

## Is Islamic Microfinance Serving the poor people compare to conventional microfinance? An empirical study from Bangladesh

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Islamic microfinance outreach is extraordinarily low in the world. Also in Bangladesh, Rural Development Scheme (the largest Islamic microfinance institution [MFI]) covers only 5 percent of total microfinance outreach. Even though its market penetration is still very limited, the *raison d'être* of Islamic MFIs can be justified if they financially include the marginalized people. This paper aims to discuss about the *raison d'être* by investigating how Islamic and conventional MFIs include the poor people. This research uses the poverty possibility index (PPI) score to assess the poverty status of the clients of both Islamic and conventional MFIs. We find that Bangladeshi MFIs do not fulfill the mission to fully empower the poorer and marginalized people. Meanwhile, conventional MFIs are growing rapidly whereas Islamic MFIs are lagging far behind. We cannot accept the hypothesis such that Islamic MFIs' very limited market share in the microfinance industry is attributable to their outreach to the marginalized people.