

## AN INVESTIGATION INTO THE BARRIER TO THE RURAL POOR PARTICIPATION IN MFIs: THE CASE OF BANGLADESH<sup>1</sup>

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### Abstract

The main objective of the study is to understand the reasons for low participation of the rural poor in microfinance institutions (MFIs) in Bangladesh. To this aim, the study identified eight explanatory variables from the microfinance literature which are modeled together in examining the factors that influence the participation of the rural poor in MFIs. The Theory of Planned Behavior (TPB) has been used for analyzing data as the main underlying theory. Data were collected through face to face interview from six major areas of Bangladesh during the period of May, June and July in 2011. Structural equation modeling (SEM) is employed in analyzing data. The results indicate that the influences of both intention and attitudes on participation of rural poor in MFIs appeared to be statistically significant, while subjective norm and perceived behavioral control (PBC) were not statistically significant. Among the eight variables only five variables such as fear of getting into risk of loan, individual preference of taking loan, lack of knowledge of the rural poor, spousal dislike as female head of household and insufficiency of resources were statistically found responsible for influencing the poor villagers' participation in MFIs in rural Bangladesh.

**Keywords:** Microfinance Participation, Bangladesh, Theory of Planned Behavior

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## Introduction

Since its inception, microfinance has evolved as an economic development approach to benefit low-income people in rural areas (Yuge, 2011). It is, thus, widely acclaimed as a potential tool to alleviate poverty and bring about development to the poor<sup>2</sup> (Ashraf, 2011a; Ahmed, 2004). It holds the promise of a sustainable poverty alleviation and social change, but it also presents a lot of criticisms, many of which have not yet been widely discussed. These criticisms are associated with the issue of participation of the rural poor in the microfinance institutes (MFIs) which have cropped up mounting debates in finance and economics literature (Karim, 2011). The controversy surrounds on the outreach, dropping-out and self-exclusion or nonparticipation in the MFIs which, according to many experts, may help persist the rural poverty in Bangladesh (Karim, 2011; Halder and Mosley, 2004).

The primary school of thought led by Muhammad Yunus (1976, 1986) and so many others (Hossain, 1984; Khan, 1990; Khandker, Khalily and Khan, 1995; Khandker and Chowdhury, 1996; Razzaque, 2011) pioneered that these MFIs proved to be beneficial to the poor rural people (Imai and Azam, 2011), since they resulted in increased equity capital accumulated by the participants of micro

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<sup>2</sup> One of the contentious issues has been the definition of poor to include them under a microcredit program. The targeting of the poor is important to ensure that the loan reaches the poor not the wealthier families. In this study, the term 'poor' is defined as the Grameen Bank's definition: by land criteria, that is, members from a family owning less than 0.5 acres of land can join microcredit groups. By the terms ultra-poor, poorest, extreme poverty, hard-core poor, very poor and absolute poverty, the present study means the households who are landless and or marginally landless and have no other real assets except their meager shelter of living. They are absolutely wage-earners or journey-men.

entrepreneurs. In the microfinance process, poor households are being given hope and the possibility to improve their lives through the volitional participation with their own labor. Access to microfinance is credited with reaching the poorest and to have a sustainable impact in alleviating rural poverty (Hashemi and Rosenberg, 2006).

If any one of the measures including MF approach of eradicating rural poverty in Bangladesh actually plays its role, the overall poverty condition is supposed to be improved over time. 'Yet little evidence exist that microcredit borrowers, on average, commonly, directly, and quickly escape poverty, as many assume' (Beck and Ogden, 2007, p.1). Instead, the holistic condition of poverty in Bangladesh is getting worse, which is blamed for external factors (but not mentioned what are those) and not any fault of the poor (Alamgir, 2009).

Besides, there is other evidence that some microcredit programs may actually be harmful, plunging the poor deeper into debt (Beck and Ogden, 2007). This is due to the facts that 90 percent of microloans are used to finance current consumption rather than to fuel enterprise. MIT's Poverty Action Lab, recently researched on the economic lives of the poor, 'finding that regardless of country or continent, very little of each additional dollar of disposable income is spent on any form of investment' (Beck and Ogden, 2007, p.1).

As the microfinance market has matured in recent years in Bangladesh, competition has increased among major MFIs. While the rural poor have more choices from which MFIs to borrow money, the number of people who use multiple loans from various MFIs has been increasing. So overlapping borrowers are increasing and there are more heavily indebted people in Bangladesh (Yuge, 2011).

The evidence of the persistence of poverty is also available in the panel survey data which indicate that in 1998/99, about only 53 percent (i.e. 47 percent are nonparticipants) of total rural land-poor households in Bangladesh participated in microcredit programs (Khandker, 2006). Recently revealed data show that the largest three MFIs' recipients of loans are amounting

about 19 million people, which is still a trifling, in compare to the almost ¼<sup>th</sup> population living in extreme income poverty (Sen and Hulme, 2006).

Around 60 million people in Bangladesh, nearly half of the country's population, live below the poverty line and about 34 million poor are nonparticipating in MFIs in Bangladesh (Ashraf, 2011b; Daley-Harris, 2009). The common

international poverty line has in the past been roughly \$1 a day (Sach, 2005). It leads to raise the questions on why about 25 million poor people are not coming under the MFIs in Bangladesh. The prime concern of this paper is, therefore, to identify the factors that inhibit the rural poor to actively participate in MFIs in Bangladesh.

