

Preference Behavior of the Rural Poor Observed in Microfinance Borrowing: Case for Bangladesh

Mohammad A. Ashraf

Assistant Professor and Head, Department of Economics, UIU-United International University, 80/8A

Dhanmandi, Dhaka 1209

Email: mashraf@eco.uui.ac.bd

Abstract

The main purpose of this paper is to examine the potential factors such as fear of getting into risk of borrowing micro loans, knowledge and religious principles that can influence on attitude to affect the intended preference behavior of the rural poor women in the context of participation in MFIs in Bangladesh. In so doing, a theoretical framework using the theory of reasoned action (TRA) as its basis is established. Data are collected through face to face interview with the rural people from six different regions across Bangladesh. The respondents are selected through random sampling procedure. The structural equation modeling (SEM) technique has been used for analyzing data. The results indicate that at least two belief-constructs influence attitude which affect intention toward preference behavior of the rural poor in terms of participation in MFIs in Bangladesh. This outcome would be helpful for the policy-planners in order to formulate further strategy to alleviate rural poverty from society.

Keywords: Microfinance, MFIs, rural poor, preference behavior, TRA

Introduction

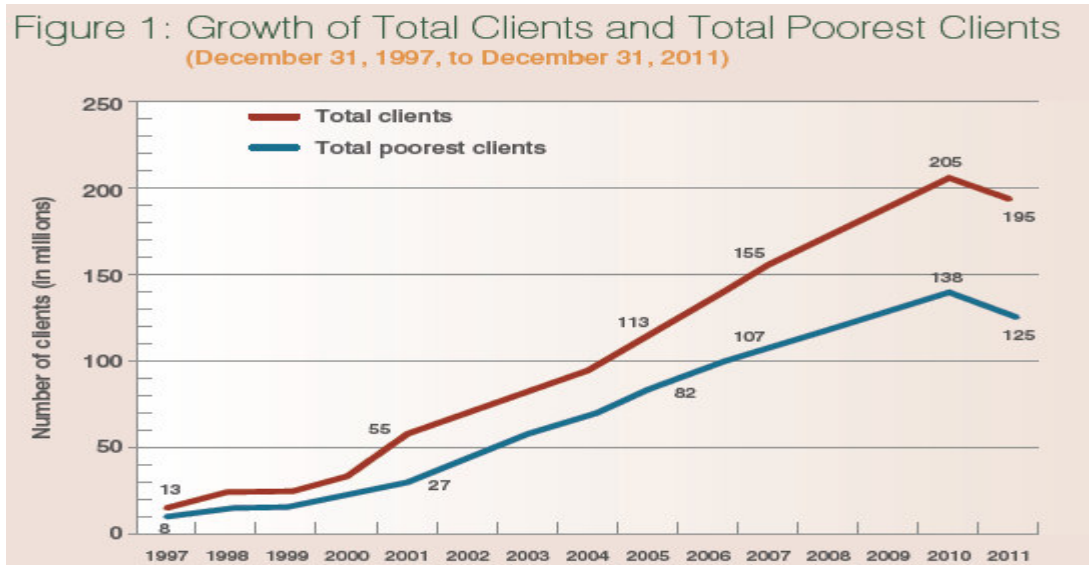
Microfinance program pioneered by Muhammad Yunus has spurred to alleviate rural poverty from society since 1974 (Pine, 2010). The foundation of microfinance is operationally based on several principles such as group-lending, charging comparatively high interest rates, weekly meeting and repayment of loans, deliberately chosen for poor women as borrowers, forced saving systems for insurance and emergency needs (Ashraf, 2014a). Sometimes these formalities are observed to be unmet by the illiterate rural poor especially the women-folk in agrarian underdeveloped rural society. There is another big issue that is religious background of the society which is predominantly Islamic. Islam puts restrictions on interest rate which is charged on borrowed funds. In addition, it also urges the Muslim women to observe veil or covering their body while going to public. Thus, this type of socioeconomic circumstance necessitates rooms for choosing the rural poor women's options suitable for them. Hence, individual preference in terms of participation in MFIs has become a big issue which warrants empirical investigation.

Preference is the power or ability to choose one thing over another with the anticipation that the choice will result in greater satisfaction, greater capability or improved performance of the behavior (Schiffman and Kanuk, 2000). According to Fishbein and Ajzen (1975), behavior of an individual is a function of intention to behave in a certain manner and other intervening factors. This implies that intention to behave cannot be expected to be a perfect predictor of behavior. Intention to behave is also preceded by attitudinal beliefs which have attracted much attention of the researchers nowadays.

In recent years, the adequacy of earlier attitude theories and models has come under scrutiny. An important criticism has been the lack of attention to the complexity and interactions of attitude components. As a matter of fact, early research employed only single-component model of attitude by focusing exclusively on an individual's overall feelings or evaluative reactions toward certain objects. Later model was expanded based on this purview by emphasizing that attitudes have three major components such as the cognitive component (perception and knowledge), the affective component (emotional reaction as fear and religious principles) and the conative component (tendency to act in a certain way) (Loudon and Bitta, 2001). However, Fishbein and Ajzen (1975) pioneered new models of attitude which have overcome many of the shortcomings of previous theories. Because researchers have given more attention to the Fishbein and Ajzen (1975) model, it would be worthwhile to note this model as an example of multi-attribute attitudinal design.

Until today, much research has been done on microfinance since its emergence in 1976. Recently, there have been a striking finding, probably for the first time in microfinance history, the number of microloans fell sharply (Figure 1). Most of the decline took place in Andhra Pradesh in India and also in Bangladesh. This stunt relates "vulnerability" drawing upon the particular reference of Vijayalakshmi Das, an Indian Microfinance veteran who laments: "we are as vulnerable as our clients" (Roodman, 2013) That means MFIs are getting fragile as long as they continue to prey upon the vulnerability of the rural poor. In short, MFIs are ignoring the clients' interests. In

reality, it is a stunning fact which stokes to go for an understanding what went wrong and why the global total fell.



Source: Roodman (2013).

According to David Roodman (2013), “an implication of the vulnerability theme is that some of the loans in Andhra Pradesh, and by implication elsewhere, were harmful. With microcredit, more is not always better. That cuts against the historical messaging of the MCS (microcredit summit) campaign, with its goals and tallies and its fusing of a goal for outreach with one for poverty reduction. The general impression has been that expansion is urgent and equitable with poverty reduction.” This stunning evidence suggests that there has been a significant change in the people’s attitude and preference behavior toward microfinance participation for which such a downturn is observed.

