



Islam, Neoliberalism and Social Inequality in Bangladesh: A Social Policy Perspective

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1 INTRODUCTION

Social policy is the analysis of societies' responses to social need and is applied to various areas of policy like inequality, health care, education, labor, housing, social security and racism. The emphasis and the modes of intervention—universalism, social insurance and social assistance—vary country-wise. The earliest example of direct intervention by government in human welfare dates back to Caliph Umar ibn al-Khattabs (634–644 CE), whose Caliphate is considered the world's first major welfare state (Crone 2005, pp. 308–309; Hamid 2003). Drawn from the

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A. A. Tajmazinani (ed.), *Social Policy in the Islamic World*,
International Series on Public Policy,
https://doi.org/10.1007/978-3-030-57753-7_13

Quranic injunction of *taqwa*¹ and *haqq*,² Islamic state instituted charity—*zakat* (*zakat al-mal* and *zakat al-fitr*) and *sadaqa* (*sadaqat-al-tatawwu* and *sadaqatul jariyah*). Caliph Umar used *zakat* collections and also other governmental resources to establish pensions, income support, child benefits, and various stipends for people of the non-Muslim community (Hamid 2003). This was also followed by Caliph Umar bin Abdul-Aziz (682–720 CE), whose regime saw significant poverty reduction (As-Sallabi 2015, p. 574).

One of the social roots of Islam was the mechanical solidarity (Durkheim 1893) expressed in the Islamic collective consciousness of the Muslim *umma*,³ whose one of the significant political agendas was the reduction of social inequality through institutionalizing distributive justice in the form of *zakat* and *sadaqa*. Despite past empirical examples of Muslim states adopting Islamic social welfare principles, the modern Muslim nation-states, under the aegis of neoliberal capitalism, failed to uniformly institute *zakat* as the state principle. Instead, they adopted the principle of economic growth with increased inequality under the hegemonic influence of the International Monetary Fund (IMF) and World Bank (WB). As a consequence, these countries became foreign-aid dependent (Frank 1966; Hayter 1971). One of the key conditions of which was incorporation of structural adjustment programs (SAPs) to transform these pre-capitalist societies into semi-capitalist or *lumpen* capitalist one. Thus, a neocolonial social formation emerged in which poverty and inequality was the permanent condition. Moreover, another important feature of SAPs was NGO-ization⁴ of social policies aimed at maintaining

¹According to the *Oxford Dictionary of Islam*, the word *taqwa* and its derivatives appear more than 250 times in the Quran. It refers to “God-consciousness or God-fearing piety”, “virtue”, and “wariness” (Esposito 2003, p. 314).

²*Al-Haqq* is the one-word definition of justice and truth and is innumerable used by God in the Quran (22:62; 24:25; 31:30). The Quran insists upon a *haqq* (plural: *huquq*), a right or claim, which inheres in property. Thus the community of true believers consists of “those upon whose property there is an agreed right [*haqq ma’lum*] for the beggar and the destitute” (Quran 70:24, 51:19).

³The following features of mechanical solidarity is evident in the Islamic *umma*: (a) morphological structure: clan and territorial-based; (b) type of norm: rules with repressive sanctions; (c) feature of conscience collective: high determinateness, absolute collective authority; and (d) content of conscience collective: highly religious, transcendental, attaching supreme value to society and interests of society as a whole (Durkheim 1893).

⁴NGO-ization indicates to the professionalization, bureaucratization, and institutionalization of social policies and social movements in the form of nongovernmental

social inequality and status quo. Thus, both state and donor-driven third sector remained basically anti-welfare in character: microfinance through NGOs became World Bank's prescriptive principal strategy for poverty alleviation as well as its signature development program.

The post-colonial Muslim state of Bangladesh is one such glaring example. According to Census of 2011, Bangladesh had 149.8 million adjusted populations (Government of Bangladesh 2014, p. 10) of which 135.4 million or 90.4% were Muslims (Government of Bangladesh 2014, p. 14). According to a study in 2015, Islam has 1.8 billion adherents, making up about 24.1% of the world population (Pew Research Center 2017). The four largest Muslim states—Indonesia, Pakistan, India and Bangladesh share 12.9%, 11.1%, 10.3% and 9.2% of the global Muslim population respectively (Pew Research Center 2009, p. 5).⁵

Even though war-ravaged, neoliberal development intervention in Bangladesh registered high Gross Domestic Product (GDP) and Gross National Product (GNP) along with increased per capita income and lowering the percentage of people living below the poverty line⁶ (Government of Bangladesh 2017, p. 41, T-16): poverty headcount rates based on both upper and lower (extreme) poverty lines using the Cost of Basic Needs (CBN) showed that poverty rate fell by 1.2% points per year from the beginning of the decade until 2016, by which time, about

organizations (NGOs), who depoliticize and deradicalize discourses and practices of social movements (Lang 1997, 2013) at the behest of the imperialist powers (Petras and Veltmeyer 2001; Veltmeyer and Petras 2000).

⁵Moreover, Article 2A of the Bangladesh Constitution declared Islam as the state religion: "The state religion of the Republic is Islam, but the State shall ensure equal status and equal right in the practice of the Hindu, Buddhist, Christian and other religions" (Government of Bangladesh 2019: Article 2A). In addition, as a political strategy, Madinah Charter was made the guiding principle of the Bangladesh state. "Terming Bangladesh as a Muslim majority country, Prime Minister Sheikh Hasina today said the country would be run as per the Madinah Charter and the last sermon and directives of Prophet Hazrat Muhammad (PBUH). She made the assurance: 'There will be no law against Holy Quran and Sunnah here ever,' ..." (*The Daily Star*, 22 March 2014).

⁶Since 1995–1996, Bangladesh Bureau of Statistics is using the Cost of Basic Needs (CBN) method as the standard method for estimating the incidence of poverty. A food poverty line is calculated as nutritional requirement of 2122 k.cal per person per day and a nonfood poverty line is calculated by estimating the cost of consuming nonfood items by the households close to the food poverty line. In this method, two poverty lines are estimated: Lower poverty line, total expenditures on food and nonfood combined are equal to or less than the food poverty line, and Upper poverty line, *adding together the food and nonfood poverty lines* (Government of Bangladesh 2011, p. 59).

1 in 4 Bangladeshi were poor and 13% were extreme poor. Although income has increased and poverty is reduced, the income inequality, as expressed in Gini coefficient,⁷ has increased from 0.259 in 1983 to 0.458 in 2010 and 0.483 in 2016 (Government of Bangladesh 2017, p. 49), an alarming increase of income inequality in thirty-three years' effort to poverty reduction.

Using upper poverty line, the incidence of poverty has decreased from 56.7% in 1991–1992 to 24.3% in 2016–2017; and using lower poverty line, the incidence of poverty has decreased from 82% in 1972 to 12.9% in 2016–2017 (Government of Bangladesh 2011, p. 61, T-61; 2017; World Bank 2017). Although income has increased and poverty is reduced, the income inequality, as expressed in Gini coefficient, has increased from 0.259 in 1983 to 0.483 in 2016 (Government of Bangladesh 2017), an alarming increase of income inequality in thirty-three years. This is better reflected in the quartile income distribution,⁸ which shows that in 1990 the poorest 10% had a 9.6 share of income compared to 37.4% of the richest 10%; and that the share of poor has declined over times to 8.9% in 2010 as against rich, who increased their share to 41.5% (Government of Bangladesh 2011). In 2010 people at the top had assets 1176 times higher than that of the bottom and this increased to 2500 times in 2016 (Government of Bangladesh 2017). Thus, top 5% of Bangladesh's income-earners earned 121 times more than the bottom 5%, in a jump from 31.5 times in 2010 indicating almost quadrupling their share of the total national income in 6 years. Apart from income and asset inequalities, the Center for Policy Dialogue research found 97% of the population suffering from one or the other form of vulnerabilities (*The Daily Star*, 6 December 2017). Thus, neoliberal capitalist intervention has only created more inequalities in Bangladesh; and being a Muslim country, Islam still presents an alternative model for reduction in social inequality. This is

⁷The Gini coefficient or Gini index is a statistical measure generally used to examine a country's degree of income inequality that exists at a particular point in time. The value of a Gini coefficient varies between 0 and 1 where a value of zero signifies perfect equality and 1 indicates maximum inequality (Gini 1909/1997).