### MFIs IN BANGLADESH: AN OVERVIEW

Bangladesh, a newly liberated and war-torn country, had experienced a chronic poverty during the early 1970s (Mahmud, 2010; Sen, 1982). Acute food shortage due to the devastating flood in 1974 swept all over the country and some other international political events were accompanied by large scale famine. Thousands of people fell victims of that calamity, but credit was rarely available to the poor to any of their help at reasonable rates of interest (Mahmud, 2010). Nationalized commercial banks failed to cater to the needs of the poor for several reasons. First, these banks required collateral, which the poor found difficult to provide; second, their procedures for filling in application forms and completing other formalities for obtaining loans were too cumbersome for the illiterate poor; and third, they prefer handling large loans rather than the petty loans that the poor needed (Hossain, 1985).

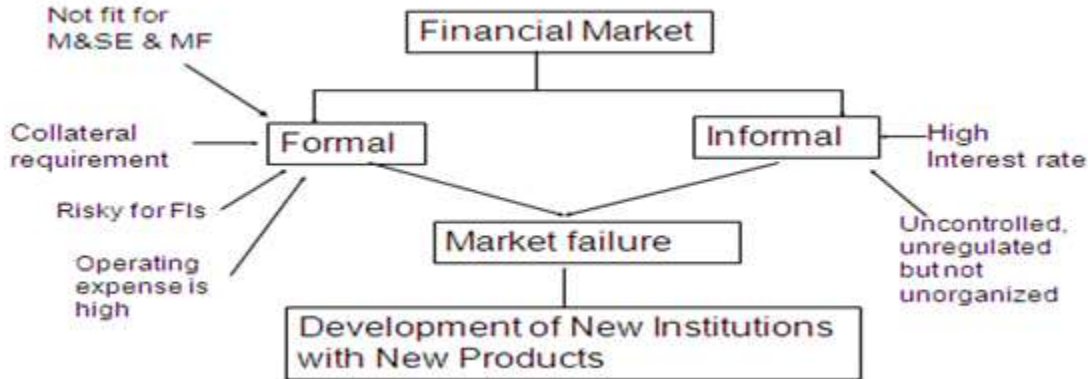
The previous general experience of the small farmer credit program that had long been popular with governments of most developing countries, but it had a limited success in reaching the poor (Mahmud, 2008). The small farmer credit was extended through two programs: normal program and Special Agricultural Credit Program (initiated in 1977 for crop loan). The limited success of these rural credit programs is characterized by their poor recovery performances. About 32 percent of the loans under the normal program and 25 percent of the loans under the Special Agricultural Credit Program (SACP) were irrecoverable in 1982 (Hossain, 1985). Though the normal program was continuing with many organizational and

operational difficulties, the SACP was terminated in the mid-1980s.

In this context, BIDS/IFPRI<sup>3</sup> study (1985) found that in 40 percent of the cases, credits from informal sources were provided free of interest, but for the remaining cases the average rate of interest charge was estimated at 125 percent a year. In contrast, the average interest charge on lending from formal sources was 14.6 percent a year. The poor were then left with only option to have an access to informal sources of credits such as professional village money lenders known as *mahajans*, well-to-do farmers, friends or relatives (Alamgir, 2009). Ninety two percent of the functionally landless households were dependent on these sources for about 93 percent of total loans, but these sources charged very high rates of interest (Hossain, 1985). This scenario can be termed as a market failure of the financial sector in Bangladesh. The financial market in Bangladesh is depicted below in the following Figure 1.

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<sup>3</sup> BIDS / IFPRI are two research organizations. BIDS – Bangladesh Institute of Development Studies is located in Dhaka, Bangladesh and IFPRI – International Food Policy Research Institute is located in Washington, D.C. USA.



[Figure 1. Financial Market in Bangladesh and Its Failure]  
Source: Rashid (2010)

After three years of experimentation, the project was formally launched in Tangail district, north-west of Dhaka in 1979 with the financial support of Bangladesh Bank, the country’s Central Bank. In May 1980, twenty four branches were in operation --- nineteen in Tangail and five in Chittagong, south-east of Dhaka. It witnessed excellent recovery rate of loans of about 98 percent (Hossain, 1985). By April 1982, the project was extended to Patuakhali in South Bengal, Rangpur in North Bengal and Dhaka district. The activities of the project spread wide over time all around Bangladesh and the government recognized it as a full-fledged specialized rural bank in October 1983, which became well-known as the Grameen (i.e. rural) Bank in Bangladesh.

The trend of active MFIs and NGO development continued through 1980s and 1990s particularly NGOs began to put a much greater emphasis on the development of their microcredit programs (MRA, 2009). Donor grants were available on a grand scale contributing to the creation of Revolving Loan Funds (RLF), i.e. funds to lend out to MFI members for income generating activities. The orientation towards microcredit

was remarkable and some NGOs, ASA<sup>4</sup> the most prominent, decided to turn away from their social and community development work and to concentrate solely on microfinance (Mahmoud, Khalily and Wadood, 2009).

The loan repayment crisis in the microfinance sector in Bangladesh loomed at the end of 1990s. Plunging into such crisis, GB’s loan repayment rates recessed from 98 percent to 90 percent (Armendariz and Murdoch, 2005). This crisis was primarily due to the explosive growth of the big-four MFIs such as GB, BRAC, ASA and Proshika which led to over-lending and multiple memberships of their borrowers with more than one MFI. In response to the crisis, GB attempted to review its position and to formulate strategic microfinance product development process in a dynamic competitive market condition in Bangladesh.