The main purpose of this paper is therefore to examine the potential factors such as fear of getting into risk of borrowing micro loans, knowledge and religious principles that can influence on attitude to affect the preference behavior of the rural poor women in the context of participation in MFIs in Bangladesh. In so doing, a theoretical framework using the theory of reasoned action (TRA) as its basis is established. Using measurement scales created to assess different aspects of fear, knowledge and religious restrictions, a survey instrument has been developed to test the various relationships implied by TRA.

The plan for this paper is as follows: first, the present study aims to delineate an overview of the Grameen Bank’s expansion and the history of basic microcredit movement around the globe. Then, the TRA is briefly reviewed, as are the relevant literatures on preference behavior of the rural poor in the respect of microfinance, intention and attitudes along their antecedents of fear, knowledge and religious principles. Next, the research model and hypotheses are presented, followed by a discussion of the research method and findings from the data analysis. A discussion of the meaning of the results and their implications ends the paper.

Fairy-tale of the Castle of Microfinance Movement

The history of microcredit movement of the Grameen Bank is almost contemporaneous to the independence of nascent state Bangladesh. Undoubtedly, the Grameen Bank is an ideal brainchild of Muhammad Yunus, a former Economics Professor in Chittagong University, incepted its idea in Jobra village near the university in 1974 with a grand mission of eradicating rural poverty from the then war-torn and famine-stricken society of Bangladesh (Ashraf, 2014a). Formally, the Grameen project was initiated later in 1976 and it took seven years to be established as a full-fledged bank of microcredit in 1983. Since then, the bank has taken at least another seven years to come to lime-light of American Congress in 1990 and then another seven years to arrange the 1997 Microcredit Summit in Washington, D.C. USA. However, most fascinatingly, Dr. Yunus and his Grameen Bank had to wait another long nine years to jointly grab the Nobel laurel in Peace in 2006 (Ashraf, 2014a).

Central to that story would have been the role of Sam Daley-Harris, who came out as a social activist in the late 1970s in the U.S.A. He was working under the banner of Hunger Project which had the grand goal of eliminating world hunger by 1997 (Daley-Harris, 2009). Even though that project could not reach practically to that much

ambitious level, Sam could successfully found the more practical and grass-roots lobbying group Results, which in the early 1980s persuaded the U.S. Congress to increase funding for Oral Rehydration Therapy (ORT) and the UN's International Fund for Agricultural Development (IFAD). These were remarkable feats for a mostly-volunteer, start-up nonprofit organization around the globe (Roodman, 2013).

Subsequently, IFAD became the early financier of the Grameen Bank in Bangladesh (Roodman, 2013). An IFAD report on Grameen Bank puts microcredit to Sam's notice in as early as 1985. He later introduced Dr. Yunus to the American Congress and Press. The *Christian Science Monitor* reported a small story on microcredit. Muhammad Yunus was catapulted into the fame in the U.S and beyond. Sam staged that publicity coup by organizing the Microcredit Summit in Washington, DC, in 1997, whose headliners included the then First Lady Hillary Clinton and Bangladesh Prime Minister Sheikh Hasina. According to David Roodman (2013), founder of the Center for Global Development, FINCA founder John Hatch first suggested the Summit. The Summit declared a grand goal of brining microcredit to 100 million poor by 2005.

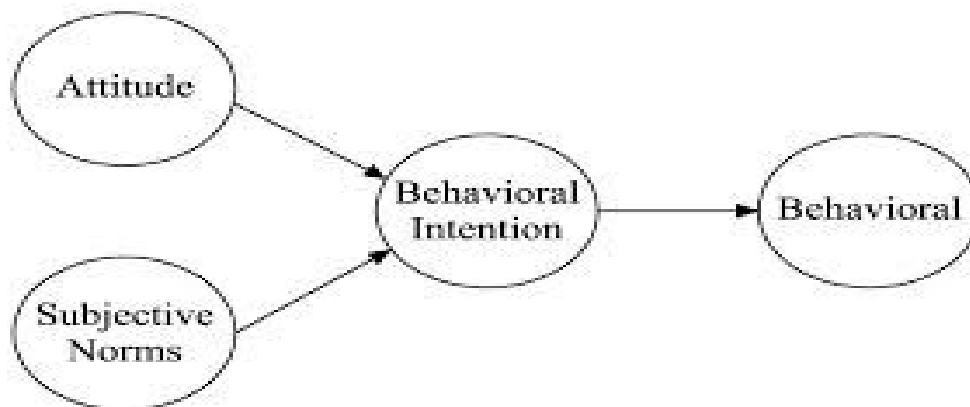
Later they issued a permanent Microcredit Summit Campaign (MSC) which has been a prime impetus behind the global microfinance movement, combining savvy publicity with behind-the-scenes lobbying for funding. Each year the MSC used to release a painstakingly collected tally of microloans worldwide. After the 100 million goal for 2005 was met, the campaign issued two goals for 2015: 175 million of the poorest with microcredit and 100 million people lifted out of extreme poverty (under \$1.25/day). However, recent evidence suggests that the castle of microfinance starts fading and falling down (Roodman, 2013).

Theory and Past Research

TRA

The TRA model offered by Fishbein and Ajzen (1975) is presented in Figure 1. The model indicates that human behavior is a function of intention which has two antecedents such as attitude toward intended behavior and subjective norms that are the individual's perceptions of how others who are important to react to such behaviors (Laodon and Bitta, 2009). The relative influence of the social referents determines the exact nature of the person's behavioral intentions. Similarly, attitudes toward behavior are determined by perceived beliefs and evaluations that an individual holds about the outcomes of behavior. And subjective norms are determined by a person's beliefs about reactions of others about the intended behavior and motivations to comply with their standards for behavior (Laudon and Bitta, 2009).

Figure 1: TRA



Source: Fishbein and Ajzen (1975)

As indicated previously in several research which suggests that subjective norms are relatively weak to influence intended behavior in comparison to attitudes (Ashraf, 2014a). Ajzen and Fishbein (1980) also assert that the model could be represented very simply as following structural model of attitude:

$$\text{Attitude} \rightarrow \text{Intention} \rightarrow \text{Behavior}$$

Based on the theory, an individual's personal attitude toward a behavior consists of (i) a belief that that particular behavior leads to a certain outcome and (ii) an evaluation of the outcome of that behavior. If the outcome seems beneficial to the individual, he or she may then intend to or actually participate in a particular behavior (Ashraf,

2014b).

