

**An Islamic Non-banking Financial
Institution (INBFI) for
Accelerated Poverty Eradication**

by:

Dr. Monowar Hossain,
Director, Economics Division,
Institute of Hazrat Mohammad (SAW),
Dhaka, Bangladesh.

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Abstract

Poverty eradication, acknowledged since WWII as a global responsibility, received increasing attention during 1980s and 1990s, culminating in UN's adoption of the Millennium Development Goals in 2002. Although microcredit's success in alleviating poverty has now been recognized worldwide, it has two main weaknesses - high interest rates and, for muslim clients, sharia non-compliance. This has led to a search for Islamic alternatives. Of several approaches evolved so far, two are controversial: reinterpreting microcredit's interest as sharia-compliant and using zakat/waqf to subsidize MFI's overhead for reducing interest rates. A third approach using murabaha or bai-muazzal also seems uncomfortably similar to conventional interest-based products.

This article suggests a fourth approach, drawing upon universal teachings of Prophet Mohammad (saw), by combining zakat and musharaka investments on an NBFI platform - and using these for selected projects, ensuring a steady stream of dividends and employment income to the poor. It is contended with some empirical data from Bangladesh that the proposed model would provide the fastest route to poverty eradication.

1. Poverty eradication: brief review of global and national efforts

1.1 Pre modern experiences in the world

Material poverty, both as a phenomenon of shortage of means of survival and a perception of relative deprivation, has existed since antiquity and distressed the human race throughout the ages. Coping efforts at individual, family, clan or community levels have been both expansionary as well as redistributive, and in earlier periods consisted primarily of finding new habitats and discovering new food items, as well as looting, grabbing and fighting among clans. It took a long time and the arrival of many prophets and sages for humankind to contain their brutal and aggressive tendencies and learn the more civilized qualities of generosity, charity and philanthropy.

State level redistributive measures based on the Islamic principle of zakat [1] were first practiced in the Islamic world of the 6th and 7th centuries. Poverty was reportedly rare [2]

during the time of Prophet Mohammad (saw) and the four succeeding *khalifas*. In fact during the time of khalifa Umar the governor of Yemen could not find anybody to give zakat to. A similar experience was reported in Egypt later on.

In western countries anti poverty efforts during the Middle Ages led to major advances in science and technology and eventually gave rise to industrial revolutions, capitalism and colonialism. Later it also brought on social revolutions, communism and the welfare state, reflecting an increasing acceptance of state level responsibility to take care of the poor.

1.2 Post world war global efforts and the MDGs

The awakening of a world conscience about the ugliness and indignity of poverty and a consensus about global responsibility for its eradication evolved in the twentieth century in a definitive form. The experiences of the Great Depression of the 1930s and the deaths and devastations from World War II strongly influenced this process.

Establishment of the United Nations [3] under the UN Charter in 1945 was the first major expression of a global consensus to cooperate for peace and security of all nations and peoples. The Universal Declaration of Human Right (UDHR) adopted by the United Nations in 1948 strengthened the Charter and engaged the UN in a series of action programs in later years to ensure the rights of everyone to 'life liberty and security of person'.

The Bretton Woods Agreements of 1944 [4] established the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF), which in later years played an important role in helping the developing countries in their antipoverty drives. The Marshall Plan of 1947 under the aegis of the World Bank initiated the post-war European Aid Program to which the USA contributed generously. This was possibly the first instance of a comprehensive anti poverty program for a large part of the world undertaken by a group of rich countries led by the USA.

The next most important event of global antipoverty measure was the establishment of the Pearson Commission by the World Bank. In its famous report known as Partners in Development [5], the Commission recommended that rich countries pay 1% of their GDP, of which 0.7% in Official Development Assistance (ODA), to the Developing Countries (LDCs). This has an uncanny similarity with the concept of zakat and would, in fact, be very close to the recommended zakat level (viz 2.5% of surplus wealth) for most rich countries.

The next milestone was the Brandt Commission [6] report in 1980 entitled North South: A Program for Survival which proposed to bridge the increasing gap between the north and the south through a set of action programs. The next two milestones were the Brundtland Commission Report (1983) entitled 'Our Common Future' and the Earth Summit of 1992 which called for a transformation of attitudes and behavior to save the earth from the scourge of pollution and poverty. Eventually the global concern about poverty eradication climaxed in September 2000 at the beginning of the new century when the largest gathering of world leaders in history adopted the UN Millennium Declaration 'committing the nations to a new global partnership to reduce extreme poverty and setting a series of time bound targets with a deadline of 2015'. These goals are known as the millennium Development Goals (MDG). The first of them is to eradicate extreme hunger and poverty by 2015. Bangladesh has adopted these goals.

