

## Effectiveness of Zakat-based Poverty Alleviation Program: Evidence from Bangladesh

**Mohammad Ayub Miah**

Center for Zakat Management (CZM), Bangladesh

### ABSTRACT

*Under the market economy framework, different development models and approaches have been tested in Bangladesh for quite a few decades to alleviate poverty. However, evidence shows that these programs did not equally benefit all categories of the poor. In particular, some survey reports observed that micro-finance institutions have failed to reach the hardcore poor. A few studies reveal that microfinance has created debt cycles to pay the instalments of loan by making new loan from moneylenders in some cases. This paper explores some policy strategies for poverty alleviation, focusing on the effectiveness of Zakat-based programs. The Islamic approach to poverty alleviation is more comprehensive than the conventional one. The Center for Zakat Management (CZM) has adopted an integrated approach overwhelming the limitations of the conventional methods in implementing Zakat-based poverty alleviation programs. The impact assessment reports show that its livelihood projects have successfully empowered the poor by transferring equity capital and skill development and supporting education, creating access to healthcare services, ensuring safe water, hygiene sanitation, and promoting religious values raising social awareness. CZM's approach seems to be very comprehensive, covering the basic needs of an ultra-poor household and their way forward. The CZM's integrated livelihood program may be replicated in other countries as well for further assessment.*

*Keywords: integrated approach, productive household, equity Capital, maqasid al-Shariah, new model of financial empowerment*

### INTRODUCTION

In recent decades, reducing poverty has become one of the main agendas of almost all national governments, particularly the governments of LDCs and developing countries. The donor community, non-governmental agencies, United Nations, and international financial institutions have shown greater interest in participating in poverty reduction programs. The subject has been incorporated into the agenda of many global conferences (Sahl M. G., 1997). The UN declared the period 1997-2006 as a decade for poverty eradication by motivating national governments and

directing global efforts towards achieving the objective. In 1999, WB and the IMF decided to incorporate a clause in their business deal that each country must have a nationally-owned participatory Poverty Reduction Strategy Programme (PRSP) as a basis for all WB and IMF concessional lending and debt relief (Sahl M. G., 1997). Its importance can be realized further from the UN-sponsored 8-point MDGs that aim to achieve 18 development goals by 2015, keeping poverty eradication at the top (United Nations Millennium Declaration, 2000). Subsequently, the Sustainable Development Goals (SDGs) were adopted by all United Nations

Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030 (UN Resolution 70/1, 2015). It is evident from all the above facts that poverty has become one of the main global challenges. All the nations have been struggling for poverty alleviation through their adopted policy strategies and interventions.

#### *Poverty in Bangladesh*

In Bangladesh, absolute poverty stood at 40.4% in 2005, which moved down to 31.5% in 2010 (BBS, 2010). The World Bank's poverty assessment report on Bangladesh published in June 2013 said that the country has been on track for reaching its poverty reduction target under the MDGs. According to Johannes Zutt, WB Country Director for Bangladesh, despite the different unfavourable situation, Bangladesh lifted 16 million people out of poverty in the last 10 years and also been able to reduce inequality. It was a rare and remarkable achievement, he added. World Bank observed that the poverty rate would be between 26.31 and 28.40% in 2013, with an annual average reduction of 1.73% (The Daily Star 2013). According to a Bangladesh Bureau of Statistics survey, poverty declined 1.78% between 2000 and 2005. In the next five years, the reduction rate averaged 1.7%, taking the number of poor people down to 31.5% of the population (BBS, 2010).

The poverty situation has been intensified due to the COVID-19 pandemic. "As of June, the country's poverty rose to 29.5% due to the pandemic, as a huge number of people, both in the formal and informal sector, lost jobs during the March-June period," as disclosed by Dr. Shamsul Alam,

Member of the Planning Commission, Government of Bangladesh (The Dhaka Tribune, 2021). According to the South Asian Network on Economic Modeling (SANEM), at least 2.9 million people in and around different cities and towns have become poor who were not poor before the COVID-19 lockdown. These people constitute the new category of "New Poor" in the low-income settlements and surveyed 20 cities and towns. This number of new poor can be as high as 3.7 million. The number may increase if lockdown prolongs and worsens the unemployment situation (UNDP, 2020). This paper explores an Islamic approach for poverty alleviation, focusing on a Zakat-based livelihood development program piloted by the Center for Zakat Management (CZM) in Bangladesh.

#### *Objectives of the Study*

The specific objectives of this paper would be (i) to make an overview of the conventional poverty alleviation approaches so far practised in Bangladesh; (ii) to review the existing Islamic models of microfinance for poverty alleviation; and (iii) to review a zakat-based approach for poverty alleviation being practised by Center for Zakat Management.

