) We shall give advice to involve in good (halal) activities and not to involve in prohibited (haram) activities.
- 3) Industry, Courage, Unity and Discipline, shall be the basic principles of our lives.
- 4) We shall not rely on others, we shall stand on our own feet.
- 5) We shall grow vegetables in the courtyards. We shall eat it and sell the surplus for augmenting our income.
- 6) During the plantation season, we shall plant as many seedlings as possible.
- 7) We shall help each other. If anyone is in difficulty, we shall help him.
- 8) We shall give performance to others.
- 9) We shall not be illiterate, if necessary we shall establish night schools for our education.
- 10) We must educate our children.
- 11) We shall take care of our health.
- 12) We shall keep clean our kids and houses.

-
- 13) We shall drink tube-well water. If not available, we shall drink boil water.
 - 14) We shall build sanitary latrine, if not we shall build pit latrine.
 - 15) Neither we shall take dowry, nor we shall give dowry.
 - 16) We shall keep our promises. We shall not misuse Amanah and always speak the truth.
 - 17) We shall not involve ourselves in any illegal activities or allow others to involve. We shall show respect to the rule of law.
 - 18) Inshallah, we shall bring prosperity in our family.

Annexure -2**Schedule A****Interview Schedule for RDS members.**

(Bengali version has been used for data collection)

Sample No...

1. a) Name of the respondent :

b) Father's / Husband's name:

c) Age of the respondent:

d) Permanent Address :

i) Village :

ii) Post office

iii) Police station (Thana):

iv) District:

e) Educational qualification:

i) Illiterate

ii) Can sign only

iii) Attended primary school

iv) Attended secondary school

v) Passed secondary level

vi) Attended higher secondary level and above.

f) Occupation:

i) Principal

ii) Secondary

h) a) Number of children :

i) Son (s)

ii) Daughter (s)

b) How many children you had before joining IBBL?

2. a) Head of the family of the respondent :
- i) Self ii) Father iii) Husband iv) Elder brother v) Others
- b) Age of the family head :
- Years Months.....days.....
- c) Educational qualification of the family head:
- i) Illiterate
- ii) Can sign only
- iii) Attended primary school
- iv) Attended secondary school
- v) Passed secondary level
- vi) Attended higher secondary level and above.
- d) Occupation of the family head :
- i) Principal occupation
- ii) Secondary occupation
3. a) Number of family members of the respondent.
- i) Male ii) Female
- b) Earning members of the family :
- i) At the time of joining IBBL
- (a) Male (b) Female
- ii) At present
- (a) Male (b) Female
- c) Information regarding other members of the respondent's family :

Serial No.	Relation with the respondent	Age	Education qualification	Occupation	Marital status

- d) How many salaried employees are engaged in your business?
- e) Do you think more persons are required in your business?
If yes, how many persons are required?
- 4. (a) Who inspired you to start a business like this?
(b) Were you engaged in the same type of occupation before starting this? Yes / No.
 - (i) If yes, please mention the type of occupation.
 - (ii) If no, what factors have compelled you to take this occupation?
- 5. (a) (i) Do you think the amount of loan sanctioned by IBBL is sufficient for your requirements ? Yes / No
(ii) If no, state what are the other sources?
(b) Have you received any loan from other sources except IBBL?
Yes / No.
If yes, state sources of loan and amount of money.
- 6. How did you know about IBBL?
 - i) From neighbor
 - ii) From relative
 - iii) From bank worker
 - iv) Others (please specify).
- 7. (a) Did you face any problem at the time of joining IBBL ?
Yes / No.
(b) If yes, then what type of problem ?
 - i) Obstacle from other family members
 - ii) Obstacle from powerful segment of the society.
 - iii) Non co-operative attitude of the bank workers .
 - iv) Others (please specify)

8 (a) Please explain if you face any problem at the time of forming your group :

- a) Difficulty in getting like minded people
- b) Non co-operation of other members
- c) Non co-operation of bank workers
- d) Others (If any, please specify)

9. Did you face any problem at the time of getting loan from IBBL?

Yes / No.

