

Attitudinal Dynamics for the Rural Poor toward Participation in MFIs in Bangladesh: Implications for Islamic MFIs¹

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Abstract

The central focus of this study is to explore the attitudes of the rural poor toward participation in MFIs in Bangladesh and examine the effects of development interventions on the livelihoods of local people. The study also highlights the implication of the results for the Islamic microfinance programs as an alternative to conventional MFIs in Bangladesh. In so doing, the study follows the modified TRA framework in analyzing the issues and in looking at how the rural poor in Bangladesh struggle to make a better living using their labor, scanty resources, traditional skills and small capital raised from loans in existing socio-cultural networks of relationships. Specifically, how do lack of education, individual preference, religious values, spousal dislike as female head of household, resource insufficiency and ill-health affect individual attitude toward participation in MFIs? The study uses SEM for analyzing data (n=140) collected from the participating rural poor across Bangladesh. The results suggest that at least four of the attitudinal variables affect the rural poor participation in negative way which implies to explore the possible alternative to the conventional Grameen-style microfinance approach. Based on performance evidence, the study recommends the Islamic microfinance programs as the best option to adopt in order to alleviate rural poverty and improve the living standards of the rural people.

Keywords: Participation, Rural Poor, Poverty alleviation, Attitude, MFIs, IMFs

Introduction

The evidence of participation are thinly documented in a panel survey data which indicate that in 1998/99 about 53 percent (i.e. 47 percent are nonparticipants) of total rural land-poor households in Bangladesh participated in MFIs (Ashraf, 2014; Khandker, 2006). Surprisingly, a total of same 53 percent of the rural poor participation in MFIs in Bangladesh has been reported by Daley-Harris (2009) and Alamgir (2009). If so, at least two questions may arise: (i) why are the same 47 percent of the poor still out of microfinance programs during a span of decade? (ii) Is the rate of growth of microfinance remaining stagnant in Bangladesh during this period?

In fact, the dynamics of participation behavior of the rural poor in Bangladesh and in elsewhere across the globe are largely understudied (Ashraf, 2014). Even though, participation has been examined using conceptual discussions (Evans, Adams, Mohammed, and Norris, 1999; Evans, Mohammed, Farnsworth, Adams and Chowdhury, 1996) and trite quantitative techniques (Zohir, 2001; Mahmud, 2000), there is little research that utilizes a theoretical underpinning toward identifying the factors of potential socioeconomic barriers which affect attitude and participation behavior of the rural poor in MFIs in Bangladesh (Ashraf, 2014).

According to development partners of developing countries, Bangladesh is at a crossroad in its quest for economic and social development. Since, its independence in 1971, Bangladesh has achieved significant improvements in different dimensions of development, but much remains undone (World Bank, 2014). Population growth is lower, agricultural production has increased dramatically, literacy rate is increased and child mortality and healthcare have substantially improved. Yet, the absolute number of extreme poor in Bangladesh has remained vulnerable. Despite plans to reduce poverty level at 22.5 percent by 2015, at least one-fourth of the population live now below extreme poverty line (World Bank, 2014). The projection for GDP growth rate in 2014 is 5.4 percent, but this growth well below the 7 percent growth required for lasting poverty reduction (World Bank, 2011).

In reality, Bangladesh has experienced many development initiatives since its independence and 'poverty alleviation' has prioritized in development interventions. In this process of development interventions many state agencies, local NGOs, MFIs, and international donors have been actively involved. The World Bank is the main donor and coordinator of the donor-group for aiding development interventions in Bangladesh since the 1970s (Ashraf, 2014; Huq, 2001). However, after more than three decades of playing a guiding role in the development interventions in Bangladesh, the World Bank recently passes its judgment about the role of microcredit and poverty alleviation as to have limited success in reaching the extreme poor who are not served by any development agencies (Ashraf, 2014). The central point of argument for the role of MFIs and development intervention is, thus, embedded with the premise of the rural poor's participation in MFIs and their relevant attitudes toward MFIs.

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Conceptually, the notion of participation needs clarification to look at the central role the concept plays in development strategies. In fact, participation can be defined with many shades of meaning (Huq, 2001). According to Longman's dictionary, participation is to take part in some way in any activity, event, sport etc. together with other people. Gordon and Spicker (1999) define participation as primarily referred to the process of involvement in decision-making which implies both an empowering and educative practice. By this definition, the authors lean toward the meaning that the only way the poor can overcome their obstacles is by directly participating in the process of development and sharing their benefits. It is the view to which the present study likely holds.

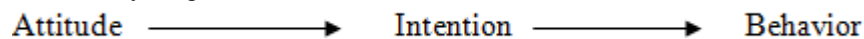
Following this meaning, one can argue that participation hinges on intentional behavior, attitudes and an increasing awareness of the people emerged from several factors of social, economic, religious and psychological background (Ashraf, 2014; Huq, 2001). The purpose of this paper is, thus, to examine potential socioeconomic, cultural and psychological dynamics that may affect attitude toward participation behavior of the rural borrowers of MFIs in Bangladesh. Specifically, how do lack of education, individual preference, religious restrictions, spousal dislike as female head of household, resource insufficiency and ill-health affect individual attitude toward participation in MFIs? To answer this question, the present study uses a theoretical framework incorporating the theory of reasoned action (TRA) developed by Fishbein and Ajzen (1975) as its basis for analysis. Using measurement scales created to evaluate different aspects of the postulated factors, a survey instrument is developed to test their relationships based on TRA. Data are collected from various regions of Bangladesh and the analysis of the data helps answer questions about the relations between the factors and attitude of the borrowers toward participation in MFIs.

The plan for this paper is as follows: first, the TRA is briefly reviewed, as are the relevant literatures on the factors chosen as the potential barriers to attitude toward participation in MFIs. 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.

