The Challenges and Opportunities of COVID-19 for Islamic Microfinance Institutions in Bangladesh

Md Nazim Uddin, Ahasanul Haque, and Zohurul Anis

Abstract This study focuses on the Urban Poor Development Scheme (UPDS) and the Rural Development Scheme (RDS), both of which are types of Islamic Microfinance Institutions. It examines the effects of the COVID-19 pandemic on these two categories of Islamic Microfinance Institutions (IsMFIs). The significant decline in economic activity during the pandemic has significantly impacted the lives of several people, especially those who are debtors of multinational Islamic Microfinance Institutions (IsMFIs). A more robust understanding of the need for financial inclusion and increased demand for digital financial services are two instances of the potential that Bangladeshi IsMFIs have identified their challenges. The significance of this research lies in the pivotal role that IsMFIs assume in alleviating poverty at the national level, namely among marginalized populations. This study fills the knowledge gap about the opportunities and challenges that COVID-19 poses for IsMFIs operating in Bangladesh. The principle behind this methodology is library research, which entails gathering and assessing data from various sources. Yearly reports from UPDS, RDS, and the Bangladesh Bureau of Statistics supplement data gathering. The study process was underpinned by the use of robust quantitative research methodologies. Strategies for expanding foreign financial institutions in Bangladesh following the COVID-19 pandemic are formulated based on the study results, highlighting the potential for significant growth and expansion in this sector. Due to the COVID-19 pandemic's impact on the microfinance sector, this study examines the current scholarly discourse on the obstacles and prospects that IsMFIs in Bangladesh encounter. Furthermore, it will furnish astute insights concerning these

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obstacles and prospects. This study's findings provide practical guidance for policymakers and other stakeholders in advocating for IsMFIs, thereby mitigating the disease's impact on Bangladesh's impoverished population.

Keywords Urban Poor Development Scheme (UPDS) · The Rural Development Scheme (RDS) · COVID-19 · Islamic Microfinance Institutions (IsMFIs) · Poverty alleviation · Bangladesh

Introduction

The pandemic-induced economic downturn has significantly impacted several individuals, especially those who borrowed from Islamic Microfinance Institutions (Aziz et al., 2022). Institutions specializing in Microfinance Innovation welcome applications from households and people with modest to meager incomes who need loans and other essential financial services. They were established based on Sharia law, which prohibits using money and interest (Abdul Zalim, 2022). Islamic Microfinance Institutions in Bangladesh have effectively alleviated poverty, particularly among women and underprivileged communities.

Islamic Microfinance Institutions in Bangladesh have many challenges related to the COVID-19 pandemic. Lenders acknowledge that the pandemic's deterioration exacerbates the difficulty of loan repayment due to income loss. The labor market's reaction to the pandemic challenges debtors in fulfilling their debts (Aziz et al., 2022). As a result of the pandemic, the government has reduced financing for IsMFI, exacerbating their already fragile situation. Notwithstanding these challenges, COVID-19 has created opportunities for Islamic Microfinance Institutions in Bangladesh (Aziz et al., 2022). IsMFIs' digital financial services are seeing a surge in demand due to the pandemic. There is an increasing recognition of the need for financial inclusion, facilitating the establishment of IsMFI. Low-income families and people have received financial services from IsMFIs despite the epidemic. However, the epidemic has underlined the need for more government and other IsMFI assistance. According to Udding et al. (2020), IsMFIs may help the economy recover from pandemics. Islamic financial institutions in Bangladesh must adapt to rapid social and economic development. To ensure financial sustainability, Islamic Microfinance Institutions (IsMFIs) must build relationships with governments and stakeholders (Mohamed & Elgammal, 2023).

This research is unique since it examines COVID-19's effects on Bangladeshi Islamic Microfinance Institutions (IsMFIs). Financial help to IsMFIs and borrower repayment rates (Aziz et al., 2022). Given its practicality, Bangladeshi Islamic financial institutions should examine COVID-19's prospects and problems. Thus, the goal becomes more attainable. COVID-19's possibilities and challenges for Bangladeshi Islamic Microfinance Institutions (IsMFIs) must be researched in two years for this project. This study must be completed on time. Understanding IsMFI issues and possibilities may help create effective support strategies (Akbar & Siti-Nabiha, 2022).