If yes, what type of problem did you face?

- i) Unwanted activities of the group members
- ii) Non co-operation of the group leader
- iii) Non co-operation of the centre chief
- iv) Dishonest motive of the bank workers.

10. Describe the amount of loan received till date:

Year	Amount received

11. Loan received through kinds:

Year	Value of commodities

12. What financial and other conditions need to be observed for getting loan from IBBL?

13. Please give an idea about the increase of your wealth base.

Particular	Before		After		
	Quantity / No	Value	Quantity/ No	Value	Nature
Land					
Gold					
Ornaments					
Others					

14.(a) When did you get the first time loan from IBBL and how mach was the amount?

(b) What was the time lag between forming a group and getting loan?

.....monthsdays.

15. How many times / days did you go to the bank after submitting the proposal for loan and how much money you spent in this connection?

-
16. State the amount of your capital?
- (a) At the time of joining RDS.
- i) Own capital ii) Loan Capital
- (b) At present :
- i) Own capital ii) Loan Capital
- 17.(a) Do you think that the size and nature of your business have expanded after receiving loan from IBBL ?
- (b) If yes, please mention the expansion, innovation, new line of business, and new methods of production.
18. (a) Mention the total number of installments in which the amount of entire loan would be paid .
- (b) state the time gap for the payment of installment.
- (c) When the first installment was paid after receiving loan.
- (d) Have you suffered any problem in paying first installment?
Yes / No .
- (i) If yes, please mention the nature of problems
- (ii) What are your suggestions to solve these problems
- (e) Have you faced any difficulty to repay other installments ?
If yes, please state the difficulties.
- (f) Can you repay the installment money regularly ?
Yes / No.
- If not, please mention the reasons for failure.
- 19 . Do you always attend the group meetings ? Yes / No.
- 20 . Would you please mention the total number of group meeting you could not attend during the last year ?

21 . Please provide information of your land holding ?

(a) Total land holding at the time of joining RDSdecimals .

(b) Total land holding at presentdecimals.

(c) Cultivable land :

i) At the time of joining RDSdecimals .

ii) At presentdecimals .

22 . What would be the estimated value of your total assets ?

i) At the time of joining RDS taka .

ii) At presenttaka .

23 . Please give an idea of the increase of your wealth base .

24 .(a) i)what type of loans you have taken under RDS program of IBBL ?

a) Production need:

i) Production of 21 types of crops

ii) Pond fishing

iii) Off-firm activities

iv) Irrigation charges

v) Agricultural and irrigation equipment's

vi) Rickshaw / Rickshaw van and other rural transport

(b) Other needs:

i) Hand tube-well for pure drinking water

ii) Construction materials for house

iii) Please give details:

Head of the loan	Year	Amount	Repayment period	Amount paid	Amount overdue

25. (a) Did you take any loan from other sources before joining RDS?

Yes / No.

(b) If so, please give details :

Sources of loan	Amount	Rate of interest	Mode of payment
a) Institutional loan			
b) Non-institutional loan :			
Village mahajan:			
Relative and friends:			
Shopkeeper:			
Others:			

26. (a) Have you ever failed to pay your loan installment with IBBL ?

Yes / No.

(b) If yes , please explain the causes for the failure :

- (i) Loan could not generate adequate income.
- (ii) Natural hazards.
- (iii) Increase in family expenditure.
- (iv) Others (please specify)

27. (a) i) Did you take any loan against mortgage of your property from other sources before joining RDS?

Yes / No.

ii) If yes , then please give details :

Property	Value of the mortgaged property	Amount of loan	Rate of interest	Mode of payment
Land				
Gold				
Ornaments				
House				
Others				

28. (a) Have you taken any loan from other sources for repaying loan installments of IBBL?

Yes / No.

(b) If so, then please give details of the source and the problem?