Theory and Past Research

TRA

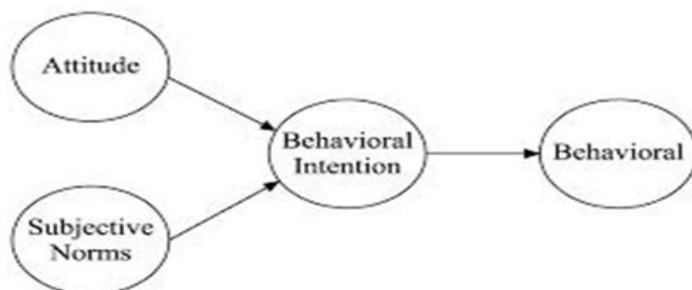
Fishbein and Ajzen (1975) first initiated to develop an adaptable behavioral theory called the Theory of Reasoned Action (TRA). TRA is a model for predicting intended behavior across attitude and behavior. This theory employed the factors and impetus that result in any particular behavior. According to Ajzen and Fishbein (1980), the model looks very simple like this:



In this theory, a person'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. Also included in one's attitude toward a behavior is their concept of the subjective norm (Fishbein and Ajzen, 1975).

The TRA model is based on the assumption that human beings are usually rational and make systematic use of information available to them. People consider the implication of their actions before they decide to engage or not to engage in a given behavior (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 (Hogg and Terry, 2000).

Figure 1: TRA



Source: Fishbein and Ajzen (1975)

Though the TRA model has been extended by adding extra variables, Ajzen and Fishbein (1980) and Ajzen (2008) opine that attitudes and subjective norms are the two key components in determining behaviors. However,

Trafimow and Fishbein (1994, p. 51) assert 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) contending that TRA is a comprehensive or integrative model of attitudes and action-oriented people have greater tendencies toward attitudinal control.

There have been several broad constructs that affect attitudes towards certain intended behaviors. 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 six dynamics such as ill-health, individual preference, insufficiency of resources, religious values, spousal dislike as female head of household and education determine attitudes toward participation in MFIs. If these beliefs are put in the subset of those broad constructs, ill-health or disability, individual preference and insufficiency of resources can be set in the rubrics of personal preference; religious values and spousal dislike as female head of household can be set in association and family; and education belongs to institutions. TRA is a robust theoretical basis which can aid to test such premises along with attitudes in the context of microfinance participation. In the following section, all these six factors are reviewed in connection with attitude as well as actual behavior. This study follows Ashraf (2014) conceptually in seeking to measure the items of all the variables postulated to influence the attitudinal patterns of the rural poor in deciding to participate in MFIs in Bangladesh.

Lack of Knowledge and Education

Attitudes are learned (DeLamater and Myers, 2011). This implies that attitudes can be changed by knowledge or training and education. Though 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. 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, 2014).

Across 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 (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. 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 participation in MFIs.

Ferdous and Udding (2010) unleash a grim fact that there are an immense scope of misinformation and ignorance about the microcredit programs in the rural Bangladesh. The field officers of MFIs promote the loans just like the commercial banks’ sales executives who promote personal loans and credit cards. 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. 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)

Lack of proper knowledge and education has long been a concern in microfinance literature as in Ashraf (2014) which finds a strong relationship with perceived behavioral control influencing intention towards nonparticipation in MFIs in Bangladesh. Ashraf (2014) 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 participation in MFIs in a negative way.

Individual Preference

Individual preference emanates from personal experience or direct contact of a person with some objects of interests (DeLamater and Myers, 2011). This is a psychological dynamics which can aid to shape attitude towards certain behavior in positive or in negative way. According to Schiffman and Kanuk (2000) 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. One of the important sources of rural loan is the friends or relatives which comprise substantially in rural money market (BIDS/IFPRI, 1985).

So if anybody has that chance of getting informal loans s/he does not wish to take the loans from MFIs. In fact, when the poor villagers have left with no other choice, microfinance is their last resort. “I don’t want to take microcredit loans,” said one villager, “but at times of food shortage in the dry season I am left with no other

choice” (Ferdous and Uddin, 2010, pp. 43), other than to have a positive attitude toward participation in MFIs. Finally, the debate about whether to lend to individuals or lend to groups is very important issue in microfinance scheme. Under simple theories of selection, the Pareto superior regime, which is predicted to emerge, varies with exogenous environmental characteristics. The microfinance programs, which are originated in Bangladesh, primarily operate in group lending where individual preference does not play any role in using loans in individual entrepreneurial activities (Ashraf, 2014). In the case of default in loan repayment, peers in the group exert pressure on the defaulters. Besides, group pressure is imposed not only on peers but also on members of their households. When group pressure fails to convince the defaulter, institutional pressure is imposed on the borrowers and members of their households (Huq, 2001). Consequently, it may pose a serious problem in making individual plan in loan operation on an individual basis rather than on a group basis (Townsend, 2003). Thus, individual preference in these issues can also have an impact on attitude toward participation in MFIs in negative way.

Religious Values

Religious values are considered important factor to shape one’s attitude towards behavior (DeLamater and Myers, 2011). The rural society of Bangladesh is built 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. 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 (Ahmad, 2009). MFIs offer an alternative by providing microcredit and primary training to poor women. Especially in the beginning, their activities are seen as undermining the traditional social and religious values of the country.

The *Economist* (2000) find that women violating *purdah* (females’ physical exposure without any headscarf and extra clothes) by joining an interest-based microcredit program have been strongly condemned by religious leaders who attack on microcredit institutions defending the religious values of particularly Islam’s prohibition of interest.

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. 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.