The COVID-19 epidemic has presented challenges and opportunities for Bangladeshi Islamic Microfinance Institutions (IsMFIs). However, these subjects are understudied. This explains Bangladesh's research gap (Aziz et al., 2022). Islamic Microfinance Institutions (IsMFIs) in Bangladesh should be able to connect with women and other disadvantaged groups (Ülev et al., 2022). These institutions are crucial to Bangladesh's poverty fight. The majority of COVID-19 research in Bangladesh focuses on the microfinance business. Islamic microfinance organizations' challenges and prospects are neglected. COVID-19 has presented Bangladeshi IsMFIs with several challenges and opportunities. Therefore, this work is crucial for shedding light on this topic. This data will help Bangladeshi authorities and stakeholders assist Islamic Microfinance Institutions (IsMFIs) and reduce COVID-19's poverty impact. This study fills gaps in COVID-19's influence on microfinance. This knowledge may help governments and other parties assist Islamic Microfinance Institutions (IsMFIs) and reduce COVID-19-related poverty in Bangladesh.

Additionally, it highlights Bangladeshi financial organizations' opportunities and challenges. The research offers the data above. The COVID-19 epidemic will be considered while recommending IsMFI finance in Bangladesh. The COVID-19 epidemic has hurt Bangladeshi enterprises. Hossain et al. (2020) examined how the pandemic affected Bangladeshi Islamic microfinance organizations' business activities. To preserve the economy and society, they stressed infectious illness pandemic containment. Alam et al. (2020) found substantial effects on Bangladesh's ready-made garment industry, foreign remittances, GDP, and labor force participation. The analysis shows the pandemic's widespread influence on Bangladesh's economy.

COVID-19's effect on employment and life is concerning, especially for low-income people. Hossain (2021) stressed the need to learn from Bangladesh's pandemic's extraordinary economic and social destruction and develop methods to limit its effects on livelihoods and jobs. Hossain (2021) utilized econometrics to assess Bangladesh's GDP, exports, remittances, and unemployment after the COVID-19 pandemic.

According to the research, Bangladesh must reduce the economic impact of the pandemic. Addressing fast-moving consumer goods challenges requires effective management. Employment, remittances, and GDP have all suffered from the epidemic, emphasizing the need for focused actions to avert repeat crises and boost economic recovery. Several Bangladeshi economic sectors and indicators have suffered from COVID-19. The paper emphasizes the thorough pandemic response and Bangladesh's economic recovery.

Literature Reviews

Islamic microfinance organizations allow low-income families and individuals to create savings accounts and acquire small loans, according to Lawhaishy and Othman (2023). Governments and development groups are implementing Islamic Microfinance Institutions worldwide to end poverty. This source examined microfinance firms' financial viability, Islamic microfinance's influence on poverty, and current concerns, according to Uddin et al. and's (2020a, 2020b, 2020c) study. Islamic microfinance significantly reduces poverty (Uddin et al., 2020a, 2020b, 2020c). According to research, Islamic microfinance reduces poverty. Islamic microfinance reduces poverty by 12%, according to World Bank studies. The long-term economic effect of Islamic microfinance has also been studied (Fersi & Bougelbène, 2021). Small Islamic microfinance groups struggle to raise funds. Economic downturns and financial stock calamities may occur. Several studies (Mutamimah et al., 2022) found that influential Islamic microfinance firms require efficient financial resource management.

Islamic microfinance has illuminated these communities' struggles. Mohamed and Elgammal (2023) say increasing interest rates make borrowing harder for low-income people. Many microfinance firms provide higher interest rates than banks. They struggle with scale, money, and default. Lack of collateral makes microfinance harder for institutions, according to Ben Salem and Ben Abdelkader (2023) and Lawhaishy and Othman (2023). Low-income borrowers may not have moveable assets to secure loans. Thus, Islamic Microfinance Institutions struggle to estimate these borrowers' default risk (Shaikh, 2020). Islamic microfinance enterprises have helped low-income households despite their challenges. Islamic microfinance groups have helped millions overcome poverty and succeed.