The TRA model is fundamentally based upon the postulation that human beings are usually rational and make systematic use of information available to them (Ashraf, 2014b). People consider the implication of their actions before they decide to involve or not to involve in a certain behavior (Ashraf, 2014b; Ajzen and Fishbein, 1980). In the present research, TRA has been used as the structural model of the attitude. This model is on a research of attitude which took place in three phases: (i) issues of measurement and relations to behaviors; (ii) dynamics of individual attitude change; and (iii) understanding the structure and function of attitude (Ashraf, 2014b; Hogg and Terry, 2000).

Though the TRA model has been extended by adding extra variables, Ajzen and Fishbein (1980) and Ajzen (2008) assert that attitudes and subjective norms are the two key components in determining behaviors (Ashraf, 2014b). However, Trafimow and Fishbein (1994, p. 51) maintain that “most behaviors can be classified under attitudinal control and slightly under normative control for most people.” Similar assertion is demonstrated by Bagozzi, Baumgartner and Yi (1992) asserting that TRA is a comprehensive or integrative model of attitudes and action-oriented people have greater propensity toward attitudinal control (Ashraf, 2014b).

There have been several broad constructs that affect attitudes towards certain intended behaviors (Ashraf, 2014b). These are personal experience, association, family, institutions and others that form attitudes (DeLamater and Myers, 2011). An underlying premise of the current study is that beliefs about three dynamics such as fear, knowledge and religious values to determine attitudes toward intention to preference behavior regarding participation in MFIs. TRA is a robust theoretical basis which can help to examine such premises along with attitudes in the case of microfinance participation (Ashraf, 2014b). In the following section, all these three factors are reviewed in connection with attitude as well as intended preference behavior. This study follows Ashraf (2014a) conceptually in seeking to measure the items of all the variables postulated to influence the attitudinal patterns of the rural poor in deciding to intended preference to participate in MFIs in Bangladesh.

Fear of Getting into Risk of Loans

There have been several service providers in Bangladesh since right after its independence in 1971. Among the several socioeconomic-related service-providers available in Bangladesh, NGO-MFIs hold the most remarkable place and the participation of the poor people in these NGO-MFIs is relatively higher (Ashraf, 2014a; Rahman, 2009). However, perceptions of the poor in terms of expectation fulfillment and trust deficit in NGO-MFIs stands among the lowest percentage points which lead the rural poor to be in misty confusion and high economic insecurity. And the major costs of insecurity are financial loss and mental anxiety (Karim, 2011; Rahman, 2009). In addition, harassment by many NGO-MFIs is a critical social element experienced by citizens of contemporary Bangladesh (Ashraf, 2014a; Dyal-Chand, 2007; Ferdous and Uddin, 2010).

Recently, Ferdous and Uddin (2010) revealed the analytical content of this harassment indicator and report a significant range of misconducts from the NGO-MFIs experienced by the poor who are to pay high economic costs (Ashraf, 2014a). As an example of harassment, the residents of Arampur in northern Bangladesh report shocking stories such as physical and sexual abuse of borrowers in the hands of MFIs' officials. Unauthorized repossession of assets, including even the roof of the house of a loan recipient, frequently happens when borrowers miss their installments. In many cases, the defaulters of loan repayment are treated in such a way that they are just like captive. The persons who had died without paying off the borrowed money in full, the workers of the NGO-MFIs are observed to take the dead body under their custody until the loan has fully paid off. After full payment, the heirs of the deceased are allowed to go for funeral (Ferdous and Uddin, 2010).

In general, conventional MFIs use group and center pressure to force the borrowers to make weekly repayments of their loans (Ashraf, 2014a). When the peer pressure becomes futile to pay the weekly installment of the loans, sometimes threats from the MFIs are followed and in extreme cases, assets of the poor borrowers are auctioned by the MFIs for repaying the loans (Ferdous and Uddin, 2010). In such way, many rural poor lost all of their scanty belongings including houses and small home-lands (Karim, 2011).

With the passage of time, as the MFIs began to mature, they started facing performance dilemma, and focus is gradually shifted towards profitability (Ashraf, 2014a). In order to improve profitability of MFIs, interest rate on loan is kept at a high level and additional costs in the form of margin money, compulsory savings and insurance premium are being imposed to borrowers (Ashraf, 2014a; Elahi and Rahman, 2006).

By and large, microfinance borrowers in rural Bangladesh are poor and illiterate (Ashraf, 2014a; Huq, 2001). So,

they are not in a position to understand and realize various financial terms and conditions used by MFIs and their effective costs (Huq, 2001). To help the poor to understand true costs of loan, MFIs should disclose effective interest rate to the borrowers. Hiding effective interest rate to poor and illiterate borrowers by using “creative” accounting practices is highly unethical. Many MFIs simply state that they charge only 15% flat rate of interest (Ashraf, 2014a; Pine, 2010). Nonetheless, the effective interest rate including processing fee, insurance premiums and compulsory savings goes well over 100% per annum (Karim, 2011).

Thus, for paying back the loans timely, bank workers as well as group-members impose an extreme demand on their clients (Ashraf, 2014a; Ferdous and Uddin, 2010). In this condition, many borrowers used to maintain their regular repayment schedules through a process of loan recycling which considerably increases the debt-liability on the individual households, increases tension and frustration among household members produces new forms of dominance over women and increases violence in society (Ashraf, 2014a; Dyal-Chand, 2007; Rahman, 1999). This type of fear is widespread in the rural society of Bangladesh where people do not prefer to be member of any MFIs (Ashraf, 2014a; Karim, 2011). Thus, fear appears to be potential factor to the rural poor to influence attitude toward intention regarding preferential behavior.

Religious Values

Cultural as well as religious traditions are considered important factor to shape one’s attitude towards intention and preference behavior (Ashraf, 2014b; DeLamater and Myers, 2011). The rural society of Bangladesh is founded in local networks in which religion takes a prominent place, because around 87 percent of the population is Muslim (BBS, 2011) and Islam is the state religion in Bangladesh (Ashraf, 2014b). Around 90 percent of the laws in Bangladesh are secular. So, there are legal problems in Bangladesh arising from unresolved conflicts in the law. Hence, women independence or women empowerment program is against the beliefs of many strict Muslims (Ashraf, 2014b; Ahmad, 2009). MFIs offer an alternative by providing microcredit and primary training to poor women (Huq, 2001). Especially in the beginning, their activities are seen as undermining the traditional social and religious values of the country (Ashraf, 2014b).