1.3 Bangladesh experiments and experiences

Bangladesh was one of the poorest countries of the world after its liberation in 1971. With a per capita income of about US \$ 140, high population density and frequently occurring natural calamities, the country came to be known, derisively, as an international basket case. Naturally, poverty alleviation became a top priority in the country's 5 yearly development plans. Fortunately a large number of dedicated NGOs, some of which later became big and famous, started to come into existence around this time. They experimented with various models of development and played a key role by complimenting the official anti-poverty efforts with their grass roots level penetration. The famous micro credit program named Grameen emerged during this period. Several others that are worth mentioning are BRAC with its multi-sectoral development approach, particularly emphasizing non-formal education and its anti-diarrhea program; the Gonoshasthya Kendro revolutionized drug policies and brought life saving drugs within the reach of the poor, while Swanirvar Bangladesh promoted decentralization and self-reliance. All these NGOs together created a vibrant anti-poverty ambiance in Bangladesh starting in the late seventies.

During the next decade industries were denationalized exports promoted and flood control and irrigation vigorously pursued. As a result both population growth rate and the poverty level began to decline. The decade of the 1990s saw further invigoration of the economy, with a return to multi party democracy. During this decade poverty was estimated to have declined by about 1 % to reach the level of 50 % by the turn of the century. Bangladesh

signed the Millennium Declaration and embraced the MDGs with enthusiasm, which meant reaching a target level of 25 % poverty by 2015.

It is surprising that throughout the entire period of planned anti poverty programs in Bangladesh, zakat never featured in any significant manner.

2. Microcredit: successes and shortcomings

2.1 Micro credit success: Nobel Prize for Grameen and its founder

Micro credit consists of small loans extended to poor people without collateral. It started in Bangladesh in 1976 with the experiments of Professor M Yunus around Chittogong University campus trying to help poor women who had been traditionally victims of money sharks. It developed rapidly over the next two decades to attain world renown and be replicated in many other countries of the world including the United States. The story of Grameen type micro credit program is so well documented that it hardly requires to be retold. Suffice it to say that a global recognition of its success culminated with the award of the Nobel Peace Prize of 2006 to the bank and its founder.

2.2 The shortcomings of Grameen type MFIs

In spite of its worldwide acclaim as a successful program for poverty alleviation, all is not well with it in Bangladesh the country where Grameen originated. There are three main criticisms which it faces.

First, there is a growing discomfort among Muslim clients about the program being interest based. A recent survey covering about 15 thousand Muslim families an overwhelming majority (over 95 percent) expressed such discomfort and about two-thirds of them felt strongly that an alternative should be found.

Second, the cost of the loan is high. Till recently the effective rate of interest used to be as high, as 30-32%. Even now it is 22-23% which is higher than rates paid by rich entrepreneurs to the commercial banks. The MFIs including Grameen and BRAC, the two big players, justify this rate on grounds of high overhead costs for administering small loans, which is estimated at around 12 percent.

The third criticism is probably not of a serious magnitude as yet, but generates a lot of popular resentment where and when it happens. This has to do with excesses in methods adopted for loan recovery by some Grameen functionaries anxious to demonstrate performance, which remind people of the proverbial ‘Kabuliwalas’ (loan sharks from Kabul) of yesteryears.

3. In search of an Islamic alternative to microcredit

The success of Grameen type micro-credit has encouraged many Islamic scholars to try and find an Islamic alternative. Three different approaches have emerged so far. Each of them has some problems that hinder their universal acceptability. These are briefly discussed below.