The data 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. So, it evidently shows how religious point of view in looking at the status of women is a factor for determining attitude toward participating in MFIs (Ali, 2012).

Thus, the study implies that the religious institutions may be used for implementing the microfinance scheme in society but the microfinance model should be formulated incorporating Islamic codes of principles. Hence, we need a paradigm shift of microfinance programs from the interest-based approach to Islamic MFIs in order to alleviate the rural poverty from the society.

Spousal Dislike as Female Head of Household

This is another psychological factor that can shape attitude of a husband in a family towards the role and status of the wife based on religious and social values. As mentioned previously, the majority of the borrowers of conventional MFIs are women (Karim, 2011). The objective of targeting women in the conventional approach is women empowerment (Ali, 2012). The rationale is that women use the funds efficiently to increase their income levels. As a result, they become more independent and this increases their self-respect. However, some recent studies show that this is not the case (Karim, 2011). The women are usually persuaded by the male members of the household to obtain credit and to utilize it. However, the repayment of the loan installment remains on the shoulder of the women who is deemed primarily as the borrower. This generates chaos and conflicts inside the family.

Family values in the east are much different from other parts of the world where religion plays a dismal role in human life. Bangladesh is a predominantly Muslim country where about 90 percent people are the Muslims. Islam has a predilection for men as the leaders of the family. Thus, family in the Muslim countries of the east is predominantly led by the male partner. Nonetheless, women-empowerment is one of the important agenda of microfinance scheme which seems to downgrade the status of husbands in the family. Hence, psychologically male partners in the family do not take it easy that female partners would be the head of the family. Thus, this factor can have an important influence on overall attitude of the rural poor toward participation in MFIs. This variable is measured based on the items set by a previous study made by Ashraf (2014).

Insufficiency of Resources

Insufficiency of resources of the rural poor is frequently observed in the rural areas of Bangladesh, because they are extremely poor and mostly landless (Montgomery, 1996). However, NGO-MFIs used to have an inclination not to provide any loans to the extreme-poor (whose incomes are below the US 1 dollar a day), because they are

risky borrowers and are frequently found to be loan-defaulters (Ashraf, 2014).

Insufficiency of resources connotes the lack of asset-base in order to fulfill some needs and formalities of MFIs such as: time to attend meetings; cash reserves for savings; and energy and motivation for education and planning activities. In effect, the rural poor face tremendous difficulties of having those resources for which MFIs' management feels reluctant to incorporate them in its scheme. So, this type of inability of the poor people may influence the attitude towards MFIs negatively which ultimately may lead the rural poor not to participate in MFIs.

In a study, Zaman (2004) finds that the rural poor in Bangladesh have a number of constraints which are fewer income sources, worse health and education. In effect, the poor villagers face tremendous difficulties of having those resources for which MFIs' management feels reluctant to incorporate them in its scheme. Mainly because, the poor are supposed to be risky to be able to pay back their loan. So this kind of lacking in terms of sufficient resources prevent the rural poor to utilize the loans with a significant level of efficacy which may affect their attitude toward participation in MFIs.

Time along with its allocation (how much time to spend on different tasks) is also considered to be another important resource which may constraint some individuals to participate (Dewhurst, Hancock and Ellsworth, 2013). This object is particularly applicable for the rural female for whom time has an opportunity cost which may not be affordable by them (Noble, 2010; Evans et al., 1999).

Similar findings are available in the study of Schwiecker (2004) which argues that the locally mobilized savings and the amount of capital are not adequate for sustainable income from the microfinance sector in the economy. If this inadequacy of capital is not bridged through other sources, the microfinance sector will fail to contribute its full potential to the achievement of the Millennium Development Goals (MDGs). Thus, distressed economic condition of the rural poor may affect their overall attitude toward daily life and other spectra of social organizations or development schemes like MFIs.

III health or vulnerability to crisis

Growing interest in the psychological and social aspects of physical illness and disability has extended to all facets of human behavior. Illness has, thus, an effect on attitude development (McKenzie, 2010). An attitude is a "relatively enduring organization of beliefs, feelings and behavioral tendencies towards socially significant objects, groups, events or symbols" (Hogg and Vaughan, 2005, p. 150). Endurance of physical and mental distress can have a short or long term influence on attitude to change either negatively or positively.

The size of the vulnerable poor population --- at the risk of falling into or deeper into poverty --- is large in Bangladesh. A high concentration of consumption expenditure around poverty lines implies that shocks can cause large movements in poverty rates (Ashraf, 2014). The relative positions of the upper and lower poverty lines and the density curve also suggest that a large population consuming between the upper and lower poverty line levels, which implies that even a small shock can send a large number of individuals, many of whom are already poor, into extreme deprivation (Ahmed, Narayan and Zaman, 2009).

The rural poor in developing countries actually live in a socioeconomic and geo-political environment which is acutely vulnerable. For this reason, people are not free of risk and worry in the developing countries. This is a kind of anticipating dread (the one which is waiting for) which is more intense than the one which is being felt now (Story and Berinato, 2014). This vulnerability can have a prolonged impact on attitude of the rural poor towards their daily life as well as any decision making process such as intended participation in MFIs.

Research Model and Hypotheses

The research model used in the study, demonstrated in Figure 2, is based on modified TRA. This modification is accomplished based on George's (2004) study which excludes intention from the research model following the arguments that the data are collected at one point in time and intention projects future behavior while reports of actual behavior mirror what happened in the past. Therefore, intention does not appear in the model, and instead there is a direct path from attitudes towards microfinance participation performed by the rural people. The study also 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) 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 (2014) which found it insignificant to influence intention toward the actual behavior of microfinance participation.

