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Mobilizing Religion as Value Storage: Islamic Microfinance in Bangladesh as a Model for Poverty Alleviation (Part I) (IMTFI Blog)

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Mobilizing Religion as Value Storage: Islamic Microfinance in Bangladesh as a Model for Poverty Alleviation (Part I)

By IMTFI Researcher [Bridget Kustin](#)

PART ONE: Research Questions and the 'Islam' of Islamic Microfinance

Main Questions

The [Islami Bank Bangladesh Limited](#) (IBBL) is one of Bangladesh's largest banks, offering commercial and consumer financing, tremendously popular remittances services for migrant workers, and an Islamic microfinance program for the rural poor, the [Rural Development Scheme](#) (RDS). Since its inception in 1983, the Islami Bank has described itself as a religious and financial institution dedicated to poverty alleviation -- an identification frequently invoked by employees during our conversations. The regulatory, staffing and monitoring structures of the IBBL are geared towards ensuring Shari'a compliance. In addition, IBBL's expansion strategy, corporate culture, and the semiotics of its branding and marketing reinforce it's status in Bangladesh as an Islamic institution. My research is an ethnography of finance, Islam, and poverty that explores the theoretical registers of Islamic (micro)finance client experience and institutional management threaded through the money, policy, and influence connecting Saudi Arabia to the Bangladeshi capital of Dhaka to a small-town slum tucked along the Bay of Bengal.



IBBL headquarters, Dilkusha, Dhaka, Bangladesh (2010)

Building on previous research conducted during 2010 and 2011 at IBBL's Dhaka headquarters and a slum community in the southeastern Cox's Bazaar *zila* (district), this project takes as its starting point the idea that RDS mobilizes preexisting social and religious networks to render the 'Islam' in Islamic microfinance as a form of value storage. But what to

make of 'value' as an economic category especially with attendant quantitative calculations regarding Islamic micro finance that has emerged as a new chapter in contentious debates over the efficacy and empowerment/self-fashioning potential of microfinance?

For much of the 'financial inclusion'-- oriented community of donors, NGOs, corporations, and start-ups, interest in Islamic microfinance is located in the question of whether clients can derive economic value from Islamic micro finance that exceeds the modest gains of conventional microfinance. And yet, the institutional leveraging of Islam to encourage or facilitate entry into formal banking suggests the importance of a more expansive field of 'value' or 'values' located within Islam, and registers of Islamic devotion or practice. What might these be? And how might Islamic microfinance encourage and enable poor clients to develop both their religious and economic subject positions? How do these political and ethical resonances filter into households, communities, and configurations of the state, financial institutions, and transnational development agencies?

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Research Procedures

Over 18 total months, from 2010 to 2014 I engaged in unstructured repeat interviews, casual conversations, and participant observation in office procedures and meetings, daily life, religious events, political unrest, and holidays. I was based in Dhaka for six months where I divided my time between the RDS and Sharia Secretariat divisions in IBBL headquarters, Islamic economic institutions, and the company of senior Islamic finance scholars and bankers. I spent 12 months in the slum community of Zinukpara (a pseudonym; all identifying details have been changed) in Cox's Bazar district, where I conducted full-time participant observation among RDS clients to understand the place of Islamic microfinance alongside other financial obligations and liquidity sources.

Zinukpara, a mixed Muslim, Hindu, and ethnic Burmese Buddhist Rakhine community, is adjacent to both a small town and vast expanses of rural, riverine lands used for agriculture and pisciculture. The broader district is home to the majority of Bangladesh's 30,000 registered Rohingya refugees and is close to land and river borders with Myanmar. An estimated 300,000 to 500,000 additional unregistered refugees live in makeshift camps or have been assimilated into the local population. As a result, poverty indicators in this district persist as among the lowest in the country, despite admirable gains in health, education, and child welfare elsewhere.

Socially responsible investment, social business, impact investment, corporate social responsibility, and 'philanthrocapitalism' leverage ethical orientations for market value while extolling opportunities for profit in poor, untapped markets. As such capitalist logics embrace market solutions to poverty alleviation and increasingly inform the structure and operations of socioeconomic 'development.' My research considers presumptions and categories regarding the financial life-worlds of poor clients that frame the goals and 'outcomes' of such programs. These considerations often contain implicit arguments about the efficacy and utility of RDS. I am forgoing a discussion of the 'success' of RDS in favor of an arguably prerequisite inquiry: the ways in which the institution might not *know* its client. Such 'knowing' includes the assumptions and possibilities contained in clients' financial vocabularies, accounting practices in space and time, and the gendered structure of the household-as-economic-unit. Slippages also exist between institutional versus client understandings of the 'Islam' of Islamic micro finance.

The 'Islam' of Islamic microfinance

For the IBBL, its paramount duty as an Islamic financial institution is Sharia compliance -- even as the terms of Sharia compliance for specific products, services, and ways of conducting business continue to evolve in the global

Islamic (micro)finance industry. Clients in Zinukpara generally knew that *shudh* (interest, more accurately referred to in Arabic as *riba*) was *haram* (forbidden in Islam), and that the absence of *shudh* is a cornerstone of Islamic finance. But this was easily outweighed by the more urgent need for access to liquidity, from all possible sources. Clients explained that choosing between *shudh* or non-*shudh* options was a luxury, and not a true choice for the poor. Islam, clients explained, requires that the comparatively wealthy should treat the poor with respect and compassion, and to spare them confrontation with shame embedded in their poverty. As one woman in Zinukpara explained regarding her usual inability to repay debts: "I feel shame. I myself feel shame. What will I do? If I want to get some money from someone else, and they don't lend to me, what can I do? If you want to call someone...and they say 'no sister, no sister'...I will take my daughter and leave this house [instead of being kicked out]."

In this respect, IBBL occupies a top position among institutions with which clients interact. They are not made to feel poor or like beggars -- as opposed to their interactions with other sources of liquidity, whether competing microfinance institutions, friends, family, or shopkeepers. Respect and honor are understood as Islam manifest. This represents a critical difference in institutional versus client priorities and

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A Rakhine puja for improved job opportunities and financial success (2014)

understanding of the enterprise of Islamic microfinance more broadly. Compassion and respect are embodied most clearly through RDS field officers' willingness to accept *khelafee* (late weekly repayments), and clients will frequently appeal to the field officer or IBBL's Islamic duty toward the poor.

As a matter of course during repayment meetings, clients disobey, assert their claim to dignity despite their poverty, or object to bank policies they view as too uncompromising, via the bank's proxy, the field officer. The particular forms that these interactions take should not be mistaken for client intransigence. They are instead demonstrations of labors that shift RDS and the IBBL down from a perch of 'institution' haloed by an affect of inaccessibility, into the domain of the local village relationships. Scenes of negotiation during the repayment meetings show that women are neither lost under their debt nor 'empowered' (a classic, albeit broad goal of conventional microfinance since its inception). Rather, through these negotiations, the women understand themselves as *participants in*, rather than just *subjects of* Islamic microfinance.

Read Bridget Kustin's [Final Report](#).

Read *Islamic (Micro)finance: Culture, Context, Promise, Challenges*, a report by Bridget Kustin for Financial Services for the Poor, Bill and Melinda Gates Foundation. The report offers an introduction to the theological tenets of Islamic (micro)finance, a description of the most common products and services, and a global overview of the industry and its major institutions.

Posted by Anonymous at 7:43 AM



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