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Islamic Microfinance, Socio-economic Wellbeing of Women and Their Families in Bangladesh

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Abstract

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

Keywords:

Socio-economics, Islamic microfinance, Women's wellbeing

1. Introduction

In developing countries, vast sections of the population are caught up in the web of poverty. Grameen Bank founder Mohammad Yunus opines that in the developing countries, economic development cannot take place unless and until the socio-economic status of the poor classes people is improved (Ahmad, 2011). Women's situation in developing countries are worse than men in the under developed countries. That is some of these countries undertaken several poverty alleviation programmes for both men and women. Perhaps the most important benefit of economic development of women among poor is that it leads to the creation of self-employment through micro-entrepreneurship as against wage employment. The challenge is therefore, to develop entrepreneurship and to generate enough productive employment and income opportunities for the poor. Economist Schumpeter regarded the banking system and entrepreneurship development as being two key agents in the process of economics development. In one of the developing countries Bangladesh the third largest Muslim country in the world, involvement of Islami Bank Bangladesh

Limited through their Rural Development Scheme (RDS) to promote Islamic microfinance and women entrepreneurship is relatively new in Bangladesh with a population of 150 million.

More than 30 % people in Bangladesh lives with poverty. Implementation of structural adjustment policies of World Bank have had mixed impacts on women and their wellbeing. Furthermore, socio-economic context during last 2-3 decades imposed lots of constraints on women's employment and can sometimes degrade their socio-economic status, obliging them to join labour market under very harsh conditions. Given the rise of awareness on Islam in Bangladeshi political discourse and social life, role of women in the society in the light of Islamic principles are gradually recognised. Therefore, women's participation in development activities is emerged as a central focus in the socio-economic development. In this situation, Islamic microfinance is used by Islamic Bank Bangladesh, Muslim Aid and some other Islamic Non-government organisations to promote entrepreneurship as a tool to combat poverty. Women are specifically targeted by microfinance programmes because some studies suggested that involving women in microfinance scheme has a multiplier effect since women invest largely in their households (Akter, 2001).

Against this development, two main aims of this paper are:

- (1) Confirming or refuting a positive link between Islamic microfinance and socio-economic well being of women and
- (2) To explore the context in which Islamic microfinance programmes function in Bangladesh and the way their performance can be improved.

In view the above two aims, two main research questions will addressed in the study are:

- What can be expected from the offer of Islamic microfinance programme on the welfare of recipients?
- Under what conditions would such an offer be more beneficial?

The paper is structured as follow. The next section offers a discussion on Islamic microfinance programme in Bangladesh. It is followed by approaches and context of the study. Section three and four discuss about the choices of variables and methodology of the study respectively. Section five offers an analysis of the results. The ensuring section provides analysis of the microfinance experts' opinion which is followed by conclusion and policy recommendations.

2. Islamic Microfinance

In Bangladesh, Islami Bank Bangladesh Limited is largest Islamic microfinance provider. It provides Islamic microfinance services through its Rural Development Scheme (Ahmad, 2011). The Rural Development Scheme (RDS) has made an attempt to design a Shariah based model of poverty alleviation by its Islamic Microfinance Programme following the principle of group lending and participatory management approach. The target group includes destitute women and distressed people, households with 0.50 acres of land either owned or hired for farm activities or the households involved in very small off-farm activities in the rural area. Group formation and related activities are the same as those of the Grameen Bank (a pioneer microfinance bank) in Bangladesh. Groups are homogenous and self-motivated. Members of a microfinance form homogenous group and they elect 4-5 members in their management committee. The first and foremost condition is that the members must bear excellent moral character with commitment to the ideals and teachings of Islam.

The Islamic microfinance groups under the rural development schemes (RDS) in Bangladesh, members are required to save weekly at least Bangladesh Taka (BDTk) 10 in their savings account at the Islamic Bank Bangladesh. The branches of Islamic Bank Bangladesh have the responsibility to implement the scheme. Investment in specified sectors is made in four modes, *Bai Muajjal*, *Bai Murabahah*, *Bai Salam* and Hire Purchase under *Sherakatul Melk*, or *Ijarah* (Leasing). Parent organisation or Islamic microfinance promoter- Islami Bank Bangladesh Limited charges a rate of profit of 10 per cent on investment. Timely repayment is encouraged by offering 2.5 per cent rebate. Each group members need to contribute BDTk 2 per week at the centre fund. Instalment is fixed on weekly basis. The Field Officers collect instalments, personal savings, centre fund etc. in the weekly centre meetings. There are about 1400 Field Officers who are engaged in supervision of the Islamic microfinance programme under RDS and trained by the Islami Bank Bangladesh Limited at their headquarters in Dhaka. This scheme has been implementing since 1995 by the branches of Islami Bank Bangladesh all over the country. Under this scheme, an investment of BDTk 95000 million to 299800 persons of which 94 per cent women and 6 per cent men have been made through 124 branches in 8065 villages. Recovery rate is 99 per cent. This indicates that within a decade of time Islamic microfinance programme under Islami Bank Bangladesh covers 69 per cent villages in Bangladesh.