### LITERATURE REVIEW

In recent decades more academic interest and discussion on Islamic economics in general and Zakat and awqaf, in particular, have been emerged in the global arena. Plenty of resources have been published in academic and institutional journals on the subject. Some international development and financial organizations pay attention to the potential of Islamic finances. Among them, some have become very relevant

to the author for explaining the topic. The author has reviewed Umar Chapra's (2010 & 2016) literature for extracting the conceptual framework of poverty alleviation through Islamic financial intermediations. The documents (Occupational Paper 8) of Islamic Development Bank (IsDB) on the 'Role of Zakat and Awqaf in Poverty Alleviation' by Habib Ahmed (2010) has been examined for exploring the ideas of application of the strategic framework of Zakat application for poverty reduction. Kabir Hasan (2010), in his paper 'An Integrated Islamic Poverty Alleviation Model', put forward an integrated approach for poverty alleviation combining different Islamic financial instruments like Zakat, Awqaf, Sadaqa etc.

The author has reviewed the Tafahna Al-Ashraf Model in Egypt under Z4D Program for Zakat distribution that has been evident in the article produced by Hassnain K. and Saaid A. R. (2016). They have also explained the Zakat distribution projects of Sudan and South Africa. In the case of Pakistan, where the Zakat system has been regulated and managed by the government, Arif M. (2017) has analyzed the constraints of the performance of Zakat management and suggested some measure to improve it. Abdullah and co-authors developed a new methodology to measure poverty alleviation in Pakistan, focusing on the poor households' consumption/ expenditure on basic needs, government spending in zakat, and the number of zakat recipients, the three main determinants (Abdullah N. et. al. 2015).

Beik I. S. and Arsyianti L. D. (2013), in their study, have highlighted the potentiality of Zakat revenue in Indonesia and its instrumental strength for poverty eradication. Yumna A. and

Clarke M. (2011) have reviewed two institutional examples of Indonesia as evidence of how Islamic finance and charity could contribute to poverty eradication. Nadzri F. A. A., AbdRahman R. and Omar N. (2012) provide a conceptual understanding of Zakat's role in alleviating poverty in the case of Malaysia.

The author, the executive head of the Center for Zakat Management (CZM), played a crucial role in developing and formulating the program concept and implementation strategies and processes of its integrated livelihood and human development program, the Jeebika. From piloting to phase out and subsequent scaling up of the Zakat-based livelihood program, the author has gathered firsthand knowledge and experience of the potentiality and challenges of the concept. The documents relating to the Jeebika program published by CZM have been extracted. Besides, one of the Jeebika projects of CZM was independently assessed by Rahman H. Z. (2014 & 2018) that enhance the development of the Jeebika concept for moving forward.

## RESEARCH METHODS

This paper was produced with a specific focus on the use of secondary sources like a survey of the literature, online references, research and survey works, as well as organizational documents, holding discussions and workshops with development thinkers and practitioners and the experience the author has had being the CEO of CZM since its inception. Besides, the author himself played the most crucial role as the architect in designing the project and its whole processes of implementation.

## RESULTS AND DISCUSSION

### *Policy Strategies for Poverty Reduction in Bangladesh*

Since the inception of Bangladesh, poverty alleviation strategies of the GoB were formulated at macro levels based on 5-yearly plans and the annual development plans within their broad framework. The GOB agencies and the NGOs have developed various intervention packages during the last five decades.

Intending to overcome the burden of poverty, the World Bank observed that Bangladesh now needs to accelerate GDP growth to 7.5% to 8% and sustain 8% remittance growth to reach its aspiration of middle-income country status by the next decade (Hossain M. and Sen B. 1992). Expressing concern about the growing inequality in society, the experts opined that poverty reduction in the rural areas was impressive. However, it has been slower in the urban areas. It was evident that poverty reduction and economic growth did not take place in a balanced way as WB officials commented that whereas one out of four people still living in poverty, much needs to be done to create equal opportunities for all citizens (World Bank, 2019). WB has suggested some measures focusing on the areas that include agriculture sector development, non-farm sector development, physical asset transfer to the poor for livelihood, job creation, increasing female labor force, skill development training, education for human capital development, expansion of social safety net, better database etc.

Donors advocated and prompted the NGOs as an active partner in poverty alleviation projects in Bangladesh. Even they patronized them to infiltrate into the operational areas of the 'exclusive

domain' of the government (Rehman S. and Bhattacharya D. 1990). These plans driven by open market policy assumed that economic growth would trickle down to all groups. However, they failed to realize that poverty alleviation programs may not equally benefit all poor categories (Aminuzzaman S. 1993).

### *Conventional Tools for Poverty Alleviation*

Most NGOs advocate that a microcredit program is an effective instrument for reducing poverty among poor people to become self-employed. They argue that such programs are more cost-effective than some other types of anti-poverty programs. In the 1980s, the term 'microcredit' became a buzzword to international development partners and many others. Many world figures advocated for the promotion of microcredit. 'Microfinance is an idea whose time has come' was commented on by Kofi Annan, the former United Nations Secretary-General. Professor Dr. Muhammad Yunus, the father of microcredit, has been awarded Nobel Prize who became an iconic personality in the global arena. Dr. Yunus could attract significant funding from the international development community to operationalize his plans for a 'bank for the poor', plans that famously turned into the now-iconic Grameen Bank. Professor Yunus promised that microcredit would everywhere enable the poor to very quickly escape their poverty and deprivation. His famous quotation, 'Poverty will be eradicated in a generation and that our children will have to go to the "poverty museum" to see what all the concern was about (Bateman M. 2014). It may be worthwhile to mention here that the United Nations declared 2005 the International Year of Microcredit.

