

# **Islamic Banking & Zakat- An Alternative Approach to Poverty Reduction in Bangladesh**

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## **Abstract**

*Islamic Banking has emerged as most promising and a viable financial institution based on Islamic shariah principles. The fast and stable growth of Islamic banks in the World financial system during the last few decades indicate the inherent strength of Islamic banking as a challenging alternative to the interest based capitalistic financial system. The comparative analysis of the performance and achievement of the Islamic bank in Bangladesh with those of contemporary conventional banks confirms the superiority of Islamic banking. Islamic banking combined with Zakat, Ushar, AWAKALF and Micro Investments could be a better effective and meaningful pathway for Poverty Reduction. Recent Central Bank's guidelines for Islamic banking would provide impetus and promote the fast growth of Islamic banking in Bangladesh.*

**Key Words:** Shariah Principles, Poverty Reduction, Deprivation and Entitlement, Zakat, Ushar, AWKALF, Profit and Loss Sharing Social Enterprise.

## **1.0 Introduction:**

Islamic banking is relatively a new concept developed since 1950's of the Twentieth century and has been gaining ground for its growth and expansion from the 80's onwards. Islamic bank is ideologically based on Islamic Shariah'-a body of rules and regulation, code of ethics originating from the Quran and Sunnah, main source of knowledge and guidance for mankind. The first Islamic Bank, known as Islami Bank Bangladesh Limited was established in 1983 in Bangladesh with the objective to introduce welfare oriented banking and promoting equity and justice (Adle and Ehasan) in the economy of Bangladesh. As a shariah based bank it is committed to conduct all banking and investment activities on the basis of interest free profit and loss sharing system. The bank has made tremendous progress during the last 26 years of its operation and has become the biggest and best bank among the entire 30 private commercial banks including 6 other Islamic banks. The operational success and speedy growth of Islamic banking in Bangladesh indicate that Islamic bank can run

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more effectively and efficiently suiting the genius of the people and fulfilling the moral faith and belief of the God fearing Muslims Ummah, as a viable and profitable alternative to conventional banking.

The theme of this paper is to make an attempt to analyze how; Islamic Banking System can be taken as more appropriate institutional approach to deal with human poverty, inequity and exploitation in the society of Bangladesh.

## **2.0 Poverty situation in Bangladesh**

Bangladesh is still in the category of least developed over populated poor country. All out efforts are being made through different strategies and approaches by Government and Non Government Organizations to move out of poverty and reduce poverty by 50 per cent by 2015. Poverty Reduction Strategy papers being prepared revised under the guidance of the foreign donor agencies as guidelines for implementation to reduce poverty in Bangladesh. Indigenous initiatives and innovative institutions developed by Nobel Laureate Prof. Md. Yunus and Sir Fazle Hasan Abed like Grameen Bank, BRAC, and other NGOs and PKSF have been making laudable efforts through target oriented program to assault on poverty with the Micro financial services for the poor .All these institutional strategies and policies are being implemented in interest based Capitalistic free market system.

Definition and measuring poverty always pose problems for experts. Charles Tilly defined poverty as “Poor means lacking most or all crucial assets and capabilities like Material assets, Body health, Bodily integrity, Emotional integrity, Respect and dignity, Social belonging, Cultural identity, Imagination, Information and education, Organizational capacity, Political representation and Accountability”.

Amartya Sen (1995) defined poverty meaning capability deprivation. Professor Amartya Sen in his book ‘Poverty and Famines’ (P. 9-25) has dealt at length on the concept of poverty from different approaches like requirement of concept of poverty as to who should be the focus of our concern and agreed with the consumption norms or of poverty line concept defining the poor as those people whose consumption standards fall short of the norms or whose incomes lie below that line. He also posed a question as to whether the concept of poverty related to the interest of (1) only the poor (2) only the non-poor or (3) both the poor and the non-poor? He however viewed that alternative three would be more appealing since it is broad based and unrestrictive. The focus of concept of poverty has to be on the wellbeing of the poor as such no matter what influences affect their wellbeing. Causation of poverty and effects of poverty will be pertinent issues to study in their own rights and conceptualization of poverty in terms of the conditions of the poor does not affect the worthwhile ness of studying these questions. Sen (year) also analysed the definitional