Studies show that Islamic microfinance organizations may reduce poverty and boost economic development. Many low-income people rely on them. Islamic Microfinance Institutions have suffered significant losses due to COVID-19, raising worries about their long-term viability. COVID-19, poverty, sustainability, and IsMFI problems are examined in this study. No issues have arisen for banks and IsMFIs due to COVID-19. Studies have linked cryptocurrencies to the economy, and the COVID-19 epidemic has hurt both (Demir et al., 2020). The financial institutions in South Asia, specifically in Bangladesh, have suffered catastrophic losses, jeopardizing their capacity for stability and adaptation (Karim et al., 2021). The pandemic had a detrimental effect on rural Indonesian banks as well, as seen by a decrease in current asset ratios and an increase in the number of loans that were considered to be non-performing (Mulyati et al., 2022). The pandemic has resulted in difficulties for organizations that provide microfinance. There is a shortage of research on Islamic microfinance and funding for small and medium-sized enterprises (SMEs). As a result, focused interventions are necessary to promote resilience and sustainability (Lwesya & Mwakalobo, 2023). During COVID-19, Islamic social funding known as zakat, infaq, and shadaqah contribute to alleviating poverty (Aprianto, 2023).

An inquiry was conducted to determine the extent to which COVID-19 affects the day-to-day operations of IsMFIs. The results proved that there is a need for flexible solutions to accommodate the ever-changing socioeconomic environment (Zheng & Zhang, 2021). According to Umar et al. (2021), the pandemic has promoted a greater understanding of Islamic social finance and moral principles, which protect economically disadvantaged communities. The pandemic has also impacted the halal and Islamic finance businesses, highlighting the need to find adaptable solutions to urgent challenges (Hidayat et al., 2021; Rusydiana et al., 2022). Amid the pandemic, a new pattern of illegal behavior has emerged inside the financial sector, which has given rise to concerns about the honesty and safety of financial institutions (Wronka, 2021).

Studies have shown that the pandemic impacts Islamic Microfinance Institution consumers; hence, an urgent assessment must be made about its effects on vulnerable persons and small enterprises (Onuka & Oroboghae, 2022). According to Shrestha and Thapa (2021), the pandemic affected the repayment patterns of IsMFIs' customers, necessitating specific measures to strengthen their financial resilience.

Sustainable Islamic microfinance organizations are responsible for safeguarding their customers, staff, and the environment during the COVID-19 pandemic. The local economy and the community's social fabric have both been negatively impacted due to this issue (Abrar et al., 2021; Ansari et al., 2021). To illustrate the relationship between economic and social variables in Islamic microfinance, the pandemic has affected the resiliency of families, the financial stability of families, and the empowerment of families (Kizza, 2021; Yanti & Fauziah, 2021).

Sustainable Islamic Microfinance Institutions have been encouraged to capitalize on the cultural identity and capacities of the local community to improve communities (Astawa et al., 2021; Sukmawati & Maryanti, 2021). This is an alternative solution to the pandemic that has been implemented. COVID-19 substantially influences the social and financial environment, as shown by its impacts on audit processes, socioeconomic gaps, and stock market responses.

As a result of the outbreak of the COVID-19 pandemic, Islamic Microfinance Institutions are in danger of jeopardizing their capacity to persist, keep their resilience intact, and alleviate poverty. In addition, this organization is more adamant about adapting to changing socioeconomic conditions and has specific programs that successfully reduce poverty.

World View of Islamic Microfinance Institutions

Islamic Microfinance Institutions have garnered significant interest in recent years due to their unique approach to financial services, especially in countries with a primarily Muslim population, such as Bangladesh. Islamic law prohibits interest and requires firms to engage with Islamic authorities (Fianto et al., 2019). Sharia-compliant Islamic microfinance organizations distinguish themselves from ordinary banks, according to Salem and Abdelkader (2023). Scholars recommend integrating Islamic microfinance with charities, NGOs, and *Zakat* and *Waqf* institutions in Bangladesh to increase financial inclusion and reduce poverty (Setiawan & Yusoff, 2022).