Sources of loan	Amount	Rate of interest	Mode of payment
a) Institutional loan			
b) Non-institutional loan : Village mahajan: Relative and friends: Shopkeeper: Others:			

29. a) Have you any additional sources of income for repaying loan except activities financed under RDS?

Yes / No.

- b) If so, then explain the source:
- i) Income from cultivation of vegetables at the homestead land
 - ii) Mini poultry at home.
 - iii) Mini hatchery.
 - iv) Cow and goat rearing.
 - v) Others (please specify).
30. (a) Did you get adequate amount of loan under RDS for the activity you had planed to undertake ? Yes / No .
- (b) If no then from where did you get the remaining amount to finance the activity you had planed ?
- i) personal savings
 - ii) Sale of property
 - iii) Loan from other institutional sources
 - iv) Loan from village moneylenders
 - v) Loan from relatives
 - vi) Others
31. (a) Give a description of your house at the time of joining RDS.
- i) Bamboo made
 - ii) Tin shade with wooden frame
 - iii) Tin shed with RCC pillar
 - iv) Building
 - v) Others
- (b) What is the present condition of your house ?
- i) Bamboo made
 - ii) Tin shade with wooden frame
 - iii) Tin shed with RCC pillar
 - iv) Building
 - v) Others

(c) Is there any change of the condition of your house after joining RDS?

Yes / No.

(d) If so, then what type of change?

- i) Improved
- ii) Deteriorated
- iii) Same as before

32. Do you find any improvement of your motivational level after joining RDS?

33. (a) Give an account of your school going children at the time of joining RDS?

- i) Member eligible for going school persons .
- ii) Attended schoolpersons .

(b) Please give an account of your school going members in your family at present.

- i) Member eligible for going school persons .
- ii) Attending schoolpersons .

34. (a) Do you have any sanitary latrine in your house at the time of joining RDS? Yes / No.

(b) If not, why ?

- i) Financial problem
- ii) Lack of suitable social environment
- iii) Lack of awareness
- iv) Any other (please specify)

35. (a) What were the sources of your drinking water at the time of joining RDS?

- i) Tube well ii) Pond iii) River iv) Well v) Others

(b) What was the source of your drinking water at present?

- i) Tube well ii) Pond iii) River iv) Well v) Others.

- (c). If you do not drink water from tube –well then why?
- i) Lack of money for setting tube-well
 - ii) Lack of any public tube-well nearness to the house
 - iii) Do not feel any necessity
 - iv) Any others (please specify)
36. Have you ever visited qualified physicians for treatment?
- i) Before joining the RDS
 - ii) At present
37. Have you ever-visited quack or spiritual healer?
- i) Before joining RDS.
 - ii) At present.
38. Do you have electricity connection in your house?
- i) Before joining RDS
 - ii) At present
39. Do you think RDS program is solving the rural employment problem?
- Yes / No .
40. Have you got the following benefits after joining RDS?
- i) improvement in efficiency and technical knowledge.
 - ii) got training
 - iii) got informal education
 - iv) positive change in health care knowledge
 - v) increased knowledge in nutrition
 - vi) achieved knowledge to use of pure drinking water
 - vii) achieved knowledge about the use of sanitary latrine

- vii) enhanced knowledge to preserve environment
- viii) enhanced knowledge to preserve environment
- ix) any other

41 . Give your opinion as a member of RDS program.

Serial No.	Subject	Answer (please give tick)	
		Yes	No
	Becomes self-sufficient.		
	Improvement of self-confidence.		
	Improvement in leadership qualities to run an organization.		
	Change in mentality to improve the locality.		
	Got knowledge in different process and techniques of development.		
	Increase in team making and team work ability.		
	Increase in knowledge to participate management.		
	Increase in social status.		
	Increase in knowledge of cultural, political, and social power structure and economical aspects.		