However, different studies show the positive impact of microfinance on the lives of poor people in Bangladesh. The central bank has identified the following positive impact of microcredit operation in Bangladesh: (a) The Bangladesh Household Income and Expenditure Survey, 2010 reveals that MFIs, including Grameen Bank, are the dominant sources of loans for the poor (72.38%). It indicates that the microcredit program could be an effective tool for more significant asset accumulation by the poor. (b) MFIs have proved that micro borrowers are creditworthy who regularly pay with a recovery rate of more than 90%. (c) One study conducted by the Bangladesh bank found that microcredit's contribution to savings and investment has translated into poverty reduction. (d) Women comprise above 90% of the recipients of microfinance in Bangladesh who have raised their empowerment through involvement in income-generating activities. It means microcredit facilitates the empowerment of poor women (Sarder M. R. & Nabi G. 2010).

#### *Quest for an Alternative Model*

Since 2007 the microcredit model began to come under severe criticism from different viewpoints. In the face of evidence, many longtime supporters of the model accepted that 'microcredit on average had had no positive impact on poverty. It was argued that the level of profiteering and greed that appeared in the microcredit industry, like commercialized financial agencies shocked even hardline microcredit supporters. Subsequently, the microcredit model went into a pretty dramatic decline (Bateman M. 2014).

From 2010 onwards, a host of independent publications emerged that pointed out that microcredit had had a

decidedly negative impact on the poor. This negative observation was then fuelled up by the results of a review in the U.K., which found that virtually all the evidence suggesting a positive impact from microcredit was 'biased, methodology flawed or otherwise not reliable'. According to Bateman, 'today the microcredit model is under an existential threat' (Bateman M. 2014). Many other studies have shown similar evidence of the failure of the microcredit model.

We may deduct from the studies that the microcredit program has been a failure to be a sustainable model for poverty eradication in Bangladesh. The following critical observations emerged from different studies: (a) the conventional definition of poverty does cover only physiological needs and ignores the spirituality; (b) the microcredit model does not provide financial services to the extreme poor segment of the society; (c) there is high rate of interest in the microcredit program that depicts greediness and commerciality; (d) both the microcredit model and asset transfer program are not integrated as it lacks interlink with other supports; (e) both the programs are designed as per desires of the donors; as such it is imposed rather than participatory; (f) there is lack of transparency and regulatory compliance in the processes of service delivery and management; (g) the poor households need equity capital support rather than liabilities in the form of loan; (h) the microcredit provides easy access to only women, rather than focusing the family; (i) most microcredit and asset transfer programs are dependent on foreign aid that indicates lack of sustainability; (j) there seems to be no sustainable exit policy of both the microcredit model and asset transfer program; and (k) the interest-based microcredit model

conflicts the religious values of the Muslims community.

Considering the above scenario, a more pragmatic and sustainable approach for poverty alleviation addressing all the negativities needs to be developed. We may examine the Zakat-based poverty alleviation strategies and their practical application in Bangladesh by the Center for Zakat Management.

#### *Poverty Alleviation Strategy in Islam*

In Islam, the concept of development encompasses all sectors of life, including material, spiritual, moral, etc. Islam considers poverty a precarious factor that leads man astray to infidelity from the path of guidance and fidelity (Chapra M. U. 2010). Umar Chapra opined that Islam has a worldview and a strategy that are in harmony with the maqasid al shariah and which can enable it to provide the blueprint for a just and workable solution to the problems of poverty and other economic challenges faced by Muslim countries, provided that there is the necessary political will to adopt its teachings and to implement its reforms. Umar Chapra put stress on four components to actualize the maqasid al-Shari'ah: (1) need fulfilment; (2) respectable source of earning; (3) equitable distribution of income and wealth; and (4) growth and stability (Chapra M. U. 2016). He also advocates for having a strategy that can enable Muslim society to actualize its goals. Islam does have such a strategy.

Kabir Hasan has developed an Islamic approach to poverty alleviation that would ideally involve a holistic approach including a set of anti-poverty measures: (a) increasing income level with pro-poor programs, (b) achieving an equitable distribution of income and (c) providing equal opportunities for all social segments (Hasan K. 2010).

Muhammed Obaidullah explained the process of Islamic financial interventions for poverty alleviation that can be summarized as per the following: (a) Social safety net for consumption; (b) awqaf 'for technical assistance & human development; (c) Financial assistance for wealth creation; and (d) microenterprise development (Obaidullah M. 2008). Hassan and Rahman (1998) examined the various aspects of poverty alleviation strategies in Bangladesh. Hassan and Khn (2008) estimated the total zakat potentials using secondary data. Hassan and Khan (2007) examined how zakat can help reduce external debt in Bangladesh.