Sharia-compliant Islamic microfinance may reduce poverty, particularly in Muslim communities (Ahmad & Ahmad, 2021). A thorough study of Islamic microfinance's poverty reduction and advancement of the Sustainable Development Goals revealed its potential to empower borrowers (Ahmad & Ahmad, 2021). Islamic

Microfinance Institutions have improved the economy and directly increased rural household income in Indonesia (Rokhman & Abduh, 2019).

Shaikh (2020) states that Fintech may help Islamic microfinance organizations flourish. Technology may improve service accessibility, efficiency, financial inclusion, and poverty reduction for Islamic microfinance organizations. Amran et al. (2019) believe mobile banking might transform Islamic microfinance service providers' financial and social performance.

In Bangladesh, Islamic microfinance studies have concentrated on delivering Sharia-compliant financial services to empower women economically (Nawawi et al., 2022). Islamic microfinance, especially Micro Waqf Banks, may boost women's economic agency and promote sustainable development (Nawawi et al., 2022). In Ahmed et al. (2020), the researchers looked at the behavioral intention of potential Bangladeshi clients, particularly women, to adopt Islamic microfinance services.

Innovative and unique businesses attract customers and remain competitive. Studies suggest that Islamic microloans' flexibility helps small firms and entrepreneurs receive financing. Small businesses and entrepreneurs must adapt to prosper in changing environments. Their findings reveal that Islamic Microfinance Institutions (IsMFIs) provide financially beneficial services that meet Sharia law's highest ethical standards. This balance is necessary for financial and moral aid and economic progress in poor communities.

In 2022, Ülev et al. assessed Turkey's socioeconomic growth and Islamic microfinance firms. By helping disadvantaged areas, these organizations benefit the economy. Islamic microfinance organizations promote sustainability via financial services and ethics. They encourage inclusive socioeconomic development by prioritizing moral and economic growth. Zulpahmi et al. examined how Islamic microfinance affects higher education financial literacy and Sharia government in 2022. According to their study, Islamic microfinance programs improve students' financial literacy and Sharia-compliant financial behavior.

Through the efforts of Islamic microfinance companies, Bangladesh, a nation with a primarily Muslim population, has been able to eradicate the issues of financial marginalization and poverty downright. Organizations following Sharia law make improvements in mobile and financial technologies accessible to poor populations. According to the conclusions of empirical research, Islamic microfinance contributes to the enhancement of economic success, ethical finance, and the well-being of communities. Additionally, it helps to integrate poor individuals into mainstream banking, which contributes to promoting economic justice. This article discusses the benefits of Islamic microfinance companies in great detail. Not only do these institutions supply essential financial services, but they also encourage morality, socioeconomic growth, financial conduct, and knowledge. The fact that they have been shown to play a significant part in integrating marginalized people into the official financial system and in supporting inclusive economic growth is proof of their immense effect on individuals and communities.

Islamic Microfinance Institutions in Bangladesh

According to the results of Ahmad and Ahmad (2021), more than two thousand Islamic Microfinance Institutions (IsMFIs) have made significant development by giving loans totaling one hundred billion dollars to one hundred million people across one hundred countries. This has enabled these institutions to achieve extraordinary growth. The relevance of Internet-based microfinance institutions (IsMFIs) to the financial stability of consumers with low salaries at the current moment is shown by this.

Islamic Microfinance Institutions (IsMFIs) have been shown in several studies to successfully lower suffering, poverty, and life expectancy (Ahmad & Ahmad, 2021). By using IsMFIs, the Islamic Development Bank hopes to reduce poverty by fifteen percent. Islamic Microfinance Institutions (IsMFIs) continued helping the individuals they were supposed to help despite economic downturns and natural calamities (Kuanova et al., 2021; Shirazi et al., 2021). IsMFIs confront size, expense, and religious/cultural issues. Low-income borrowers are concerned about their higher interest rates than commercial banks. Customer service is negatively impacted by Islamic Microfinance Institutions' inability to evaluate loan risk due to inadequate collateral and high default risks (Shirazi et al., 2021). Despite their drawbacks, ISMFs have assisted millions of low-income families in meeting their expanding financial needs, reducing poverty, and improving their quality of life (Ahmad & Ahmad, 2021; Shirazi et al., 2021). IsMFIs seem to meet these organizations' financial sustainability and social impact aims. These organizations address social issues and provide financial services for holistic development.