-
- 42 . (a) Do you think participation in RDS program has improved moral and spiritual knowledge in addition to your income ?
(b) If yes, then how?
- 43 . (a) Do you find any weakness of RDS program of IBBL ?
(c) If yes, then what sorts of weaknesses are there in RDS program?
- 44 . In your opinion what are the distinguishing features of RDS than the other rural poverty alleviation programs ?
i) Run on profit sharing basis and no relation with interest
ii) Help improve moral and spiritual level
iii) Others (please specify)
- 45 . Have you any specific suggestion for the improvement of the RDS program?
- 46 . Do you want any change in the installment payment system under different RDS loans of IBBL?
47. What is your opinion regarding the behavior of the IBBL workers?
i) co-operative ii) non-cooperative iii) very rude iv) honest
v) dishonest iv) other (please specify).
- 48 Is there any change in your life style after joining RDS?
49. What is your expectation regarding the success of RDS program of IBBL in alleviation of rural poverty ?
50. What are the problems you facing in doing your present work?
(a) Problems in producing goods,
(b) Problems in selling products,

- (c) Problems in keep relationship with RDS,
- (d) Other problems.
- (d) What are the suggestions that you can offer to solve the above mentioned problem?

51. State the sources of procurement of raw materials, which are required for your business .

- (b) Have you faced any problem for procurement of raw materials?
Yes / No.

If yes, what is your suggestions to solve these problems?

52. i) a) Where did you sell your product before joining RDS?
b) Where are you selling at present ?
- ii) How did you sell before? (i) Retail (ii) Whole sale (iii) Both.
- iii) How do you sale now? (i) Retail (ii) Whole sale (iii) Both.
- iv) Have you faced any difficulties in selling your products?

If yes, please mention those difficulties?

53.(a) How did you carry your goods to the market before taking loans ?

- (b) How do you carry your goods to the market at present?

54 . What is the amount of your annual income?

- i) Before joining the RDS
- ii) At present

55 . What is the amount of your annual expenditure?

- i) Before joining the RDS
- ii) At present.

56 How much you could save yearly after meeting your family expenditure ?

Annexure -3**Schedule B**

(For Obtaining Information from Bank Personnel)

1. Name of the respondent:
2. Name and address of the Bank:
 - (a) Present designation:
 - (b) Experience in banking service :
 - (c) Have you joined any other services before joining RDS ? If yes, what are the reasons for leaving that?
3. (a) Age :
 - (b) Educational Qualifications:
 - (c) Marital Status:
 - (d) Number of Children:
4. What do you meant by Rural Development Scheme?
5. Say something about the importance of RDS or initiative for poverty alleviation.
6. How are the rural credit programmes associated with the implementation of this initiatives? Please discuss in brief.
7. (a) What types of difficulties you are facing in implementing the programme?
 - (b) What are the suggestions that you can offer to solve these problems?
 - (c) Do you think any other programmes may be taken except "RDS" to address rural poverty?
8. Please say something about your experience in the development and implementation of Rural Development Scheme.

9. Please state the following information :

At the beginning :	At present :
Number of clients :	Number of clients:
Number of groups:	Number of groups:
Number of members:	Number of members:

10. Mention the number of RDS members

At the beginning:	At the present :
Male members:	Male members:
Female members:	Female members:

11. (a) What factors are to be considered for sanctioning loans to an applicant?

(b) What is the usual time gap between the receipt of an application and sanction of loan?

12. Have you taken any documents along with the application for the loans to sanctioned?

- i). If yes, please state the types of documents.
- ii). If not, what are the reasons?
- iii) What types of securities are necessary for the loans to be sanctioned?

13. (a). What types of credit programmes had been included in your branch at the beginning?

(b). State the present credit programmes of your branch.