As an effective alternative to conventional micro-financing, Islamic micro-financing institutions (IMFIs) evolve in different countries. Unlike conventional MFIs that depend on interest-free or low-interest foreign aid, IMFIs may collect funds from religious contributions through the institutions of Awqaf, Zakat, and other charities. Islamic microfinance institutions should also mobilize resources through accepting savings deposits or obtaining funds from local Islamic banks for onward financing or from the capital market. The Islamic approach to poverty alleviation provides for the primary conditions of sustainable and successful microfinance to improve living standards through extended income generation and basic needs support. It also follows that the Islamic approach is a composite of mission-based and market-based interventions. It favours the transfer of equity and demand-driven intervention model in contrast to mechanisms that create and perpetuate debt (Obaidullah M. 2008).

### *Islamic Microfinance in Bangladesh*

Demand for shariah-compliant financial instruments has been increasing around the globe in recent decades. The growing interest in shariah-compliant banking has resulted in new Islamic banks and financial institutions, including zakat and awqaf management organizations (Karim N., Tarazi M. & Rellie X., 2008). Bangladesh, a Muslim majority country, is not different from others. Islamic Bank Bangladesh (IBBL) was established in the 1980s and successfully as the largest private sector bank in the country.

Although the Islamic banking and insurance industry have appeared on a vast scale, Zakat management organization with regulatory compliance has not been developed. Zakat has been viewed as Islamic microfinance and a philanthropic activity rather than a strong social safety net in the context of the macroeconomy.

### *Islami Bank Bangladesh Ltd. (IBBL)*

IBBL was founded with the major objective of 'establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income' (IBBL, 2012). Given the above, branches of the bank have been encouraged to invest their deposits in their respective areas, particularly for rural people's economic improvement. Accordingly, a scheme titled 'Rural Development Scheme' (RDS) was introduced 'to cater to the investment needs of the agriculture and rural sector to create opportunity for the generation of employment and raising the income of the rural people to alleviate poverty (IBBL, 2012).

IBBL launched the shariah-based microfinance program-RDS in 1995 to uplift the overall socioeconomic plight

of the rural poor. The Rural Development Scheme (RDS) of IBBL provides Islamic microfinance to more than 1.3 million borrowers as of 2020. In February 2021, the number of group members increased to 13,36,614, out of which 94% are female are involved in this scheme. Target groups of the RDS program are generally limited to marginal farmers, small sharecroppers, persons engaged in off-farm activities, poor fishermen, women and distressed people (www.islamibank.com). However, the RDS program is not a charity-based asset transfer program; instead, it is reasonable to identify it as more of a banking and commercial product with service charge provision. The program does not address the hardcore poor. The clients are not provided with other supports like healthcare, sanitation, safe water, children's education or capacity building for their sustainability.

### *Center for Zakat Management (CZM)*

The Center for Zakat Management (CZM) is a pro-poor social enterprise striving to implement a zakat-based livelihood and human development program with a divine vision and innovative approach. CZM observes that poor households can be categorized into two: (a) productive; and (b) unproductive, and as such, the strategies for bringing them out of the poverty line need different propositions. However, CZM considers the propositions set by Islamic Development Bank (IsDB) (Ahmed H. 2004).

CZM provides the Productive Households equity capital, skill development training, and imparting knowledge to physically, intellectually, and financially enhance their capacity. The programs of reducing poverty of this group are designed in such an integrated

way that their needs will be fulfilled based on an assessment of their requirements. Education, healthcare, skill development, environment protection, housing, food safety etc., are addressed under a single umbrella. Thus, CZM under a specific program initiates the participatory process of empowering the poor and helping the development of their organizations, giving access to financial and technical resources for doing business, supporting education and training, creating access to essential services, re-installing and practising socio-religious values and cultures and introducing social awareness program activities. There are pieces of evidence that if zakah fund can be utilized for poverty alleviation more 'effectively when it is used as seed (investment) money, not as spent (consumption) money for the greater and better benefits of the poor of society; otherwise, it will produce no fruitful result' (Hoque N., Khan M. A. & Mohammad K. D. (2015).

On the other hand, CZM provides basic need supports to the Unproductive Households (elderly, sick, physically or mentally disabled, widows with children and orphans) for their survival. However, the government provides some allowances for unproductive people under the social safety net programs. However, there is a lack of transparency in selecting deserving people. The quantum of allowance is also insufficient to fulfil their needs (Miah M.A. 2016).

### *JEEBIKA: A New Approach for Poverty Alleviation*

Jeebika Program of CZM is an innovative and integrated intervention for poverty eradication in the backdrop of traditional Zakat distribution practices and culture. CZM document states that people's inherent capacities, dignity, and collective actions governed by religious principles and social customs are prerequisites for sustainable development. That is only possible when poor people are empowered with finance and skill capacity in designing program activities (Miah M.A. 2013).