⁸Quartile income distribution generally shows the income distribution between the poorest 10% and the richest 10%.

manifested in the emergence of Islamic Bank⁹ and Islamic NGOs¹⁰ in Bangladesh.

In this context, the main objective of this chapter is to explore the relationship between *zakat* and reduction of poverty in Bangladesh. Specifically, it (a) examines the historical development of Bangladesh social policy, social welfare regime and social welfare practices during four distinct political regimes—(i) Muslim period, (ii) British colonialism, (iii) Pakistan and (iv) Bangladesh; (b) focuses on the role of the Third Sector in Bangladesh, especially NGOs, and compares the neoliberal strategy of microfinance and Islamic welfare practice of *zakat* in reducing social inequality and poverty in Bangladesh. The chapter assumes that Islamic welfare practice of *zakat* is more effective in the alleviation of poverty and ensuring social welfare than the neoliberal strategy of interest-based microfinance. Data for this chapter come from both primary and secondary sources. The primary data are collected from the official profiles of 82 beneficiaries, who received *zakat* between 2016 and 2017 through *Shokkhom* Project of a Dhaka-based NGO, Obhizatrik Foundation, Mirpur. The official profile data of 82 *zakat* recipients were obtained in October 2017 (Obhizatrik Foundation 2016) and the fieldwork was conducted only in Dhaka throughout March 2018. Out of total 33 *zakat* recipients of Dhaka District, 13 case studies were conducted for expediency. A checklist was used for face-to-face interview of 13 *zakat* recipients to build thick narratives of the efficacy of *zakat* as a strategy of poverty alleviation and welfare as against microfinance of secular NGOs.

⁹Islamic Bank Bangladesh Ltd. (IBBL), the first interest-free bank in Southeast Asia was established in 1983. Islamic banking industry has recorded robust performance accounting for more than 20% market share of the entire banking industry in Bangladesh. The Islamic bank made investments mainly under *Murabaha*, *Mutharika*, *Bai-Muajjal*, Hire Purchase, and *Quard e Hasana* mode of investments. As on 30 June 2014, there are 56 commercial banks in Bangladesh of which 8 private sector banks have been functioning as full-fledged Islamic Banks (Bangladesh Bank 2014).

¹⁰Bangladesh has become a vital site of contestation between the competing traditions of secularity and the ‘Ummah. The Islamicisation of culture in different aspects has also gripped the NGO communities. At present, 34 Islamic NGOs in Bangladesh are actively contributing in nation-building as well as alleviating poverty. Among them, three main key Islamic NGOs are: Al-Markaz al-Islami; Al-Haramain Foundation; Rabita-al-Alam-al-Islami. Thus, Islamic NGOs emerged as a reaction to secular NGOs, who were conceived as violating the Islamic space of ‘Ummah with respect to traditional religious-based leadership and women’s rights (Adam 2016). The women target group find Islamic NGOs as less coercive and more sensitive to their religious environment in the rural village community than are secular NGOs. However, both religious and secular NGOs implement neoliberal policies and development strategies (Salehin 2016).

2 WELFARE REGIME AND SOCIAL WELFARE PRACTICES IN BANGLADESH: HISTORICAL DEVELOPMENTS

2.1 *Main Historical Phases of Social Welfare Practices in Bangladesh*

Islamic practices in Bangladesh begins with the conquest of Bengal by the Muslim rulers in 1201. Thus, Bangladesh social policy, social welfare regime and social welfare practices can be periodized into four distinct political regimes—(i) Turko-Afghan-Mughal (1201–1757), (ii) British colonialism (1757–1947), (iii) Pakistan (1947–1971) and (iv) Bangladesh (1971–present).

2.1.1 *Turko-Afghan-Mughal Period (1201–1757)*

During pre-Muslim period, the swampy lowland region of East Bengal (now Bangladesh) formed the Eastern frontier of the Indo-Aryan cultural and political sphere. The East Bangali communities were small and mobile, moving with seasonal flooding (Adam 2016). Moreover, East Bengal was not well integrated into the feudal social structures that organized society in much of the subcontinent. Beginning in the sixteenth century, the Mughal Empire integrated the region economically by promoting rice cultivation in new permanent settlements (Eaton 1993).

During the Muslim period, land grants were primarily given to *mullahs*, *imams*, and *pirs* centered on a mosque or shrine (Adam 2016). In the absence of a strong central authority, primary responsibility for maintaining social and political order was entrusted to *Samaaj*, Muslim religious societies. They carried the social welfare practices of the village. Thus, the Islamic social welfare practices in the form of charity—*zakat* (*zakat al-mal and zakat al-fitr*), *sadaqa* (*sadaqat-al-tatawwu and sadaqa jaria*) and *waqf fi lillah* were administered by the Third Sector (*Samaaj*) and not by the Muslim state. Even another strategy of Islamic social welfare, prohibition against *riba*—*riba an-nasiya* and *riba al-fadl*—was not practiced. These contrived practices of Islamic welfare continued from 1201 till today in Bangladesh.

2.1.2 *British Colonialism (1757–1947)*

During the British rule, the Muslim religious societies continued the Islamic social welfare practices in the form of charity with periodic legal

battles with the government.¹¹ The British colonial regime was singularly marked by the anti-welfare policies as demonstrated in the ruthless plunder, exploitation, servitude, murder,¹² poverty and famines.¹³ It modernized the society by introducing certain elements of industrial capitalism. However, the net result of the British rule was the uneven development of two religious communities of Bengal—the Muslims and the Hindus. It reduced the entire affluent Muslim community into paupers (Hunter 1871).¹⁴ Three important legislations had adverse effects on the Muslim community irrespective of class (Ahmed 2019). (i) Permanent Settlement Act of 1793: It created a class of Hindu landlord (*zamindars*) who replaced the Muslim nobility.¹⁵ Thus, the majority of the

¹¹ But the British government under Regulation XIX of 1810 interfered with the traditional Muslim waqf law and the government attached the waqf property of the Mohsin Fund. In 1835 Privy Council upheld the testator's right to endow property in the manner he did but declared waqf *alal aulad* (when dedication is made substantially for the benefit of the dedicator himself, his family or descendants) invalid in 1894. Mussalman Waqf Validating Act 1913 eliminated the disability created by the Privy Council. Subsequently, the Bengal Waqf Act 1934 made some changes in the management structure of the waqf estates.

¹² Majnun Shah, the leader of a large group of fakirs claimed in 1772 that 150 fakirs had been killed without cause in 1771 (Ghosh 1930, p. 47) and that was one of the causes of *Sannyasi/faqir* rebellion led by the Hindu and the Muslim monks (Lorenzen 1978).

¹³ Bengal famine of 1770 known as *Chhiattörör monnöntör* (1176 in the Bengali calendar) is estimated to have caused the deaths of about 10 million people (Sen 1981, p. 39). Warren Hastings's 1772 report estimated that a third of the population in the affected region starved to death (Jonsson 2013, pp. 167–170). One of the main reasons for famine was the destruction of food crops in Bengal to make way for opium poppy cultivation for export (Chaudhury 1999). Next, the Bengal famine of 1943 known as *pönchasher monnöntör* witnessed an estimated death of 1.5 million and impoverishment of millions (Government of India 1945, pp. 109–110). The critique of the Commission's underestimated death toll put the figure as 3–4 million (Aykroyd 1974, p. 77). caused by serious food supply problems (Government of India 1945, pp. 225–227).

¹⁴ “A hundred and seventy years ago it was almost impossible for a well-born Musalman in Bengal to become poor at present it is almost impossible for him to continue rich” (Hunter 1871, p. 94).