aspects of poverty in the light of Biological, the inequality ,relative deprivation , value judgment, a policy, definition and Standards and Aggregation approaches and has come to the conclusive remarks that poverty is of course a matter of deprivation both absolute and relative deprivation where relative deprivation supplements not supplant the absolute deprivation . Consideration of relative deprivation are relevant in specifying the basic needs but to make relative deprivation the sole basis of such specification is bound to failure since there is an irreducible core of absolute deprivation in the concept of poverty.

The recently published UN report on World Social situation called for rethinking the issue of poverty as conventional approaches to measuring it based on income and expenditure can be misleading. The publication, Rethinking Poverty, also said despite registering steady economic growth, the proportion of Bangladesh's population living on less than \$1.25 a day has increased from 44.2 percent in 1981 to 49.9 percent in 1990 and 50.5 percent in 2005.

Economist Prof Wahiduddin Mahmud however differed with the findings, claiming that the level of poverty dropped in Bangladesh. He rather said multilateral lending agencies, such as World Bank and Asian Development Bank, are providing different estimates on poverty and spreading confusion. According to Bangladesh Bureau of Statistics, about 40 percent of the population lives below the poverty line. "We did not make much progress in poverty reduction but poverty level has dropped," said Mahmud at a discussion on the World Social Situation.

Poverty is not related to income alone, social services, such as education and healthcare, are also important. "We should attach importance to inclusiveness. To attain this, people will have to be empowered so that they can ensure accountability in areas of education and health services".

There is a need for identifying the root of poverty for its eradication rather than the present targeting approach. If people living below the poverty line are targeted to be uplifted, it will not bring better results, as a new group of poor people will fill up the section. "We need to find the root of poverty instead of targeting a section of poor people to reduce it," Opined by Mahmood.

Now the question is what is the root of poverty? To find out root of poverty we may look towards the exploitative tool of interest in the Capitalistic globalize free market system which promotes extreme materialistic society of consumerism, greediness, individualism, corruption and creation of Multinational corporations as instrumental to augment the concentration of wealth in a few hands and a few developed countries.

The Grameen bank and BRAC the two main institutions developed by Prof. Mohammad Yunus and Sir Fazle Hasan Abed have been working relentlessly with their target oriented Poverty alleviation programs since 70's of the 20<sup>th</sup> Century .Their

main instrument to address poverty is Micro-Credit .The strategies for both the organisations are awareness raising capacity building, saving mobilisations, group lending at market rate of interest varying from 15% to 25% without any collateral. Both Grameen and BRAC have their education, health, Sanitation activities for the rural poor and ultra poor along with profit oriented various commercial projects since their inception in late 70's of the last century. During their successful journey of attacking the multidimensional and multifaceted poverty problems of Bangladesh, they have evolved various schemes like Targeting the ultra poor, essential Health Care Service, Social Development, Human Rights and Legal Services Programme, Education Programme by setting up BRAC primary schools and Education Loan Programme, Rural Housing Programme by Grameen Bank for it's members .The demonstration effects of the contributions of these two organisations in poverty alleviation and rural development have led to the growth of thousands of NGOs and MFIs mainly to provide Micro financial services focusing female members of the poor community . It is perceptible and factual that all these NGOs and GO poverty reduction policies and programme have made positive change in the rural Bangladesh but poverty level has not substantially improved still 40% of the population live below the poverty line whose daily income is less than US\$1.25, according to the Bureau of Bangladesh Statistics.