2.1. Islamic Microfinance as presented by different theories/agency and rationales

The studies of Ahmad (2007), and Obaidullah & Khan (2008) showed the significant of Islamic microfinance as a tool to boost economic growth, to counteract the effects of economic instability and to empower women. In fact, when women, who would otherwise stay at home and dedicate their time to reproductive tasks, integrate the labour market; new windows of opportunities emerge to them. Islamic microfinance is specifically important for women because they often lack the necessary collaterals and pre-conditions to obtain a credit from a formal lending institution. On the other hand, Islamic microfinance programmes are increasingly targeting women due to the following reasons: first, a cost-efficiency rationale since women's repayment rates are much higher than men, second, an equity reason because women have less access to productive employment in the developing countries and third, because women invest largely in their children and households, engendering a multiplier effect that improve the effectiveness of the funds.

The offer of different Islamic microfinances is supported by different developmental agency and groups of experts, each according to their ideology. Firstly, the defenders of development serving people' argue that Islamic microfinance puts people in the heart of the process of development and policies elaboration. Secondly, the women's rights defenders believe that Islamic microfinance empowers women since it promotes development while focusing on eliminating gender discrimination. Thirdly, the poverty reduction approach encourages the offer of Islamic microfinance because it empowers the poor; make them economically independent and less vulnerable when facing economic crises. Finally, the offer of Islamic microfinance is supported by the economic growth experts because it promotes the development of the least advantaged and developed regions, promoting growth over the long term.

Moreover, the theory 'added worker effect' shows that during economic recessions and in the context of an increase in unemployment, when the main bread earner of a family is unemployed or a deterioration in the household's income occurs, another member of the household seeks employment in order to compensate for the decline in the total welfare. This theory gains more importance in the context of the absence of adequate social security schemes (Cerrutti, 2000). The theory of the 'possession of economic resources index' explains that adapting to economic changes and crisis requires a minimal possession of resources that would be redirected according to the new economic trends. But women in developing countries are rarely owners of significant economic resources which make them very vulnerable when facing economic crisis. In fact a few studies show that for the poor, the lack of financial resources is a big constraint to undertaking economic activities. In this context, the offer of microcredit is a tool used in developing countries to combat poverty on one hand and to correct market failures on another hand (Khandker et al. 1995).

On the other hand, in case of very poor households where savings are very costly because of low income and consumption is minimal allowing basic survival needs, in this scenario Islamic microfinance plays a very important role in enhancing the household's wellbeing (Ahmad, 2007). Further, the concept of empowerment is also central in the rationale of the offer of Islamic microfinance to women. It reflects the capacity of women to undertake new economic activities. In respect of 'poverty combat', this term is defined as the process of giving more power to the poor without any considerations of age, sex, ethnicity in order to benefit them from the fruits of development.

2.2. Way Islamic Microfinance Works

There are two Islamic microfinance strategies exist to answer the needs of two different targeted groups. Firstly, the "protectionist" or "survival" strategy aims the very poor recipients to whom survival is the main concern. In this case, low amounts of loan are offered, allowing them to address the very urgent and basic needs of consumption through very modest economic activities. Secondly, the "promotional" approach is when the amount of loan is higher and targets less poor recipients permitting substantial investment in income generating activities. This differentiation is very important in analysing the outcomes of Islamic microfinance program, as we will see in the discussion of our results.

2.3. Techniques of measuring the impact of Islamic Microfinance

There are two different methods in measuring the impact of the micro financing (Cerrutti, 2000). First, the 'Welfarist' approach focuses on improvements realised by microfinance on the recipients' wellbeing. Second, the 'Institutionist' approach on the other hand highlights the practical/institutional aspects of the offer, namely the financial sustainability and outreach of microfinance programs (Chaves and Gonzalez-Vega, 1996; Buckley, 1997). The first approach is more appealing to donors and researchers while the second approach is used to financially justify the use of the resources dedicated to the Islamic microfinance programs. The 'welfarist' approach is the one that will conceptually guide our own research work. Furthermore, two different approaches exist to make the link between Islamic microfinance and women's empowerment.

The minimalist approach suggests that microfinance empowers women by positively increasing their economic independence and making them more capable of responding to their households' needs (Hashemi et al., 1996). We will see in our study, whether the similar result coming or not. The minimalist approach supports the formulation of our hypotheses; the wider one helps in the discussion of the results and explains the answers given by women. Finally, it should be specified that in the case of Bangladesh, the offer of Islamic microfinance falls under a context where two policies clash: First, the "gender" policy which have always managed the relations between men and women. It confirms the place of the man in the society as the bread earner, and provider of the financial safety of the family. On the other hand, a woman is confined to reproductive roles at the house, as wife and mother. The balance of power inside the household is always in favour of the man who holds the decision-making power. The second one, recent 'labour' policy entails that the employment of women is a need for the survival of their household. However, the pressure put by economic conditions has led to the preponderance of the national 'labour' policy over the traditional "gender" policy in Bangladesh which is a Muslim majority country. Moreover, today some people tend to say that women work does not contradict the traditional Islamic ethics as it is a prolongation of their role as mothers providing the basic needs of their families.

