

Poverty alleviation and women empowerment through Islamic microfinance in Sri Lanka

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Islamic microfinance refers to making small loans available to poor people (especially those traditionally excluded from financial services) through programmes designed specifically to meet their particular needs and circumstances based on Islamic economic principles. Serendib Microfinance which was established after the Tsunami devastation in 2004 covers few southern and eastern coastal villages and financially supported the selected female tsunami victims who were in desperate need of financial aid to restart their own micro level businesses. Microfinance program for women helped to improve their financial management, and increased women participation in family and community development. The microfinance facilities that were given to these women do not require physical collateral such as property but it is replaced by a system of collective guarantee (or solidarity) groups whose members are mutually responsible for ensuring that their individual loans are repaid. The microfinance investments are given as kind but not as cash in any circumstances in order to comply with the Islamic economic rulings. The project has achieved many of its objectives. Successful completion of first round of investment has ensured the beneficiaries with a second round of investment. The overall repayment rate in most of the places where the project is implemented is almost 100%. The collective maintenance of a center fund by the beneficiaries has given them the luxury of having short term loans without interest or markup that fulfilled their urgent financial needs. The operation of the project faced some challenges and many steps are being taken to tackle such problems. The project follows many approaches in order to ensure the transparency and integrity.

Key words: Microfinance, Poverty alleviation, Women empowerment, Islamic, Participation

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