3.1 First approach: halalizing ‘riba’

The first approach is to interpret *riba* as usury, ie is a high rate of interest charged by loan sharks. It is held that *riba* is not the same as the not-so-high conventional interest rate charged by modern commercial banks. And hence it should be exempt from the Qur’anic prohibition. This is clearly a very controversial position and unacceptable on both religious as well as economic grounds. First, the Qur’anic prohibition of *riba* is not based on levels but the inherent element of predetermination (ie denial of future uncertainty) in the act of fixing a return on investment. On religious grounds it is tantamount to shir’k because God alone knows the future. The economic rationale behind banning *riba* lies in its discouragement of unearned income. Money is an inert object and can not grow by itself. It is only when it is converted into one or more of the fundamental factors of production – land, labor and capital by an entrepreneur – that it can create goods and services and thus add value. When a possessor of money is paid interest, it is a reward for his/her idleness, which is economically detrimental apart from being morally unjustifiable. Prohibition of *riba* is in effect an exhortation towards full employment of all productive assets in the society. The owner of money is encouraged to participate in a profit-loss sharing arrangement (*musharaka*) with an entrepreneur who lacks money. It is often argued that young orphans and old widows on inheriting money, are incapable of *musharaka* investment. But that is not true. For all such persons possessing cash wealth, the Islamic solution is to engage a manager/entrepreneur (*mudarib*) who will utilize the money productively, take his remuneration from the profit and then share the rest of the profit, ie net profit, with the owner on the basis of an agreed contract. This type of investment arrangement is known as *mudaraba*

In either of these two types of investment, money would be better supervised and more fully utilized, compared to fixed interest deposits, which leave plenty of opportunity for corruption and inefficiency in the banking system. With the possibility that one fine morning the depositors may wake up to discover that their bank has gone bankrupt, as has happened during the recent financial crisis in the west stemming from sub-prime interest rate lending, shattering the age old notion of banks being safe havens for money.

3.2 Second approach: subsidize MFI's overheads with zakat/waqf.

This approach proposes to reduce the cost of micro-credit by reducing the overhead cost of MFIs with zakat or waqf money. This is unacceptable, because MFIs do not fall into any of the eight categories prescribed by the Qur'an as eligible for receiving zakat. It is only persons/organizations that administer zakat who are eligible. Secondly, the thorny issue of *riba* will still remain.

3.3 Third approach: *murabaha* preference

There is a tendency among Islamic banks to concentrate in their lending program on a particular product known as *murabaha*. This is a cost + service charge approach where repayments are in fixed amounts at fixed intervals. There is very little difference between this and the conventional interest based lease financing products. This is seen by many Islamic economists as a thinly veiled camouflage.

Also such preferences discriminate against the poor depositors in two ways. First, it denies them opportunities of high return in *musharaka* lending. Second, it lets big investors the opportunity of higher profits through less expensive *mudaraba* loans.

4. Proposed new approach: an INBFI

The new approach proposed is to create an Islamic microfinance institution strictly based on the Qur'an and Sunnah. It would be different from the earlier Islamic approaches in completely discarding *riba* and using only Islamic economic tools such as zakat, waqf etc.

4.1 Goal: transform the poor from beggars to entrepreneurs

The main goal of the INBFI is to transform the poor from a status of perennial dependency on charity to one of self respecting entrepreneurship. In other words, the aim is to help the asset

less poor become owners of some productive assets which will continue to yield income throughout the future and help them graduate out of poverty.

4.2 Methodology: zakat based INBFI

Zakat, one of the five pillars of Islam, is an expressly designed economic instrument to redistribute the wealth of the rich among the poor in need, so that poverty is ultimately eradicated. Unfortunately, this extraordinary tool has been, by and large, ignored in most poor muslim countries in their socio-economic development efforts except for a few countries which are declared Islamic states, such as Saudi Arabia, Iran, Pakistan and Malaysia.

Zakat will constitute the centerpiece of the proposed INBFI. The better off Muslims in most countries, even though God fearing, usually tend either to avoid zakat or get away by paying nominal amounts. On the utilization side, it is mostly spent by the recipients on various consumption items, not all of which are extremely pressing needs (eg dowry money). In the proposed INBFI both these practices will be addressed with convincing arguments for abandoning them. For this, Qur'an and Sunnah will be extensively drawn upon to show, on the one hand, how important it is for a good Muslim to pay zakat dutifully and fully, and, on the other, how it was advocated by Prophet Mohammad (saw) to be utilized as productive assets.

Zakat will form the equity of the shareholders and the INBFI will provide a financial platform where two other components will be brought on to create a fund of which the zakat recipients will continue to be the only shareholders. These components are

- (i) *mudaraba* loan from an Islamic bank. It will probably be preferred by the Islamic Banks over *musharaka* loans as it would require much lesser accounting and supervision work from the Islamic Banks. It should be possible to convince Islamic banks who have the right vision to see how it would be more beneficial for the shareholders of the bank in the long run.
- (ii) deposits of the savings of the nonpoor, including pension holders or low income savers as well as rich venture capitalists should they be interested and willing to follow the Islamic principles and strict regulations regarding size

and withdrawal of deposits. These depositors would be encouraged by the *musharaka* based returns offered by the INBFI.