Drawing on the evidence of the *Economist* (2000) which reports that women violating to observe veils (females’ physical exposure without any headscarf and extra clothes) by joining an interest-based microcredit program have been strongly condemned by religious instructions. According to these principles, interest is prohibited. Interestingly, interest is forbidden by all of the religions ordained by God (Hassan and Lewis, 2004).

Recently, Ahmed (2012) investigates the organizational models of Islamic microfinance. In this research, religion is demonstrated to play an important role in varying relative socioeconomic status of women and family behaviors across different religious groups (Ashraf, 2014b; Huq, 2001). Limited evidence for secularization is found by examining data from two censuses and trends across age groups, but the secularization process does not appear to be substantial.

Information suggest that much of the variation in the relative socioeconomic status of women is due to differences in family behavior, and there is little evidence for the declining influence of religion in family behavior or in the socioeconomic inequality of women (Ashraf, 2014a). So, it evidently shows how religious point of view in looking at the status of women is a factor for determining attitude toward intention regarding preference in participation in MFIs in Bangladesh (Ali, 2012).

Knowledge

Knowledge has an important impact on changing attitude of human being. The main reason is attitudes are learned *per se* (Ashraf, 2014b; DeLamater and Myers, 2011). This indicates that attitudes can be changed by knowledge or training and education. While Bangladesh has marked a leap in literacy rate at 59.2 percent in 2013, the rate for women is 55.71 percent (BBS, 2013). Nevertheless, these figures are reported as national average and literacy rates in rural areas of Bangladesh are much lower especially for women (Ashraf, 2014b). As majority of the participants in MFIs are women, lack of education may be postulated as one of the important factors of attitude toward participation in MFIs (Ashraf, 2014a; Ashraf, 2014b).

Based on a broad range of literatures, a consensus has emerged that our society is moving toward a phase in which knowledge and information drive economic growth (Ashraf, 2014b; Dewhurst, Hancock and Ellsworth, 2013; Benkler, 2006; Castells, 2000; Huber, 2004; Powell and Snellman, 2004; Sunstein, 2006; Teece, 2003). According to Huber (2004), there has been a knowledge-gap for which the potential rural clients fail to understand the benefits of microcredit. Not only that the microfinance programs have some features such as the membership of the program; functioning within a peer group; and successful utilization of credit (Ashraf, 2014b). Nevertheless, there has been evidence that the level of poverty is often double among the illiterates and the figure has been mounted to nearly triple in the case of extreme poverty incidence (Huber, 2004). Thus, lack of

proper knowledge and education may retard the rural poor's attitude toward their intention and preferential participation behavior in MFIs in Bangladesh.

Evidently, there are an immense scope of misinformation and ignorance about the microcredit programs in the rural Bangladesh (Ashraf, 2014a; Ferdous and Uddin, 2010). The field officers of MFIs promote the loans just like the commercial banks' sales executives who promote personal loans and credit cards (Ashraf, 2014b). Their main objective is to sell loans, not to initiate to change the lives of the rural poor. In reality, it saddles the loan recipients with the insidious burden of dependency contrary to economic freedom (Ashraf, 2014b). In this relation, the study cited an anecdote collected from a villager saying as:

“In the beginning, the NGOs told us their loans would bring joy to our lives if we borrowed from them and started a business. They lured us into the loans by telling that we would have chickens, latrines, and many other things to lead a good life. That good life became obvious as we sank deeper into the quicksand of illusion created by them. This illusion eventually tightens around our neck like a noose.”
(pp. 43)

Knowledge and education has been observed to be a concern in microfinance literature as in Ashraf (2014a) which finds a strong relationship with perceived behavioral control influencing intention towards the preference of nonparticipation in MFIs in Bangladesh. Ashraf (2014a) observes that lack of proper knowledge and education is statistically significant in hindering participation in MFIs. Hence, lack of proper knowledge and scope of misinformation about microfinance programs have a potential to deform the attitudinal construct of the rural poor leading their attitudes toward preferential participation behavior in MFIs in a negative way (Ashraf, 2014a).

Research Model and Hypotheses

The research model used in the study, demonstrated in Figure 2, is based on modified TRA. The study excludes subjective norms from the research model following the arguments of Ajzen and Fishbein (1980), Trafimow and Fishbein (1994) and Bagozzi, Baumgartner and Yi (1992) which suggest that most behaviors can be classified under attitudinal dynamics whereas subjective norms plays slight role and action-oriented people have greater tendencies towards attitudinal control. In terms of subjective norms, empirical supports are provided by Ashraf (2014a) which found it insignificant to influence intention toward the actual behavior of microfinance participation.

In this study, the model employs five hypotheses. The direction demonstrated in each hypothesis has been drawn from the previous discussion about different attitudinal factors from the basic structure of TRA. General attitude toward MFIs should be associated with intention toward preference behavior observed in terms of participation in MFIs. If an individual believes that MFIs is not beneficial to improve the livelihoods of the poor in the rural areas, then their intention should negatively influence their preference behavior to participate in MFIs. Several research works indicate that the poor borrowers of microfinance in Bangladesh possess negative attitudes towards participation in MFIs (Ashraf, 2014a; Ashraf, 2014b). Thus,

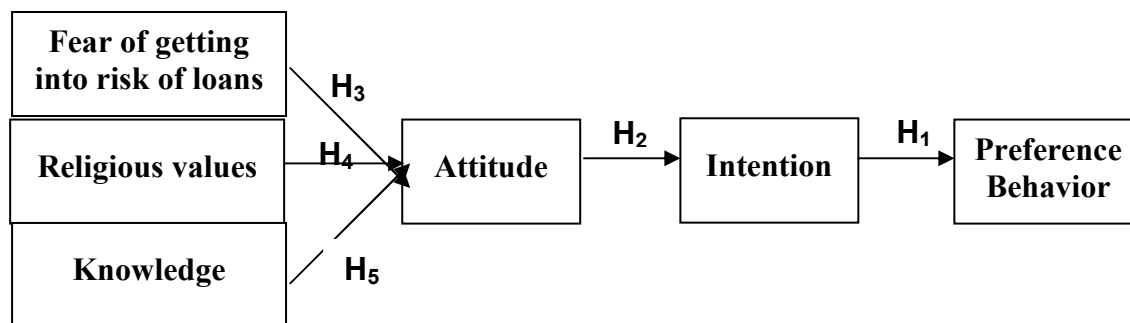
H₁: Intention of the rural poor has a negative relationship with preference behavior

Ajzen (1991) defines attitude as “to the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question” (p.188). Attitudinal behavior of an individual person focuses on the ultimate consequences of the behavior and one's overall assessment of the pertinent outcome. So, attitude toward a behavior can lead to the formation of a behavioral intention (Ajzen, 1991).