<sup>4</sup> ASA (Association of Social Advancement) was established in Bangladesh in 1978. For many years, ASA sought to combine social development (in health, education, nutrition, and sanitation) with credit provision, but in 1991, these were abandoned, and ASA shifted its focus solely to microcredit lending (Rutherford, 2009).

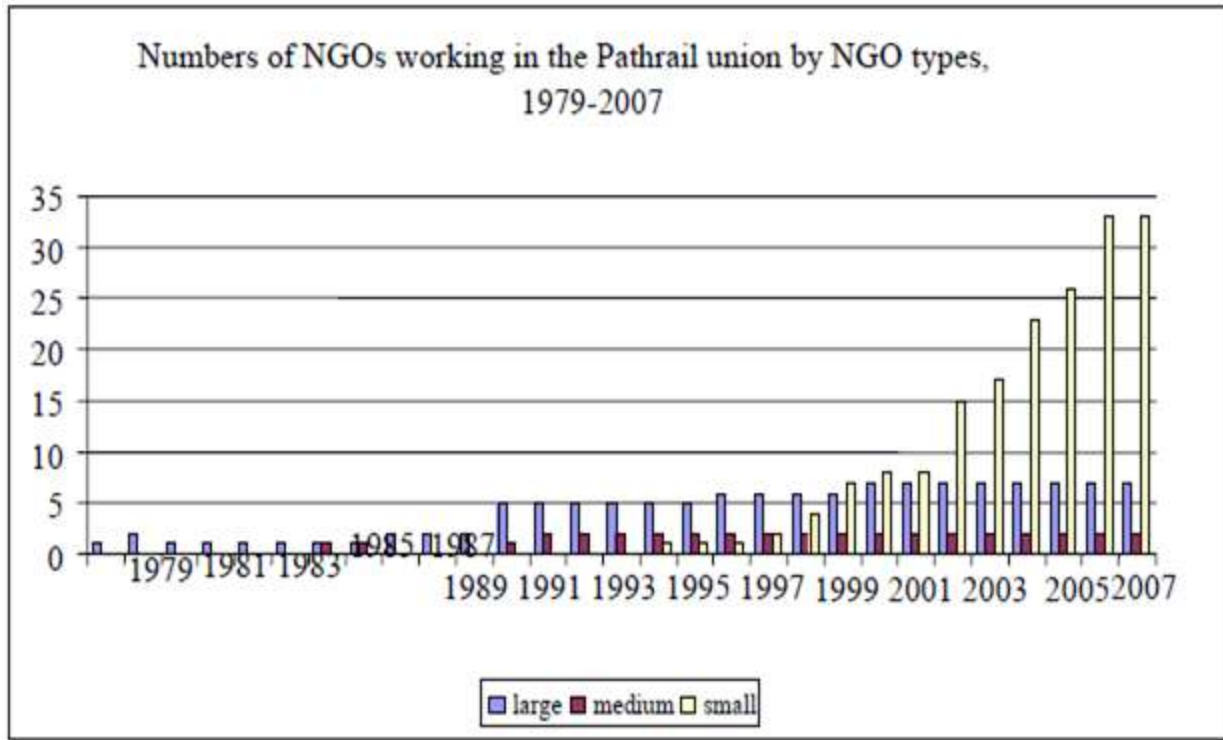


Figure 2. Growth of NGO-MFIs in Bangladesh from 1979 to 2007

Source: Mahmoud et al. (2009)

Since the inception of NGO-MFIs in 1970s, there had been no microfinance regulatory authority in Bangladesh. Competition within the microfinance sector grew much intense and donor funds became less available to the MFIs in the late 1990s. At this new backdrop, several MFIs begin offering voluntary savings accounts to their clients. This led to a growing concern among the practitioners and policy makers in microfinance sector in order to bring it under a regulatory authority (Conroy and McGuire, 2000). Following this concern, the Government of Bangladesh approved an “Act of Microcredit Regulation Authority” through which Microcredit Regulatory Authority (MRA) came into being in 2006. This organization had later approved a regulatory framework that became mandatory for all NGO-MFIs which practiced

microfinance operations in Bangladesh (MRA, 2009).