Ledhem and Mekidiche (2020) suggest that Islamic microfinance can boost financial performance and economic growth. Islamic finance's risk-sharing and ethical investments promote sustainable economic development. A bibliometric study by Ismail and Aisyah (2022) revealed several criteria and phrase co-occurrences in Islamic social finance literature, suggesting growth. Alawneh (2022) states that Islamic finance and fiscal policy research consider the participatory system more stable and balanced than the interest rate-based system.

A case study shows that Islamic microfinance removes structural barriers to entrepreneurship, boosting economic development (Zitouni & Jedidia, 2022). *Maqashid al-Sharia's* Islamic microfinance study matches the Qur'an and Sunnah economic ideas (Nurasyiah, 2020). As-Salafiyah and Kartikawati (2022) found that Islamic microfinance as social finance in Indonesia promotes social and financial inclusion. Disparities in Islamic finance, profit-making methods, economic effects, and competition with traditional financial institutions have been questioned (Dorofeev & Griban, 2021). According to Rafikov and Akhmetova (2020), Islamic microfinance's impact on social sciences demands multidisciplinary study. The short- and long-term dynamics of Islamic housing financing in Malaysia and its economic impact have also been studied (Idris et al., 2022). Tawhidi Islamic Economics (TIE) is strongly promoted in Islamic economics education. *Riba* and Islamic finance semantic and terminological issues have also been examined, emphasizing the necessity for financial speech clarity.

Islamic microfinance firms' COVID-19 financing adaption methods have been explored (Aisyah et al., 2021). The fast rise of Islamic finance, its popularity in certain places, and *musharakah's* role in economic growth have been studied (Ahmad et al., 2019). Islamic finance is lauded by mainstream and Muslim clients for its ethical foundation and global financial stability. The complete financial inclusion strategy uses social fund redistributive and risk-sharing mechanisms to promote financial inclusion and reduce poverty. This includes *zakat*, *infaq*, and *waqf*.

Research has examined peasant-based Islamic microfinance expansion. This expansion's social and religious motives have been examined. Islamic safety financing helps explain conventional and Islamic finance and asset-backed financial transaction requirements (Mosteanu, 2019). A comparative analysis of deadweight loss in interest-based and interest-free (Islamic) microfinance programs by Hossain (2019) suggests that switching to Islamic institutions may increase financial institution members' well-being. Research has also examined the role of Islamic microfinance in Muslim countries' human development, focusing on micro-credit and profit-and-loss sharing for economic growth.

The integrated approach to Islamic microfinance to alleviate poverty in Bangladesh shows that Islamic microfinance firms struggle to develop and help small-scale entrepreneurs and people experiencing poverty. Exploratory research in Indonesia shows that institutional and organizational factors affect Islamic microfinance program structure and operation. Non-governmental organizations examined Islamic microfinance's theological and economic grounds and its impact on Muslim women's subjectivity in Bangladesh (Shammi, 2019).

Islamic microfinance has been evaluated for its fairness, non-payment requirements for needy consumers, and ability to protect the seriously disadvantaged against project failure. Islamic microfinance in Lahore, Pakistan, must expand beyond self-employment to boost local economies. Islamic Microfinance Institution (IsMFI) literature addresses poverty alleviation, economic empowerment, social and financial efficiency, and Islamic finance's impact on economic progress.

The Urban Poor Development Scheme and the Rural Development Scheme (RDS) (UPDS)

In many studies, these measures have improved low-income people's living conditions, wages, and poverty rates. Islami Bank Bangladesh Limited estimated that RDS and UPDS might reduce poverty by 10%. Despite progress, high loan rates, collateral limitations, and financing restrictions have hampered businesses. Without collateral, the UPDS and RDS cannot assess the applicant's creditworthiness.

UPDS and RDS may face distinct limits due to cultures, religions, collateral, and finances. Despite limitations, the efforts improved low-income banking services, lowering poverty and helping millions. This analysis found that these governmental measures are essential to reducing poverty and growing Bangladesh's economy. Studies show that psychological factors impact Islamic microfinance management and staff. Anwar et al., (2023a, 2023b) found that formal and social justice significantly impact Indonesian Islamic microfinance employers' psychological distress and performance. Effective microfinance initiatives need social justice and mental health care.