CZM pours fund to the community groups (Grass Roots Organizations-GROs) to invest it in income-generating activities. Moreover, an amount of its resource has been deployed to enhance skill development and promotional activities. The financial support cannot be taken back once given, allowing the poor people to enjoy their ownership. However, the recipients are accountable to groups they belong to for all transactions. CZM has taken Jeebika Projects in different country locations under its field office Jeebika Unnayan Kendra (JUK) means 'Livelihood Development Center'. Selected beneficiaries are offered some services under a package at the group level. The implementation strategies of the Jeebika program has been described (Miah M.A. 2016) in Table 1.

**Table 1.** Implementation Strategies of Jeebika Program

<i>Strategy-1</i>	Extreme poor first	Extreme poor households get top priority in the program. They are selected irrespective of gender, religion or ethnicity.
<i>Strategy-2</i>	Demand-driven integrated program	The program refers to the physical, cognitive, and psychosocial development of the beneficiaries. Education, healthcare, safe water, hygiene sanitation are the most significant components of the integrated program.

<b>Strategy-3</b>	Zakat grants for equity capital growth	The grant money given to a joint bank account as a source of business capital for their Income Generating Activities (IGA). The members' savings result in the growth of the individual capital.
<b>Strategy-4</b>	Group approach for social cohesion	The beneficiaries are grouped under Grass Roots Organization (GRO) for collective efforts for self-development and brotherhood. Group interaction improves the knowledge and capacities of the beneficiaries.
<b>Strategy-5</b>	Access to Revolving fund without charge	The equity capital forms a Revolving Fund that provides investment support to the beneficiaries free of charge.
<b>Strategy-6</b>	Transparency & Accountability	Institutional mechanism for transparency and accountability of all activities including finance, are in place.
<b>Strategy-7</b>	Family-focused interventions	The integrated programs are designed focusing on the family for life standard development.
<b>Strategy-8</b>	Counselling and management services	The trained manpower (Amil) of CZM is deployed to provide counselling and management services to the group members regarding fund management, skill development, business plan preparation, market linkage, moral and religious teachings etc.
<b>Strategy-9</b>	Sustainability of the program	The program is implemented with the local resource without dependency on foreign aids. The program makes provisions for capital and assets (not liabilities), enhance capital growth through savings, and minimize risk management through healthcare services and emergency supports.
<b>Strategy-10</b>	Faith-based Development Approach	The Islamic concept of development has a comprehensive framework, including moral, spiritual, and material aspects (Maqasid al-Shariah).

*Specific Objectives of the Program*

Under the program selected Zakat deserving poor and needy are offered a number of services under a package at group level. The project's core goal is to ensure sustainable household development through the Zakat-based

approach and using community resources by incorporating the Islamic Vision of Development (Maqasid al-Shariah). The specific Objectives, Deliverables and Key Result Areas of the Jeebika Program are presented (Miah M.A. 2016) in Tables 2, 3, & 4.

**Table 2.** Specific Objectives of the Program

<b>Basic Need Support</b> To provide essential need support to the most vulnerable and distressed people	<b>Equity Capital</b> To provide equity capital for Income Generating Activities (IGA)	<b>Skill Development</b> To provide management and occupational skill development training
<b>Essential Services</b> To provide essential services like education, healthcare, safe water sanitation etc.	<b>Education for All</b> To provide support to children for pre-schooling with improved food	<b>Management Service</b> To provide mentoring and management services to the underprivileged households

**Table 3.** Deliverables under Jeebika Program

Human Development Deliverables	Financial Deliverables
Transfer of Micro-equity Capital	Healthcare Services
Creation of a Revolving Fund	Safe Water Supply
Savings from Profit	Hygiene Sanitation
Investment for IGA	Education for All
Market Linkage	Nutrition Development
Skill Development	Environment Protection
Promotion of Technology	Access to Information System
Support for Risk Management	Ethical Development

**Table 4.** Key Result Areas of the Program

Economic Development	Human Development	Social Development
Capital transfer	Healthcare Services	Community Organization
Productive Asset	Ensuring Safe Water	Environment Protection
Investment for IGA	Ensuring Hygiene Sanitation	Uphold Dignity of Women
Savings from Income/Profit	Nutrition for Children	Reduce Family Conflict
Income Growth	Education for All	Social Awareness Building
Employment Generation	Skill Development	Reduce Drug Abuse
Reduce Debt burden	Habitable House for All	Spirit of Brotherhood
Beggar-free Community	Rehabilitation of Handicapped	Practising Shariah Rules
<b>MAQASID AL SHARIAH</b>		

#### *Impact Assessment of Jeebika Program*

Jeebika Program has been highly acknowledged by the local economists and scholars of Bangladesh. They have also appreciated the design of the program. Some of the Jeebika Projects have been independently assessed by different separate consulting agencies. The Jeebika Karnafuli Project was evaluated by Power & Participation Research Center (PPRC) under the guidance of Dr. Hossain Zillur Rahman, a leading economist of the country (present chairman of Brac and also chairman of PPRC) in 2017 (Rahman H. R. 2014 & 2018).