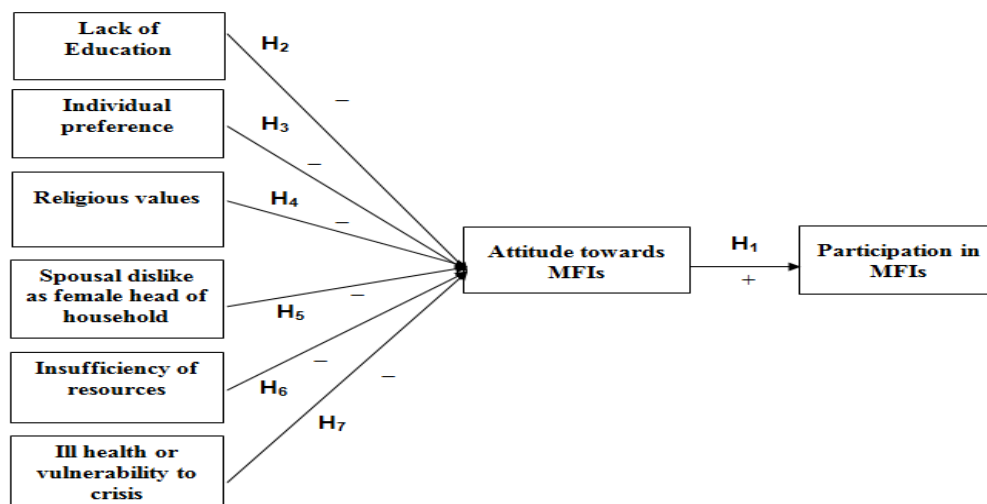
In this study, the model embodies seven hypotheses. The direction demonstrated in each hypothesis has been drawn from the previous discussion about different attitudinal factors from the basic structure of TRA. General attitude toward MFIs should be associated with participation in MFIs. If an individual believes that MFIs is beneficial to improve the livelihoods of the poor in the rural areas, then those attitudes toward MFIs should positively influence the participation in MFIs. Thus,

H_1 : Attitudes towards MFIs are positively associated with participation in MFIs.

Lack of proper knowledge about MFIs and general education of an individual could have a scope of misleading

toward certain object. There have been numerous evidences that the rural poor are often misled by the superficial or distorted information about the

Figure 2: Research Mode



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,

H₂: Lack of proper knowledge and education is negatively associated with attitude toward participation in MFIs.

Individual preference is formed based on the existing opportunity of getting loans from different formal and informal sources and available information regarding loans. If anybody possesses negative information about MFIs and there remain alternative arrangements for having small loans, individual preference may negatively influence attitude toward participation in MFIs. Hence,

H₃: Individual preference is associated with attitude toward participation in MFIs.

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,

H₄: Religious values are negatively associated with attitude toward participation in MFIs.

As discussed earlier, family is mostly dominated by the male partner in the eastern culture and family-norms. For this reason, female-headed households experience socioeconomic disadvantages ranging from economic discrimination to social stigmatization and isolation which hinder their ability to meet the resource requirement for participation in MFIs (Evans et al., 1999). Hence,

H₅: Female-headed households are negatively associated with attitude toward participation in MFIs.

While lending to the poor has been endorsed by the world community as a vital tool for poverty alleviation, every poor do not have equal access to microfinance opportunities. There is anecdotal evidence that the poorest 20 percent of the rural population are excluded from microfinance programs (Evans et al., 1999). The majority of MFIs require that the rural poor attend credit group meetings, pay registration fees, start to deposit monetary savings in the lending institutions and undertake educational and planning initiatives. Therefore, participation in MFIs assumes that households possess sufficient resources to meet these demands. To the poor, these resources are scarce and any of these obligations might prove impossible to fulfill (Evans et al., 1999). Thus,

H₆: Insufficiency of resources is negatively associated with attitude toward participation in MFIs.

Participation is further constrained among the potential rural poor suffering from ill-health or other environmental vulnerability or crises that limit their capacity to acquire and use credits. Therefore,

H₇: Ill-health or vulnerability to crises is negatively associated with attitude toward participation in MFIs.

Data and Methodology

Data are collected from the rural poor participant in MFIs from six different districts of rural Bangladesh such as Nilphamari, Bogra, Kishoreganj, Maulovibazar, Shariatpur and Satkhira based on stratified random sampling procedure. A total of 140 rural poor participants are selected and interviewed to complete a closed-ended questionnaire that contains measures of constructs of concern. Table I describes the descriptive statistics of the sample.

The approach to testing the modified TRA model is based on decomposed belief structures of attitude toward participation in MFIs. Measures of all the variables in the model are based on an instrument developed by Ashraf (2014). There are also six demographic questions included in the instrument (see Table I).

The data have been analyzed using SEM and AMOS through SPSS software. First, the model in Figure 2 is run. The item loadings are checked to make sure whether they are above 0.50 cut-off level. It is observed that except one, all are much above the level. 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) except two constructs (i.e. preference and insufficiency of resources). The evaluated model is provided in Figure 4 and lastly the statistical significance of the paths in the model is listed in Table IV.

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 (1 US Dollar = 77 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

Results and Discussion

The overall objective of the study is to find out the factors that influence attitudes of the rural poor toward participation in MFIs in Bangladesh. To achieve this objective the study employs decomposed-TRA model for formulating its behavioral research model incorporating particular attitudinal factors which are scarcely available in previous studies with regard to microfinance participation.

