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Role of Islamic Microfinance in Enhancing Financial Inclusion in Bangladesh: A Systematic Literature Review
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Abstract

Islamic microfinance (IsMF) is an interest-free, often noncollateral financing arrangement for providing small loans to the poor and underprivileged. Through IsMF, the poor are able to access financial resources and it becomes possible for them to improve their economic and social well-being. While there can be various models of IsMF, in essence, the process involves offering financial and technical assistance to the poor and nurturing empathy and philanthropy by following the principles of Islamic Shariah. However, it has been found that the implementation of IsMF programs in Bangladesh is still at a nascent stage, though it is a Muslim-majority country with approximately 90% Muslims. Generally, financial inclusion is a major issue in Bangladesh as more than 45% of adults in the country are out of formal financial services. Furthermore, the financial inclusion rate for women is only 26%. As a consequence, the poor are suffering from hardcore poverty and are unable to meet basic financial needs. This study aims to identify the reasons for the low financial inclusion rate in Bangladesh. It will also highlight the effective ways to enhance financial inclusion through IsMF in Bangladesh. A systematic literature review approach has been adopted in this study, and for this purpose, 22 peer-reviewed articles published in the last 5 years have been collected and analyzed to acquire the necessary information. It is expected that the findings of this study will be useful for the financial institutions, civil society organizations, and the government of Bangladesh to take effective measures to adopt IsMF programs for improving the financial inclusion rate and ensuring the welfare of the marginalized people in this country. © 2023, The Author(s), under exclusive license to Springer Nature Switzerland AG.

Author Keywords

Bangladesh; Financial inclusion; Islamic microfinance

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