It is now convincing fact that the conventional interest based financial system in the capitalistic free market framework, failed to offer appropriate strategy to deal with Poverty Reduction substantially .We should search for alternative system . The ideal system of Islamic banking and Islamic economic institutions like Zakat, Awkalf, Ushar, Sadka and charities can offer better approach to deal with poverty Reduction Strategy .In creating a world without Poverty Professor Yunus is now pioneering the idea of social business a completely new way to use the creative vibrancy of business to tackle social problems from poverty. In introducing the social business in his book, Creating world without poverty, he describes that while the existing companies are generally profit Maximizing Business, the new kind of business might be called social business, where entrepreneurs will set up social business not to achieve limited personal gain but to pursue specific social goals. Social business would be a new type of business that pursues goals other than making personal gains-a business that is totally dedicated to solving social and environment al problems. This is a very exciting and illuminating concept from a visionary like him and compares more favorably to Islamic way of doing business. Only god fearing entrepreneurs having faith in religion and being accountable to Allah for their deeds in this world to the next world can come forward for such venture. It would be difficult to sell this idea to secular minded capitalists.

### 3.0 Islamic Banking

Alongside the conventional interest based banking system, Bangladesh entered into an Islamic banking system in 1983. At present, out of 48 banks in Bangladesh, 7 PCBs (Private Commercial Bank) are operating as full-fledged Islamic banks and 20 branches of 9 conventional banks are partially involved in Islamic banking. The Islamic banking industry continued to show strong growth since its inception in 1983 to June 2009 in tandem with the growth in the economy, as reflected by the increased market share of the Islamic banking industry in terms of assets, financing and deposits of the total banking system. The entire picture is given at Table-1. Total deposits of the Islamic banks and Islamic banking branches of the conventional banks stood at Taka 464.4 billion at end June 2009. This was 26.0 percent of the deposits of all private commercial banks and 17.8 percent of the deposits of the total banking system at the end of June 2009. Total investment of the Islamic banks and the Islamic banking branches of the conventional banks stood at Taka 434.4 billion at end June 2009. This was 29.3 percent of all private banks and 22.4 percent of the total banking system of the country.

Table-1: Comparative Position of the Islamic Banking sector (as at end June-2009)  
(In billion TK)

<b>Group of Banks</b>					
<b>Particulars</b>	<b>Islamic Banks</b>	<b>Islamic Banking Branches</b>	<b>Islamic Banking Sector</b>	<b>Private Commercial Banks-1</b>	<b>All Banks-2</b>
1	2	3	4=2+3	5	6
1. Number of Banks	7	9	16	30	48
2. Number of Branches	429	20	449	2185 (20.6)	6936 (6.5)
3. Number of Accounts* (in thousand)	5048	n.a	5048	11961 (42.2)	37573 (13.4)
4. Number of Employees	15627	403	16030	n.a	n.a
5. Deposits	428.0	36.4	464.4	1783.3 (26.0)	2603.1 (17.8)
6. Investments (Credits)	411.5	22.8	434.4	1483.3	1939.9
7. Investments Deposits Ratio.	0.96	0.62	0.94	0.83	0.75
<b>Notes :</b>					
1/Figure in the parentheses in column 5 indicate share of percentage of the Islamic banking sector to all private banks and 2/Figure in the parentheses in column 6 indicate share of percentage of the Islamic banking sector to all banks, n.a=Not available					
Source: Annual Report-2008-2009, Bangladesh Bank					

#### **4.0. Central Banks Guideline for Islamic Banks**

Bangladesh Bank with its proactive and the dynamic leadership of present Governor Dr. Atiar Rahman has taken a pro-poor, pro-rural and inclusive banking policy and recently issued a much warranted guidelines for conducting Islamic Banks to promote and support the growth of Islamic bank within its proper regulatory and supervisory framework. It is expected that these guidelines will form the basis for preparing and enacting an Islamic Banking Act and creation of appropriate logistics in the central bank to properly guide, supervise the Islamic banks in near future.