¹⁵ As a part of colonial capitalism, this Act declared land as a commodity and auctioned the land which was owned by the Mughal Emperor to Hindu merchants and entrepreneurs. It declared the zamindars to be proprietors of land in exchange for the payment of land revenue fixed in perpetuity. Thus, greedy traders, moneylenders and speculators, who could afford to purchase land, became zamindars (Ahmed 2019).

Muslims were reduced to tenants of the Hindu zamindars. (ii) Resumption Proceedings during 1820–1850. During the Mughal period, the Muslim aristocrats enjoyed revenue-free land grants (*La Kharaj Waqf* endowments) to run schools, shrines, and mosques. The arbitrary and unfair Resumption Proceedings initiated by the Company Raj required them to produce documents in favor of their claims. Since most documents were lost or destroyed, the Muslim aristocrats lost their lands by the 1850s. (iii) English Education Act of 1835: This made English as the medium of instruction for higher studies. As a consequence, Persian was replaced with English as the Court (or official) Language in 1837. Muslims of Bengal, who were by this time mostly impoverished, could not afford to learn English, and remained *chasa* or peasants, whereas the Hindus almost monopolized it and became professional classes or *bhadrolok*.¹⁶

The exclusionary process of the Bangali Muslims, especially Muslim religious leaders, led to Islamic movements in addressing peasant discontent, championing the cause of tenant farmers, and playing a critical role in raising political consciousness against the exploitative conditions of agricultural production under colonial rule (Fernando 2011).¹⁷

For the rights of the poor and oppressed communities in Bengal, Christian missionaries also worked actively on issues of caste inequality. They undertook charitable activities including education and health services, which were later imitated by Hindu and Muslim charities (Adam 2016). For the welfare of the Hindu women, the East India Company and the British Government enacted four legislations: (i) Sati Regulation XVII A.D. 1829 of the Bengal Code: made the practice of sati (a widow sacrifices herself by sitting atop her deceased husband's funeral pyre) illegal in all jurisdictions of India and subject to prosecution. (ii) Hindu Widows' Remarriage Act, 1856, also Act XV, 1856: provided legal safeguards against loss of certain forms of inheritance for remarrying a Hindu widow.

¹⁶Consequently, the cleavage between the two communities got further widened and the relationship between them further embittered. In 1947, Bangalis were divided into two postcolonial states on the basis of religion: Indian state of West Bengal and Pakistani province of East Pakistan (Ahmed 2019).

¹⁷In 1818 the *Farazi* movement, led by Haji Shariatullah, was the first large-scale Islamic reform movement in Bengal, which combined political agitation for expanded rights of tenant farmers with a fundamentalist Islamic interpretation. In 1820s and 1830s, *Tariqah-i-Muhammadiyah* movement led by Shah Syed Ahmed and Shah Ismail likewise championed the cause of the agrarian peasants (Fernando 2011).

(iii) Female Infanticide Prevention Act, 1870 also Act VIII of 1870: to prevent murder of female infants. (iv) Age of Consent Act, 1891 also known as Act X of 1891: protected the Hindu women's rights for sexual intercourse for all girls, married or unmarried, from ten to twelve years in all jurisdictions, its violation subject to criminal prosecution as rape. These legislations had tremendous welfare impact on the Hindu women in Bengal.

2.1.3 *Pakistan Period (1947–1971)*

The anti-colonial movement in Bengal was split into Hindu nationalism (undivided India) and Muslim nationalism (separate homeland for the Muslims represented by demand for Pakistan). It was an expression of ethnoclass consciousness: Hindu nationalism was the identity of the Aryanized Bangali-Hindu *zamindar-bhadrolok* class, whereas Muslim nationalism was the identity of the non-Aryanized Bangali-Muslim *chasa-chotolok* class (Ahmed 2019). Thus, the movement for Pakistan in Bengal was in defense of the rights of the Muslim community of Bengal. The Muslim identity in Bengal was forged from the experience of geographical and social marginalization, colonial agrarian exploitation, and fear of being subsumed in a Hindu India (Adam 2016). Thus, Bangali-Muslim identity was the class expression of the Bangali Muslim peasants as against the dominant Bangali-Hindu landlords. Due to weakness of class organization, the class conflict was transformed into the ethnic conflict (Ahmed 2019). The Muslim League was founded to represent Muslim concerns and the eventual push for partition of India and the formation of the state of Pakistan.

In the newly-found East Pakistan, it was expected that the social and economic condition of the Bangali-Muslims would improve as they are liberated from the exploitation of the Hindu landlords and the middle class. But this did not happen and an internal colonialism between East Pakistan and West Pakistan replaced Bangali-Hindu domination by the non-Bangali-Muslim domination (Ahmed 2019). The social welfare needs of the Bangali-Muslims were by and large neglected by the neocolonial nexus of Pakistan. Though Pakistan had a firm ideological basis in Islam, the state was the continuation of the colonial legacy: it combined the socialist orientation, modern democratic secularism, and Islam under the rubric of “mixed” economy. But under neocolonial imperatives (Sartre 2001/1964), it created the robber barons and carpet beggars by the

public money fueled by the foreign-aid. The development of neocolonial capitalism only created poverty and inequality without any economic growth for East Pakistan.

However, the partition of India in 1947 and the influx of refugees from India to the urban areas of East Pakistan, created the problems of habitation, joblessness, health and sanitation for the migrants. In this socio-economic and cultural backdrop, the then Government in 1952 set up the UN Technical Assistance Project in the Social service sector and an ‘Urban Community Development Board’ was constituted. It started its Dhaka scheme where there were larger concentrations of non-Bengali disadvantaged refugees—Kayettuli, Gopibag and Mohammadpur—in 1953, 1957 and 1958 respectively.

In Pakistan, Islamic benevolent groups flourished focusing strongly on the preservation of Muslim cultural and religious identity. Thus, like before, the social welfare practices were left to the religious groups.

2.1.4 Bangladesh Period (1971–Present)

Bangladesh continued the legacy of Pakistan with a little difference. It projects the image of a developmental welfare state. The social welfare practices of the Bangladesh state through Ministry of Social Welfare are: (i) Human Resource Development, (ii) Poverty Eradication, (iii) Welfare, (iv) Development and Empowerment of the bypassed and disadvantaged segments of the people of Bangladesh. To introduce Bangladesh as a Welfare State, the Ministry is implementing programs like (i) Old Age Allowances, (ii) Widows Allowances and (iii) Allowances for Persons with Disabilities, (iv) Grants and aids to Acid burnt victims. The Ministry has also multidimensional and intensive programs for the welfare of the (i) by-passed, (ii) disadvantaged segment, (iii) unemployed, (iv) landless, (v) orphans, (vi) distressed, (vii) vagrants, (viii) homeless, (ix) socially, intellectually and physically challenged, (x) neuro-developmental challenged, (xi) poor, helpless patients, and (xii) Children at Risk of both rural and urban areas of the country.¹⁸

¹⁸The official website of the Ministry of Social Welfare has the following declaration: “In accordance with the Article 15(Gha) of the constitution of Bangladesh, Ministry of Social Welfare as well as attached Department and Agencies are implementing these Programs. All the Programs are related towards achieving the targets of Millennium Development Goals (MDGs), Management of Social Transformation (MoST), Vision 2021 and

Another welfare program of the Bangladesh state is the social safety net measures. They are broadly divided into four types: (i) provision of special allowances for the various underprivileged sections of the population, so that the poor and disadvantaged people can tackle the poverty effectively; (ii) employment generation through micro-credit and different fund management programs; (iii) food security based activities to better manage the consequences of natural disasters; and (iv) provision of education, health and training to make the new generation more capable and self-reliant.

But the governance dysfunction is the major obstacle for the implementation of the policies and programs. The core governance system is characterized by (i) a dysfunctional parliament, (ii) highly confrontational politics, (iii) the absence of democratic practice within the major parties, (iv) politicization of the state institutions, (v) a corrupt and inefficient bureaucracy, and (vi) a widespread culture of patronage politics in which spoils and privileges are parceled out to different clientele groups as an essential tool of political management (IGS 2006, 2008).