#### *Assessment Survey by PPRC*

PPRC conducted two impact assessment surveys on Jeebika Karnafuli Project located at the outskirts of the Port City Chattagram: first, a midterm study after three years of the project and second, one after completing the fifth year. The survey was conducted among 15 community groups consisting of 450 households with a total population of 1889. Of the surveyed households, 59.7% belong to the workforce, where 24 % are working actively. There are 27% students, 7% homemakers and 11% dependents. Most of these households meet their livelihood through making handicrafts, doing small business and fishing in the Kornofuli and Halda Rivers.

*Findings of the Study*

Hossain Zillur (2018) observed that the project had shown very enthusiastic results regarding income level and other

aspects. PPRC, in its final report below, has highlighted the general impact of the project:

**Table 5.** Achievements of Jeebika Karnafuli Project

Sl. No.	Areas of Support	Baseline Scenario (2012)	Achievement (2017)
1	<i>Micro-Equity</i>	00	BDT 20,000
2	<i>Family Savings</i>	00	BDT 11,460
3	<i>Monthly Income</i>	BDT 7,469	BDT 17,412
4	<i>Capital Accumulation</i>	00	BDT 35,869
5	<i>Ownership of Land other than household</i>	0.95%	4.8%
6	<i>Skill development training</i>	No formal training	221 Persons
7	<i>Ownership of Productive Asset</i>	Boat-22%	100%
8	<i>Other Assets:</i>		
	<i>Cell Phone</i>	40%	82%
	<i>Television</i>	30%	56%
	<i>Jewellery</i>	32%	59%
9	<i>Debt-burden</i>	62%	01%
10	<i>Standard House</i>	28%	48%

The survey findings of Dr. Rahman has been described in the following paragraphs (Rahman H. Z., 2018).

*Transfer of Equity Capital*

Each GRO member's amount of BDT 20,000 has been directly transferred to their group bank account with full ownership. The survey results show that before joining Jeebika Project, about 62% of the beneficiaries were dependent on moneylenders. In comparison, 74% used to borrow from micro-credit NGOs. It indicates that the selected Mustahiqs have little or no capital of their own. A dramatic departure has taken place as almost all of them began to rely on their collectively owned Zakat-based revolving fund. Most of the GRO households did not have any capital of

their own at the beginning of the project. The project was closed by refunding BDT 35,000 to every family on average.

*Savings & Capital Growth*

The data has shown that the targeted population has developed their savings habit with the improvement of financial condition. By practising savings habit, they became successful in substantial growth of their capital (donated by CZM) from BDT-20,000 to BDT 35,000.

*Income Growth*

The investment utilization has shown very clearly that most of the members invest their money in various Income Generating Activities (IGA). Survey information indicates that the average income of each household was only BDT

7469 at the beginning of the project. After completing a five-year term, the lowest-earning of each member reached the highest BDT 17,412 per month (visible cash income).

#### *Productive Asset accumulation*

Very impressive findings were found in trends of productive asset accumulation by the members. All members have expressed their deep satisfaction for their easy accessibility to Revolving Fund and flexibility to investment sectors, contributing significantly to the accumulation of business capital and productive assets for their secure livelihoods.

#### *Skill Development*

With improved skill and financial capacity, 162 members have become entrepreneurs with their own business on small scales. As a result of training and shared responsibility targeted population has developed their management capacity to a great extent. The management capacities of the community leaders also improved significantly. Survey data also shows that 100% of GRO leaders became capable of operating bank accounts.

#### *Children's Education & Nutrition*

Significant improvement was noticed in their education. No single family was found where children do not go to school. It indicates that the enrolment of children in school has significantly been improved to 100%. Religious education was impacted children's thoughts and attitude. The majority of adult members perform basic spiritual practices regularly and know the basic injunctions of Islam. The improved food items were distributed among the children weekly for 70 days of the year that improved the nutritional status of the target children.

#### *Healthcare*

One primary healthcare center was equipped with one paramedic and one medical doctor to provide outdoor services and free medicine to the GRO members. Access to basic medical treatment for all the families under the project was ensured through introducing health cards for zakat deserving families. Complications of pregnant and lactating mothers decreased as a result of periodic checkup and counselling facilities. Group members and CZM staff reported that not a single mother was out of monitoring and treatment services. A significant reduction of water-borne diseases was reported. Common diseases were found in seasonal fever, cough, dysentery, and sometimes diarrhea for food poisoning.

#### *Spillover Effect*

The survey report observed that the members of GROs have brought out an additional dimension of the impact of the Jeebika Program, namely spillover effects impinging on (a) women empowerment, (b) community harmony, (c) leadership growth. The program elements that have been instrumental in generating these spillover effects have been (1) less onerous repayment culture about the micro-loans, (2) formation of the GROs, (3) regularity and self-management of group meetings of the GROs, and (4) overall responsive and solution-centric supportive role played by the project field management.