This is for the first time that Bangladesh Bank has come out with clear policy guidelines for setting up of full fledged Islamic banks, terms and conditions for the conventional banks to obtain license for opening Islamic banking branches, windows, conversion of a conventional bank to an Islamic bank and external conversion through acquisition of a bank by parties interested in converting it. The guidelines briefly covered the operational principles and mechanism of accepting deposits and making investments in different modes and maintenance of CRR (Cash Reserve Ratio), SLR (Statutory Liquidity Ratio), and Liquidity Management aspects as per compliance of Islamic Shariah principles. The guidelines also state that it will be the responsibility of the Board of Directors of the respective banks to ensure that the activities of the banks and their products are Shariah compliant. The Board of the Islamic banks /Conventional commercial banks having Islamic branches, therefore, is constituted with directors having requisite knowledge and expertise in Islamic Jurisprudence. The Board may form an independent Shariah Supervisory Committee with experienced and knowledgeable persons in Islamic jurisprudence. However, the Board shall be responsible for any lapses /irregularities on the part of the Shariah Supervisory committee. Fit and proper criteria for selection of members of the Shariah Supervisory Committee have also been outlined indicating educational qualifications, experience and exposure in Islamic Jurisprudence, Islamic banking, clean track records solvency and financial integrity, honesty and reputation.

It is expected these guidelines for conducting Islamic banking will provide and form the fundamental basis for formulation and enactment of Islamic Banking Act in the near future and Bangladesh Bank will initiate and create friendly congenial environment to support the fast growth of Islamic bank in Bangladesh.

#### **5.0. Alternative Programme of IBBL: RDS**

The fundamental principle of Islamic bank is to ensure equity and distributive justice in the economic life of the mass people in society as per dictates of the holy Quran

and Sunnah. Accordingly the management of IBBL has stated the Mission IBBL as follows:

“To establish Islami Banking through the introduction of welfare oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development through diversified investment operations particularly in the priority sectors and less developed areas of the country. To encourage socio-economic uplift and financial services to the low income community particularly in the rural areas.

The IBBL according to its Mission adopted a rural banking scheme known as Rural Development Scheme in 1995 side by side its commercial and Investment financing. The main objectives of the Scheme are to extend the investment facilities to agricultural, farming and off-farming activities in the rural areas in order to alleviate poverty. Under the scheme financing is made for self-employment and income generating activities of the rural poor people to alleviate rural poverty through integrated rural development approach.

a. **Target Group Approach : Legibility Criteria**

The Scheme also follows the group based target oriented collateral free modalities like Grameen and BRAC.

- Able bodied and industrious rural poor having age between 18 to 50 years and the permanent resident of the project area (Rural Branch command area).
- Farmers having cultivable land maximum 0.50 acres and the sharecroppers.
- Persons engaged in very small off-farm activities in the rural areas.
- Destitute women and distressed people.
- Persons having liabilities with other banks/institutions are not eligible for investment under the Scheme.

The Scheme is being implemented through its rural branches within the radius of 16 Kilometers.

b. **Operational Procedure: Integrated Development Approach**

The cardinal principle of the Scheme is 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 is given high priority .The salient features of the Group formation are the following:

- Small Groups to be formed consisting of 5 members preferably of similar professions/occupations.
- Investment clients are selected in the Centre meeting and supplied with the application forms and other related papers. In finalization of the investment application, the list of the selected clients, supported by their applications, are submitted to Branch Manager duly signed by the Group Leader, Centre leader, Field officer and project officer for sanction and disbursement of investment.

**c. Rate of Return**

The rate of return is determined by the authority from time to time. At present, the rate of return is 10%. Timely repayment is encouraged by offering 2.5% rebate.

**d. Modes of Investment**

Since beginning, RDS is mainly practiced Bai-Muajjal mode of investment (about 95%) and sometimes HPSM (Hire Purchase Under shirkatul Milk) mode is adopted based on the nature of investment items. Recently, Musharaka mode of investment has been introduced in RDS operation and getting response widely. At present, the number of Musharaka Investment client is 30 where the total outstanding is TK1.4 million as on 31.10.2009 and number and volume of Musharaka investment is increasing gradually.

**e. Micro Enterprise Investment Scheme-A graduation program of RDS**

- To satisfy the graduated clients who had already availed highest limit of investment under the Scheme, a special scheme has been introduced in the name and style of Micro Enterprise Investment Scheme (MEIS) in 2005. The ceiling of MEIS investment is TK-50, 00/ to Tk-300,000/ and local small traders and entrepreneurs may also be provided this facilities under the limit.
- The existing field officers and project officer explore the possibilities of investment in the area under the aforesaid Schemes and recommend to the Branch for sanction. The branch sanction within the business discretionary power. If it is beyond the discretionary of the Branch incumbent, they 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 for productive economic activities.

