



EPRA International Journal of
Socio-Economic and Environmental Outlook

SJIF Impact Factor (2015) : 4.312

Vol. 3 February - January 2016-17

EPRA Journals

ISLAMIC FINANCING SCHEME: BASIS FOR THE DEVELOPMENT OF A MODIFIED MICROFINANCE MODEL

Dr. Nisar Ahmed¹ & Mobashsher Mannan Fahad²

¹Associate Professor, Department of Finance, Faculty of Business Administration,
American International University, Bangladesh.

²MBA student, Faculty of Business Administration, American International University Bangladesh.

ABSTRACT

The success and failures of micro-financing program has come to a time that may soon require a thorough re-examination. Bangladesh's basic premise of microcredit as poverty alleviation strategies in the last three and half decades is devoid of any systematic consideration given to any Islamic strategy, such as "zakah" or "waqf". However, no matter how successful are the Grameen Bank and other micro finance institutions in all its poverty alleviation activities, it also attracted criticism from the media and economists all over the world. Some analysts pointed out that there was no proper monitoring of how the loans were utilized. It was reported that the loans availed by women were used largely for consumption rather than for investment purposes. Some analysts also pointed out that the accounting methods used by Grameen Bank were not in accordance with industry standards, and that the bank did not provide full details about its financial position and loan repayments position. The absence of Islamic principles in its financing operations despite the fact that Bangladesh is a country of densely populated poor practicing Muslims is arguably the failure of the system to capture and capitalize on the advantages of low costs of Islamic financing.

KEY WORDS: *Micro-credit, Islamic Finance, Grameen Bank, loans, poverty alleviation, Islamic SME, Zakah, non-conventional banking, entrepreneurship, Sharia compliant Banking.*