#### *Transformative Model of Financial Empowerment Plus*

H. Z. Rahman concluded his study with the remarks that it was clear from the rapid assessment that the Jeebika Karnafuli Mohra Project provided a new model of financial empowerment that introduced a whole new category of

program support, namely 'equity capital' based on the Zakat donation. Together with a stronger focus on community in the form of the 30-members Grass Roots Organization (GRO), a more supportive repayment culture, and a parallel program support package aimed at the social needs of the extremely poor, the model merits further severe attention as a 'new and potentially more transformative model of financial empowerment' (Rahman Z.R. 2018). The model has already been replicated in 50 other Jeebika projects in different areas of the country.

The success stories were related to Jeebika Karnofuli alone; similar results emerged from another project. It was evident from the success stories of Jeebika Projects that the strategies followed by CZM have been strongly justified in the context of the effectiveness of the Zakat-based livelihood project.

Rahman identified three lessons from the Jeebika Program that address the issue of sustainability: (a) Provision of 'equity capital' as a new model of financial empowerment; (b) Designing for sustainability through a 2-phase model of resilience and graduation; and (c) retention of a cost-effective 'linkage' capacity by the project for back-stopping support to graduation (Rahman H. Z. 2018)

First, providing 'equity capital' to the target household is an extraordinary element compare to the conventional financial intermediations of poverty alleviation. The provision of access to capital from the community revolving fund and a more supportive repayment culture make graduation more sustainable.

Second, the formation of GRO under the Jeebika Project with the

beneficiaries of the project and the 'equity capital' created through Zakat on the one hand, and the revolving fund operation flowing from it has been a catalyst for change on the other. The span of the project cycle in phases (i.e. project inception six months, resilience period- three years and graduation one and a half years) is considered very realistic for an underprivileged household. In addition, sustainability concern for the members was in the consolidation of the GROs as a durable vehicle for sustainability. Continuing the Health Centre's services for the same GRO members on concessional rate has been a vital instrument of community cohesion.

Third, The Jeebika Program provides additional support on healthcare, education, skill development training, nutrition development, sanitation and safe water etc. Health constitutes a particularly significant strategic need among such needs because of healthcare needs' constancy and continuing nature. Health is a critical vulnerability for people who may face economic shocks if faced with sudden and lumpy expenditures.

In the macro perspective of the Bangladesh context, poverty alleviation interventions and microcredit programs are entirely dependent on donors' fund or government revenue. In contrast, the CZM fund generates from the religious charity of the local community. So, when charity organizations like CZM mobilize the local resources, the regional fund flow never ends. Some leading corporate houses have been involving with CZM's strategic partnership called 'Corporate Initiative for Poverty Alleviation' (CZM, 2018).

CZM has already attained twelve years' experience in Zakat management in general and successfully implemented

different poverty alleviation projects in particular. The Jeebika Model is an innovative concept initiated by CZM and has been first piloted and then replicated in other country locations. The idea of the model for poverty alleviation utilizing Zakat and charity fund has reached a great extent through trial and errors of its methodologies. CZM has been endeavouring to mobilize untapped Zakat revenues from the soil of Bangladesh as Kabir Hasan observed that the potential of Zakat resources is worth billions of dollars. So, the resource will not be crucial for scaling up the Jeebika Program (Hasan K. 2003).

Availability of resources cannot alone guarantee the effectiveness of the project. Without deploying an efficient and knowledgeable workforce (Amil, in Zakat), it is challenging to achieve positive results. CZM has successfully built up a team of Amil with proper training to pursue the Zakat-based project implementation.

### CONCLUSION

It is evident from the discussion that conventional approaches to poverty alleviation so far practised in Bangladesh have become ineffective to achieve the goals of sustainable improvement of dignified life standard of the target people. In quest of a better alternative, the Islamic model of poverty eradication has emerged with its full potentiality in recent years. The Jeebika program of the CZM provides attractive evidence of its effectiveness with its multidimensional integrated intermediations. The comprehensiveness of the Jeebika model and vis-a-vis the findings of the independent assessor may encourage the policymakers and development thinkers to pursue adopting the approach developed by CZM.