3. Hypothesis Testing and Approaches and Context of the Study

The research hypothesis we will test in the study that Islamic microfinance is positively linked with the socio-economic wellbeing of women in Bangladesh in terms of: income, possession of assets, children's schooling, health and harmony in the family. Methodology has been used mainly by doing correlation and regression analysis of cross-sectional data. But some other questions were included in the interviews in order to reflect the details concerning the satisfaction of the women vis a vis Islamic microfinance. Interviews are also made with the Field Officers of Islamic microfinance programme under the Rural Development Scheme managed by Islami Bank Bangladesh and with Islamic microfinance specialists in Bangladesh. Purpose was to give a qualitative dimension to the analysis and to help in the interpretation of the results. This will give the answer of the second question pertaining to the functioning of Islamic microfinance programmes and offer policy recommendations. It would, therefore, be of immense importance to examine the poverty and socio-economic wellbeing of women and their family in Bangladesh by implementing the scheme of Islamic microfinance.

Several empirical studies, mostly from Bangladesh, provide evidence on the wellbeing and empowering effects of microfinance on women (Kabeer, 2001; Lakwo, 2006; Osmani, 2007; Pitt, Khandker, & Cartwright, 2006). However, there is lack of study on wellbeing and empowering effects of Islamic microfinance on women. It is generally understood that Islamic micro financing is a term that indicates "the offer of financial services to customers with low income levels without charging interest or riba" (Ahmad, 2011). Thus, Islamic micro financing targets people with very low income, having no access to the formal lending system.

4. Variable of the Study

This research represents a summative evaluation, more specifically; a socio-economic impact analysis on women wellbeing following the methodology employed by Nader (2008). *Khander (1998)* shows that, in spite of the importance of the evaluation of microfinance programs in term of their financial sustainability and outreach, such criteria do not necessarily reflect the real impact on the society and the beneficiaries. Consequently, this research as well as the choice of the variables falls under the 'welfarist' approach in measuring the impact of Islamic microfinance. The variables were chosen to represent the socio-economic wellbeing of women. These variables are: income, possession

of assets, schooling of children, perception of health and the perception of the harmony in the family. Reasons of choosing the following variables are:

4.1. Income

It is general perception that obtaining Islamic microfinance loan would increase the income of the recipients while enabling them to widen their activity and to increase the quantity of the goods they sell. The income effect is particularly important in Bangladesh in the context of the feminization of poverty. It may be mentioned here that more than 27% of the households depend today on the woman as the principal source of income (Ahmad, 2011).

4.2. Assets

The possession of assets has been retained as a second variable because this variable reflects the sustainability effect of Islamic microfinance. An increase in the income would not have a sustainable impact on women unless the assets they possess should increase a higher level. Women should one day stop depending on the Islamic microfinance when enough capital has been accumulated, the loan/capital being consequently used for ends of not for consumption and but for production.

4.3. Health

Health is chosen because health problem is an acute problem in Bangladesh and threaten people's productivity. Health is an important variable as a development indicator of the third world countries; therefore this sector needed further improvement. As a result, Islamic microfinance would make it possible to women to have better treatments and more medical consultations. This is more important in the context of Bangladesh since social security and insurance systems in Bangladesh are not very efficient.

4.4. Schooling of children

The schooling of children is one of the most important variables to measure human development of a country (Sinha, 1998). Indeed this variable reflects the greatest effect of Islamic microfinance, that of the multiplier effect, when the impacts of a simple loan is extended over several generations. This is particularly interesting in the case of Bangladesh since the fight against illiteracy has had priority on the government agenda for several years now. Governmental campaigns and programmes are set up to encourage families to send their children to school. If the offer of interest-free loan impacts the schooling of the children of the recipients, the governmental resources and efforts could be redirected towards other objectives. Moreover, the schooling of girls is especially important in the case of Bangladesh where boys always come first.

4.5. Family Harmony

The understanding of harmony in the family is chosen as the fifth variable of the study. By harmony in the family we mean the extent to which all members of the family are living peacefully without facing problems and stressful events. Although this variable is not largely studied in the literature, however, it is assumed that this harmony is influenced positively by Islamic microfinance, if it could decrease the household difficulties by improving the economic status of the family.