Table II: Descriptive Statistics for Constructs

	N	Minimum	Maximum	Mean	Std. Dev.
Part	140	1.00	4.67	3.7857	.71310
Attitud	140	1.50	4.75	3.5857	.83793
Edu	140	1.00	5.00	3.5643	.90431
Pref	140	1.00	5.00	2.5643	.75827
Relig	140	2.50	5.00	4.3911	.50998
Female	140	2.00	5.00	4.0286	.71412
Res	140	1.25	4.75	3.3589	.68528
Ill	140	1.33	5.00	3.6452	.70309

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

	<i>part</i>	<i>attitud</i>	<i>edu</i>	<i>pref</i>	<i>relig</i>	<i>female</i>	<i>res</i>	<i>ill</i>
Part	<i>.60</i>							
Attitud	.590**	<i>.73</i>						
Edu	.351**	.349**	<i>.85</i>					
Pref	-.216*	-.269**	-.123	<i>.62</i>				
Relig	-.099	-.121	-.174*	.102	<i>.66</i>			
Female	-.101	-.171*	-.224**	-.003	.159	<i>.60</i>		
Res	.297**	.473**	.424**	-.074	-.022	-.118	<i>.66</i>	
Ill	.322**	.188*	.443**	.039	-.095	-.178*	.137	<i>.60</i>

** Significant at the 0.01 level (2-tailed); * Significant at the 0.05 level (2-tailed)

This study demonstrates, at least for this sample (n=140), that many of the attitudinal dynamics significantly influence participation in MFIs. Among the potential barriers, individual preference (H_3) and insufficiency of resources (H_6) have significant impacts on attitude toward participation in MFIs. Though insufficiency of resources appears to demonstrate positive impact, individual preferences have negative impact on attitude toward microfinance participation. The result of H_7 supports that attitudes of the rural poor has a significant positive influence on microfinance participation.

While religious values and spousal dislike of female head of households do not appear statistically significant to influence attitudinal dynamics toward microfinance participation, their regression coefficients have negative signs. These results imply that religious values as well as their derivatives are important to signify to form the attitudinal mode of the rural people which has a paramount negative impact on participation in MFIs.

These results are also consistent with the outcome associated with the correlation analyses which have negative signs with their coefficients. This might be another indication that owing to religious restrictions, the attitudes of the rural Muslim clients shape against the conventional MFIs which operate based on interest and group-lending process. These findings are similar to those reported in other studies. Like George (2002, 2004), Smith, Terry, Manstead, Louis and Koterman. (2008), Rhodes, Blanchard and Matheson (2006) and Eckstein, Noack and Gniewosz (2013), there are a strong relationship between attitude and actual behavior

The outcome of individual preferences which negatively affect attitude towards participation in MFIs is consistent with the findings of Jackson (2005) and Ashraf (2014). The other findings related to signs associated with their coefficients such as religion and female-headed households are also consistent with Ashraf (2014) which finds female-headed households as significant and religious values as insignificant to influence attitude toward participation in MFIs in Bangladesh.

The results obtained by this study in relation to insufficiency of resources and ill-health are also supported by Ashraf (2014), Philips (2009) and Evans et al. (1999). Even though the factor of insufficient resources is found to have significant impact on attitude toward participation in MFIs and ill-health is not significant, ill-health is highlighted as a potential factor for influencing attitude toward microfinance participation by Evans et al. (1999).