**f. IBF-A support program of RDS**

- Islami Bank Foundation, a non-profit service oriented sister organization of Islami Bank, Providing financial support to the RDS members to install tube-well and sanitary latrine on Quard-e-Hasana after two years successful enrolment.
- IN the meantime, 7,478 tube-well and 4,270 sanitary latrines have so far been distributed at a cost of Tk-14.83million and Tk-4.57 million respectively up to 31.12.2009 against quard.

**i. Performance of Rural Development Scheme**

139 Branches of the Bank have been brought under the Scheme in their respective areas. These Branches are working among the poor in 10,751 villages covering 1,199 Unions under 296 thanas of 61 districts of the country. Present number of members is 4, 92,475.

Since beginning of the scheme, the members are provided investment facilities of an amount of Tk-24,238.69 million up to 31.12.2009 against which present outstanding is Tk-3,752.20 million.

Table-2: Brief performance of RDS up to 31December 2009

SL No	Areas of performance	No. & Volume/Amount
<b>Area Coverage</b>		
1	No of branches handling the Scheme	139
2	No of Village (no of total village in the country is about 87,000)	10,751
3	No of Districts (no of total districts in the country is 64)	61
4	No of Centre	22261
5	No of Group	123306
6	No of members (existing)	492475
7	% of women member in the scheme	84%
8	Average no of member per centre(expected no 40)	22
9	No of client(who are availing investment)	312036
<b>Financial Statement (RDS-Including MEIS)</b>		
10	Cumulative disbursement (since inception)	24,238.69
11	Present outstanding	3752.20
12	Overdue	36.56
13	Percentage of Recovery	99%
14	Balance of Members' savings (including centre Fund)	1,488.77
<b>Financial Statement (MEIS)</b>		

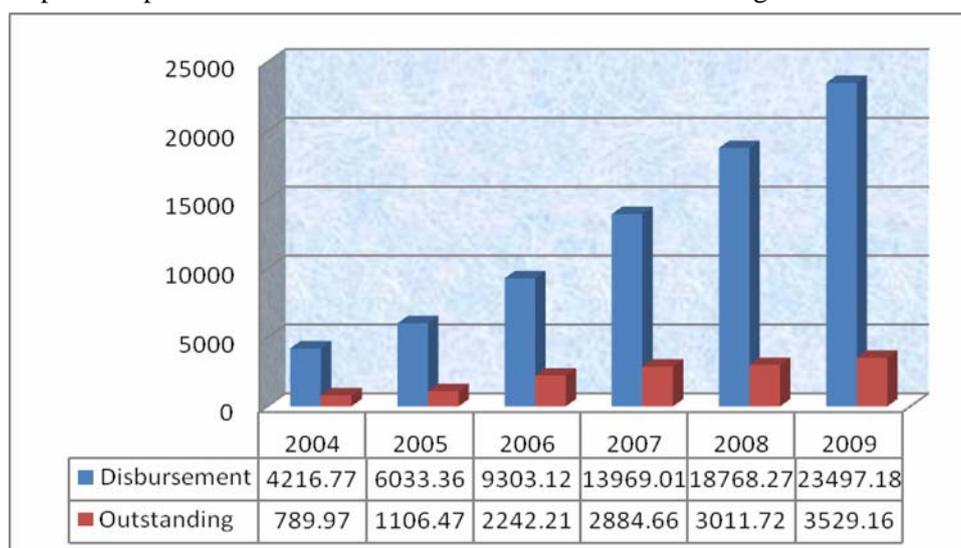
15	Number of clients under MEIS	19,069
16	Cumulative disbursement (since 2005)	2553.31
17	Present outstanding	1080.91
<b>Manpower position</b>		
18	No of Field officer	1512
19	No of project officer	235
20	No of Zone officer	15

Table 3: A comparative position along with growth of progress of RDS for last five years is shown in the following table:

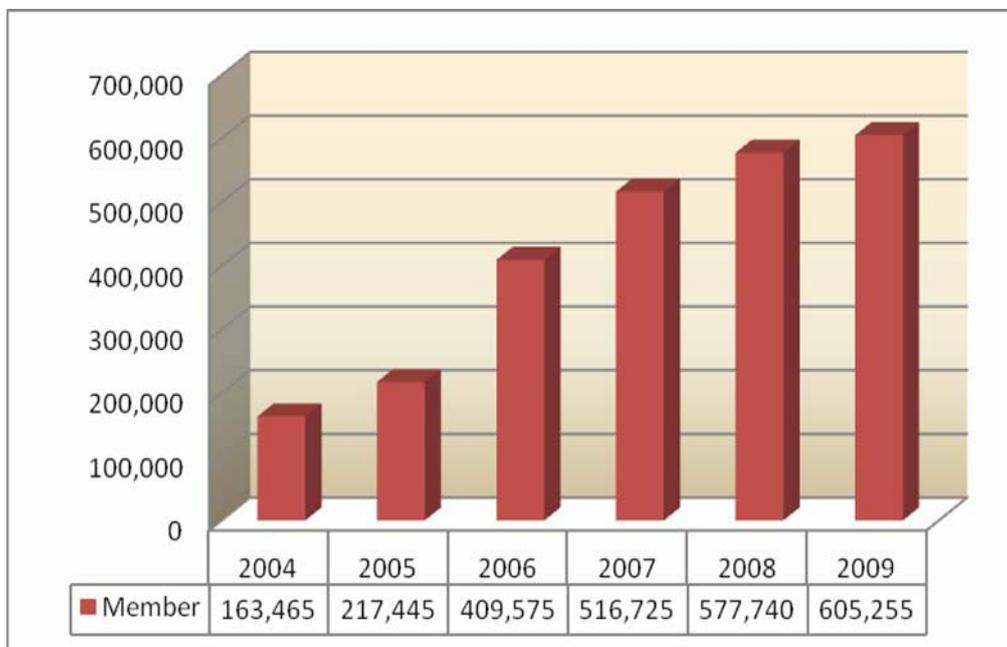
Particular	2005	2006	Growth	2007	Growth	2008	Growth	Oct. 2009	Growth
Villages	4560	8057	77%	10023	24%	10676	7%	10470	-2%
Members	217,445	409575	88%	516725	26%	577740	12%	542715	-6%
% of Female Clients	94%	92%	...	87%	....	87%	....	84%	....
Investment Outstanding	1106.47	2242.21	102%	2884.66	29%	3011.72	4%	3529.16	17%
Cumulative Investment	6033.29	9303.12	54%	13969.01	47%	18768.27	34%	23497.18	25%
Tube wells Distributed	4421	5525	25%	6242	13%	6844	10%	7399	8%
Sanitary Latrines Distributed	2204	3147	43%	3551	13%	3838	8%	4184	9%

### Graphical presentation of the performance:

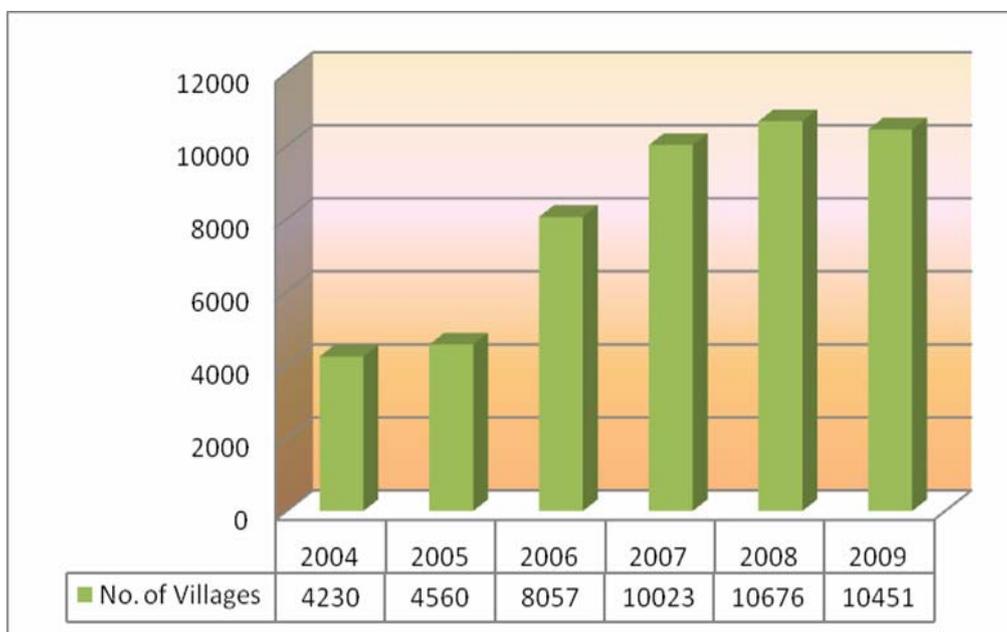
Comparative position of Cumulative Disbursement & Outstanding:



**Trend of growth of Members:**



**Trend of expansion of villages:**



## **6.0 Strategy and Policy for expansion of RDS**

RDS of IBBL during its tenure of 15 years successful operation has achieved maturity and sustainability as an Islamic pathway for reducing poverty in Bangladesh and can be a replicable model for other Islamic Banks. So long the Scheme maintained a low profile working silently in the rural villages of Bangladesh. The experiences and expertise earned in implementing the scheme as a mere division in the mainstream of the bank provides ample ground to set up a separate subsidiary Organisation to promote and expand the programme throughout the country as a viable and remarkable alternative approach to poverty reduction strategies. The management of IBBL has realised the importance of setting up a separate sister institution to deal with poverty reduction more effectively and efficiently applied to BB and Micro Credit Regulatory Authority for necessary license. The other private Islamic banks can also examine the feasibility of setting up such a subsidiary financial institution to offer micro financial and social services to the poor community as a part of fulfilling corporate Social Responsibility and to materialise the professed financial inclusion of people within the banking services of the country.

## **7.0 Zakat and poverty reduction**

One of the five fundamental principles of Islam is Zakat. Zakat is equally important and binding obligations of the Muslim like Salat as per Quranic instruction. Zakat is a direct income transfer instrument from the wealthy people to the poor. Zakat played a vital role in establishing a poverty free society during the early period of Islam. Early Islamic history vividly reflect that this Islamic economic institution is very effective and appropriate to take care of the poor and needy people of the Muslim Societies. There is a well established statement that from the period of Umar-al Khattab (13-22 H) and Umar-bin Abdul Aziz (99-101H), poverty was eliminated during the time of these two rulers as Zakat collected in some regions could not be distributed due to lack of poor recipients.

In a research paper on Prospect of poverty elimination through Zakat collection in the OIC countries, it has been estimated the resource required and potential Zakat collection for poverty elimination based on information gathered on 38 OIC countries including Bangladesh. The paper finds that half of the sample countries not only meet their resource short fall by potential Zakat collection but also generates surplus funds which are sufficient for the resource deficit countries. With this funding the author Shiraji (2006) suggested for pooling Zakat funds from Zakat surplus countries to eliminate the poverty in the resources deficit poor countries.

It is estimated that the potential Zakat collection in Muslim countries if mobilised properly could reach between an average ranges of 1.8 percent to 4.3 percent of GDP annually. In Bangladesh's case it ranges from 1.53% to 3.82% of GDP. so even if Zakat could be collected as per principle ordained in the Holy Quran, Sunnah and explained by the renowned Islamic Scholar, Yusuf-Al Qardari there would be a resource gap to be supplemented by other sources like Awkalf, Micro finance programme and ADP allocation for poverty elimination.

As per Islamic religious obligation Zakat is not collected compulsorily by Govt in Bangladesh although there is Zakat Fund under the Religious Ministry of the Government for voluntary collection of Zakat. But the amount of being collected through this voluntary approach is very scanty.