The weakness of the Bangladeshi state stems from decades of underinvestment by the British colonial and Pakistani internal colonial authorities (Lewis 2011). Therefore, it has failed to become a minimalist state, let alone a welfare state: its inability to provide many basic services has ensued NGOs to play disproportionately larger and more influential role. Moreover, neoliberalism has advocated minimum state intervention and a stronger role for the market and private sector. This has also created space for the emergence of NGOs as important actors in the development process (Farrington et al. 1993, pp. 1–27).

Even, the Islamic fundamentalist party like Jama'at-E-Islami delivered welfare services: it administered charity programs of different types, ranging from distributing relief to the victims of natural disasters and donating winter clothes to the homeless and the poor, to providing financial and material assistance to the needy, such as orphans and widows, on various religious occasions and festivals (Amin 2016). The network of social welfare activities in Bangladesh, as run by the people associated with the Jama'at, is unparalleled in its nature and magnitude. None of the other conventional political parties, or even smaller Islamic political

Sixth Five Year Plan” (Ministry of Social Welfare website). To be more dynamic, transparent and accountable, the Ministry has undertaken development approach instead of charity approach.

parties, has such organizational emphasis on carrying out social services for the underprivileged class (Amin 2016).

2.2 *Typologies of Welfare Regime*

Drawing from social policy history of 18 capitalist states belonging to the Organization for Economic Co-operation and Development (OECD) and their different historical and political trajectories, Esping-Andersen (1990, 1999) constructs a Weberian ideal-type typology of welfare regimes—liberal, conservative and social democratic—which have systematically different economic, political and social consequences. He defines a welfare state regime as an institutional matrix of market, state and family forms, which generates welfare outcomes found in the OECD world of welfare states (Gough 2008/2004, p. 26). The major characteristics of welfare state regimes are: (i) different patterns of state, market and household forms of social provision, (ii) different welfare outcomes, assessed according to the degree to which labor is ‘de-commodified’ and (iii) different stratification outcomes, which shape class coalitions, reproduce or intensify the original institutional matrix and welfare outcomes (Esping-Andersen 1990; Gough 2008/2004, p. 23).

However, this typology of welfare regimes is criticized by Gough (2013) on seven counts: (i) The identification of just three regimes and the allocation of countries between them is disputed. (ii) It overlooks critical social programs like health, education and housing that do not conform to these welfare regime patterns. (iii) It ignores other components of well-being, in terms of autonomy and need satisfaction, and other sources of ill-being. (iv) It ignores other sources of stratification such as religion, ethnicity and gender. (v) It ignores the effects of the gendered division of labor. (vi) It is incapable of dealing with dynamic changes and shifts in welfare regime. (vii) It ignores the growing constraints of the global political economy and the growing role of supranational institutions.

In applying this framework to the developing world, Gough makes a distinction between Esping-Andersen’s capitalism-centered concept of “welfare state regime” and his more inclusive concept of “welfare regime” to accommodate peasant economies within peripheral capitalism and predatory capitalism: “Welfare regime is a more generic term, referring to the entire set of institutional arrangements, policies and practices affecting welfare outcomes and stratification effects in diverse social and cultural

contexts” (Gough 2008/2004, p. 26). Thus, he has a generic three meta welfare regimes—welfare state regime of capitalism, informal security regime of peripheral capitalism and insecurity regime of predatory capitalism. Both informal security regime of peripheral capitalism and insecurity regime of predatory capitalism have a stark contrast between each of the nine elements of the welfare state regime of capitalism (Gough 2008/2004, p. 28).

When the welfare regime approach is brought into the Bangladesh context, which combines characteristics of both peripheral capitalism and predatory capitalism, application of Esping-Andersen’s welfare state regimes—liberal, conservative and social democratic—does not fit logically. “... we cannot assume that Bangladesh is merely pre-destined to follow one of the already well-trodden paths to industrialization, the commodification of labor and the formation of one of the three welfare regimes. Bangladesh has its own particular path dependence, positioned within a particular global and historical context” (Davis 2008/2004, p. 258). However, following Ian Gough’s typology—Welfare State Regime, Informal Security Regime and Insecurity Regime—Bangladesh can be classified as poorly-functioning Informal Security Regime (Gough 2007, p. 2; Wood 2008/2004) but with an Islamism-Liberalism-Socialism mix. Major public works and relief programs straddle the welfare mix. This leads to control of access by *mastaans* (mafias) and party representatives. It also reproduces dependent in/security. Thus, the welfare regime in Bangladesh is based on a complex intermeshing of state, donors, NGOs and traditional community actors where moves towards formalization and de-clientelization are blocked (Gough 2007, p. 18).

2.3 *Established Welfare Ideologies and Welfare Practices in Different Historical Phases of Bangladesh*

In Bangladesh society, traditional organizations like kinship and families, religious organizations, neighborhood and communities have been playing a significant role in human welfare for centuries. In the past, the feudal regime was only interested in revenues and financing war and pleasure. The market was nearly absent in the milieu of self-sufficient village communities. Therefore, the role of state and market in the welfare provisions was insignificant. During the Muslim rule (1201–1757), there was no established welfare ideologies; in fact, Medievalism had no welfare ideologies. It was left to the organized religion. Historical evidence attests

to the duty of rulers to provide for their subjects in times of scarcity (Drèze 1988; Sharma 2001). The Muslim rulers' welfare practices during natural disaster and famine were limited to charity in the form of relief activities—public kitchens, remission of taxes, loans and cash grants and public works (Sharma 2001); and the practice of sharing wealth with the poor or needy as well as the financing of educational, medical or religious institutions (Kozlowski 1985).

In the face of famine, the Mughal emperor undertook relief measures—public kitchens were opened, taxes remitted, and money allotted for 'gratuitous relief'; sometimes, as Akbar once did, additional soldiers were recruited during famine, to give relief to the poor virtually putting them on the dole. During 1630–1632 famine, Shah Jahan distributed 5000 rupees a week for five months to the poor, giving away a total of 100,000 rupees, tax remissions of nearly seven million rupees were granted by the imperial revenue officers, and similar reliefs were given by amirs in their jagirs.

The Mughal indifference to the woes of the people was not callousness, but culture. It was the same everywhere in the medieval world. Human misery was not seen as misery by medieval rulers, but merely as the common lot. Even if the emperor had viewed it differently, and had wished to help, there was not much that he could do, for he did not have the administrative capability for effective famine relief. There was not much scope for market forces to redress famine scarcities either, for the high cost of transport made it impossible to supply deficit areas from distance.

For the emperor, famine relief was a charity, desirable but not obligatory. (Eraly 2007, pp. 169–170)

During the British rule (1757–1947) capitalist ideas advocated by the British economist Thomas Robert Malthus and Adam Smith influenced colonial rulers' responses to humanitarian crises. They viewed wars, epidemics and famines as necessary checks against over-population. In line with this, colonial administrators tended to see famines as a necessary evil, as the 'betterment' colonial rule had brought, and as the last available constraint to limitless population growth (Ambirajan 1976; Caldwell 1998). Smith emphasized the necessity of protecting the free market from state interference: 'famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconvenience of dearth' (Smith cited in Davis 2001, p. 31).

Meanwhile, faith in the market to respond to scarcity prohibited any extensive interference in private trade, and price controls, the regulation of food exports, government-sanctioned food imports and the creation of grain and rice reserves were repeatedly discouraged. Malthusian population theory further encouraged administrators to limit famine relief as far as possible. Taken together, the various theories underlying colonial famine response frequently rendered famine management incoherent and ineffective. (Simonow 2015, p. 7)

Famine policies were developed and institutionalized during the latter half of the nineteenth and early twentieth centuries as colonial power was consolidated and the governmental and administrative apparatus expanded (Sharma 2001). The provision of food assistance, was regarded as the responsibility of private charity and hence was left to voluntary relief committees. In an effort to restrict numbers in public works, wages were set below market rates (Sharma 2001). In the five years between 1896 and 1901, a population equivalent to half of the people of contemporary Britain died through famine and related causes (Davis 2001). Thus, social welfare practices were the prerogatives of the traditional organizations.