14. Please give the information of loans disbursed by your branch from beginning to till date.

- 15.(a) What is the maximum amount of loan you have been empowered to sanction to an entrepreneur? Please state sector-wise.
- (b) Do you think you should be given more power to sanction the loan?
Yes / No.
16. (a) What are the major problems you generally face in disbursing the loans?
(b) What are your suggestions to solve those the problems?
17. (a) What are the steps you generally take to recover the amount of loans?
(b) Do you face any problem to recover the amount of loan? Yes / No.
If yes, please mention the nature of problem.
(c) What are your suggestions to solve those problems?
18. (a) Do you have any defaulter borrowers in your branch?
(b) If yes, please mention the number of defaulter borrowers.
(i) Male defaulter(ii) Female defaulter.....
(c) What is your opinion, are the reasons for default?
(d) What is the amount of default loan?
(i) Male loans(ii) Female loans.....
19. What are the reasons for which the members leave the Bank?
20. What are your suggestions for the improvement of an entrepreneur?

I express heartiest gratefulness to you for co-operating me by giving answer to the above questions related to research work. All information must be kept secret and be used only for research purpose.

Annexure - 4

1. Production Needs:

Name of the crops

1. Aus (HYV)	12.Pulse
2.Aus (Local)	13.Sugarcane
3.Aman (HYV)	14.Cauliflower
4.Aman (Local)	15.Cabbage
5.Boro (HYV)	16.Bringal
6. Boro(Local)	17.Tomato
7.Wheat (Irrigated)	18.Pepper
8.Wheat (Non irrigated)	19.Onion
9.Jute	20.Patato (HYV)
10.Masterd (HYV)	21.Patato (Local)
11Mastered (Local)	

Annexure-5

2. Off- farm Activities:

(List under broad categories of activities)

1. Processing and Manufacturing	5.Peddling
2.Service	6.Plantation
3.Trading	7.Livestick
4.Shop-keeping	

Detail List of Off-farm Activities:

01.Processing and Manufacturing

1. Bamboo works	64.Sweet drop making
2. Cone works	65.Atta making / wheat husking
3.Porrert products	66.Comb making
4.Pyffed rice making	67.Malasses making
5.Snacks making	68.Weaving (mosquito and net)
6.Garments making	69.Ghee making
7.Sugarcane crushing	70.Chanachur making
8.Repairing works.	71.Jute products
9.Counter making	72.Shoe making
10.Rickshaw making and repairing	73.Flour making
11.Broom making	74.Goldsmith works
12.Cold drink(sarbat) making	75.Masonny
13.Sweet meat making	76.Utensils making and repairs
14. Furniture making	77.Tube well making and repairs
15.Madicine preparation	78.Conch shell product making
16.Unbrella repairing	79.Weaving (bed sheet)
17.Cake (pitha)	80.Yarm dyeing
18.Plastic works	81.Making stone gravel
19.Weaving loom (filter)	82.Fire cracker making
20.Spin purchase	83.Lime making
21.Drum purchase	84.Mat (pati) making
22.House repairing	85.Beaten rice (cheera)making
23.Woollen garments	86.Weaving (saree)

24.Type reporting	87.Weaving (lungi)
25.Box repairing	88.Blacksmith works
26.Betel-nut processing	89.Firewood making
27.Khatha making	90.Spices making
28.Making and repairing of rickshaw hood.	91.Bibbin making
29.Making of iron household implements.	92.Bakery
30.Cap making	93.Agriculture equipment making
31.Thread works	94.Fishing net making
32.Pickles making	95.Bread making
33.Printing (shirting)	96.Earthen container making
34.Mosquito coil.	97.Jute bag making
35.Tin purchase	98.Cloth bag making
36.Saw purchase	99.Spare parts handloom
37. Laundry	100.Book binding
38.Pulse cake	101.Frieds peanuts
39.Tool purchase	102.Spining
40.Paper container making.	103.Patato binding
41.Candle making	104.Signboard painting
42.Sanitary goods	105.Repairing of handloom parts
43.welding works	106.Buket making
44.Plank making	107.Weaving
45.Flower embroidery	108.Weaving (screen)
46.Dry Sweet bail making	109. Weaving (napkin)
47.Wirecage making	110.Processing of entrails