4.3 Strategy of development: three phases

The proposed INBFI would be developed as a national program in three phases as described below:

- (i) Phase 1: pilot INBFI in three selected geographical areas representing a rural, a semi-urban and an urban environment. During this pilot phase unanticipated problems would be resolved and a robust INBFI model for an upazila would evolve which could later be replicated in other upazilas.
- (ii) Phase 2: district level expansion and consolidation. During this phase, after a national evaluative workshop the experience of the pilot phase would be expanded over the entire district and consolidated in preparation for a nationwide expansion.
- (iii) Phase 3: nationwide expansion of the INBFI. During this phase the INBFI would be expanded over the entire country drawing upon the lessons of phase 1 and 2 as well as the experiences of various large micro credit oriented NGOs including the Grameen Bank and BRAC. An international workshop may be held at the beginning of this phase to obtain inputs into the expansion plan.

The detailed operational plan of the proposed INBFI is given in the next section.

5. Pilot INBFI: how it will work

The working of the proposed pilot INBFI is explained diagrammatically through a flowchart at Annex-2, while the full process is described below in some detail. It may be noted that the two shaded bands represent the formation of the financial platform of INBFI with the three components of funds.

5.1 Creation of a database

Benchmark socioeconomic surveys/censuses are to be carried out in the selected pilot area in order to get a profile of all families in respect of their socioeconomic status: assets, incomes, expenditures, loans, practices regarding zakat, etc. This database would be used both for

planning the INBFI and subsequent monitoring of all its activities, providing in particular an updated economic profile of the poor as well as the non-poor.

5.2 Identification of key stake holders in the INBFI

The poor and the non-poor families would be identified by analyzing the socioeconomic status of all families. Families with incomes inadequate to meet their essential expenditures on basic needs would constitute the poor, the principal target group to be addressed by the INBFI. The database will also be useful in identifying the personnel who could be drawn upon for the implementation team of the INBFI as well as a local sharia board.

5.3 Information, education and motivation (IEM) campaign

A massive IEM campaign would be undertaken in the pilot area, with particular emphasis on the non-poor muslim families who are obliged to pay zakat. Assistance would be *sought* from local religious leaders in explaining the importance of zakat and how it can be effectively used to eradicate in the entire pilot area. It would be particularly emphasized how the conversion of zakat from the traditional pattern of use as immediate consumption item in Bangladesh to the new concept planned under the proposed INBFI would be truly beneficial for the recipients in the long run, and this is how it was actually practiced by the Prophet and the rightly guided *khalifas* at the beginning of the Islamic era.

5.4 Zakat calculations

Zakat collection would be greatly helped by providing reasonably accurate estimates of zakat to be paid by the non-poor families; because very often they refrain from paying any or enough zakat under the plea of either ignorance or complications in calculating zakat. The INBFI management would develop a simplified formula acceptable to the national sharia board.

5.5 Establishing non-poor's equity fund in the INBFI

A massive drive to collect zakat would be carried out in conjunction with the IEM campaign. Zakat is expected to be paid in two categories: (a) given to specified families or (b) to all poor families. Accordingly, shares would be issued to all zakat recipients after deducting a certain percentage for overhead expenditures of the pilot INBFI in accordance with the principles

laid down in the Qur'an. This fund would constitute the equity of the share holders of the INBFI, namely the non-poor zakat recipients of the pilot area.

5.6 Enlarging the financial platform

The INBFI financial platform, ie the total investable fund, would next be enlarged by bringing in two other sources of investment: (i) *mudaraba* loan from a reputable Islamic bank in the country and (ii) *musharaka/mudaraba* deposits from small investors (such as pensioners, low income savers etc) as well as venture capitalist under strict regulation. It is expected that it would be possible to increase the fund almost six fold as shown below:

i) share holders equity =	16 %
ii) <i>musharaka/mudaraba</i> deposits of small investors and venture capitalists =	14 %
iii) <i>mudaraba loan</i> from Islamic bank =	70 %

It may be noted that the proportion allowed to small investors and venture capitalists is less than the equity of the shareholders and the ratio of the shareholders equity + deposits of small investors to the bank loan is 30:70, which is the allowable credit limit in Bangladesh.