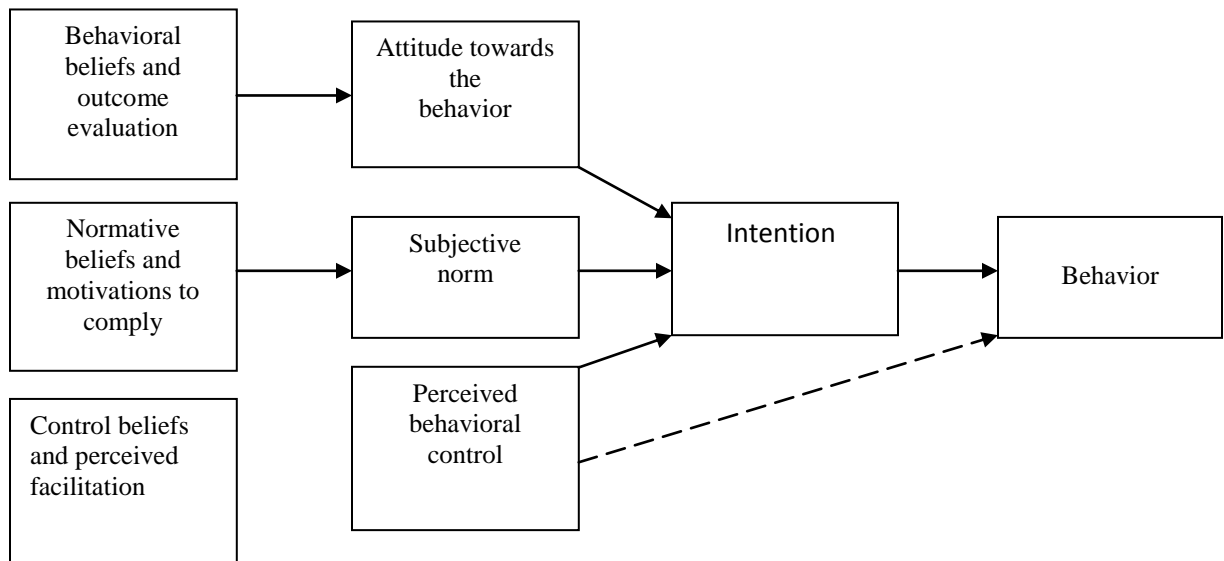
Since that time of 2006, MRA emerged as responsible for the enforcement of the act and had the power to monitor all the activities of all NGO-MFIs related to the microfinance operations in Bangladesh. One of the most prominent rules that have been applied by the MRA is of ceiling in the interest rates charged by the MFIs in Bangladesh. This rate would not be more than 27 percent per annum which is still very high and difficult for the poor to afford (Rahman, 2010). Lila Rashid, director of the MRA assures that there is a need to find a balanced interest which put a justice for the both parties of the borrowers and the MFIs in Bangladesh (Ferdous and Uddin, 2010).

**METHODOLOGY**

**Theoretical Framework:**

The TPB is an extension of the TRA (Fishbein and Ajzen 1975). The TPB extended the TRA by adding the perceived behavioral control (PBC) because the TRA has limiting ability in explaining intended behaviors in which a person does not have volitional control over it (Ajzen,

2008). The theory of planned behavior (TPB) describes how people’s behavior can be determined by their intention to perform a certain behavior (Ajzen, 2008, 2006, 1991, 1988, 1985) (see Figure 3).



**Figure 3: The Theory of Planned Behavior**

**Source: Ajzen, I. (1991). The Theory of Planned Behavior, *Organizational Behavior and Human Decision Processes*, 50: 179 – 211.**

According to Ajzen (1985), an attitude toward a behavior is a positive or negative evaluation of executing that behavior. Attitudes are cognized by beliefs; norms are cognized by normative beliefs and motivation to comply and perceived behavioral control is cognized by beliefs about the individual’s possession of the opportunities and resources needed to involve in the behavior (Ajzen, 1991). TPB’s perceived behavioral control is comparable to Bandura (1997) which introduces the concept of perceived self-efficacy. Besides, there has been a direct connection between perceived behavioral control and actual behavior. Theoretically, TPB does not specify particular set of beliefs associated with any particular behavior which leads to leave a room

for the researchers in choosing those beliefs on their own (Ajzen, 1991).

Based on this perception, external variables incorporated in the present research are fear of getting into risk of loans, individual preferences, religious leaders’ lecture, spousal dislike as female head of household, friend’s advice, insufficiency of resources, lack of knowledge and ill-health which are believed to improve predictions of microfinance intention and or participation. In so doing, we have modified the TPB model incorporating those external factors in order to explain the barriers of participation in microfinance institutions in Bangladesh.

### Research Framework and Hypotheses

This study is designed to present a basic or fundamental research. The main purpose of such study is to generate more knowledge and understand of the phenomena that occur and to build further models based on the results (Sekaran, 1992). The TPB provides a viable framework to explain the phenomena of participation. If some of the variance in a study of microfinance participation by the rural poor can be explained by adding some external variables, then it may enhance to contribute to the use of the theory in future studies and also may help to understand the potential barriers of participation in MFIs in order to alleviate the rural poverty from society.

As mentioned earlier, a survey design methodology is employed in this study. This particular design is useful because both attitudes and behaviors are tested (Fowler, 1988), using samples drawn from six different districts of Bangladesh. This study is cross-sectional since the surveys have been done at one point in time. Survey designs are the methods used most often in industrial relations research. This may be

because the application of quantitative methods adds to rigor research. It allows hypotheses to be tested orders of magnitudes of the relations between key factors to be established and patterns to be uncovered (Kochan, 1998). This study is also largely exploratory since the TPB has not been used earlier in the study of participation in MFIs.

The research framework used in the study, presented in Figure 4, is hinged on TPB. The actual behavior in question is participation of the rural poor in MFIs. The typical TPB model would resort the intention as an important determinant to actual behavior. So the relations of attitudes, subjective norms, perceived behavioral control and participation behavior are introduced as indirectly linked where intention is active as an intermediary variable. So based on the relationships between intention and participation, attitudes and intention, subjective norms and intention, perceived behavioral control and intention as well as participation respective hypotheses are developed as H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub> and H<sub>5</sub>.



Figure 4. The Diagram for the Research Framework

There are thirteen hypotheses altogether under the framework based on TPB for studying the influence of the factors that affect participation in MFIs. The direction specified in each hypothesis is constructed from the previous description of different factors and the original design of TPB. Hypotheses 6, 7, 8, 9, 10, 11, 12, 13 are proposed based on the research model which incorporates fear of getting into risk of loans, individual preferences, religious leaders' lectures, spousal dislike as female head of household, friends' negative advice, insufficiency of resources, lack of knowledge and ill-health or vulnerability to crisis as eight

important antecedents of participation of the rural poor in the MFIs.