48.Gaira making	111.Clock repairing
49.Sweet nail making	112.Paddy husking
50.Packet making	113.Pulse husking
51.Toy making	114.Bicycle repairing
52.Basket making	115.Butcher shop.
53.Oil crushing machine making	116.Misti making
54.Nimki making	117.Hard fan making
55.Cosmetic making	118.Rice mill
56.Optical glass making and repairing	119.Radio making
57.Trinkit making	120.Quit making
58.Hogla making	121.Ice-crem stick making
59.Fried gram & snacks making & repairs	122.Swing
60.Fishing rod binding	123.Musturd oil making
61.Rope making	124.Food making
62.Lanp making	125.Cart wheel making
63.Oras making	126.Boat making and repairing

02.Service

1. Rickshaw	18.Swing machine cage purchase
2.Barber shop	19.Paddy threshing machine
3.Renting of irrigation pump	20.Bicycle purchase
4.News paper distribution	21.Spray machine purchase
5.Push cart	22.Microphone purchase
6.Bullock cart	23.Carpenter
7.Microphone rental	24.Wheat threshing machine

8. Boat for ferry service	25. Van purchase
9. Laundry	26. Calender purchase
10. Veterinery service	27. Purchase of fan making machine
11. Tom-tom(house carriage)	28. Hair cutting instruments purchase
12. Density	29. Mechanical equipment
13. Baffelo cart	30. Sewing machine purchase
14. Boat for transportation	31. Rope making machine purchase
15. Decorator	32. Sharpening machine purchase
16. Baby taxi	33. Battery charge / maintenance
17. Construction works	

03. Trading

1. Rice /paddy	42. Egg
2. Puse	43. Lime stone
3. Salt	44. Napkin
4. Paper	45. Oil cake
5. Vegetables	46. Leather
6. Malasses (GUR)	47. Jute bag
7. Fire wood	48. Mat (pati)
8. Timber	49. Bamboo basket
9. Chicken	50. Peanut
10. Fish	51. Secind hand clothes
11. Dry fish	52. Biscuts
12. Cattle	53. Gunny bags
13. Seeds	54. Catton
14. Bansana	55. Yarn
15. Onion	56. Books

16.Beteinut	57.Rope of coconut fibre
17.Betelleaf	58.Brass
18.Shop	59.Bamboo made products
19.Seasomal fruits	61.Silppers and shoes
20.Cloths	62.Old tin
21.Bamboo	63.Agriculture equipment
22.Milk	64.Non-judicial stamp
23.Fertilizer	65.Lerosene oil
24.Tea	66.Wool
25.Broom.	67.Seeds and plants
26.Patato	68.Beaten and puffed rice
27.Coconut	69.Seasenal agricultural products
28.Spices	70.Soap
29.Flour	71.Pottary products
30.Stationery goods	72.Utinsils
31.Gaab	73.Grocery goods
32.Lungi	74.Stationery goods
33.Vest	75.Saree
34.Mustard oil	76.Vegetables
35.Brick	77.Ice crem
36.Briken glass	78.Madicine
37.Saree	79.Sweet meat
38.Ginger	80.Insecticides
39.Jute	81.Oil
40.Pati cane	82.Micellaneous items
41.Mustards seeds	

04. Shopkeeping

1. Grocery shop	38. Cassia leaf
2. Stationery shop	39. Hotel
3. Medicine shop	40. Round leaf
4. Tea stall	41. Silver
5. Iron shop	42. Shuttle
6. Betel leaf shop	43. Sugar
7. Magazine stall	44. Jeweller's (imitation)
8. Cloths shop	45. Ice cream
9. Shoe store	46. Pipe
10. Sweetmeat shop	47. Umbrella
11. Fruits stall	48. Glass
12. Bicycle parts shop	49. Battery
13. Electrical parts	50. Oil and sugar
14. Seeds and plants shop	51. Smelting
15. Mirror shop	52. Gunny
16. Match shop	53. Kalai
17. Trunk making shop	54. Cement made pot
18. Photograph shop	55. Copper brass
19. Measuring instruments	56. Posset
20. Cane	57. Thread
21. Grocery goods	58. Fingerings
22. Medicine	59. Gram (sala)
23. Chanachur	60. Mobil
24. Catacchu (Khayer)	61. Sand