In the socio political situation of the country it will not be possible for the government to collect Zakat compulsorily although a few Muslim countries are doing .In this situation Zakat should be collected with the initiative of the private sector by creating Zakat Fund by the big industrial and business groups and the rich individuals. Islami Bank Bangladesh Ltd has been collecting Zakat through its subsidiary Islami bank Foundation and properly utilising the Zakat Fund in philanthropic and poverty reduction program like establishment of hospital to provide health services with low cost, maintaining women destitute rehabilitation centers, Technical training institutes, poverty reduction investment program for self employment and providing financial support to the poor students. The other Islamic banks and the conventional banks with Islamic bank branches and windows can initiate and implement Zakat oriented Poverty reduction strategies and programs along with their micro credit programme towards fulfillment of their corporate social responsibility.

We know from Muslim history that Awkalf was a very important humanitarian and economic institution dedicated to the cause of human welfare and poverty reduction. We still find the existence of Awkalf and trust properties sporadically in Bangladesh. But they are going to be grafted by the greedy and corrupt people and those still survive are poorly managed with government intervention in the name of Awkalf Administration Dept. of government .Here also the private sector can come to the rescue of the remnants of exiting Awkalf and revival and creation of new AWAKF by the wealthy affluent section of the society with pious intentions. The concept of AWKALF can be understood and made in two ways i.e. 'in terms of properties and in cash. Cash AWKALF deposit schemes are also in practice in the banking services of IBBL and SIBL (Social Islamic Bank Ltd).

A comprehensive Poverty Reduction Strategy Paper (Plan) can be made involving Micro-investment (Credit), Zakat, and AWKALF which can bring about innovative changes in the Micro Investment for Poverty alleviation in Bangladesh. In this plan one aspect may be to introduce and expand Qard-e-Hasan where investment be made and realised without profit and administration cost be borne out of Zakat Fund or Sadqaud charity Fund for self employment of the poor. For the hard core poor or the ultra poor the grant cum investment can be made to them from Zakat, AWKALF and, Charity Fund and the investment part may be realised in easy long term basis based on their reaching capability to repay. Successful implementation depends on choice and intensive supervision, training, motivation and capacity building of the ultra poor. This approach may be taken as a pathway to reduce poverty by all the seven Islamic banks on experimental basis if found successful may be accepted as a replicable model for other conventional banks and Micro Finance Institutions of Bangladesh. The Grameen Bank, the world famous bank for the poor which achieved the Nobel Laurel and BRAC which is the largest NGO in the world and its founder Sir Fazle Hasan Abed may actively consider exploring this Islamic approach. Both these Institutions having successful track record and well-knit net work of branches and outreach have the good potentials for introduction of Islamic pathway of Micro financing .Particularly BRAC which has a separate Bank as BRAC bank specialized in SME financing can make this experience, as its Management recently decided to go for Islamic banking and made all preparatory works. Adoption of a viable alternative profit and loss sharing system does not mean capitalizing and exploring the religious faith of the Muslims. Islamic economic and banking system has been established as reality and marching forward to provide solutions to the present global crisis.

## **8.0 Concluding Remarks**

Islamic banking has great prospects and potentials in Bangladesh for rapid expansion to cater to the ever increasing demand from all segment of community of people of the country including Non-Muslims. Islamic banking has an inbuilt shariah principles and mechanism to ensure the equitable, fair and welfare oriented development. Islamic banks through profit and loss sharing mode of investment including Zakat, Awkalf and charitable activities can be a alternative pathway to reduce poverty in Bangladesh which has been indicated clearly from analysis of continuous and comparative success of IBBL in the banking sector of Bangladesh.

RDS a poverty Reduction strategy and programme of IBBL if properly redesigned with Micro investment, Zakat, Awkalf, Sadqaud and charities can provide substantial resources and if managed efficiently and effectively in true spirits of Islamic Shariah principles, may be an innovative and replicable model for other institutions working for poverty elimination .

It is suggested that serious studies and Research should be conducted to find out the operational guidelines, monitoring and intensive supervision mechanism to achieve meaningful results. From the experiences of implementation of this concept the IBBL and other Islamic banks may set up separate subsidiary institution to deal exclusively the poverty problems in Bangladesh.

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