Based on TRA, attitude may result into either positive (liking, favorable) or negative (disliking, unfavorable) feeling or sentiment about intention towards actual behavior (Fishbein and Ajzen, 1975). There are numerous evidences which indicate that MFIs are not helpful to the rural poor for alleviating poverty and raising their living standard (Ashraf, 2014a; Ashraf, 2014b; Karim, 2011; Ferdous and Uddin, 2010). Consequently, there is a negative impression about the outcome of microfinance borrowing which leads to the postulation as:

H₂: Attitude has a negative relationship with intention toward preference behavior.

Figure 2: Research Model



An important feature of some individuals' understandings of their personal aversion to the risk element of dangerous activities is concerned their experience of fear. According to Lockwood (2011), for many of the mountain climbers, the fear is experienced when they consider the negative outcomes they could experience as a result of entering into risky climbing situations. Thus, fear is associated with the risk factor which ought to be considered a bit elaborately in order to clarify what is actually meant here in relevance to the participation of the rural poor in MFIs.

The fear of getting into risk of loans stems from several incidents happened in rural Bangladesh. Several examples have been cited by Karim (2011) and Ferdous and Uddin, (2010) which indicate that in many cases the workers of the NGO-MFIs used to detain the village-women borrowers and members if they missed to pay the weekly installments duly. In some extreme cases, the workers of the NGO-MFIs seized the household-assets of the poor borrowers including the wooden pillars and tin-roof of the houses for missing the installment of the loans.

Based on this fact, many rural poor families are getting into the vicious circle of overlapping loans and facing worse economic outcome. All these instances are liable for shaping the rural poor's attitudes negatively towards participation in MFIs in Bangladesh. Thus, it sounds reasonable to make a hypothesis as:

H₃: Fear of getting into risk of loan has a negatively relation with attitude towards intended preference behavior.

Lack of proper knowledge about MFIs and general education of an individual could have a scope of misleading toward certain object. There have been plenty evidences that the rural poor are often misled by the superficial or distorted information about the microfinance programs spread by the workers of MFIs (Ferdous and Uddin, 2010). When the rural poor get involved in microfinance programs and find different or sometimes opposite to speculated results, they become confused and ultimately lose the trustworthiness of MFIs. In this situation, the attitudes of the rural poor influence the participation in MFIs negatively. Therefore,

H₄: Lack of proper knowledge is negatively associated with attitude toward intended preference behavior.

Interestingly, all of the prominent religious values including Islam castigate against interest-based lending process (Hassan and Lewis, 2004) as well as women's public appearance without veil. However, conventional financial transactions are globally based on predetermined and fixed rate of interest. Nonetheless, Islamic Banks and NGO-MFIs have been operating in many countries of the world including Bangladesh since the mid 1970s (Ahmed, 2004). Thus,

H₅: Religious values are negatively associated with attitude toward intended preference behavior.

Research Design

Data collection took place in June and July 2011. A total of 424 rural poor were selected on a random sampling procedure from six different districts across to complete a questionnaire that contained measures of the constructs of concern. The data were collected through face to face interview. The questionnaire was pilot tested with a small size of data. Table I lists descriptive statistics about the sample.

Table I: Sample Statistics

| | Frequency | Valid Percent |
|---|-----------|---------------|
| Gender | | |
| Male | 68 | 48.6 |
| Female | 72 | 51.4 |
| Total | 140 | 100 |
| Age | | |
| 15 – 25 | 6 | 4.3 |
| 26 – 40 | 77 | 55.0 |
| 41 – 55 | 44 | 31.4 |
| 56 – 60 | 13 | 9.3 |
| Marital Status | | |
| Single | 4 | 2.9 |
| Married | 135 | 96.4 |
| Divorced | 1 | .7 |
| Education | | |
| Primary School | 107 | 76.4 |
| High School | 30 | 21.4 |
| College | 3 | 2.2 |
| Yearly Household Income in Bangladesh Currency of Taka | | |
| 0 – 20000 | 1 | 0.7 |
| 20001 – 40000 | 7 | 5.0 |
| 40001 – 70000 | 42 | 30.0 |
| 70001 – 100000 | 47 | 33.6 |
| More than 100000 | 43 | 30.7 |
| Total Amount of Land (including home-land) in Decimal | | |
| 0 | 18 | 12.9 |
| 1 – 33 | 55 | 39.2 |
| 34 – 66 | 29 | 20.7 |
| 67 – 100 | 19 | 13.6 |
| More than 100 | 19 | 13.6 |

The approach to employing the TRA model was based on that used by Ashraf (2014b) to test a TRA model with decomposed belief structures. Measures of preference behavior (two items), intention (three), attitude (four), fear (three), knowledge (four) and religious value (three) were all based on an instrument developed by Ashraf (2014a). There were also six demographic questions included in the instrument. These items are included in Table I and descriptive statistics for the scales are included in Table II.

The data were analyzed using the structural equation modeling (SEM), using AMOS software. First, the model in Figure 2 was run. The item loadings are examined to make sure whether they are above 0.60 cut-off level. It is observed that except one, all are above the level. The path analysis of the measurement model with item-loadings is provided in Figure 3. Correlations and measures of reliability (Cronbach's alpha) for all scales are reported in Table III. The Cronbach's alpha values are found above the cut-off level 0.60 prescribed by Nunnally (1978). The statistical significance of the paths in the model was tested. The tests indicate that four of seven paths were statistically significant at $p < 0.01$ level, providing support for H_1 , H_2 , H_3 and H_4 . The evaluated model is presented in Figure 4 and lastly the statistical significance of the paths in the model is listed in Table IV.

Results and Discussion

Much of the past research has been done in the area of microfinance and their impact on different socioeconomic dimensions, because social change and development need to be portrayed as multi-dimensional and contested realities (Arce and Long, 2000). However, there is very little research in Bangladesh that looks at local people's attitude and intended preference behavior incorporating any socio-psychological theoretical underpinning in studying microfinance programs and their activities. This study has demonstrated, at least for this sample, that some socioeconomic and cultural variables such as fear, knowledge and religious values are important for shaping people's attitude toward intended preferential behavior of the rural poor in the context of microfinance

borrowing.