**Data Collection**

The data collection exercises were aimed at gathering information on the impact of eight factors that affect participation of the rural poor in MFIs in Bangladesh through the basic constructs TPB such as intention, attitudes, subjective norms, perceived behavioral control. To this aim, data were collected by face to face interview from six major areas of Bangladesh using closed-end questionnaire interviewing 420



respondents who are participating (140 respondents) and nonparticipating (280 respondents) in MFIs in Bangladesh during the period of May, June and July in 2011. The questionnaire was constructed in a 5-point scale. In the measurement, scale 1 indicates strongly disagree and scale 5 indicates strongly agree. The questionnaire was pilot tested with a small number of samples collected from the participants and nonparticipants in MFIs.

The samples were drawn based on snowballing and cluster sampling procedure from six different districts of Bangladesh. The districts are selected based on the comparatively longer duration of the operations of the MFIs and the higher concentration of poverty incidence in Bangladesh declared by the concerned government departments (GoB, 2010). The districts are Moulavibazar, Satkhira, Shariatpur, Kishoreganj, Nilphamary and Bogra.

#### Techniques of Data Analysis

Since the late 1980s, researchers have relied more and more on structural equation modeling technique (SEM) to test the hypotheses and relationships among latent and observed variables of a specified model. This study uses structural equation modeling, which is a statistical modeling technique that tests and examines a series of dependence relationships simultaneously, as is the case with this study. In fact, SEM is used to test the causal relationship between the predictors – attitudes, subjective norms, PBC and eight other external variables – and the study dependent construct, microfinance participation. The study also employs bivariate correlation analysis.

## RESULTS AND DISCUSSION

### Characteristics of the Study Participants

The characteristics of the survey respondents, including gender, age, marital status, education, yearly household income, amount of land and other assets are provided here. In terms of gender, the majority of the respondents were female (86.2%). As to age, most of the respondents were 26-40 years old (56.4%),

followed by 41-55 years old (23.1%), then 15-25 (11.2%) and 56-60 (9.3%). Majority of the study respondents were married (89.3%), single (9.3%) and divorced (1.7%).

Education of the survey respondents was relatively skewed over four groups, including totally illiterate and primary school (64%), high school (26.7%), college degree (5.5%) and bachelor (3.8%). Income of the survey respondents varied, including US\$1001 to US\$1400 (27.6%), followed by more than \$1401 (26.2%), \$571 to 1000 (23.6%), then US\$285 or less (11.0%), and \$286 to \$570 (11.6%).

As the rural areas of Bangladesh particularly in the northern region are poor in terms of educational and communication infrastructure, literacy rate is very low. Yet income generating activities other than agriculture are scanty. For this reason, the rural poor are mostly dependent on rickshaw-pulling and cattle-cart driving which generate poor income level for them (CARE, 2005).

In terms of land owned by the respondents, the majority of them were marginal land-owners (36.9%) who possessed 1 to 33 decimal of land, followed by landless (25%), then 34 to 66 decimal of land (20%), 67 to 100 decimal (9.3%) and more than one acre of land (8.8%). As to other assets, the majority of the respondents (60.2%) who owned the asset of US\$285 or less, followed by (21%) who owned more than \$1401 of asset, then \$570 to 1000 of asset (7.6%), also \$1000 to 1400 (6.7%) and \$286 to 570 (4.5%).

Overall, socio-demographic results of this study reflected previous participatory behavioral research in the area of gender (Brown and Morrison, 2003; McGehee, 2002), age (Coghlan, 2008; McIntosh and Zahra, 2007; Stoddart and Rogerson, 2004), education (McGehee, 2002; Stoddart and Rogerson, 2004), and income and other assets (Brown and Morrison, 2003; Coghlan, 2008; Stoddart and Rogerson, 2004). The number of participants who participated in MFIs before were 229 (54.5%). Among them 191 respondents never participated in MFIs (45.5%). Among the respondents the number of participants in MFIs is 140 (33.3%) and nonparticipants are 280 (66.7%).

**Descriptive Statistics of the Study Constructs**

Table 1 presents the means and standard deviations of all the variables in the study. On average, study respondents estimated their attitudes towards the rural poor participation in

MFIs in positive sentiment that ranges from moderate to simple agreement. All the largest mean values of the factors are taken in favor of the conclusion.

	1	2	3	4	5	6	7	8	9	10	11	12
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Construct	N	Minimum	Maximum	Mean	SD
Participation	420	1.00	5.00	3.2603	.9825
Intention	420	1.00	5.00	3.2659	1.0588
Attitude	420	1.00	5.00	3.5048	.9274
Subjective Norms	420	1.00	5.00	3.2452	1.3314
PBC	420	1.00	5.00	3.3024	1.1479
Fear of Risk	420	1.00	5.00	3.1532	.8803
Individual Preference	420	1.00	5.00	2.5738	.7158
Religion	420	1.25	5.00	4.1107	.8342
Female Head	420	1.00	5.00	4.1321	.8786
Friends' Advice	420	1.00	5.00	3.1413	.7159
Resource	420	1.00	5.00	3.1940	.9247
Knowledge	420	1.00	5.00	3.5083	1.1364
Ill-Health	420	1.00	5.00	3.8857	.9904

**Table 1: Descriptive Statistics for Constructs**

On average, study respondents estimated their attitudes towards the rural poor participation in MFIs in positive sentiment that ranges from moderate to simple agreement. All the largest mean values of the factors are taken in favor of the conclusion.

each sub-dimension and each construct were somewhat correlated with one another. Specifically, the variables which show negative correlations with others, these results are consistent with the results of subsequent analyses.