During Pakistan period (1947–1971) Islam was the political ideology of the newly-formed peripheral capitalist state. As a result, pro-Islamic voluntary organizations flourished and most welfare activities were carried out by them, who were contended to establish religious schools (*maktab* and *madrasha*), orphanage and public kitchen. However, the influx of refugees from India made the state to respond to the humanitarian crisis, especially housing. The existence of NGOs was few, there were only five Christian NGOs—CARITAS, CARE, World Vision, Red Cross, and OXFAM. The East Pakistani government facilitated the work of these NGOs in rural development because they eased state's responsibility in investing in social welfare activities (Karim 2011, p. 13). Although their work was in rural development, these NGOs largely targeted the indigent populations that had converted to Christianity. During the early phase of NGO development, the Christian missionaries maintained a low profile because they were working in a Muslim country. For these handful of NGOs, the opportunity to change from service provider to relief operators came in November 1970, when East Pakistan suffered a devastating cyclone that killed over 50,000 people (Karim 2011, p. 13).

During Bangladesh period (1971 to date), Islam was replaced by secular Bangali nationalism as the political ideology. For overcoming the

vulnerable situation of the war-torn country, NGOs started to distribute food, medicine, blankets, cloths, etc. among the war affected people. Some international NGOs like Terres des Hommes supported the unwanted children of the war. At this time, some local NGOs such as BRAC, Proshika, Ganoshastho Kendro (GK), Gono Shahajya Sangstha (GSS), Nijera Kori, and the Association for Social Advancement (ASA) were established (Karim 2008). After that, this sector has been rapidly increased in terms of size, scope membership, and finances due to international support. The revolutionary fervor of Liberation Struggle led the Bangladesh military to nurture the NGO as an instrument of rural pacifism (Karim 2011, p. 17). NGOs' welfare ideology of poverty reduction and its strategy of microcredit coincides with neocolonialism's effort to deradicalize Bangladesh society. Thus, NGOs came handy at the service of imperialism (Petras 1999). Later, the welfare activities were expanded from poverty alleviation to education (adult literacy through non-formal education and vocational training), health (family planning, immunization, nutrition and sanitation), agriculture, fisheries, livestock, social forestry and cooperatives. Wood and Gough (2006) advocate that welfare regimes approach is not possible to apply in the country with problematic state and imperfect market. The social protection system of Bangladesh is developing in its distinct path where the state, NGO, family, and foreign development agency nexus predominate.

3 MAIN SOCIAL POLICY DOMAINS IN BANGLADESH: AN OVERVIEW OF CURRENT POLICY INITIATIVES

Bangladesh has a long history of formal social safety net programs, which, in part, has shaped the nature of the current social security system. During the 1970s the focus of social security programs was on poor relief and vulnerable group feeding. The decade of 1980s has been characterized by disaster response and relief operation. In addition, component of development was added. During the 1990s, programs were focused on special groups like old age, widows and people with disability. These programs were often supported by the development partners and NGOs. The provision of cash transfer was widely introduced in these programs (Hasan 2017, p. 25). In the 2000s, numerous social safety net programs were taken up to support different types of risks and vulnerabilities. These safety net programs were often reinforced with graduation programs to bring the poor sustainably out of poverty. In 2015 Bangladesh adopted a

Table 1 Evolution of social protection in Bangladesh, 1970–2020

<i>1970–1979</i>	<i>1980–1989</i>	<i>1990–1999</i>	<i>2000–2015</i>	<i>2015 onward</i>
Poor relief	Disaster response	Support to special groups: – Old age, – Widows, – People with disability	– Social safety net – Graduation approach	Program consolidation along life cycle
Vulnerable group feeding	Relief operation + development			

strategic and comprehensive approach to social protection (Hasan 2017, p. 25) (Table 1).

Social safety-net programs of Bangladesh aim (a) to increase capacity of the ultra-poor through monetary transfer; (b) to ensure self-employment through micro-credit programs; (c) to distribute food grain at lower price in order to ensure food security of the poor and (d) to provide education, healthcare facilities and training with an aim to increase the capacity of the poor to change their economic status. In every sector women are expected to get priority. In a great leap forward to develop an inclusive social protection for all deserving people, the Government of Bangladesh has formulated the National Social Security Strategy (NSSS) of Bangladesh. It addresses Bangladesh's triple problems of poverty, vulnerability and marginalization to pave the way for implementing the Seventh Five Year Plan (SFYP) and the Vision-2021. The core of the strategy is a lifecycle approach covering people's need over their entire life. Social inclusion of marginalized groups is a central principle of NSSS, with an expansion of programs for the extreme poor and most vulnerable people.

There are five thematic clusters of social policy of Bangladesh government. They are as follows: (i) Social Allowances, (ii) Food Security and Disaster Assistance, (iii) Social Insurance, (iv) Labor/Livelihoods Interventions, and (v) Human Development and Social Empowerment.

The major reformation in the social security programs will be as follows:

1. Strengthening Social Security for Children (age < 1–18)
 - a. Child benefit
 - b. Primary and secondary school stipends
 - c. Continuing orphans and school meals programs
 - d. Ensuring child maintenance payment for abandoned children
 - e. Strengthen immunization, child healthcare, nutrition and water and sanitation programs
- 2.1. Strengthening Programs for Working Age (age 19–59)
 - a. Strengthen education and training
 - b. Strengthen workfare programs
 - c. Introducing unemployment, accident, sickness and maternity insurance under NSIS
- 2.2. Strengthening Programs for Vulnerable Women (age 19–59)
 - a. Consolidate into one Vulnerable Women Benefit program on a cash basis.
 - b. Provision of childcare across all formal & informal employment
 - c. Maternal health care
 - d. Training programs
3. Comprehensive Pension System for the Elderly
 - a. Old age allowance (age 60+)
 - b. Government service pension
 - c. The national social insurance scheme (NSIS)
 - d. Private voluntary pensions
4. Strengthening the system of social security for people with disabilities
5. Strengthening the social security system for the urban poor
6. Consolidate and reform food security type programs
7. Consolidate small, special and covariate risk mitigation programs.

4 ISLAM AND SOCIAL POLICY IN BANGLADESH: ROLE OF ISLAMIC TEACHINGS AND ISLAMIC WELFARE PRACTICES IN BANGLADESH

Since the notion of Islamic welfare and Islamic strategies for social justice and poverty alleviation has been discussed in Chapter 2, this chapter will focus on the role Islamic teachings in Bangladesh. Islamic education spread widely throughout Bangladesh after the Turkish conquest of Bengal in 1201. A number of mosques, madrasahs and khankas were established (Mehdy 2003, p. 16).

Following the British colonization of India, there was a gradual decline in the maktabas of Bengal. In accordance with the political motive of the Oriental School of Educational Policy, the British themselves patronized this religion-based mode of education and Calcutta Madrasah was established in 1782 (Mehdy 2003, p. 16). Since with the fall of the Muslim rule, the Muslims of India including Bengal, became poor and could not afford to send their children to schools, an educational class divide was created through education policy: modern English education was for the affluent Hindus and traditional, non-functional religious education was for the poor Muslims. Thus, madrasa education would entitle the Muslims to be engaged by the criminal courts, the police and other departments in low status jobs and would ensure peaceful governing by containing the Muslim discontents. However, over time few changes were made in Islamic educational system in Bangladesh and for political reasons, it has become diverse and multidimensional, but the class composition remained the same. Islamic education in madrasa was synonymous with rural poor and conservatism.

There are at least five recognized streams of *Madrasas* in Bangladesh: *Alia*, *Quomi*, *Deobandi*, *Brelvi* and *Ahl-e-Hadith* (Ahmad 2006, p. 3), which operates both under and without government oversight. They are the main breeding grounds of diverse Islamic socialization in Bangladesh.