Table II: Descriptive Statistics for Constructs

| | N | Minimum | Maximum | Mean | Std. Dev. |
|---------------|-----|---------|---------|--------|-----------|
| 1. Preference | 424 | 1.00 | 5.00 | 2.5755 | .71473 |
| 2. Intention | 424 | 1.00 | 5.00 | 3.2689 | 1.05585 |
| 3. Attitude | 424 | 1.00 | 5.00 | 3.4994 | .98820 |
| 4. Fear | 424 | 1.00 | 5.00 | 3.1431 | .88294 |
| 5. Knowledge | 424 | 1.00 | 5.00 | 3.5106 | 1.13451 |
| 6. Religion | 424 | 1.25 | 5.00 | 3.5106 | .83381 |

Table III: Correlations and Reliability Coefficients (on diagonal in italic)

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|------------|------------|------------|------------|------------|------------|
| 1 | <i>.62</i> | | | | | |
| 2 | -.298** | <i>.77</i> | | | | |
| 3 | -.367** | .640** | <i>.73</i> | | | |
| 4 | .089* | -.143** | -.207** | <i>.71</i> | | |
| 5 | -.147** | .214** | .320** | .098* | <i>.92</i> | |
| 6 | .043 | -.096* | -.123** | .529** | .113** | <i>.85</i> |

** Correlation is significant at 0.01 level (1-tailed); * Correlation is significant at 0.05 level (1-tailed)

Here, it is confirmed that intention has a significant influence on individual preference behavior of the rural poor in microfinance borrowing supporting empirically H_7 . Similarly, attitude of the poor people has also a statistical significant impact on their intention toward preference mode providing support for H_2 . As would be expected from TRA, these findings are similar to those reported in other studies. For instance, Ashraf (2014b) studied attitudinal dynamics toward participation behavior in microfinance borrowing in Bangladesh based on TRA and in this study attitude is observed to have a significant impact on participation of the rural poor in MFIs. There are a few of research works on MFIs in Bangladesh based on the theory of planned behavior, TPB (Ajzen, 1991) undertaken by Ashraf (2014b), Ashraf and Ibrahim (2013), Ashraf (2014c),

Figure 3: Path Analysis

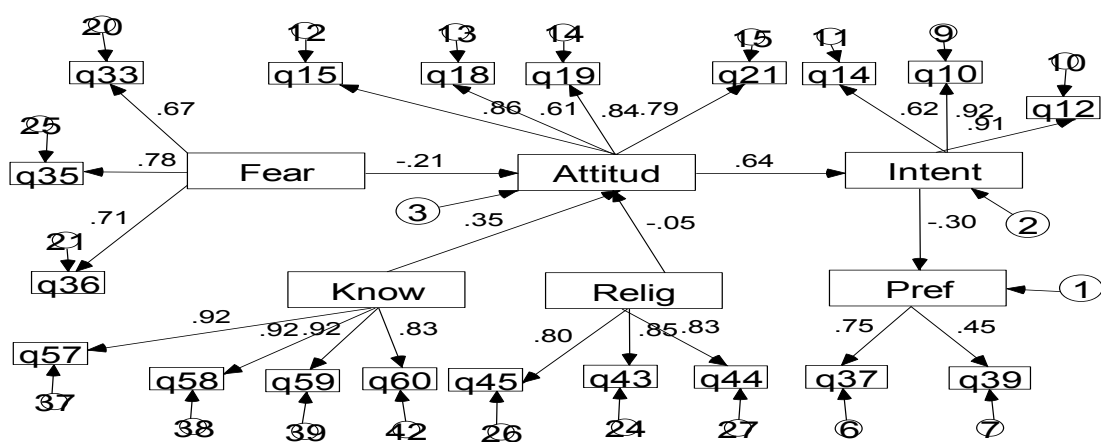
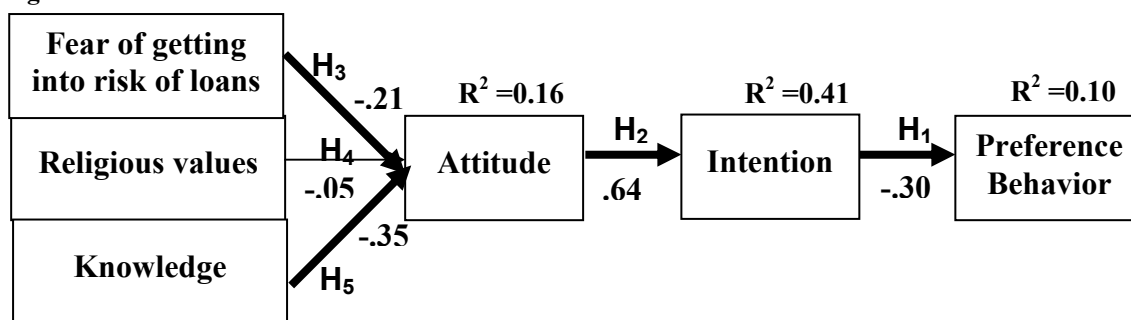


Figure 4: Evaluated Model



Note: \longrightarrow $p < 0.01$ \longrightarrow n.s.

Table IV Adjusted *t*-statistics and standardized path coefficients for hypothesized paths in the model

| Path | Path Coefficients | <i>t</i> -values |
|--|-------------------|------------------|
| H_1 : Intention to preference behavior | -0.30 | -0.642** |
| H_2 : Attitude to intention | 0.64 | 17.111** |
| H_3 : Fear to attitude | -0.21 | -4.089** |
| H_4 : Religious values to attitude | -0.05 | -0.910 |
| H_5 : Knowledge to attitude | 0.35 | 7.708** |

Note: ** Statistically significant at $p < 0.01$

Ashraf (2014d) and Ashraf (2014e) who confirm these findings. While intention has a negative influence on preference behavior, attitude has a positive relation with intention construct of the model. However, as expected in the model of TRA, the evidence of positive relationship between attitude and intention behavior ratifies the TRA once again in the field of microfinance as well. Notably, this evidence is also expected in TPB.

Among the three attitudinal beliefs of fear of getting into the risk of loans, religious values and knowledge, two are observed to significantly influence attitude construct toward intended preferential behavior of the rural poor in Bangladesh. As the relations postulated in hypotheses, only two support them. The belief about knowledge is observed to influence attitude of the rural people with positive statistical significance ($p < 0.01$). This outcome may have an influence on attitude to impact on intention with statistical positive significance ($p < 0.01$).