This study examines risk, residual dizziness (RD) predictors in well-treated patients, microfinance program successes and failures, and psychological effects (Fu et al., 2022). According to Fu et al.,'s 2022 study, middle-aged and older people are likelier to have recurring dizziness (RD) following BPPV treatment. These data reveal health outcomes' complexity and how demographic and psychological factors affect medical therapy. The report also examines why more countries are using Islamic microfinance. Pakistani research on Shariah-based microfinance found that governance and reputation affect Islamic banking acceptability (Ansari et al., 2021). Governance has been studied to decrease poverty and evaluate microfinance firms. Governance frameworks increase microfinance business attractiveness via social effect and poverty reduction, according to Uddin et al. and's (2020a, 2020b, 2020c) study.

Islamic microfinance may meet consumer needs and promote zakat and waqf to reduce poverty. Islamic microfinance reduces poverty and boosts economic development by solving financial issues for numerous clients. According to research, Islamic microfinance initiatives alleviate poverty, boost economic development, and improve mental health. Governance, psychological pain, and demographics affect microfinance performance and acceptance. In this study, microfinance's influence on poverty and economic progress.

Methodology

Through its rigorous collection and analysis of published data using a library methodology (Lwesya & Mwakalobo, 2023), the study provides a crucial humanistic viewpoint on social problems. The research, based on data obtained from the Bangladesh Bureau of Statistics, yearly reports, and scholarly publications, as well as RDS and UPDS activities spanning from 2018 to 2021 (Lwesya & Mwakalobo, 2023), demonstrates the significant advancement of implementing RDS and UPDS in Islamic banks. This is achieved through descriptive statistics, cluster analysis, and qualitative data analysis (Lwesya & Mwakalobo, 2023), thereby underscoring the importance of our findings to Islamic finance and microfinance. This 2018–2021 study examines RDS and UPDS performance to understand Islamic financial institution growth (Lwesya & Mwakalobo, 2023). Analyzing how accountability and transparency in Islamic Microfinance Institutions impact confidence and willingness to grant cash waqf may reveal how these characteristics boost industry support and trust (Ahmad & Rusdianto, 2020).

The study investigated Bangladeshi Islamic financial institutions' performance and factors, focusing on COVID-19's potential impact. The study included a detailed library research strategy and statistical and qualitative analysis. This research uses reliable sources to explain Islamic microfinance in Bangladesh.

Data Analysis

Based on the most current data, it can be said that both RDS and UPDS have been effective for a considerable time. It has become more common for an increase in the number of authorized branches, communities, customers, overall expenditures, significant investments, and savings. In addition, other cost reductions have been implemented. A high pace of recovery has also been maintained during this storm, which is a positive development. The information given in Table 1 demonstrates that there has been a general upward trend in the number of loans that have been late and fall into a variety of categories. The number of permissible branches had an initial increase of 8% in the year 2019, which was then followed by two more yearly increases of 4% in the years 2020 and beyond over the subsequent years. It would seem that both the RDS and the UPDS are increasing the number of services they provide in rural areas and geographically expanding their reach. The number of communities participating in RDS and UPDS programs is expected to increase by twelve percent in 2019, five percent in 2020, and eleven point nine percent in 2021, respectively. This growth is expected to occur in the subsequent years. Based on this information, it is possible to conclude that RDS and UPDS are expanding their client base to include more individuals who reside in rural regions. Between 2019 and 2021, the RDS and UPDS membership increased by thirteen percent, six percent, and eleven percent, respectively. This is a thirteen percent rise over the previous level. As is evident, RDS and UPDS are working to increase the number of people participating in their programs. The number of users who used RDS and UPDS was anticipated to expand by ten percent in 2019, three percent in 2020, and twelve and a half percent in 2021. This was the assumption that was taken into consideration. Based on this information, it is possible to conclude that RDS and UPDS provide their customers with supplementary goods and services, such as banking loans.