Table 2 ( Indexed In Last)

**5.2.1 Correlation Analysis**

The correlation analyses were examined demonstrating in Table 2 which showed that

**Structural Equation Modeling (SEM) - Path Analysis**

In using a standard SEM program (analyzed by AMOS), the results can be represented as standardized or unstandardized estimates. When the estimates are in easily understood units, unstandardized estimates are preferred. However, it is often the case that the units of the included variables have no particular meaning. In this situation, standardized estimates may be easier to interpret. Standardized estimates are

obtained by dividing the beta coefficient by the standard deviation of that beta-coefficient. Based on this understanding, path analysis of this study has been taken into consideration incorporating standardized estimates for analyzing the different impacts of the independent variables on the dependent variable. The path analysis and evaluated model have been presented in the following section in figure 5 and 6 respectively.

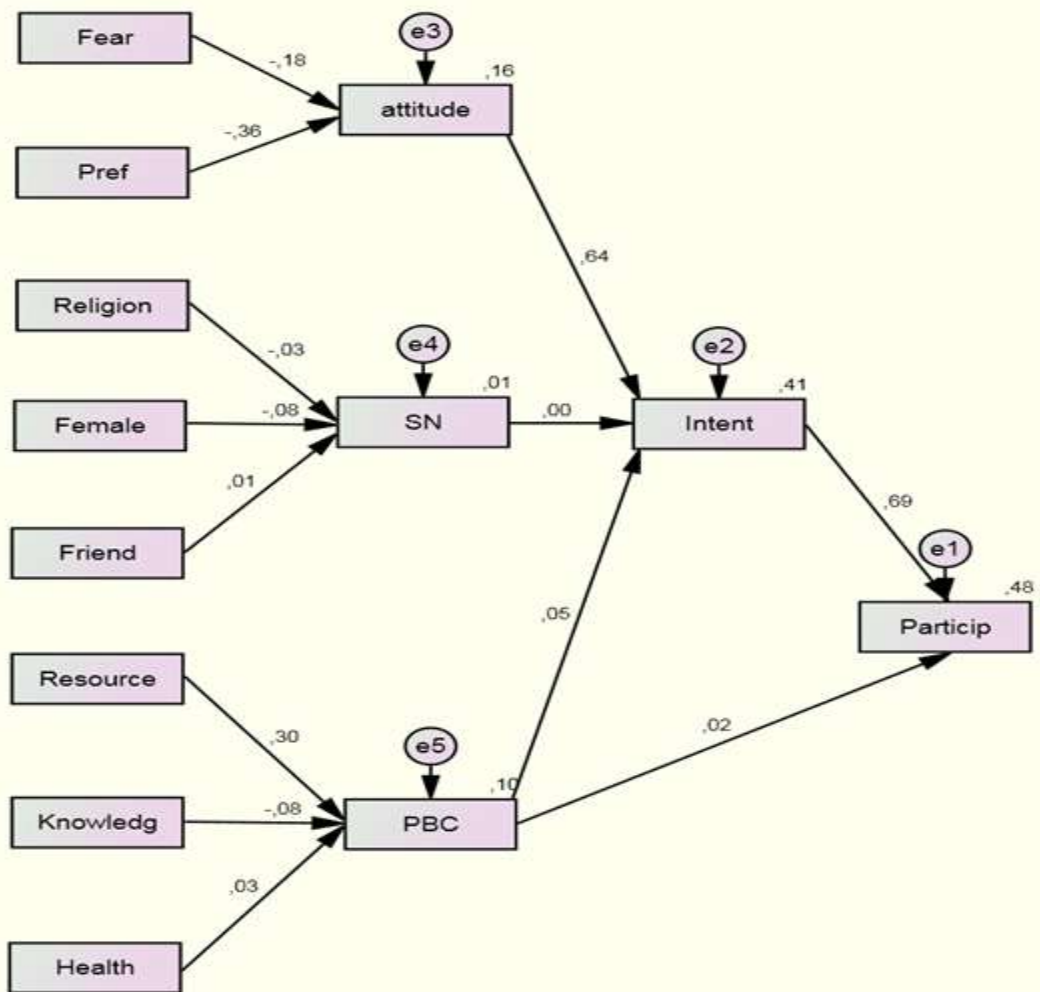
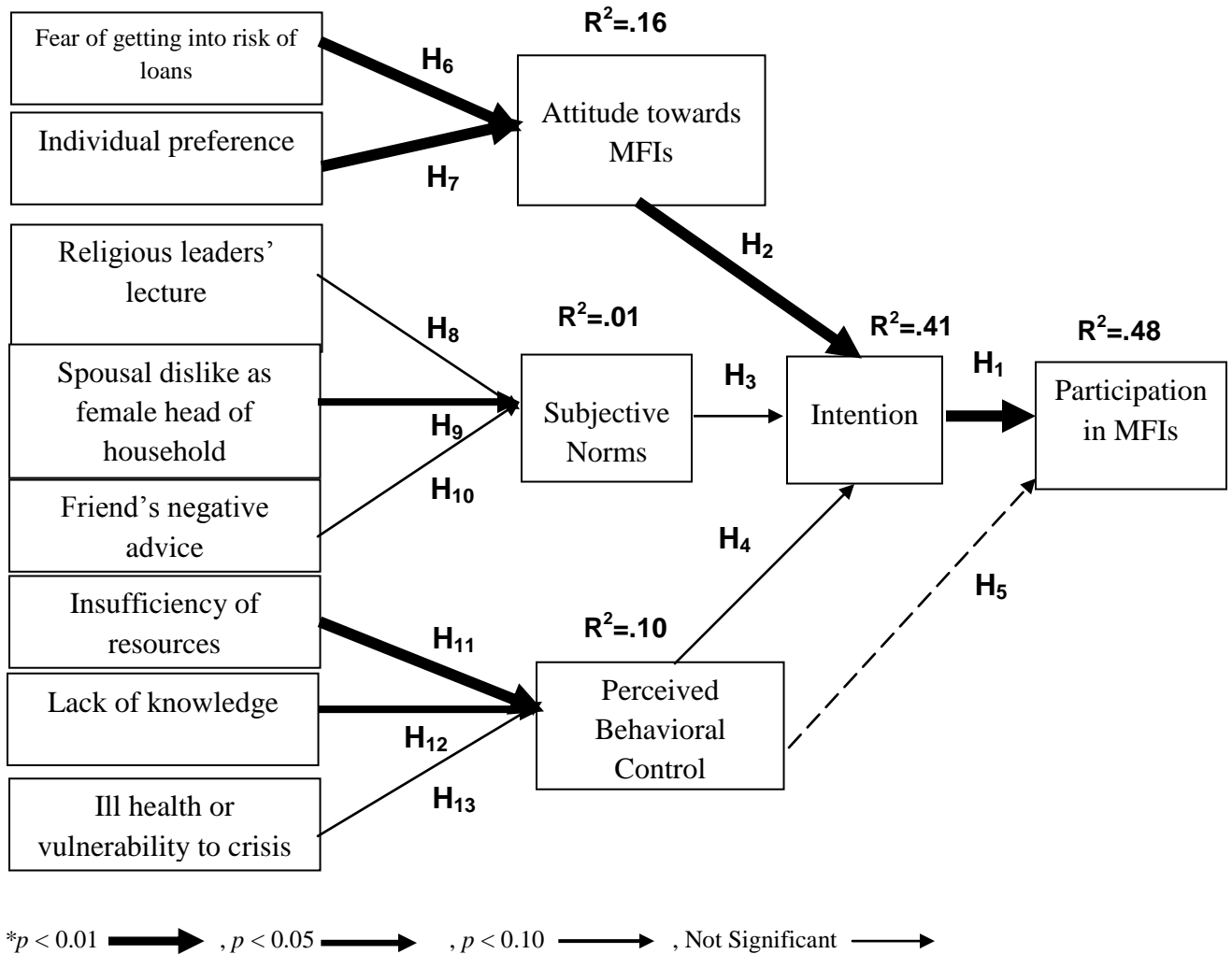