Similar evidence is also available in Ashraf (2014a) which demonstrates that fear is negatively associated with attitude towards intention behavior of the poor microfinance borrowers in Bangladesh. Ashraf (2014b) reports that exact outcomes have been observed for knowledge (positive influence) and religious values (negative influence) to influence attitude toward intention behavior. Nevertheless, the overall results indicate that the rural poor in Bangladesh possess a negative individual preference towards participation in MFIs. This evidence implies to explore the alternatives for alleviating rural poverty which is a new millennium goal of Bangladesh government.

Implications for Research and Practice

Bangladesh has been observed to be involved in NGO-related activities in order to alleviate rural poverty and to raise standard of rural livelihoods since 1971 (Mahmud, 2010). Based on this experience, it can strongly be argued that we need more research at the grass root level in order to explore alternative approaches to rural development. This needs to be undertaken from social constructivist or actor perspectives of local people's struggles, confrontations, negotiations and interfaces with development organizations and their personnel as well as from the point of view of their networks, interactions and institutional processes (Ashraf, 2014c; Huq, 2001). Drawing on this observation, it can be argued that it is essential for development planners to comprehend fully the social and political relevance of development projects irrespective of their nature as agricultural, educational, infrastructural or concerned with microfinance (Huq, 2001).

However, few scholars would challenge the observation that the general course of debate and interpretation on development discourse since the WWII has been from perspectives based on modernization (mid-1950s), dependency (mid-1960s), political economy (mid-1970s) and to some kind of ill-defined 'post-modernism' since the mid-1980s (Arce and Long, 2000). Such shifts in interpretation have aided to recognizing 'development' as an inherently unequal process, involving the continued exploitation of the poorer 'peripheral' societies (Ahmed, 2004; Huq, 2001).

Huq (2001) argues that much of the research in the field of microcredit and other dominant paradigms looks at 'vertical' processes of socioeconomic development. There is very little research in Bangladesh that looks horizontally at locally situated development discourses or which examines everyday actions and people's livelihoods and the ways in which they socially construe development alternatives and the meanings they give to their struggles. Hence, this search for an alternative paradigm is urgently needed. By and large, State and NGO-MFIs' development interventions are guided by a paradigm that has been thoroughly discredited by a great deal of research and analysis for being unresponsive to the priorities critical sociopolitical conjunctures and even wittingly or not to penetrating mechanisms of exploitation (Arce and Long, 2000).

Thus, the persistence of this type of development schemes that witness intervention by the state or international organizations as following some broadly determined path, signposted by stages of development or by the succession of dominant production mode (Arce and Long, 2000). Arguably, these external forces are assumed to establish a control over people's lives through interventions that reduce local autonomy and preferential possibilities (Huq, 2001). Nevertheless, development interventions often lead to coercion. One study shows borrowers of an NGO-MFI having their assets (livestock and cooking utensils) seized and sold off to repay loans (Ashraf, 2014a; Ferdous and Uddin, 2010).

Factually, there has been a long history of experimentation and compliance with participatory approaches in rural development (Huq, 2001). Some of these development models employed local potentials for development but so far there have been little evidence of success. This failure is due to two fundamental reasons. One, only lip service is offered to the local groups but no active initiative has been taken. Two, these NGO-MFIs have a failure to recognize the nature of the power relations between donor or development institutions and local groups. Empirical studies are therefore extremely important for identifying the ways in which development organizations interlock to produce new social configurations which, under certain social settings, can have wide range of ramifications in terms of poverty alleviation and social development (Huq, 2001).

Conclusions and Recommendations

As of the new evidence emerged in global scene, MFIs are declining in terms of poor and extremely rural poor's enrolment in microfinance borrowing schemes (Roodman, 2013). Drawing upon this recent evidence, the present study takes an initiative to investigate the rural people's psychological construct of preference behavior toward microfinance borrowing activities. The study employs three attitudinal beliefs to see whether they can significantly influence the rural people's preference behavior for micro-borrowing. The study finds that at least two of the constructs are responsible to negatively influence the attitude of the local people of Bangladesh in order to affect their intended preference behavior in the context of microfinance borrowing. This outcome is also supported by other previous studies that investigated similar reasons of decline in microfinance participation in Bangladesh and elsewhere of the globe. Thus, it can be concluded that in order to alleviate rural poverty and to raise socioeconomic livelihoods, alternative approaches are essential.

In this regard, the study aims to recommend two of the measures by which poverty alleviation scheme can be rejuvenated in poor developing societies. First, the principles of Islamic microfinance organizations (IMFIs) can be explored. There has been ample evidence of IMFIs which show much success in reaching the poorest as well as raising income and livelihoods of the rural poor in Bangladesh. The rural development scheme (RDS), Al Falah, Noble and Rescue can be named as examples (Ashraf, 2014b). Second, the model of cooperative credit unions (CCUs) initiated by the Caritas Bangladesh (Ashraf, 2014e). This model is working in the tribal communities in Bangladesh. One study shows that this type of social schemes can be of an alternative to the existing commercial high interest-based MFIs (Lewis, 2008).

References

- Ahmad, M. M. (2009). New Threat to Development: The Non-Governmental Organizations-Fundamentalist Conflict in Bangladesh. In F. C. Khan, A. Ahmad and M. Qudus (Eds.), *Recreating the Commons? NGOs in Bangladesh*, pp. 129 – 148, Dhaka: UPL.
- Ahmed, H. (2012). Organizational Models of Islamic Microfinance. In S. N. Ali (Ed.), *Shari'a Compliant Microfinance*. pp. 17- 33, New York: Routledge.
- Ahmed, H. (2004). *Islamic Alternatives to Finance Poverty Focused Group-Based Microfinancing*. Paper presented at the 26th Annual Meeting of IDB with NDFIs. Tehran, September 13, 2004.
- Ajzen, I. and Fishbein, M. (1980). *Understanding Attitudes and Predicting Social Behavior*. Englewood Cliffs, N.J.: Prentice-Hall.
- Ajzen, I. (2008). Consumer Attitudes and Behavior. In C. P. Haugtvedt, P.M. Herr and F.R. Cardes (Eds.) *Handbook of Consumer Psychology* (pp. 525 – 548). New York: Lawrence Erlbaum Associates.

- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50: 179 – 211.
- Ali, S. N. (2012). Introduction . In S. N. Ali (Ed.) *Sharia Compliant Microfinance*, p. 1-7. New York: Routledge.
- Arce, A. and Long, N. (2000). Reconfiguring Modernity and Development from an Anthropological Perspective. In Long, N. and Arce, A. (eds.) *Anthropology, Development and Modernities: Exploring Discourses, Counter-Tendencies and Violence*. London: Routledge.
- Ashraf, M. A. and Ibrahim, Y. (2013). An Investigation into the Barrier to the Rural Poor Participation in MFIs: The Case of Bangladesh. *International Journal of Research in Social Sciences*, 1(2): 1 – 15.
- Ashraf, M. A. (2014a). Participation of the Rural Poor in Microfinance Institutions: A Case Study. Unpublished PhD Thesis, University Utara Malaysia, Malaysia.
- Ashraf, M. A. (2014b). Attitudinal Dynamics for the Rural Poor toward Participation in MFIs in Bangladesh: Implications for Islamic MFIs. *Journal of Developing Country Studies*, 4(11): 110 – 124.
- Ashraf, M. A. (2014c). Poverty Alleviation and Identifying the Barriers to the Rural Poor Participation in MFIs: A Case Study in Bangladesh. *Research on Humanities and Social Sciences*, 4(10): 112 – 126.
- Ashraf, M. A. (2014d). The Theory of Planned Behavior and Microfinance Participation: From the Perspective of Nonparticipating Rural Poor in Bangladesh. *Research Journal of Finance and Accounting*, 5(7): 159 – 168.
- Ashraf, M. A. (2014e). Caritas' Cooperative Credit Union in Bangladesh: A New Approach to poverty Alleviation and Rural Development. *Journal of Developing Country Studies, (forthcoming)*
- BBS (2013) Bangladesh Bureau of Statistics: Yearly Report, 2013. Dhaka: BBS
- BBS (2011) Bangladesh Bureau of Statistics: Yearly Report, 2013. Dhaka: BBS
- Benkler, Y. (2006). *The Wealth of Networks: How Social Production Transforms Markets and Freedom*. New Haven, CT: Yale University Press.
- Bagozzi, R.P., Baumgartner, H. and Yi, Y. (1992). Appraisal Processes in the Enactment of Intentions to Use Coupons. *Psychology and Marketing* 9: 469-486.
- Castells, M. (2000). *The Rise of the Network Society*. Malden, MA: Blackwell.
- Daley-Harris, S. (2009). State of the Microcredit Summit Campaign Report, 2009. A Project of RESULTS Educational Fund, Washington, D. C. USA.
- DeLamater, J. D. and Myers, D. J. (2011). *Social Psychology*. Belmont, CA: Wadsworth Carnegie Learning.
- Dewhurst, M., Hancock, B. and Ellsworth, D. (2013). Redesigning Knowledge Work. *Harvard Business Review*, 90(1): 59 – 65.
- Dyal-Chand, R. (2007). Human Worth as Collateral. *Rutgers Law Journal*, 38: 793 – 845.
- Elahi, K. Q. and Rahman, M. L. (2006). Microcredit and Microfinance: Functional and Conceptual Differences. *Development in Practice*, 16(5): 476 – 483.
- Ferdous, F. and Uddin, G. M. (2010). Microfinance. *First News*, 8 August: 36 – 47.
- Fishbein, M. and Ajzen, I. (1975). *Belief, Attitude, Intentions and Behavior: An Introduction to Theory and Research*. Boston: Addison – Wesley.
- Hassan, M. K. and Lewis, M. K. (2004). Islamic Financing: An Introduction. *European Journal of Management and Public Policy*, 3(1): 1 – 3.
- Hogg, M. A., and Terry, D. J. (2000). Social identity and self-categorization processes in organizational contexts. *Academy of Management Review*, 25, 121-140.
- Huber, G. P. (2004). *The necessary Nature of Future Firms*. London: Sage.
- Huq, H. (2001). *People's Practices: Exploring contestation, counter-development and rural livelihoods*. Dhaka: CDL.
- Karim, L. (2011). *Microfinance and Its Discontents: Women in Debt in Bangladesh*. Minnesota: Minnesota University Press.
- Lewis, J. C. (2008). Microloan Sharks. *Stanford Social Innovation Review*, 6(3): 54 – 60.
- Lockwood, N. (2011). Motivations for Mountain Climbing: The Role of Risk. Un-Published PhD Thesis. University of Sussex, UK.
- Loudon, D. L. and Bitta, A. J. D. (2009). *Consumer Behavior: Concepts and Applications*. New Delhi: Tata McGraw Hill.
- Mahmud, W. (2010). Seasonal Hunger, Microfinance and Public Policy, *The Daily Star*, December 27 (Op-Ed).
- Nunnally, J. C. (1978). *Psychometric Theory*. New York: McGraw-Hill.
- Powell, W., and Snellman, K. (2004). The Knowledge Economy. *Annual Review of Sociology*, 30: 199 – 221.
- Pine, D. (2010). The Microfinance Sector in Bangladesh: Innovation or Stagnation. BA Thesis in Banking and Finance, Zurich: University of Zurich.
- Rahman, H. Z. (2009). Poor and Governance Process in Bangladesh. In A. Narayan and H. Zaman (Eds.), *Breaking Down Poverty in Bangladesh*, pp. 301 – 321. Dhaka: UPL.
- Rahman, A. (1999). Microcredit Initiatives for Equitable and Sustainable Development: Who Pays? *World Development*, 27(1): 67 – 82.

- Roodman, D. (2013). The State of Microfinance, Center for Global development.
<http://www.cgdev.org/blog/state-microcredit>, retrieved on August 15, 2014.
- Schiffman, L. G. and Kanuk, L. L. (2000). *Consumer Behavior*. 7th edition, Upper Saddle River, NJ: Prentice-Hall.
- Sunstein, C. R. (2006). *Infotopia: How Many Minds Produce Knowledge*. Oxford: Oxford University Press. Michigan, USA.
- Teece, D. (2003). Expert Talent and the Design of (professional service) Firms. *Industrial and Corporate Change*, 12(4): 895 – 916.
- The Economist*, (2000). The Other Government in Bangladesh, *Opinion*, 30(12).
- Trafimow, D. and Fishbein, M. (1994). The importance of risk in determining the extent to which attitudes affect intentions to wear seat belts. *Journal of Applied Social Psychology*, 24: 1 – 11.