25.Coal	62.Dhama (cane and bamboo)
26.Paint	63.Crop storage
27.Jack	64.Paper
28.Paddy power	65.Cattle feed (bhus)
29.Wheat	66.Wheat powder(ata)
30.Sugar cane	67.Garilic
31.Coconut oil	68.Polytheene
32.Curd	69.Carb
33.Anise seeds	70.Watch / clock
34.Fishing net	71.Sandal lace
35.Stome	72.Sesame Candy
36.Green coconut	73.Chemicals
37.Date-plam juice	74.Other Business

05. Paddling

1.Bamboo basket	4.Well nut
2.Second hands cloths	5.Grocery goods
3.Bati leaf	

06. Plantation

1.Vegetables cultivation	6.Tumaric cultivation
2.Water melon	7.Bamboo grooves
3.Banana cultivation	8.Payaya cultivation
4.Ghinger cultivation	9.Paper cultivation
5.Bringal cultivation	10.Onion cultivation

07. Livestock

1. Milch cow	8. Buffalo rearing
2. Bullock	9. Apiculture
3. Cow fattening	10. Horse for transportation
4. Goat	11. Other domestic animals
5. Poultry	12. Pigeon rearing
6. Sheep rearing	13. Quail rearing
7. Duck purchase	

Annexure- 6

24 years perspective plan regarding expansion of RDS:

Year	No. of villages to be included	Total number of villages involved
1997	100	171
1998	229	400
1999	600	1000
2000	1000	2000
2001	1300	3300
2002	1500	4800
2003	1800	6600
2004	2000	8600
2005	2300	10900
2006	2500	13400
2007	2800	16200
2008	3000	19200
2009	3200	22400
2010	3400	25800
2011	3600	29400
2012	3700	33100
2013	3800	36900
2014	4000	40900
2015	4200	45100
2016	4300	49400
2017	4400	53800
2018	4500	58300
2019	4700	63000
2020	5000	68000

Annexure- 7

Glossary of Islamic Terms

Zakah: An Islamic tax imposed on rich having wealth above a prescribed minimum and given back mainly for the benefit of the poor and the needy.

Quard-Hassan: Benevolent loan in which money is given to the needy without any charge so that borrower may return only the principle amount at his convenience.

Ijarah : To lease a particular goods or service against rent for a specific period.

Fiqh : Science of Islamic Jurisprudence.

Falah : Literally welfare. Islamic concept of Falah or welfare covers the good in this world and the good in the life hereafter – in the measures of Allah.

Bai-al-Ajal : A transaction of deferred payment.

Amil: Literally worker, user of capital in a Mudarabah contract.

Amanah : Something is given by one person to another to keep for some reason such as safe custody. The keeper is under obligation to return it in the same condition although he may use it with the permission of the owner.

Bai-Salam: Prepaid purchase.

Baitul Mal : Treasury.

Hajj: Pilgrimage.

Iman : Faith.

Musharaka: Equity participation.

Bay' : Stands for sale and has been used as a pretext in referring to different types of sales: Mu'ajjal, Murabaha, Mudarabaha, Musharaka, Salam, Tawliyah and Wadiah.

Bay' al Mua'jjal : Sale against deferred payment, either in lump sum or installments. The Council of Islamic Ideology (Pakistan) has, however, used it in the same sense as murabaha.

Fuqaha' (singular, faqth): Juries who give opinion on various issues in the light of the Holly Qur'an and the Sunnah and who have thereby led to the development of Fiqh.

Hadith (plural, ahadith) : A report on the saying, deed or tacit approval of the Prophet Mohammad (Peace be on him).

Halal : Anything permitted by the Shariah.

Haram : Anything prohibited by the Shariah.

Ijma' : Consensus of the jurists on any issue of Fiqh after the death of the Prophet (peace be on him).