5. Methodology of the Study

Before going to discuss about the methodology of the study, it is interesting to discuss in about the brief description of the program chosen for the completion of this research, since this is one of the most active and well established ones in Dhaka suburb. This study covers Islamic microfinance programme under the rural development scheme (RDS) of Islami Bank Bangladesh Limited, based on a minimalist approach. More than 90 per cent of the program's beneficiaries work in the informal sector. The Islamic microfinance investment is granted according to the "group lending" mechanism. Each group comprises 5-15 participants, receiving the same amount of loan. When the research was undertaken, the number of the programme participants was 7500 people in the Jahangir Nagar area (Dhaka suburb) and the programme had a portfolio of Bangladesh Taka (BDTk) 40.25 million. The amount of the credit granted (at the first level of the programme to each person) was BDTk 5350 each

6 months; a partial refunding was carried out each 2 weeks. It may be pointed out that this loans/investment were sanctioned based on the Islamic mode of finance.

5.1. Sampling

This study aimed at verifying the link between Islamic microfinance and the socio-economic wellbeing of beneficiaries, and the unit of analysis was the woman benefiting from a loan/investment. In a world of abundant resources, a larger sample would have been selected. However, since the resources for the completion of this research, time and financial ones, were limited, the sample counted 100 women, clients of the above mentioned Islamic microfinance programme. To study the effects of a policy or programme and to link the observed changes of the programme is called 'treatment group' in the term of statistical analysis (Sinha, 1998). In our case, women benefiting from Islamic microfinance and on the same time, a control group, women who do not benefit from Islamic microfinance but who are otherwise similar to the members of the treatment group. Since finding women in the society with these similarities is difficult, our sample was divided equally into two groups following the same method employed by Nager (2008):

Group I (experimental or treatment group): containing 50 women benefiting from Islamic microfinance for at least 3 years to make sure that it had the time to have impact on their lives.

Group II (comparison group): containing 50 women that have just joined the program in order to make sure that they have requested similarities with the treatment group without being immediately benefited by Islamic microfinance programme. Because the treatment and control group would ideally differ only by the fact that one group received the loan and the other did not or recently receive the loan. Any observed differences could then, with some justifications, be largely may be attributed to Islamic microfinance programme.

The sample of participants was selected through the Field Officers of Islamic microfinance programme using the program database of 7500 clients. The search and recruitment was operated by the Field Officers with confidentiality. Also, five key microfinance specialists were selected, out of them two were university professors and three microfinance officers who were from other microfinance organisations with whom interviews were conducted.

5.2. Data Collection

Data was collected by the following means:

- (1) Consultation of the program documents and registries to gather information about participation rules, mechanisms and functioning.
- (2) One to one personal interviews were carried out with participants using open ended and closed ended questionnaires. The questionnaires were pre-tested to ensure their clarity and understanding ability by the participants who came from marginal classes and had different literacy levels.

Meetings with key experts of the microfinance field, namely university professors who undertook academic research in the area of microfinance, and Microcredit Officers of Grameen Bank. Research limitations include the fact that, some women were reluctant to answer some of the questions concerning their income and education levels. A good explanation of the research purpose made them more willing to cooperate. Furthermore, if women thought that giving positive feedback about the programme would increase their chances of getting more loans, the research would be biased. To avoid this, a detailed presentation of the researcher and the nature of the research helped making things clear and minimized such a risk. Also the abandon rate of the Islamic microfinance programme would have represented a limitation of the research since it would have resulted in a difference between the profiles of the two groups and made them unfit for comparison. However, the fact that this rate was very low and made this risk irrelevant.

5.3. Statistical Test and Regression Equation

Most of the reviewed studies that aimed at testing the impact of mainstream microfinance on the socio-economic wellbeing of the beneficiaries have employed quantitative methods in the form of correlation and regression analyses where the indicators of wellbeing represented the dependant variables (El solh, 1999; Doumato and Posusney, 2003). In our research, firstly the correlation was performed in order to test the existence of associations between the Islamic microfinance, our chosen

dependent variables and to indicate the possible effect sizes. Secondly, then the regressions were performed in order to test the causality and significance of such associations. It is worth noting that because our sample is relatively small, generalization should be avoided. However, given that a very few studies were previously done to measure the impact of Islamic microfinance programs on beneficiaries; our expectation was to shed some light on the following questions:

- What can be expected from the offer of Islamic microfinance on the welfare of recipients?
- Under what conditions would such an offer be more beneficial?

In order to answer these questions, on the one hand, beneficiaries were asked a wide range of questions like: the reason why they availed the Islamic microfinance loan, in which sector of activity/entrepreneurship they are operating, how much money they make out of their activity/entrepreneurship, whether they have another source of income or not in order to separate it from the one they get from Islamic microfinance related entrepreneurship. They were asked about the assets they possess and the way they use the money to earn, i.e., whether for investment/buying new assets or for consumption expenditures.

In one hand, the participants were required to specify how many of their children were getting education and why some did not. They were also asked about their health problems, and were asked to rate their health status. In case they were getting any treatments then how they were financing such treatments. These questions were asked to understand whether Islamic microfinance was making their health any better or not. Also questions related to stability in family relations with husband and sons were addressed by asking them to rank in matter of “stability or absence of problems”. In other wards, the questions were asked whether Islamic microfinance they availed, was helping in making the relations inside their families more stable and harmonious or not. They were finally asked to add any comments they wanted to make about the above mentioned issues or any other Islamic microfinance/ conventional microcredit related issue.

