



ISLAMIC MICROFINANCE IN BANGLADESH: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

As a powerful tool for alleviating poverty, microfinance can help the poor improve their financial and social status and reduce vulnerability and make them a productive force. As a new financial product, Islamic microfinance can also help the impoverished get out of the vicious circle of poverty. In Bangladesh, millions of people are suffering from extreme hardship due to their inability to access formal financial services. As a consequence, they are also unable to participate in the development initiatives and ultimately fail to finance the education of their children, build assets, and take advantage of different economic opportunities. Hence, it is important to analyse how Islamic microfinance can help these destitute people improve their overall socio-economic conditions and live in the society with dignity and respect. This study has used the secondary research approach, where the necessary data has been gathered primarily from the secondary sources. In addition, expert opinions were gathered from a group of professionals working in different Islamic Financial institutions in Bangladesh using a structured open-ended questionnaire. The result of this study highlights the main reasons why Bangladesh is still lagging behind in terms of successfully applying Islamic microfinance products and services. This study also focuses on the steps need to be taken by the government, civil society organisations, and financial institutions to popularise Islamic microfinance system in this country.

Keywords: *Microfinance; Islamic Microfinance; Islamic Microfinance Institutions; Bangladesh; Challenges.*