With the overall benefits from RDS and UPDS expected to have increased by 17.03% by 2021, it is estimated that the total benefits would have climbed from 15.0% in 2020 to 18.0% in 2019. These forecasts indicate that this expansion will continue in the same way that it has been developing. It is feasible to conclude that RDS and UPDS provide consumers with more services and a higher monetary value. In 2019, the significant investments that RDS and UPDS made generated a growth rate of 11%, followed by a growth rate of 15% in 2020 and 21.33% in 2021. After that, the growth rate continued to increase. The fact that RDS and UPDS spend more money in their respective communities and with their customers than they do in other businesses is shown by this number one. In 2019, there was a sequential rise of 26% in the number of past-due loans. This was followed by an increase of 11.4% in 2020

Table 1 Performance of RDS and UPDS

S. No.	Particulars	2018	2019	Increase/ decrease	Growth (%)	2020	Increase/ decrease	Growth (%)	2021	Increase/ decrease	Growth (%)
1	Designated branches	272	295	23	8	306	11	4	319	13	4
2	Village	21,992	24,626	2,634	12	25,842	1,216	5	28,921	3079	11.91
3	Member	1,108,283	1,253,512	145,229	13	1,323,705	70,193	6	1,469,362	145,657	11.00
4	Client	625,532	687,234	61,702	10	707,490	20,256	3	798,446	90,956	12.85
5	Cumulative disbursement	236,423.80	278,660	42,236.22	18	320,833	42,173	15	375,461	54,628	17.03
6	Investment outstanding	29,436.27	32,722	3,285.75	11	37,766	5,044	15	45,823	8055	21.33
7	Amount of overdue	166.84	209.75	42.91	26	449.77	240.02	114	488.62	38.85	8.64
8	Amount of classified	224.79	221.35	(3.44)	(2)	179.66	(41.69)	(19)	306.06	126.40	70.35
9	% of recovery	99.43%	99.36%	(0.07%)	–	98.81%	(0.55)	(0.01)	98.93%	(0.12)	(0.12)
10	Savings	10,464.90	11,852	1,387.35	13	12,653	800	7%	14,041	1,388	10.97
11	No. of RDS employees	2479	2,795	316	13	2,724	(71)	(3)	3,078	354	12.99

Amount in a million BDT, 1 USD = 100 BDT and 8.64% in 2021. However, even though this indicates that only a few consumers are behind on loan repayments, the ratio is constantly increasing.

The number of classified loans increased by 70.35% in 2021, a considerable rise compared to the 19% growth in 2020. An increase of two percent was expected in 2019. As a result of this being the case, it may be deduced that a tiny but significantly increasing proportion of loans are at risk of having their principal repaid. A fantastic recovery rate of 99.43% was accomplished, followed by a recovery rate of 99.36% in 2019, 98.81% in 2020, and 98.93% in 2021 after that. A high pace has been maintained throughout time due to the passage of time. Considering this finding, it is evident that RDS and UPDS are making adequate progress with their debt collection actions. In 2019, savings rose by thirteen percent; in 2020, they increased by seven percent; and in 2021, they increased by fourteen point nine seven percent. Consequently, RDS and UPDS can assist its members with financial planning. There was an increase in the number of employees working for RDS in the following three years: 12.99% in 2021, 3.0% in 2020, and 13.0% in 2019; because of this, RDS and UPDS would most likely enhance their human resources to satisfy the ever-increasing demand for their services. According to the data, the RDS and the UPDS execute their functions efficiently and favorably, impacting rural areas. Despite this, a tiny but growing percentage of customers consistently fail to repay timely loans. RDS and UPDS make it a top priority to ensure that they continue to fully complete their obligation for debt collection and deliver outstanding service to meet the requirements of their clients.

Data Findings

Over the last several months, both the RDS and the UPDS have been functioning at an extremely high degree of efficiency. It is becoming more usual for a surge in the number of authorized branches, communities, customers, total expenditures, significant investments, and savings. In addition to that, other cost savings have been put into execution. Furthermore, there has not been any obvious slowing down in the healing process either. Whatever the case may be, there has been a discernible increase in the number of loans that are past due. Research has shown that only a tiny fraction of customers fail to make payments on their loans, but this fraction is increasing. Regarding RDS and UPDS, the most important goals should be to deliver exemplary customer service and reclaim any debts that are still due. They must innovate by developing new goods and services to fulfill their requirements (Fig. 1).