On the other hand, microcredit experts were asked to give their assessment of the efficiency of Islamic microfinance programs in Bangladesh in terms of outreach, planning and functioning and impact on both beneficiaries and in the economy. The regression equations have replicated from Nader (2008) as follows:

- (1) $\text{Income} = A1 + B1 \text{ Islamic microfinance} + C1 \text{ age} + D1 \text{ education} + F1 \text{ marital status} + G1 \text{ number of children} + e_1$
- (2) $\text{Assets} = A2 + B2 \text{ Islamic microfinance} + C2 \text{ age} + D2 \text{ education} + F2 \text{ marital status} + G2 \text{ number of children} + e_2$
- (3) $\text{Schooling of girls} = A3 + B3 \text{ Islamic microfinance} + C3 \text{ age} + D3 \text{ education} + F3 \text{ marital status} + G3 \text{ number of children} + e_3$
- (4) $\text{Schooling of boys} = A4 + B4 \text{ Islamic microfinance} + C4 \text{ age} + D4 \text{ education} + F4 \text{ marital status} + G4 \text{ number of children} + e_4$
- (5) $\text{Perception of health} = A5 + B5 \text{ Islamic microfinance} + C5 \text{ age} + D5 \text{ education} + F5 \text{ marital status} + G5 \text{ number of children} + e_5$
- (6) $\text{Perception of the harmony in family} = A6 + B6 \text{ Islamic microfinance} + C6 \text{ age} + D6 \text{ education} + F6 \text{ marital status} + G6 \text{ number of children} + e_6$ where the independent variable was the use of Islamic microfinance, recent and since 3 years. The selected control variables were age, education, marital status and number of children.

6. Analysis of the Results

The results show (Tables IA, IB and II) that Islamic microfinance is positively correlated to the income ($r = 0.737$), assets ($r = 0.267$), schooling of girls ($r = 0.382$) and the schooling of boys ($r = 0.405$). But the correlation is not statistically significant between Islamic microfinance and the perception of health; and the perception of the harmony in the family. These results are confirmed by the regression coefficients too.

The results further show that in the ‘income’ equation in respect of income of the beneficiary tends to increase on average by BDTk (Bangladesh Taka) 2040 per month when obtaining the Islamic microfinance loan. In fact, the average of women’s income who did not receive/recently receive Islamic microfinance loan was BDTk 4010. An increase of BDTk 2040 represents about 49 per cent increase and shows that Islamic microfinance has a very important economic effect on the women receiving the loan. In the ‘assets’ equation, in fact in obtaining Islamic microfinance loan is associated

with an average increase of assets of BDTk 4850 compared to those who do not benefit from Islamic microfinance loan. In the 'schooling of girls' equation, the schooling of girls is associated with an average increase of 29 per cent in the number of girls going to school in each household when obtaining Islamic microfinance loan. In the same way, in the 'schooling of boys' equation, their schooling is associated with an average increase of 31 per cent in each household when obtaining an Islamic microfinance loan. Concerning the 'perception of health' equation, we find that Islamic microfinance coefficient is not significant, suggesting the absence of a link between the two variables. As for the 'perception of the harmony in the family' equation, the Islamic microfinance coefficient is not statistically significant. The results suggest that there is absence of a significant link between the harmony in the family and the fact of obtaining Islamic microfinance loan.

Table IA Results of Correlation

	Age	Number of Children	Income	Assets	Health	Harmony in the family
Age	1	0.472**	0.014	-0.011	-0.395**	-0.146
Number of Children	0.472**	1	0.232*	-0.251*	-0.295**	0.028
Income	0.014	0.232*	1	0.454**	-0.056	0.227*
Assets	-0.011	0.251*	0.454**	1	0.068	0.214*
Health	-0.393**	-0.295**		0.066	1	0.366**
Harmony in the family	-0.146	0.028	-0.056	0.214*	0.366**	1
Islamic Microfinance	0.000	0.172	0.737**	0.267**	-0.033	0.123
Girls' schooling	-0.020	-0.058	0.208	0.232*	0.018	0.014
Boys' schooling	-0.042	0.019	0.371**	0.228*	-0.098	0.092
Education	-0.306**	-0.238*	0.51	0.111	0.210*	0.149
Marital status	-0.367**	0.068	0.088	0.192	0.186	0.578**
Sample	100	100	100	100	100	100

(Table 1A +1B)