Figure 5: Path Analyses

**Evaluated Model and Hypotheses Tests**

Based on the analysis done by the structural equation modeling, the study evaluates the measurement of the variables and presents in

Figure 5 by which the study hypotheses were examined statistically. In the section below, discussions on testing the hypotheses are presented one by one which are as follows.



**Figure 6. Evaluated Models**

**Hypothesis 1: Intention to participate is positively related with the MF participation**

From the path analysis and evaluated structural model represented in Figure 5 and Figure 6, it is evident that the hypothesis 1 is found to be

positively statistically significant (adjusted  $R^2 = .479$ ,  $\beta = 0.693$ ,  $p < .01$ ,  $t = 19.637$  and  $F [1, 418] = 395.11$ ,  $p < .01$ ). That means intention is significantly and positively related with participation in microfinance borrowing. Hence, hypothesis 1 is accepted.

**Hypothesis 2: Attitudes towards participation in MFIs are positively and directly related with intention to participate.**

Hypothesis 2 that intention and attitude towards microfinance participation are positively related is observed to be accepted. That means attitude and intention are statistically significantly related with each other ((adjusted  $R^2 = .411$ ,  $\beta = 0.642$ ,  $p < .01$ ,  $t = 17.128$  and  $F [1, 418] = 293.36$ ,  $p < .01$ ). Hence, attitude towards MFIs is highly positively related with intention to microfinance participation.

**Hypothesis 3: Subjective norms are positively and directly related with intention to participate in MFIs.**

Hypotheses 3 that subjective norms and intention towards participation in MFIs are observed to be statistically insignificant. The results reveal that subjective norms (adjusted  $R^2 = .002$ ,  $\beta = .029$ ,  $p > .05$ ,  $p = 0.554$ ,  $t = 0.593$ ,  $F [1, 418] = 0.351$ ) is not significantly related with intention towards microfinance participation directly. Hence, the hypothesis 3 is not supported by the evidence to be accepted.

**Hypothesis 4: PBC is positively related with intention towards MF participation**

Hypothesis 4 is observed not to be statistically significant. That means PBC (adjusted  $R^2 = .001$ ,  $\beta = .050$ ,  $p > .05$ ,  $p = 0.305$ ,  $t = 0.1028$ ,  $F [1, 418] = 1.056$ ) does not statistically influence the intention towards participation in MFIs. Hence, the hypothesis is not accepted.

**Hypothesis 5: PBC is positively related with the actual participation in MFIs.**

Equally true for the hypothesis 5 which was postulated PBC (adjusted  $R^2 = 0.001$ ,  $\beta = 0.59$ ,  $p > .05$ ,  $t = 1.204$ ,  $F [1, 418] = 1.449$ ,  $p > .05$ ) as related with the participation in MFIs and is not observed statistically significant. Hence, hypothesis 5 is not supported by the evidence to be statistically accepted.