5.7 Investment portfolio

The total fund available with the INBFI would be invested into a carefully selected portfolio of economic activities in various subsectors of the local economy. Each activity would be carried out by a team of shareholders as well as non-shareholding functionaries to bridge the skill gap, where needed. And the entire scheme would be continuously guided and monitored by the INBFI management. It should be pointed out that the poor shareholders participating in the economic activities would receive an income commensurate with existing market rates. The selection of the investment portfolio would therefore be guided by both consideration of an optimal mix of employment as well as net profit for the shareholders. A list showing some typical activities in a selected pilot area along with estimates of employment content (m) and expected profit (r) is shown in a table at Annex – 1.

It may be noted from Anne-1 that the possible investment projects, in a selected pilot area vary widely in terms of net profit (r) and employment generated (m). The lowest return on investment to the entrepreneur is seen in case of the rickshaw project (viz 13 %), but the employment generated in this case is around 85 % of the total investment. One activity that

gives phenomenal return on investment (175 %) is poultry rearing, which shows an equally impressive generation of employment income (150 %). This is because of the short gestation period of the project.

While selecting the investment portfolio, there is another factor that has to be considered in rural areas, namely food security. The recent experience of food crisis around the world makes it necessary to plan for food autarky in poor countries like Bangladesh which has natural advantage in food production. As seen in the list of projects in the table at Annex – 1, most of the activities are food related and show fairly high measures of investment return as well as employment income. It should be possible therefore to prepare a plan of activities that would ensure the food needs of the area and possibly provide a large surplus to export.

5.8 Shareholders' annual benefits

A stream of employment income throughout the year would accrue to the shareholders engaged in different projects of the INBFI, while net profit would be calculated at yearend. The shareholders would be encouraged to reinvest most (say 80 %) of their share of the profit into the INBFI fund, thus augmenting their equity in the fund.

Furthermore, a depreciation cost would be charged to the project and be added to the INBFI fund to further increase the equity of the shareholders. The INBFI would pay the Islamic bank, which provided the *mudaraba* loan, and the small depositors their share of net profits according to *musharaka* contracts. Also the annual installment due to the Islamic bank would be paid by the shareholders. This would be made easy by the additional income of the shareholders through project employment as well as a fresh receipt of zakat for year 2.

Proceeding in this fashion it is expected that the shareholders will be able to repay the bank loan in a few years. The *musharaka* investment of the small investors may however be allowed to remain in the INBFI financial platform so that they continue to enjoy, in all likelihood, higher returns than bank interest in the long run.

6. Time needed for poverty eradication

6.1 Factors determining the rate of poverty eradication

The most important factor is obviously the size of the investment fund available to the pilot INBFI. For a fixed size of total fund however, there are three important parameters which determine how long it will take to reach the goal of poverty eradication, namely:

- r = rate of profit earned by the investment projects
- p = the employment content of the investment, that is the value of employment of income generated by the investment , expressed as a proportion of investment
- m = the proportion of profit of the shareholders reinvested into the INBFI.

As mentioned earlier, the table at Annex-1 shows some estimates of the above parameters for some typical projects in the selected pilot areas.

6.2 Earlier calculations with only zakat

An earlier (April 2007) article by the author, using monthly household incomes and expenditures provided by the Bangladesh Bureau of Statistics (BBS), calculated some simulated estimates on time needed to achieve poverty eradication under different values of parameters r , m and p , mentioned above (as shown under Table 2). It was assumed that zakat would be paid at the rate of two and half percent of surplus income by all households whose incomes exceeded expenditures. Zakat thus received would constitute the only source of investment. The results of the simulation exercises are shown in the table below.

Parameters	Simulations			
	1	2	3	4
r = rate of profit	15%	20%	25%	30%
p = proportion profit reinvested	50%	60%	80%	80%
m = proportion employment income	15%	20%	25%	30%
T= time for poverty eradication (years)	17	12	11	9

Simulation-4 with 30 percent rate of profit on investment, 30 percent employment income and 80 percent profit reinvestment provided the shortest estimate of time needed for poverty eradication, which was 9 years only. It may be noted that it far exceeds the MDG in that it is only 9 years for complete eradication while the MDG is 15 years for achieving only half of it.