### REFERENCES

- Abdul Rahman R. and Omar N. B. (2012). Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia, <https://www.researchgate.net/publication/255768084>
- Abdullah, N., Mat Derus, A. and Al-Malkawi, H.-A.N. (2015), "The effectiveness of zakat in alleviating poverty and inequalities: A measurement using a newly developed technique", *Humanomics*, Vol. 31 No. 3, pp. 314-329. <https://doi.org/10.1108/H-02-2014-0016>
- Aminuzzaman S. (1993). Institutional framework of Poverty Alleviation: An Overview of Bangladesh Experiences. Dhaka. University of Dhaka, Bangladesh
- Arif M. (2017). Zakat as a Mode of Poverty Alleviation. *International Journal of Economics and Management Science*, 6.6 DOI. 104172/2162-6359, 1000473
- Bangladesh Bureau of Statistics (BBS). (2010). Household Expenditure Survey (HEIS). Dhaka. Government of Bangladesh
- Beik I. S. and Arsyianti L. D. (2013), Optimization of Zakat Instrument in Indonesia's Poverty Alleviation Programme. Bogor Agricultural University, Conference Paper · May 2013, Indonesia
- Chapra M. U. (2010). Islamic Perspective on Poverty Alleviation. Jeddah. Islamic Research and Training Institute, Islamic Development Bank.
- CZM. (2018). Exploring Potential of Zakat. Dhaka. Center for Zakat Management
- Habib Ahmed. (2004). Zakat and Awqaf in Poverty Alleviation. Jeddah.

- Islamic Development Bank Group. Islamic Research and Training Institute. Occasional Paper
- Hassan, M. K and Habibur Rahman (1998), "The Role of Zakah in Poverty Alleviation in Bangladesh
- Hassan, M. K. and Md. Juanyed Masrur Khan (2007), "Zakah, External Debt and Poverty Reduction Strategy in Bangladesh,"
- Hassan, M. K. and Md. Junayed Masrur Khan, "Zakat Estimation in Bangladesh Using Secondary Data," June 30, 2008
- Hassan M. K. (2010). An Integrated Poverty Alleviation Model, University of New Orleans, USA.
- Hassnain K. & Abd elrahman. (2016). Zakah for Poverty Alleviation: Evidence from Sudan, International Research Journal of Finance and Economics. January 2016
- Hoque N., Khan M. A. & Mohammad K. D. (2015). Poverty alleviation by Zakah in a transitional economy: a small business entrepreneurial framework. Journal of Global Entrepreneurship Research volume 5, Article number: 7.
- Hossain M. & Sen B. (1992). Rural Poverty in Bangladesh: Trends and Determinants", Asian Development Review.
- Hossain Z. R. (2014). Zakat for Sustainable Livelihood: Innovations in Financial Empowerment. Dhaka. PPRC & Center for Zakat Management (CZM)
- Hossain Z. R. (2018). Poverty Graduation Through Zakat-based Programs, Dhaka. PPRC & Center for Zakat Management (CZM)
- IBBL. (2012). Rural Development Scheme. Dhaka. Islami Bank Bangladesh"
- Miah M. A. (2016). Daridra Bimochon O Manob Kallayane Zakat: CZM Babosthapana Kaushol (Role of Zakat in Poverty Alleviation and Human Development: Management Strategies of CZM), Dhaka. Center for Zakat Management
- Miah M. A. (2021). 12 Years Journey 2008-2020. Dhaka. Center for Zakat Management,
- Miah M. A. (2013). Souvenir of Zakat Fair, Exploring Potential of Zakat. . Dhaka. Center for Zakat Management (CZM)
- Bateman M. (2014). The Rise And Fall of Muhammad Yunus and the Microcredit Model, a freelance consultant on local economic development and Visiting Professor of Economics at Juraj Dobrila at Pula University, Croatia.
- Nadzri F. A. A., AbdRahman R. and Omar Normah (2012). International Journal of Arts and Commerce,
- Obaidullah M."(2008). Introduction to Islamic Microfinance, Ibf Net: The Islamic Business and Finance Network.
- Sahl Ibrahim M. G. (1997). Challenging the Concept of Poverty: Does Islam Provides a Solution? Sudan. Economic and Social Research Institute of the National Centre for Research.
- Sarder M. R. & Nabi G. (2010). Dynamics of Micro Finance Programs in Poverty Alleviation in Bangladesh: Present Status, Challenges and Policy Actions. Dhaka. Bangladesh Bank.
- Sobhan R. & Bhattacharya D. (1990). From Aid Dependence to Self-

- Reliance Development Options for Bangladesh, Dhaka. BIDS.
- The Daily Star. (2013). Our poverty reduction success: Need for sustaining the trend vigorously, Dhaka: Saturday, 22 June 2013.
- The Dhaka Tribune. 27 March 2021.
- United Nations. (2000). United Nations General Assembly Resolution 2 Session 55 United Nations Millennium Declaration on 18 September 2000.
- United Nations General Assembly. (2015). Resolution 70/1, Transforming our World: the 2030 Agenda for Sustainable Development. 25th September 2015.
- UNDP. (2020). Socio-Economic Assessment of COVID-19 under National Urban Poverty Reduction Program. October 2020.
- Yumna A. & Clarke M. Integrating zakat and Islamic charities with microfinance initiative in the purpose of poverty alleviation in Indonesia. Presented in 8th International Conference on Islamic Economics and Finance, Australia. Deakin University.

Mohammad Ayub Miah  
Center for Zakat Management (CZM),  
Bangladesh  
ayubmiah@gmail.com