Table IB Results of Correlation

	Islamic Microfinance	Girls' Schooling	Boys' Schooling	Women's Education	Marital Status
Age	0.000	-0.021	-0.044	-0.308**	0.365**
Number of Children	0.172	-0.059	0.019	-0.238*	-0.066
Income	0.736**	0.208	0.373**	0.051	-0.088
Assets	0.267**	0.232	0.228*	0.111	-0.192
Health	-0.032	0.018	-0.097	0.210*	-0.188
Harmony in the family	0.121	0.014	0.094	0.147	-0.578**
Islamic Microfinance	1	0.382**	0.405**	0.023	0.000
Girls' schooling	0.382**	1	0.164	0.155	0.097
Boys' schooling	0.405**	0.164	1	0.064	-0.136
Education	0.023	0.155	0.066	1	-0.154
Marital status	0.000	-0.099	0.152	0.152	1
Sample	100	84	90	100	100

(Table 1A +1B)

When we examine, whether or not Islamic microfinance investment/loan had an impact on women's wellbeing in the sample, we see interesting results. First of all, it is important to know how much of a difference did the intervention possibly make in these women's lives. If we use the Cohen's benchmark for the economics field to interpret r as an effect size estimation, we find that the effect of Islamic microfinance on income is a very large one while its effect on the schooling of girls, boys and possession of assets is medium. If we characterise the strength of this measure of size effect using the proportion of variance explained by squaring the correlation coefficients in estimating the relationship

in the context of the total variance, we find that Islamic microfinance accounts for almost 54 per cent of the variance on income. In the following sections, details of economic and social significance of these results are presented. The results are in fact extremely significant and conclusive, which can be explained in the light of the socioeconomic context in which Islamic microfinance is offered too, in which the women benefiting from Islamic microfinance by availing it.

Table II Regression Analysis

Coefficient	Income	Assets	Health	Family Harmony	Girls' Schooling	Boys' Schooling
Age	0.037 (0.023)	-2.802 (-2.89)	-0.029 (-2.171)	0.021 (1.369)	0.003 (0.601)	0.002 (0.215)
Islamic microfinance	2040.499 (9.222)	4850.699 (2.281)	-0.017 (-0.015)	0.376 (1.633)	0.295 (3.588)	0.311 (4.688)
Education	19.666 (0.456)	255.225 (1.325)	0.221 (0.777)	0.227 (0.837)	0.107 (1.192)	0.055 (0.648)
Marital Status	30.901 (0.955)	272.137 (1.311)	0.263 (0.855)	2.399 (6.712)	-0.083 (-0.844)	0.118 (1.198)
Number of Children	9.586 (1.376)	99.021 (2.188)	-0.095 (-1.399)	-0.059 (-0.875)	-0.021 (-0.967)	-0.008 (-0.374)
Constant	252.098 (2.611)	1033.212 (2.834)	7.729 (12.988)	5.502 (10.102)	0.334 (1.728)	0.364 (2.178)
Adjusted R ²	0.551	0.129	0.141	0.331	0.132	0.142
Standard Error	120.27138	779.58812	10.09321	1.14762	0.3417	0.34175
F score	24.379	3.599	4.209	10.811	3.489	3.913
F probability	0.000	0.003	0.002	0.000	0.006	0.001

6.1 Women's Wellbeing

The interpretation of the results and its implications as follows.

- (1) *Income- positively associated with Islamic microfinance loan and hypothesis confirmed in the results (Table III)*

Table III Hypothesis Validation

Variables	Correlation with Islamic Microfinance	Regression Coefficient of Islamic Microcredit	Validation of Hypothesis
Income	0.737**	2040.499 (9.222)	Confirmed
Assets	0.267**	4850.699 (2.281)	Confirmed
Schooling of Boys	0.405**	0.311 (4.688)	Confirmed
Schooling of Girls	0.382**	0.295 (3.588)	Confirmed
Health perception	-0.033	-0.017 (-0.015)	Rejected
Harmony in the Family	0.123	0.376 (1.633)	Rejected

The income effect is extremely significant when women availed private loans. At that time, women did not join Islamic microfinance and they were forced to accept their suppliers' terms and condition, among which sub standard products, since the women would delay payment till after selling. These are the cases of exploitation to the poor women by private loan suppliers or money

lenders. One woman revealed during the interviews what she faced severe problems in her vegetable selling business before her joining in the Islamic microfinance programme: "My supplier who was a private party, was not kind, as I did not have enough liquidity; he gave me only the goods remaining at the end of the day. These goods were sometimes even damaged. There was no right to select the good vegetables. I did try not to take the rotten vegetables, at the end if I do not take it, then he would give me nothing. It was a 'take it or leave it' deal. Thus, I always had a part of the vegetables unsold while I was to pay him for the total amount of the goods what he provided me. I always had losses because of sub-standard goods I had to take from the suppliers. Today I am a member of the Islamic microfinance group. I am not facing anymore this type of blackmail. I have the faculty to choose what I want!" After obtaining Islamic microfinance, they would be able to pay suppliers on the spot and hence do not need to face harsh conditions. The vicious circle is thus broken with their ability to take their own decisions that would positively enhance their profit as well as business.