Figure 3: Measurement Model with Item Loadings

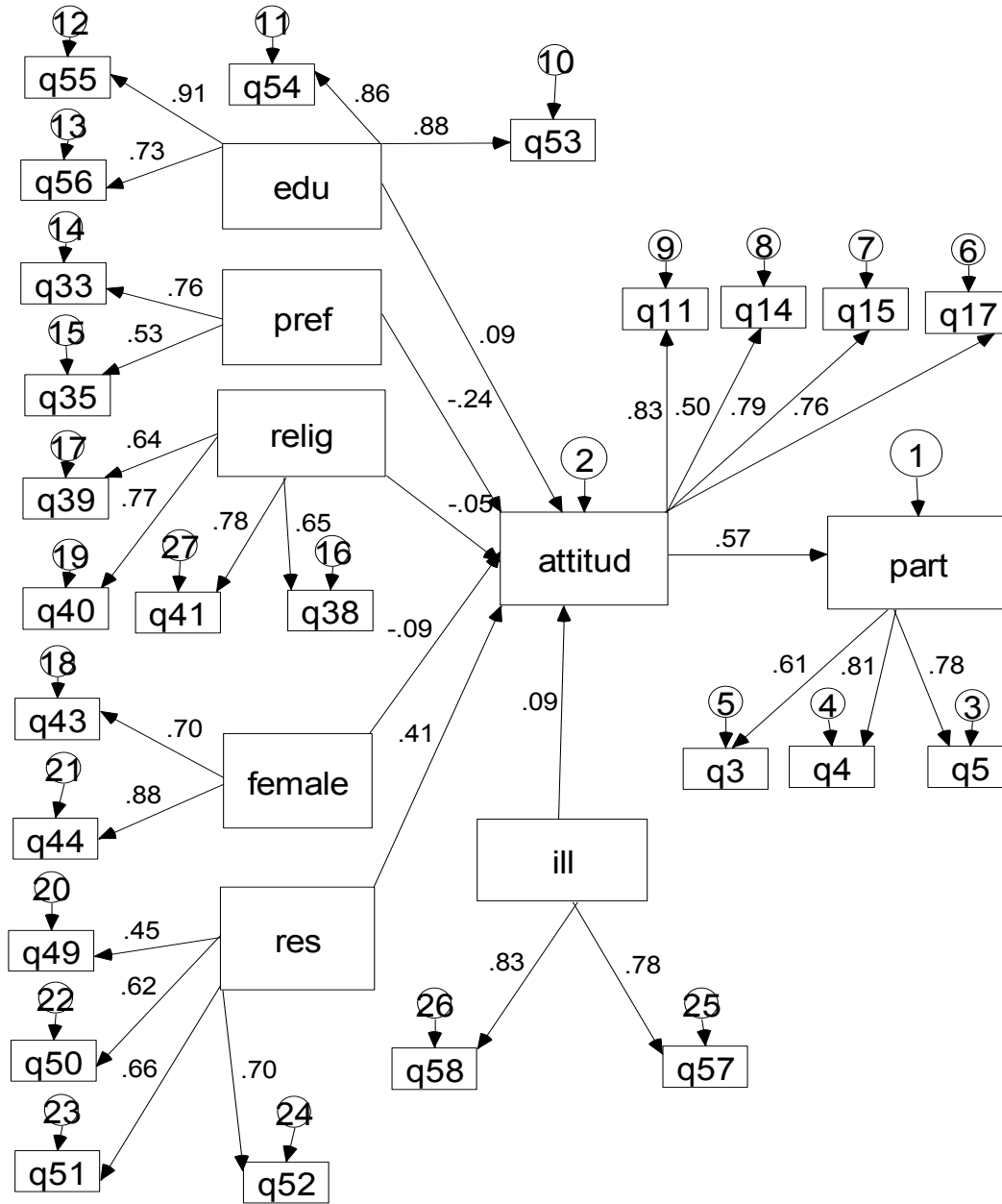


Figure 4: Evaluated Model

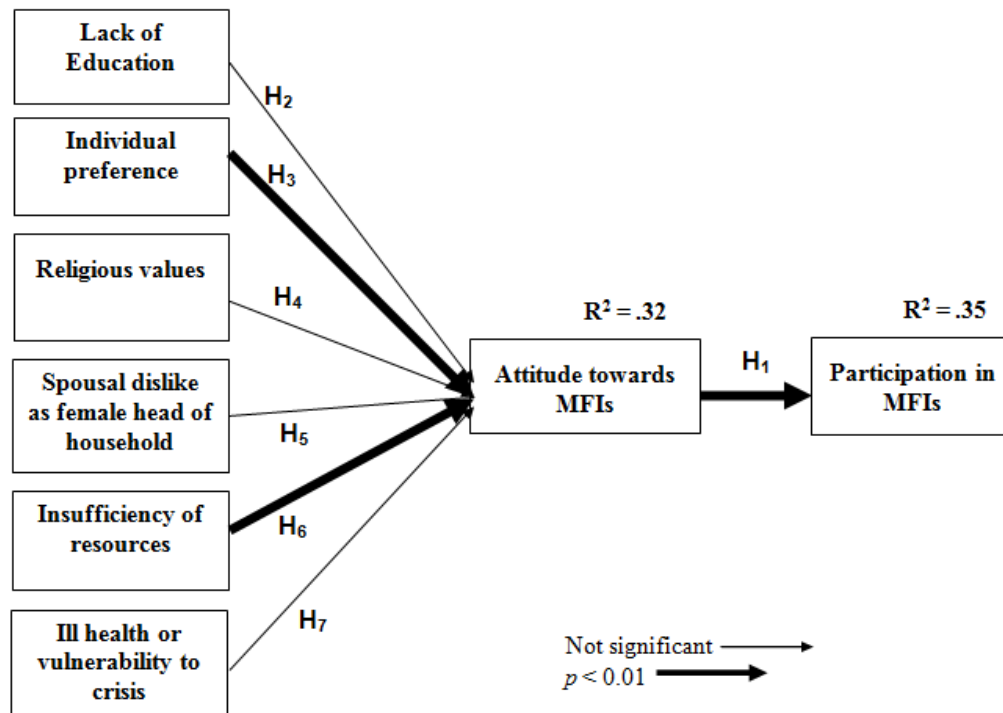


Table IV: Standardized Path Coefficients and *t*-statistics for Hypothesized Paths in the Model

Path	Path Coefficients	<i>t</i> -value
<i>H</i> ₁ : Attitudes to participation in MFIs	0.57	8.58**
<i>H</i> ₂ : Education to attitudes towards participation in MFIs	0.09	0.98
<i>H</i> ₃ : Preference to attitudes towards participation in MFIs	-0.24	-3.11**
<i>H</i> ₄ : Religion to attitudes towards participation in MFIs	-0.05	-0.71
<i>H</i> ₅ : Female to attitudes towards participation in MFIs	-0.08	-1.09
<i>H</i> ₆ : Resources to attitudes towards participation in MFIs	0.41	4.98**
<i>H</i> ₇ : Illness to attitudes towards participation in MFIs	0.09	1.04

** Statistically significant at $p < 0.01$; * Statistically significant at $p < 0.05$

Implications for Islamic MFIs

Bangladesh is predominantly a Muslim country where more than 90 percent people are the Muslims (BBS, 2013). The *Quran* is the fundamental religious book of Islam which set the comprehensive principles about the entire lifestyle of a Muslim ranging from the personal life to national and international sphere. Remarkably, Islam is the only religion that offers a unique and holistic economic and financial model exclusively uncommon to other contemporary religions. Islam clearly prohibits pre-specified rate of interest in all types of financial investment and money-lending. Surprisingly however, all the religious scriptures such as the *Torah* (Old Testament), the Bible (New Testament) and the *Veda* also strictly forbid the interest rate in any type of financial and investment activities (Hassan, 2004).

The Islamic Banking system has been introduced in Bangladesh in the early 1970s after its liberation in 1971. Interestingly, the microcredit program, namely Grameen Bank, has been originated as a development project in Bangladesh contemporaneously during this same decade by an economics Professor, Nobel Laureate Dr. Muhammad Yunus in order to eradicate rural poverty through small credit delivery system which later developed into financial institutions that provide microfinance for the small businesses. Later in 1983, the Grameen Bank has established as a full-fledged microcredit bank in Bangladesh. Since then, MFIs have witnessed a tremendous growth in Bangladesh and this new model (Grameen Model) has been replicated by many countries across the globe (Shukran and Rahman, 2011). A pattern of growth of these MFIs can be perceived by the following information for the largest four MFIs in Bangladesh provided in the Table V.