Both RDS and UPDS need to strive toward adopting a more proactive strategy when it comes to the collection of debts. The administration of loan defaults, the provision of counseling to borrowers, and the introduction of a more severe process for approving loans are some possible consequences that might arise. RDS and UPDS are responsible for satisfying their pledge to provide high-quality customer service. It is strongly suggested that the customer carefully examine the needs and promptly

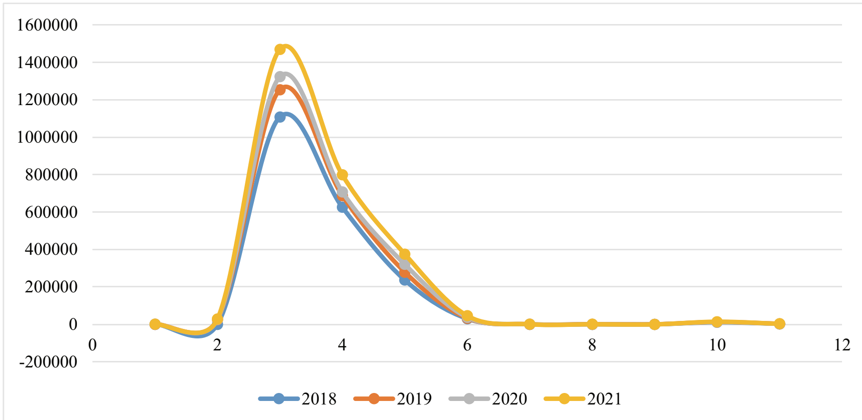

Fig. 1 Growth of RDS and UPDS

fix any challenges by providing accurate information on time. This is done to develop one-of-a-kind items and services that meet the consumers' expectations and make them happy. Acquiring financing to start a company or purchase real estate is not demanding.

Conclusion

There have been international microfinance institutions (IsMFIs) situated all over the globe that have been impacted by the COVID-19 epidemic that has been occurring in Bangladesh. Several favorable results have been brought about due to the epidemic, including the loss of money, employment, and aid from the government. However, due to this growth, Islamic Microfinance Institutions also known as IsMFIs have facilitated greater access to financial services and encouraged financial inclusion. This chapter aims to analyze the potential and problems that COVID-19 brings to Islamic Microfinance Institutions in Bangladesh. Islamic microfinance organizations in Bangladesh that are considered the most renowned are RDS and UPDS. In the realm of Islamic finance, both of these establishments are considered integral components. By carrying out cumulative disbursements, money deposits, and outstanding investments, they play a significant part in amassing the consumers and members of their authorized branches in the areas around the villages.

Despite this rise, the total number of past-due loans has climbed further. To reach borrowers affected by the pandemic and adapt to shifting social and economic conditions, Islamic Microfinance Institutions (IsMFIs) in Bangladesh need to adopt new communication strategies.

The present research aims to examine the Islamic Microfinance Institutions (IsMFIs) in Bangladesh, namely the RDS and UPDS. The investigation's primary emphasis will be on these two establishments. Upon reviewing the statistics, it is essential to remember that they are not transferable to other ISMFIs nationwide. It is also crucial to remember this point. The study's focus was limited to examining the challenges and possibilities arising from the COVID-19 pandemic. This study did not consider other variables that might impact how Bangladeshi lending and investment institutions operate. To prevent the COVID-19 pandemic, policymakers and other people in Bangladesh may want to explore offering grants or interest-free loans to IsMFIs. In order to maintain their competitive edge in dynamic marketplaces, international microfinance institutions (IsMFIs) must pursue innovation and provide digital financial services. The links that Islamic Microfinance Institutions in Bangladesh have with the government and other stakeholders in the country might be strengthened, enabling them to reap more advantages.

COVID-19, however, can provide Bangladesh's Islamic Microfinance Institutions (IsMFIs) with new possibilities and difficulties. This is a potential scenario. At this point, further research is required. Research may also examine the impact of natural catastrophes or political upheavals on the Islamic Microfinance Institutions (IsMFIs) in specific countries. Further investigation may be required on the initiatives and policies that promote Islamic financial institutions (IsMFIs) in Bangladesh.

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