There were some cases that earlier, the women could borrow money from their family or their friends and neighbours to finance their purchases of goods. Sometimes, they got humiliation and as a result it leads to the feeling of deterioration of their social status. In fact one woman told us during the interviews: "My parents-in-law called me worthless and obliged me to make them housework because they lent me the money which I needed for the purchase of the goods. Of course I paid back them". Now self-esteem and confidence are enhanced when women join the group and availed Islamic microfinance loans. With this loan, the women increased their income, and they feel economically independent. Furthermore, the increase in income allows them to fulfil basic needs of consumption and day to day expenditures that they could not meet earlier. In view of this, it seems that Islamic microfinance programme have increased their wellbeing and empowered them.

Another important point to note when talking about income, one of the questions asked to women participating in this study was related to the nature of the activity or the project they start after availing Islamic microfinance loan from the group. The answers were divided into five categories of activities and the results show that almost 50 per cent of women of our sample work in the retail selling of household articles like bed sheets and home made handicraft items in a limited geographic area. Some of them earned less income because they had to go through very severe price competition. Furthermore, questions related to the other sources of women's income were included in the questionnaire. We thus used these answers to try to understand what their motivation to avail Islamic microfinance loan was. Answer received of this question found that near about 79 per cent of the women were financially unstable. They have no other source of income and therefore, suffer as a result of the husband's volatile income from temporary job. Therefore, the result shows that there was a shift of economic role. This was the role of supplementing the household income by a wife in the family.

(2) *Assets- positively associated with Islamic microfinance and hypothesis confirmed in the results (Table III)*

The result of this hypothesis testing reflects a long-term amelioration of the beneficiaries' wellbeing. This amelioration is sustainable because the increase in their income is reinserted and invested in the assets they possess. However, one should notice that sometimes the increase occurred in households and personal assets (like, Computer, TV and others) and not production area. Furthermore, some of the beneficiaries used all their income and profits for consumption purposes. Some of them did not know how to invest their extra income in the project because they lacked the appropriate skills. Indeed, a woman affirmed during the interview: "I decided to take Islamic microfinance because children's needs are unlimited; so much money is needed for their daily survival and wants, namely schooling private lessons and girls' marriage preparations etc. I have always borrowed money from friends and family. But now I meet these expenditures from the profit I make from my small project which is sufficient". Another woman said: "No substantive difference in the size of my project happened after obtaining Islamic microfinance loan. It simply helped me to have more liquidity for better spending on my children and my house."

(3) *Children's schooling - positively associated with Islamic microfinance and hypothesis confirmed in the result (Table III).*

The result of this test is one of the most interesting of our study. The enhancement of the children's schooling represents a multiplier effect of giving Islamic microfinance loan to women. In the interview, most of the women declare that their children education is the most important investment they can make. This is their priority since they did not have such a chance to get education when they were young. They therefore want to give chance to their children to get education. The participants also believe that their children can have a better future with better education. One woman we met who has just joined Islamic microfinance programme has five boys and a girl. She said during the interview: "My children were not getting any schooling because my modest income does not allow it. It made me feel very bad. After availing Islamic microfinance loan, I will invest this money in education of my children." Another one woman simply answered when we asked her to tell us the reason for which she was asking loan from Islamic microfinance: "She immediately replied: I will provide education for my children!"

Furthermore, some women also mentioned that a higher level of education of their children is reflected by a higher amount of private lessons since in Bangladesh private lessons became indispensable for good achievement at the school examination. A major interesting result of the study was that there was no significant difference between the coefficients of schooling for girls and boys, which reflected a deep transformation in the society. In Bangladesh traditionally a head of the family favoured the schooling of boys since girls would get married and look after their husband and family, whereas the boy would be the only bread earner of his future family. However, trend is changing. Nowadays they consider that the schooling of both girls and boys are equally important since education will help girls to get a 'better' husband, hence a more decent life, whereas boys need 'job oriented' education and more 'practical' experience to get a better job. This also reflects the cultural and social dimension of the decisions they make.

In summary above results are particularly interesting in the case of Bangladesh since the fight against illiteracy has had priority on the government agenda for several years now. Governmental campaigns and programs are set up to encourage families to send their children to school. Thus, the governmental resources and efforts could be redirected towards other objectives

(4) *Health perception- no significant association with Islamic microfinance and hypothesis has not been confirmed in the result (Table III)*

This result shows that women take less care about their health. They give preference of schooling of their children, feeding the family members and some luxury matters such as buying better clothes etc.. Most of women have been raised with a belief that they are inferior to men and should always sacrifice themselves and serve their family members. The women consider that the expenditures related to their personal wellbeing have less priority than the others. Furthermore, most women still depend on the government medical health service which is free but is generally not very efficient due to low quality of services offered.