6.3 Accelerated poverty eradication: how realistic

The estimated time for poverty eradication would be much shortened under the proposed INBFI pilot project because of the huge increase in the amount of total employment income resulting from nearly six fold increase of investments as explained under section 5.6. It is intuitively clear that only two to three years would be needed in selected pilot areas to achieve poverty eradication. This highly optimistic estimate however will not be applicable for the entire country. It has been mentioned earlier that expansion of the INBFI in the country would be best achieved in three phases, namely the pilot phase, the district phase and the national phase. Altogether therefore it would take nearly a decade to eradicate poverty from Bangladesh if the INBFI model works without a hitch.

As to the question of how realistic the above estimates are, it has to be emphasized that the estimates provided here are indicative rather than definitive. They depend on the assumed values of the parameters r , p and m , which have neither been wildly optimistic, nor cynically pessimistic. While one could think of a variety of ways in which things can go wrong and the journey towards poverty eradication get derailed or delayed. Likewise, one could also think of a number of ways in which the time taken could be further shortened, such as by

- achieving nationwide expansion in two stages rather than three,
- inspired performance by all stakeholders and a ‘snowball effect’,
- introduction of cash waqf into the INBFI model as an additional source of fund and, of course
- the blessing of Allah associated with zakat as mentioned in the Holy Qur’an.

7. Conclusions and recommendations

7.1 Trying out the INBFI model

Because this model is possibly the closest to a true Islamic microfinance institution, it is strongly recommended that the proposed INBFI model be tried out on a pilot basis not only in Bangladesh, but also in other countries with a sizeable Muslim population who are poor. In fact the INBFI model would be more comprehensive in its coverage of the poor as it includes the disabled, destitutes and the beggars, as opposed to the Grameen type MFIs which restrict the clientele to those possessing a minimal level of assets, ie equivalent in value to the price of half an acre of land.

7.2 Invitation to Grameen for a timely transition

The proposed INBFI should not be viewed as a challenge to the Grameen model of micro-credit programs in Bangladesh which, after all, helped to overcome the hardships of the poor in this country during the last two decades. It is indeed an invitation to the policy makers of Grameen, BRAC and various other interest based MFIs to think more seriously about the issue of *riba* and opt for a smooth transition to interest free micro-finance in the future, particularly in predominantly Muslim countries like Bangladesh.

7.3 Making poverty history

Poverty as a perception of relative deprivation is likely to remain with us for ever. However, it is certainly possible for material poverty in terms of shortage of basic needs for survival, to be eradicated completely if all the leaders of mankind put their heart and soul to this task.

Many world leaders including several Nobel Laureates have called for an end to poverty. This urgency was well reflected in the words of a famous philosopher of the last century, George Bernard Shaw: *The greatest evils and the worst of crimes is poverty. eliminating poverty is our first duty, a duty to which every other consideration should be sacrificed.*

Reference:

01. The Holy Qur'an

02. Habib Ahmed: Role of Zakah and Awqaf, Occasional Paper no 8, Islamic Development bank group, Islamic Research and Training Institute

03. United Nations, Wikipedia, the free encyclopedia

04. Bretton Woods, Wikipedia, the free encyclopedia

05. Pearson Commission, Archives - Pages from World Bank History: The Pearson Commission

06. Brandt Commission, Wikipedia, the free encyclopedia

Annex – 1

Some typical investment projects with estimated values of r and m in the proposed INBFI model in a selected INBFI pilot area [1]

Type of projects	Approx project size	Approx persons employed	Project period	Approx total investment (Tks)	Estimated net profit (Tks)	Parameters as % total investment	
						r (%)	m (%)
1. Paddy farms (small)	1 acre	5	5 mo	34,400	8,650	50%	62%
2. Pond fishery	1/3 acre	2	6 mo	15,000	7,000	93%	120%
3. Cow fattening	1 cow	1	6 mo	23,000	6,000	52%	52%
4. Poultry	500 chicks	2	2 mo	48,000	14,000	175%	100%
5. Goat rearing	1 goat	1	1 yrs	3,500	1,500	43%	29%
6. Corn	1 acre	6	6 mo	32,000	6,000	38%	75%
7. Bringal cultivation	1/6 acre	1	6 mo	5,000	4,000	160%	100%
8. Rickshaw van enterprise	20 units	22	5 yrs	780,000	210,000	13%	85%

[1] Panchapkroshi Union, Ullapara Thana, Sirajganj District, Bangladesh

[2] Note: The two parameters r and m in the INBFI model are market determined, while the third, proportion of profit to be reinvested (p), is to be determined by the shareholder.

Annex – 2

Flowchart showing the working of an Islamic Non Banking Financial Institution (INBFI) for Accelerated Poverty Eradication