Alia madrasas are under government control and are, therefore, open to reform initiatives, whereas *Quomi madrasas* are mostly run by private donations and charitable endowments and are, therefore, not amenable to reform initiatives from outside (Ahmad 2006, p. 4). Presently, an overwhelming majority of 82% of madrasa students belongs to poor families of rural areas and small towns (BEI 2011). *Quomi madrasas* that provide education, housing, and food facilities free of cost are benefitting the

locals of these areas because in many of these places there are no alternative forms of schools. Unlike government formal schools that require basic infrastructure to be developed in order to run, *Quomi madrasas* are able to operate informally within local settings. Therefore, madrasas played a vital role in spreading literacy amongst the down trodden segments of Muslim society. Since they are the direct beneficiaries of Islamic welfare practices, they also spread those practices through their teachings.

One important source of their income is the collection of animal skins or its sale proceeds during the *Eid-ul-Azha* festival. Jamia Quarania Arabia Lalbagh Madrasa's Mufti Faijullah says the money from the sale of hides of sacrificial animals is spent solely for the poor students (*Dhaka Tribune*, 13 September 2016). Sholakia's Khatib Farid Uddin Masud said: "In our country, usually the raw hides are collected by *Qawmi madrasas* to foot the cost of upbringing poor students. In this case, it is best to donate hides to the madrasas because, one hand it is donating to the destitute and on the other, it gives poor children opportunity to study" (*Dhaka Tribune*, 13 September 2016). This is how Islamic teachings socialize people into Islamic welfare activities of *zakat* and *sadaqa*.

Madrasas serve as a vehicle for articulating Islamic cultural heritage and universal values that are deeply embedded in the tradition, consciousness and identity of the Muslim community.

The limited terrorist activities in Bangladesh seem to have been informed primarily by social and economic injustice and apparent secularization of culture and only secondarily by the external political development in the global scale. Islamic educational institutions can play important formative roles in social development of Bangladesh especially in the field of eradication of illiteracy, environmental awareness, building up of civic awareness and promoting ideas of economic and social justice (Ahmad 2006, p. 4).

Moreover, Islamic ethical codes of behavior have protruding implications for welfare practices, formal and informal, as manifest in gender, race, ethnic and class relations. The impact of Madina Charter and Prophet Muhammad's Farewell Sermon (*Khuṭbatu l-Wadā*) in 632 is significant in flourishing a democratic and welfare society:

All mankind is from Adam and Eve. An Arab has no superiority over a non-Arab, nor does a non-Arab have any superiority over an Arab; a white has no superiority over a black, nor does a black have any superiority over a white; [none have superiority over another] except by piety and good

action. Learn that every Muslim is a brother to every Muslim and that the Muslims constitute one brotherhood. Nothing shall be legitimate to a Muslim which belongs to a fellow Muslim unless it was given freely and willingly. Do not, therefore, do injustice to yourselves. (Abdullah 2007; Farooq 2018)

These ethical values contribute to the improvement of subjective and objective well-being of the Muslims, and foster the cross-cultural inter-group formation. In addition, teachings and practices of pro-Islamic political parties, civil societies and NGOs also provide Islamic platforms to initiate Islamic welfare practices, especially during natural and social disasters.

5 FINANCING OF SOCIAL POLICY IN BANGLADESH

The government's increasing commitment to social protection is evident from the increasing coverage and diversification of safety net programs. The size of total public spending on these programs, as shown in Table 2, has also increased in recent years: from 2.2% of GDP in 2012–2013, to 2.53% in 2018–2019 (ILO 2019, p. 21). This is more than double if compared with nearly 1% of GDP in the 1990s (World Bank 2013, pp. 113–125). The proportion of public expenditure allocations to social protection has also steadily increased, averaging about 14% of the total budget in the recent years 2018–2019 (ILO 2019, p. 21).

Such increases in budget allocations are also reflected in the coverage of the social protection programs. According to the data of the official Household Income and Expenditure Survey (HIES), the number of households benefiting from at least one safety net program increased from 24.6% in 2010 to nearly 29% in 2016 (Government of Bangladesh 2017, p. 83, T-40). Among rural households, the coverage rate is even higher, nearly 36% compared to 11% in urban areas in 2016. A survey of 3594 households conducted by MSUK (2013) finds few impediments of the effectiveness of social safety nets in Bangladesh: corrupt practices by the administrators of social safety nets programs, inclusion error and exclusion error with respect to non-beneficiary and beneficiary households respectively (MSUK 2013: iii). The declining trend of poverty also is in conformity with Government's spending on SSNP. "However, there is no concrete evidence that government's allocation on social safety net is

Table 2 Social safety net programs budget, 2012–2013 to 2018–2019

	Social protection		Social empowerment		Total safety net	
	<i>BDT in billion</i>	<i>% of budget</i>	<i>% of GDP</i>	<i>BDT in billion</i>	<i>% of budget</i>	<i>% of GDP</i>
2012–2013	174,800	9.23	1.68	56,180	2.97	0.54
2013–2014	189,840	8.78	1.61	76,700	3.55	0.60
2014–2015	215,290	8.98	1.42	91,060	3.80	0.60
2015–2016	252,640	9.55	1.46	107,110	4.05	0.62
2016–2017	305,830	9.64	1.56	102,740	3.24	0.53
2017–2018	287,960	7.75	1.29	197,270	5.31	0.88
2018–2019	442,070	9.52	1.74	199,680	4.30	0.79
				<i>BDT in billion</i>	<i>% of budget</i>	<i>% of GDP</i>
				230,980	12.20	2.22
				266,540	12.33	2.26
				306,360	12.78	2.02
				359,750	13.60	2.08
				408,570	12.88	2.09
				485,240	13.06	2.17
				641,770	13.81	2.53

Source ILO (2019, p. 21, T-4)

being received by the poor and hence poverty is declining” (MSUK 2013: iv).

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6 POVERTY REDUCTION IN BANGLADESH: ROLE OF THE THIRD SECTOR

Like most social sciences concepts, the term ‘third sector’ is contested by the academicians and the governments as boundaries and the constituent parts of the third sector are not clear (Alcock 2010). The UK Government prefers ‘civil society’ to ‘third sector’ as the former includes voluntary and community organizations, charities, mutuals and social enterprises (Dickinson et al. 2012, p. 5). However, Bangladesh society broadly recognizes three sectors—public or state, private or market and nonprofit or third sector. In this schema, NGOs are considered third sector in Bangladesh and together with Civil Society Organizations (CSOs), they have created jointly a new era of partnership in poverty alleviation activities, gender sensitive issues, education and health. The micro credit scheme provided by NGOs, has been praised for its success in poverty reduction (Begum et al. 2004) vis-à-vis reducing dependency on the usual money lender (*mahajan*). The microcredit is the only financial system initiated by NGOs that provides loan to the poor or even to the hardcore poor people without taking any mortgage or collateral security.

Two of the most widely recognized Microfinance Institutions in the world today are both located in Bangladesh. They are known as Grameen Bank and BRAC. They have the largest micro-credit programs in Bangladesh with 9.1 million and 7.1 million members respectively as of 2018. Table 3 gives a glimpse of their profile and shows how deceptively organizations for poor have been corporatized with billion dollars of assets, deposits and disbursements followed by million dollars of profit from the poor.

This profit-orientation of these NGOs questions their legitimacy of belonging to the third sector. The slogan of poverty alleviation by them appears hypocritical but was a much-needed rhetoric for their neoliberal masters, WB and IMF. In 2005 many NGOs changed their status to for-profit, converting their philanthropic nonprofit assets into private for-profit assets (Develtere and Huybrechts 2002). BRAC specially act like a “parallel government.” Even the manner by which they collect weekly instalments from the poor women can simply be termed as an act of crime (Develtere and Huybrechts 2002). This can be viewed as neo-liberal developmentalism or subsidized system of lending (Robinson 2001).