Imam: The word is used in its most popular meaning of leader of the congregational prayer; the word is, however, also used for the founders of different schools of Muslim jurisprudence or other eminent jurists and also for the prominent descendents of ' Ali ibn Abi Talib and distinguished Shariah theologians. In hadith it has also been used to refer to the ruler.

Mudarahah : An agreement between two or more persons whereby one or more of them provide finance, while the others provide entrepreneurship and management to carry on any business venture whether trade, industry or service, with the objective of earning profits. The profit is shared by them in an agreed proportion. The loss is borne only by the financiers in proportion to their share in total capital.

Murabahah: Sale at a specified profit margin. The term is, however, now used to refer to a sale agreement whereby the seller purchases the goods desired by the buyer and sells them at an agreed marked-up price, the payment being settled within an agreed time frame, either in installments or lump sum. The seller undertakes all the management needed for the purchase and also bears the risk for the goods until they have been delivered to the buyer.

Mudarib : The partner who provides entrepreneurship and management in a Mudarabah agreement as distinct from the sahib al-mal who provides the finance.

Holly Qura'n : The Holly Book of the Muslims consisting of the revelations made by Allah to the Prophet Muhammad, peace be on him, during his

Prophethood of about 23 years. The Holly Qura'n lays down the fundamentals of the Islamic faith, including beliefs and all aspects of the Muslim way of life. These are supplemented or further elaborated by the Sunnah. The Holly Qura'n consists of 30 parts (paras), 114 chapters (surrah) and 6,666 verses (aiath). There are a number of translations of the Holly Qura'n by both Muslims and non-Muslims.

Riba : Literally means increase or additional and refers to the premium that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or an extension in its maturity. It is thus equivalent to interest. It is used in the Shariah in two senses: *riba al-nasiah* and *riba al-fadl*.

Riba al-Fadl: An extension of *riba* to trade, because while trade is allowed, not everything is permitted in trade. The prohibition of *riba al-fadl* closes all back doors to *riba* through trade. It covers all income realized in trade through dishonesty, frauds or unfair exchanges.

Riba al-Nasiah : Refers to the addition of the premium which is paid to the lender in return for his waiting as a condition for the loan and is technically the same as interest.

Ribah: Is from *rayb* which literally means doubt or suspicion and refers to the income which has the semblance of *riba* or which raises doubts in the mind about its rightfulness. It covers all income derived from injustice to, or exploitation of, others.

Shahib al Mal: The financier; in the *mudarabah* form of partnership agreement, the *Sahib al Mal* provides the finance while the *mudarib* provides the

entrepreneurship and management. There can be many shab al-mal and mudarib in a given mudarabah agreement.

Shariah : Refers to the divine guidance as given by the Holly Quran and the Sunnah and embodies all aspects of the Islamic faith, including beliefs and practices.

Shirkah: Partnership between two or more persons whereby, unlike mudarabah, all of them have a share in finance as well as entrepreneurship and management.

Sunnah : After the Holly Quran, the Sunnah is the most important source of the Islamic faith and refers essentially to the Prophet's example as indicated by his practice of the faith. The only way to know the Sunnah is through the collection of hadiths.

Suarah : A chapter of the Holly Quran. There are 114 surahs of varying lengths in the Holly Quran. In all references to the Holly Quran in the text, the first number refers to the surah and the second to the ayah or verse.

Tawliyah: Sale at cost without any profit for the seller.

Ummah: Refers to the whole Muslim community, irrespective of colour, race, language or nationality, which carry no weight in Islam

Ushar: Ten percent (in some cases five percent) of the agricultural produce payable by a Muslin as a part of his religious obligation, like zakat, mainly for the benefit of the poor and the needy.

Wadiah: Sale at a loss.

Zakat: The amount payable by a Muslim on his net worth as a part of his religious obligations, mainly for the benefit of the poor and the needy.

Zulm: A comprehensive term used to refer to all forms of inequity, injustice, exploitation, oppression and wrongdoing, whereby a person either deprives others of their rights or does not fulfil his obligations towards them.