(5) *Perception of the harmony in the family- Positively non-significant associated with Islamic microfinance and hypothesis rejected in the result (Table III)*

This hypothesis needs a bigger sample to see the hypothesis get confirmed or not, since small effects need larger samples to be confirmed. However, the choice of this variable in the study was due to the special context in Bangladesh where in the recent past considered that women's work outside the house was taboo and viewed that women's main role have been for caring their family. In this matter we wanted to test how a change in this role would affect the harmony of the household. This effect could either be reflected by increasing conflicts because of the husband's disapproval of the woman new role, or by enhancing the family stability as a result of the household income increase. Responses were much diversified regarding this issue among the women of our sample. Some of the women mentioned that Islamic microfinance programme threatened their family stability because the husband disapproved the activity which his wife was undertaking. Some others said that tension in the family decreased because of the improved economic conditions they experienced. In this matter another one woman said: "I wanted to undertake an income generating activity to avoid the problems and family quarrels caused by the lack of money", whereas some women said that they could not report any significant change in that area.

7. Experts Opinion in the Matter of Islamic Microfinance in Bangladesh

Most of the microcredit programmes in Bangladesh are working for the “survival” programmes of the poor since these programmes could only help women to survive by generating some extra income through the activity they undertake for meeting their daily expenses (Ahmad, 2011). No substantive investment is made in most of the programmes and thus no real sustainable effect. They are also minimalist programmes not pluralist ones since they only offer credit without any other accompanying services such as training or marketing. Coupled with the women’s lack of skills, this programme helps to increase the first effect (survival not promotional). According to Professor Abdul Mannan, a former Economic Professor of a local University and currently Chairman of the Social Bank Bangladesh who is devoted researcher in the area interest free microfinance programme in Bangladesh, explained the reason why Islamic microfinance programme does not offer to ‘start-ups’. This programme requires that the project applying for the loan must be running for at least 6 months. In fact, Professor Mannan and other experts in the field of Islamic microfinance programme mentioned that: it is necessary to provide other non-financial services to women to help them better manage Islamic microfinance loan. This can significantly improve the product the Islamic microfinance offers and increases the chances of success of the project. If the program is limited to the offer of Islamic microfinance, and if the only concern of the beneficiary is to have the loan and reimburse it, then one will face a simple vicious circle of loan”.

According to these experts, the objective should rather be the success of the projects via high quality needs based entrepreneurship training and services. Even if the program does not directly offer the services, it could make available information about it and provide a network of useful services. Furthermore, there is a big competition between different programmes offering conventional microcredit and Islamic microfinance programme in the same geographic zone. Therefore, there is a chance of the group members to switch from one programme to another for no specific reason and consequently limits the positive impact of such programmes. Some times some regions have a surplus offer of credit and others have a lack of such an offer. There is therefore a need for a better planning of the existing Islamic microfinance programmes in Bangladesh so that these anomalies should not exist in future.

8. Conclusion and Recommendations

Islamic microfinance has become a very important tool which has been used in Bangladesh, Pakistan, Turkey and Iran to combat poverty and enhance the social and economic wellbeing of its recipients. Women are specifically targeted because they are very vulnerable. They lack the necessary resources to adapt to changes their pathetic economic conditions. However, in order to invest largely in beneficiaries’ families and benefit their children, Islamic microfinance programme is an important input. The aim of this research was twofold: first, it wanted to confirm or refute a positive link between Islamic microfinance and the socio-economic wellbeing of women in Jehangir Nagar area in Bangladesh and second, to explore the context in which Islamic microfinance programme functions under the RDS of Islami Bank Bangladesh and the way their performance can be improved. The research also addresses the following research questions:

- (1) What can be expected from the offer of Islamic microfinance on the welfare of recipients?
- (2) Under what conditions would such an offer be more beneficial?

In one hand, the results revealed very interesting and important policy implications. It was important to notice that the increase in women’s income and assets played a very important role in enhancing women’s economic independence and sense of self-confidence. It helped in breaking the cycle of poverty they live in and allowed them to have more control over their lives and economic decisions. On the other hand, both Islamic microfinance loan recipients’ answers and interviews with the experts were analysed. The results showed that this economics improvement was up to the level. The strategy followed by Islamic microfinance programme resembles that the subsidies system to the targeting beneficiaries, definitely helped in the limited way in transforming the women’s lives. Moreover, this was supplemented by the small amount of Islamic microfinance loan offered to the women of the groups. These women lacked the skills needed to engage in highly profit making activities or entrepreneurship. We believe that a very important policy recommendation is the necessity of reviewing the existing programmes in respect of the way Islamic microfinance is offered by Islami Bank Bangladesh. Programme should shift from the simplistic ones to pluralistic ones that

offer services besides Islamic microfinance (such as marketing, match-making, training etc.). Also it is necessary to redirect Islamic microfinance towards developmental activities that will contribute to the improvement, in the long run, of the wellbeing of the recipients. The development would be possible when an Islamic microfinance loan allows real and substantial investments in the production/ investment capital and assets, not only personal assets.

It may also be noted here that the most important result revealed by our study is related to the link between receiving an Islamic microfinance loan and the increase in schooling of the recipients' children, both girls and boys. Furthermore, it showed that no significant difference existed between the increase in the enhancement of schooling of boys and girls. This result is definitely encouraging in the area of education and human development.

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