However, it is observed that the cumulative efforts of all sectors—public, private and the third—contributed in the reduction of poverty, though NGO contribution is uncritically underscored. Table 4 which gives trend of income poverty from 1991–1992 to 2018–2019 shows

Table 3 Comparison of Grameen Bank and BRAC, 2018 (amount in USD)

	<i>Grameen Bank</i>	<i>BRAC</i>
Cumulative disbursement (all loans)	201.0 billion	–
Disbursement during the year (all loans)	24.2 billion	4.2 billion
Total deposits (balance)	22.3 billion	–
Deposits of GB members (balance)	14.0 billion	–
GB members’ deposit as % of total deposit	70.0	–
Number of groups	1,388,316	–
Number of members	9.1 million	7.1 million
Percentage of female members	97%	87%
Number of villages covered	81,677	–
Number of branches	2568	2300
Profit/loss (for the year 2018)	211.5 million	943 million
Total assets	1.5 billion	3.6 billion

Sources Grameen Bank (2019) and BRAC (2019)

Table 4 Trend of income poverty, 2005–2016

<i>Year of HIES</i>	<i>Upper poverty line</i>			<i>Lower poverty line</i>			<i>GDP growth rate</i>	<i>Per capita real GDP (Tk.)</i>
	<i>National</i>	<i>Rural</i>	<i>Urban</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>		
2018–2019 estimated	20.5			10.5			8.15	66,795
2017–2018 estimated	21.8			11.3			7.86	62,477
2016–2017 estimated	23.1			12.1			7.28	58,603
2016	24.3	26.4	18.9	12.9	14.9	7.6	7.11	55,259
2010	31.5	35.2	21.3	17.6	21.1	7.7	5.57	41,076
2005	40	43.8	28.4	25.1	28.6	14.6		
2000	48.9	52.3	35.2	34.3	37.9	20		
1995–1996	50.1	54.5	27.8	35.2	39.5	13.7		
1991–1992	56.7	58.8	42.8	41.4	43.8	24		

Source Government of Bangladesh (2017, p. 41, T-16)

that poverty in Bangladesh has steadily declined: from nearly 57% poor in 1991–1992 to 20.5% in 2018–2019 (Government of Bangladesh 2017, p. 41, T-16). However, the reduction of poverty is high in urban areas, where NGO’s sphere of influence is minimum: during 2010–2016 the decline in urban areas was 4.68% compared to 1.97% in rural areas. Moreover, it is observed that in rural areas, decline of annual poverty was higher than during 2010–2016 (1.97%). This is also true with respect to poverty gap and squared poverty gap.

The major shortcomings of the neoliberal developmentalism and its inadequacies in poverty alleviation can be grouped into five.

(i) Membership coverage: The Grameen and BRAC “group solidarity system” makes it hard to include the poorest groups. In their targeted approach both BRAC and Grameen Bank have defined their target group as those who have less than half an acre of land. Nevertheless, research have indicated that this official criterion is often neglected; 15–30% of BRAC members do not belong to the target group. For Grameen Bank similar figures were found (Morduch 1998, p. 4). (ii) Impact on employment and productivity: World Bank research findings show that for their members Grameen Bank and BRAC have been overall successful in expanding the opportunities of self-employment, which generates a

higher return than wages (Rahman and Khandker 1994, pp. 49–92). But it takes approximately five years for a poor program member to work his way up above the poverty line and eight years before he is able to function independently from the micro-credit institution (Khandker and Chowdhury 1996, pp. 17–20). (iii) Impact on poverty: The research of Hulme and Mosley (1996, pp. 134–135) shows that the impact of credit on BRAC members’ monthly incomes has been limited, particularly when inflation is taken into account. Microcredit does not have significant impact in reducing poverty, but simply acts as more of a “consumption stabilizer” by reducing the shocks of natural disasters, illness, and seasonal hunger (Rahman 1999). One of the serious impacts of microcredit on poverty is over-indebtedness. It is found for installment payments on microloans, many Grameen borrowers used savings and household assets, recycling loans resulting in increasing household debt (Rahman 1999; 2004, p. 33). (iv) High interest rate: The cost of servicing loans of NGOs is higher than for commercial banks. Thus, the world’s poorest people pay the world’s highest cost for their loans. Grameen Bank interest rates are typically 20%, which comes to 32% in effective interest and including hidden costs, it comes to 60% (Karim 2008, p. 17): “Grameen Bank was overcharging its eight million borrowers and that it was in effect “sucking blood from the poor” (Sheikh Hasina as reported by *BBC News*, 5 April 2011). (v) Adverse impact on gender relationships: NGOs reproduce economy of shame by manipulating existing notions of Bangladeshi rural women’s honor and shame in the furtherance of their capitalist goals, and instrumentally violate local norms of cohesion and community (Karim 2008).

The biggest problem with microcredit is that it gives neoliberal policymakers the opportunity to effectively privatize welfare and avoid government responsibility for providing the help and support that poor people need to escape poverty. Its constructive endeavor has been vastly overhyped. It must be pointed out here that when discussing the impact of microfinance on poverty alleviation and women empowerment, two structurally significant economic components, remittance and garments, are overlooked.

(i) Remittance: From 6 million Bangladeshis working abroad, the country received US\$18.34 billion in 2019 which may cross \$20 billion-mark by the end of June 2020 (*Financial Times*, 1 January 2020), whereas Bangladesh received foreign assistance amounting to US\$6.21 billion in 2018–2019 (*Financial Times*, 17 July 2019). Thus, it is greater

than foreign aid and helps in lessening dependence on foreign aid. It is also the second largest sector of foreign exchange earnings after the garment sector. Thus, remittance had a definite impact on the poverty alleviation of the recipient families as it increases the standard of living.

As of 2016 Bangladesh held the 2nd place in producing garments just after China (*The Daily Star*, 2 February 2016). In 2016 RMG sector accounted for 82% of the country's exports and around 13% of the country's GDP (*Dhaka Tribune*, 9 January 2018). The sector employs more than four million workers, of whom almost 85% are women (Bangladesh Bank 2016). The midterm review of ADB's Strategy 2020 finds RMG sector closely related to poverty reduction and inclusive economic growth (ADB 2014).

7 ISLAMIC ZAKAT VERSUS NEOLIBERAL MICROFINANCE: THE CASE STUDY OF SHAKKHOM PROJECT OF OBHIZATRIK IN POVERTY ALLEVIATION OF BANGLADESH

7.1 Zakat-Based Poverty Alleviation Programme of the Obhizatrik

Obhizatrik Foundation is a registered zakat-based NGO established in 2010. It is actively working in the fields of poverty elimination, education, health and nutrition, human rights and environment. To make appropriate use of Zakat money, it initiated in 2016 a Sustainable Livelihood project titled "SHOKKHOM" at a very small scale involving only 82 families in 6 districts of Bangladesh—Dhaka (33 families), Gazipur (9 families), Patuakhali (15 families), Khagrachari (5 families), Rangpur (10 families) and Kushtia (10 families). The entrepreneurial activities were spread into seven enterprises—cow (10 beneficiaries), goat (10 beneficiaries), rickshaw (18 beneficiaries), van (12 beneficiaries), sewing machine (27 beneficiaries), shop (4 beneficiaries) and battery-operated rickshaw (1 beneficiary).

7.2 Efficiency of Zakat Over Microfinance in Poverty Alleviation

Compared to interest-based micro-credit programs of neoliberal NGOs, zakat-based social-welfare program, *Shakkhom*, by Islamic NGO *Obhizatrik* Foundation, is more efficient in ensuring welfare of its group members. Table 5 shows that all 82 zakat-recipients have a decent increment of their income compared to pre-zakat situations. The highest

Table 5 Overall effect of zakat on yearly income of 82 zakat recipients of Sokkhom project, 2016–2017