Table V: Growths of the Big Four MFIs in Bangladesh (No. of Branches)

MFIs	Inception	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
GB	1977	1,358	1,735	2,319	2,481	2,539	2,565
BRAC	1974	1,354	1,381	2,852	2,858	2852	na
ASA	1991	1,965	2,291	2,496	3,303	3,324	3,194
Proshika	1994	191	195	213	na	na	na

Source: MRA (2011) and GB (2011); na: Not Available

Nevertheless, there have been growing concerns about the GB's achievements of GB over the last three decades. The success of the GB as a poverty alleviating institute is its inclusion of the poor rural women who constitute over 95 percent of its membership. However, concern about the high interest rates and the outreach of the poorest from its poverty alleviation scheme become vital issues among the researchers and development practitioners. There is a mixed opinion about the GB's initiative of poverty alleviation both at the household and the macroeconomic level nowadays (Amin and Sheikh, 2011). In fact, GB's credit-alone approach supplements earning of self-employed beneficiaries but does not help in any basic shifts in employment opportunities. It rarely generates new works for others (Karim, 2011).

Despite the problem of reliable data in Bangladesh, the poverty incidence has so far been tried to record since the early 1970s. The evidence shows that the estimated poverty level was 82.90 percent in 1973-74 (Azam and Imai, 2009). Though this level has been declined to a large extent in the 1980s, the extent of rural poverty (long after GB's initiative since 1983) is subsisting at 36.0 percent in 2010 (1/4th of the country's population) (World Bank, 2014). The trend of poverty in Bangladesh can be observed in the following Table VI:

Table VI: Poverty Trends in Bangladesh 1983 to 2010

Year	National	Urban	Rural	Poverty Gap	Squared Poverty Gap
1983-84	52.3	40.9	53.8	15.0	5.9
1991-92	49.7	33.6	52.9	14.6	5.6
1995-96	53.1	35.0	56.7	15.5	5.7
2000	49.8	36.6	53.1	13.8	4.8
2005	40.0	28.4	43.8	9.8	3.1
2010	31.5	28.0	36.0	na	na

Sources: World Bank (2014), Azam and Imai (2009); na: Not available

Thus, considerable doubt may arise about the status of rural poor's participation in major MFIs including Grameen Bank in Bangladesh. Nevertheless, there have been numerous studies which show that MFIs are proven to be highly successful tool to raise income and alleviate rural poverty (Hossain, 1985, 1984; Khan, 1990; Khandker, Khalily and Khan, 1995; Khandker and Chowdhury, 1996; Khandker, 2006 and many others), then why poverty still persists in the society or why the rural poor's participation is relatively low or there are any obstacles that hinder the rural poor participation in MFIs and so on.

The findings of the present study show that there have been several problems related to the formation of attitudes of the rural poor toward participation in MFIs in Bangladesh. One of the important lessons of the study is that religious values and individual preference appear to be important issues to shape the attitudes of the rural clients who are predominantly Muslim women. As the religious values are contrary to the formal operations of conventional interest-based Grameen-styled MFIs, significant percentage of the rural poor especially Muslim women have been remained reluctant to participate in microfinance programs in Bangladesh.

This outcome implies that any alternative to the Grameen-styled MFIs can have a better performance in terms of ensuring more cooperation and more participation of the rural microfinance clients in order to alleviate rural poverty from the society. In this regard, Islamic microfinance institutes (IMFIs) can be a suitable alternative in the countries where the Muslims are predominant in society. Thus, Bangladesh could be a right place where IMFIs can play a better role in raising income and alleviating rural poverty.

However, there has already been a paradigm-shift in microfinance initiatives in the early 1990s leading to the emergence of a few IMFIs as an alternative poverty alleviating tool to regular interest-based MFIs in Bangladesh (Ahmed, 2012). So far, there have been four major IMFIs operating in Bangladesh in which the Al-Falah is the oldest one. The others are the Rural Development Scheme, Noble and Rescue. The basic data about those four IMFIs have been presented below in Table VII.

Table VII: Basic Data on Four IMFIs in Bangladesh

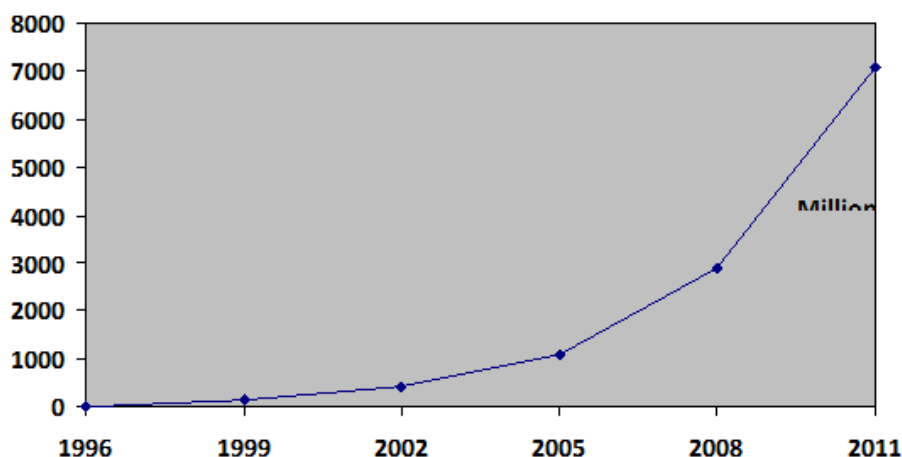
	RDS	Al-Falah	Noble	Rescue
Local Operation	All over Bangladesh	Dinajpur	Bogra	Rangpur
Year of Establishment	1995	1989	1993	1991
Number of Employees	2,363	212	20	74
Female Borrowers (percent of total)	85%	98.6%	67.7%	97.5%
Drop-out Rate (percent of total)	NA	NA	3.7%	3.8%