SNo.	Enterprise	Zakat recipient	Location	Previous occupation	Income/yearly (BDT)		
					Previous	Present	Increment
1	2-Cow	Habibur Rahman	Kushtia	Farming	60,000	200,000	140,000
2	Rickshaw	Nojrul Islam	Dhaka	Rent-a-Rickshaw Puller	120,000	216,000	96,000
3	Sewing machine	Sonia Begum	Dhaka	House wife	–	60,000	60,000
4	Sewing machine	Tuni Khatun	Kushtia	House Wife	–	48,000	48,000
5	Rickshaw	Mahbub Mia	Dhaka	Rent-a-Rickshaw Puller	112,000	216,000	104,000
6	1-cow	Ali Hossain	Patuakhali	Farmer	50,000	100,000	50,000
7	Tea shop on van	Jaminur Rahman	Rangpur	Tea seller	120,000	200,000	80,000
8	Shop	Abdul Barek	Dhaka	Rent-a-Rickshaw Puller	110,000	240,000	130,000
9	Sewing machine	Rekha Akhter	Gazipur	House Wife	–	75,000	75,000
10	Auto rickshaw	Firoj Mia (autistic)	Dhaka	Nothing	–	216,000	216,000
11	Van	Nayeb Ali	Kushtia	Farmer	60,000	120,000	60,000
12	Shop	Momota Begum	Lalmonirhat	House wife	–	72,000	72,000
13	2 Female Goats	Rehana khatun	Kushtia	House wife	–	35,000	35,000
14	Fruit Business	Abdul Lotif	Kushtia	Van driver	60,000	150,000	90,000
15	Fish Business	Shoikot mia	Dhaka	Rickshaw Puller	110,000	240,000	130,000
16	1 Cow	Sufia Begum	Khagrachari	House wife	–	65,000	65,000
17	Vegetable business	Jorina begum	Dhaka	House wife	–	120,000	120,000

increment (Tk. 216,000) is found in auto-rickshaw enterprise followed by 2-cow (Tk. 140,000), shop (Tk. 130,000) and rickshaw (Tk. 104,000).

Table 5 also shows that all 82 *zakat*-recipients have a daily net income between USD 2.25 and USD 5.84, which is above 2017 World Bank's Poverty line at \$1.90 a day. Therefore, it can be safely stated that *zakat* is not only economically efficient, it is morally desirable and psychologically liberating. This is also uniformly found in all 13 cases, which underscores the significance of *zakat*-based financing for economic, moral and psychological health.

Of thirteen case studies, two case studies, Billal (male) and Shiuli (female), are presented for illustrative purpose. Billal had a prior experience of receiving micro-credit from BRAC and Shiuli had every apprehension about it. The case studies make one fact simple and clear: interest-free credit is psychologically stable and grant as a form of credit is economically more profitable (Table 6).

Case Study 1

Billal, aged 30, lives in Mirpur Dhaka. He hails from Bhola. He is a school dropout at Grade X.

He got married when he was a school student. In Bhola he used to sell tea. In order to start his tea stall, Billal took a loan of 20,000 taka from BRAC in 2010 and paid an interest of 100 taka per week. Ultimately, he

Table 6 Annual and daily income from *zakat*-based enterprises in BDT and USD

Project	Annual/BDT			Income in USD		
	Cost price	Gross income	Expense	Net yearly	Yearly	Daily
Rickshaw	22,500.00	180,000.00	9600.00	170,400.00	\$2130.00	\$5.84
Goatary	20,250.00	90,400.00	23,540.00	65,761.00	\$822.01	\$2.25
Cow with calf	61,875.00	102,000.00	27,900.00	74,100.00	\$926.25	\$2.54
Motorized sewing machine	10,125.00	108,000.00	21,600.00	86,400.00	\$1080.00	\$2.96
Battery-operated rickshaw	67,500.00	144,000.00	21,600.00	122,400.00	\$1530.00	\$4.19
Grocery shop	50,625.00			114,000.00	\$1425.00	\$3.90
Tea shop	39,375.00			82,125.00	\$1026.56	\$2.81

repaid 27,600 taka including 7600 taka interest in 46 weeks to BRAC. He paid extra to repay the BRAC loan.

In 2011, Billal came to Dhaka with a capital of 25,000 taka of which 5000 was borrowed from his elder brother, 15,000 was borrowed from his mother-in-law and 5000 was from his own savings, and started his own dress business in the Taltola market, Khilgoan in a van. His business went well as he earned 500–600 taka net profit per day. In 2014, Billal made Shumon his business partner, who invested 30,000 taka in his enterprise. The business went smoothly. However, in 2014 during the month of Ramadan and a few days before the Eid, his partner ran away with all investment money amounting to 155,000 taka. Billal became almost bankrupt and closed down his business. From December 2014 to May 2017 Billal worked in the garment factory. But due to work pressure, low wage, exploitation and misbehavior of the supervisor, he resigned and became both frustrated and depressed. Then his neighbor recommended him to go to the Obhizatrik foundation, who purchased a van for him and gifted a cash of 7000 taka as a capital from *zakat* fund to restart his dress business. Now he sells vegetable in the morning and in the evening, he sells dress in the Mirpur 11. He earns more than 6000 taka monthly as a profit and saves 500 taka every month. Billal is now living happily with his wife and daughter. Since there is no burden of repaying the principal with compound interest, Billal is psychologically tension-free which is reflected in his satisfactory conjugal life.

Case Study 2

Shiuli Begum, Age 24, married. She is from Tangail. Her husband is a car driver and she has a 7 years old son, who studies in Obhizatrik Foundation School in Grade I. In 2006 when she was only 12, Shiuli worked as a child laborer in a garment factory and got married in 2008 when she was only 14 years old. When she enrolled his son to Obhizatrik school, she came to know about *zakat*-based enterprise of the Obhizatrik. Since she knew stitching, she received a sewing machine from them and began informal dress making. Shiuli didn't go for any NGO's micro credit program because she was aware of NGO's refundable loan with interest. Since *zakat* was non-refundable and there was no interest charged, she was happy to get such assistance. Upon order from women, she stitches women's dress, 3-piece *salwar-kamiz-dopatta* suit for which she only charges 120 taka. Even then, she makes a monthly profit of 3000 taka

and can save at least 2000 taka per month. Shiuli is now self-dependent, solvent and happy.

7.3 Future Potentiality of Islamic Social Policy in a Unipolar World

In this globalized hegemonic unipolar world, market has become autonomous to the extent that its dehumanizing effect has produced discontents and counter narratives. Islamic social policy is one such counter narrative. Its potentiality lies in the emergence of Muslim/Islamic identity in the Muslim majority countries of Asia and Africa. It is also aided by the Islamic teachings, especially madrasa, pro-Islamic political parties in power and opposition and Islamic third sector. In a crisis situation, when morality and ethical conduct becomes imperative, the possibility of Islamic social policy looms large. It is because Islam is a moral economy and a moral state based on the notion of social justice.

Since the last two-decade, Islamic economy has been showing their outstanding performance by maintaining proper contractual commitment into the market (Zaman 2018). Islamic finance system keeps a momentous contribution to the overall human life. Around the world, many people are beginning to see that the principles of Islamic banking are sometimes more attractive than those of conventional financial services. The system of the Islamic banking sector that operates clear of charging interest that helps people to free from interest burden. From the running conventional economic system, people want to get rid of and seek a new economic sustainable dimensional framework that can be given economic freedom without any impropriety and inequality. That's why Islamic economy can be a good alternative economic system to avoid the spurious exploitation of capitalism and socialism on the poor and under developing countries. In a unipolar world, Islam is the only viable alternative to neoliberal capitalism and alienated socialism (Spybey 1992) as it stands for social justice, reduction of social inequality and poverty in Bangladesh and other developing countries.

8 CONCLUSION

The history of human civilization has witnessed the rise and fall of many systems: Soviet model of socialism collapsed and spurious exploitation of capitalism generated discontents and protests. Capitalism always takes its

focus on self-interest that determines the economic system to caprice, greed, and corruption. Socialism and their market system already fall down from the capital market. The analysis of comparative economic system, socialism and capitalism, shows that both systems are culturally alien to the Islamic Eastern societies. The penetration of neocolonialism and neoliberalism has such a disembedding and deterritorialization effect that Islam has become both a victim and a savior. The western neoliberal hegemony has threatened Islam and the Third World countries. In the quest of self-identity, Islamic societies are falling back to Islam, especially political Islam.

The chapter argues that there is an inherent antagonism between welfare-based Islamic and anti-welfare oriented neoliberal social policy. Moreover, the Islamic economy has demonstrated a favorable outcome that considered “the dynamism of capitalism” and “equality of socialism” with the economic system of Islam. This is why Islam can present a counter narrative to neoliberalism vis-à-vis social welfare.

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