Source: MRA (2010) and Ahmed (2002)

All of these IMFIs have been doing well in terms of reaching their target-groups of the rural poor in Bangladesh (Ahmed, 2012). Especially, the RDS is operating at the national level and their role as a poverty alleviating tool proves to be much effective (Mannan, 2010). This organization of RDS works as a sister concern of the Islami Bank Bangladesh Limited (IBBL). IBBL has already well-connected banking and financial networks and strong logistic and infrastructural support in Bangladesh which RDS has been enjoying in full. This is regarded as one of the comparative advantages of RDS that are not available for other IMFIs in Bangladesh. However, the operating mode and target groups for Al Falah, Noble and Rescue are different from RDS.

The performance of RDS is excellent in terms of membership growth and family income generation of its clients. Evidence shows that the trend in investment growth is also highly positive. The total investment of RDS has grown from 9.91 million (Taka) in 1996 to 7071.02 million (Taka) in 2011 which is 713 times higher than its initial figure (IBBL, 2011). Nowadays, RDS is holding a strong financial position and emerging as an exemplary model of Islamic microfinance institute in Bangladesh. Evidence shows that RDS's effort to increase its clients' family income by investing their borrowed money to different income generating activities has been quite successful. According to Rahman, (2008), on average the family income of RDS clients has increased by more than 33 per cent annually. The highest income change (BDT. 6763 per year) was observed for SME. It implies that RDS clients prefer investing money in business sector. The crop sector income has been also significantly increased. The membership growth has been shown in the following Figure 5.

Figure 5: Growth rate of RDS from 1996 to December, 2011



Source: IBBL, 2011.

Conclusions and Recommendations

The central focus of this study is to explore the attitudes of the rural poor toward participation in MFIs in Bangladesh and examine the effects of development interventions on the livelihoods of local people. The study also highlights the implication of the results for the Islamic microfinance programs as an alternative to conventional MFIs in Bangladesh. In so doing, the study follows the TRA framework in analyzing the issues and in looking at how the rural poor in Bangladesh struggle to make a better living using their labor, scanty resources, traditional skills and small capital raised from loans in existing socio-cultural networks of relationships.

The study discusses the participation process in MFIs and the way the rural poor's attitudes affect it. It also takes up the issues of individual preference, spousal dislike as female head of households, religious values, resources and ill-health or vulnerability to crises covering a range of natural and cultural dimensions. Poverty is often identified as the main concern that gives rise to vulnerability. However, personal, social and cultural trends are also critical.

The results of the study indicate that overall attitude has an important positive influence on participation of the rural poor in MFIs, as it is observed to be statistically significant at 5 percent level. This positive attitude towards participation in MFIs is the result of the rural poor's experiences that despite numerous downsides, MFIs always extend the loans when all other alternative sources of getting money in dire need run in dead end. However, this type of merely borrowing practice of the rural poor from MFIs does not mean that the people are practicing 'participation' in real sense. This lack of participation gave no opportunity to the rural poor to learn to use their own skills to generate income or break out their attitudes of helplessness (Huq, 2001). This means that there is no participation as empowering or reducing vulnerability of the rural poor in Bangladesh.

Among the six attitudinal factors two (individual preference and insufficient resources) are observed to be statistically significant to influence intention toward actual participation behavior of the rural poor in MFIs. Of these two, individual preference appears to be negative to influence the participation behavior. Although religious values and spousal dislike as female head of household are not observed to be statistically significant, both have negative influence on participation. These outcomes have profound insights in the present socioeconomic milieu of Bangladesh.

There have been ample evidences that most microfinance borrowers remain in debt all through their life. Many of these borrowers die with debt outstanding. In rural Bangladeshi Muslim culture, debt is considered unethical. No one should die with debts, and the heirs of the deceased ought to pay off the debt before they can bury the body. This case shows how poor women, direly needy of credit support, get involved in group-lending that secures 'joint liability' for MFIs. This policy of joint liability actually punishes one person by using one's own people which creates feuds among peers and neighbors. They become hostile to each other, but MFIs lose nothing and get back their invested loans (Karim, 2011; Huq 2001).

Similarly, female head of household is unusual to the rural developing societies. Especially in the traditional societies, husband used to dislike female as head of household. In many cases, the wife gets money as loan in her name and hands it over to her husband (Karim, 2011). If the husband misuses the money, then the women became defaulter. It often creates family conflict which ultimately brings disintegration in the family (Ferdous and Uddin, 2010). All these factors, thus, highlight the potential problems inherent in the conventional microfinance operations and stress the urgency to search for alternatives to this dominant development paradigm. In this respect, the present study recommends the Islamic microfinance programs which do not suffer from the similar limitations of the conventional MFIs. The evidence says that all the Islamic MFIs are actually performing much better than conventional MFIs in Bangladesh (Rahman, 2008; Mannan, 2010).

One important lesson of the present study is that Grameen-style MFIs have little success in raising living standards or increasing participation for the local people. The rituals of the Grameen-style MFIs use the language of people's participation in microfinance programs as a means but not as a way of empowering people. Thus, it is time for researchers, policy makers and development practitioners to re-analyze issues of the Islamic financial systems especially the Islamic microfinance program to provide the rural people with an opportunity by which they can improve their lives and overall livelihoods.

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