**Hypothesis 6: Fear of getting into risk of loan is negatively related with attitude towards with participation in MFIs.**

Hypothesis 6 is observed to be supported by the evidence. Hypothesis 6 that perceived fear of the rural poor in getting into risk of microcredit is negatively and statistically significant in relation with attitude towards microcredit participation (adjusted  $R^2 = 0.166$ ,  $\beta = -1.82$ ,  $p < .01$ ,  $t = -4.064$ ). The overall  $F [2, 417] = 42.72$ , ( $p < .01$ ).

**Hypothesis 7: Individual preferences are negatively related to attitude towards participation in MFIs.**

Hypotheses 7 that individual preference of the poor villagers are observed to be negatively and statistically significant (adjusted  $R^2 = 0.166$ ,  $\beta = -3.54$ ,  $p < .01$ ,  $t = -7.893$ ). The overall  $F [2, 417] = 42.72$ , ( $p < .01$ ). Hence, hypothesis 7 is accepted that individual preference influences attitude towards participation in MFIs negatively.

**Hypothesis 8: Religious leaders' lectures are negatively related with subjective norms towards participation in MFIs.**

Hypothesis 8 is not supported by the evidence to establish the statistical relationship significantly, but it supports that they have a negative relationship between them. That means religious lectures delivered by the religious leaders are not statistically significant to influence subjective norms, but their relationship is observed to be negative ( $\beta = -0.03$ ,  $p > .05$ ,  $p = .549$ ,  $t = -.60$ ).

**Hypothesis 9: Spousal dislike as female head of household is negatively related with subjective norms towards participation in MFIs.**

Among three antecedents of subjective norms, only female head of household is observed to be statistically significant (adjusted  $R^2 = .001$ ,  $\beta = -0.082$ ,  $p < .10$ ,  $t = -1.616$ ) and their relationship is found to be negative. Hence, hypothesis 9 is accepted.

**Hypothesis 10: Friends' negative advice is negatively related with subjective norms towards participation in MFIs.**

Similarly, the factor of friends' advice is also found to be statistically insignificant ( $\beta = 0.007$ ,  $p < .05$ ,  $p = 0.895$ ,  $t = .132$ ). The overall  $F [3,$

416] = 1.197,  $p > .05$ ,  $p = .31$ , which is also insignificant.

**Hypothesis 11: Insufficient resources of the rural poor are negatively related with PBC towards participation in MFIs.**

There are three antecedents of PBC based on which hypotheses 11, 12 and 13 have been postulated. Among them, hypothesis 11 is found to be statistically significant. That is, insufficiency of resources is positively and significantly influencing the PBC (adjusted  $R^2 = .091$ ,  $\beta = 0.299$ ,  $p < .01$ ,  $t = 6.396$ ). Hence, it is found that insufficiency of resources is statistically significant, but the sign is not supported by the evidence. Hence, the hypothesis 11 is partially supported.

**Hypothesis 12: Lack of Knowledge of the rural poor is negatively related with PBC towards participation in MFIs.**

Hypothesis 12 is found to be statistically significant. The factor of business knowledge possessed by the rural poor is found to be negatively and statistically significant (adjusted  $R^2 = .091$ ,  $\beta = -0.083$ ,  $p < .10$ ,  $t = -1.63$ ).

**Hypothesis 13: Ill-health or vulnerability to crisis of the rural poor is negatively related with PBC towards participation in MFIs.**

Hypothesis 13 is found to be statistically insignificant (adjusted  $R^2 = 0.91$ ,  $\beta = 0.03$ ,  $p > .05$ ,  $p = 0.559$ ,  $t = 0.585$ ). That means ill-health or vulnerability to environmental crises has no statistically significant impact on PBC. The overall  $F [3, 416]$  is 14.987 ( $p < .01$ ). Hence, the conclusion is that hypothesis 13 is not accepted. In the next section, structural model fit indices are presented.

**CONCLUSIONS  
AND  
RECOMMENDATIONS**

In the present study, factors affecting participation in MFIs in Bangladesh has been investigated. To this aim, the TPB and the SEM have been used as the underlying framework and the analytical technique respectively. The findings indicate that attitude is found to largely

influence intention towards participation in MFIs, indicating that fear of getting into risk of loans and individual preference and experience have an important impact on participation behavior of the rural poor. Thus, the relationship between intention and participation in microfinance programs are also found to be highly statistically significant which supports the validity of incorporating the TPB in the analytical framework of the study.

It indicates that at least five external factors have a vital impact on the rural poor participation in MFIs in Bangladesh. Besides, self-efficacy measures should be incorporated in microfinance participation study in order to have a better understanding of the potential barriers present in the rural society of Bangladesh.

A number of findings lead to suggestions for policy formulations related microfinance programs that are primarily designed for alleviating rural poverty from society which is considered as one of the most important pillars of development (Kalam, 2012). This study identified the problems faced by the rural poor for participating in MFIs. While the goals are to increase the rural poor participation in MFIs, there will be difficulties in attracting the poor people to participate actively mainly because the programs are intertwined with several potential bottlenecks that hinder the rural poor participation. The MFIs have to be more innovative to formulate new policy tools of operating the MFIs, so that barriers to participation in MFIs are eliminated and PBC over certain situations can be accomplished.

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	1	2	3	4	5	6	7	8	9	10	11	12
Participation (1)	1											
Intention (2)	.69**	1										
Attitude (3)	.61**	.64**	1									
SN (4)	.05	.03	.02	1								
PBC (5)	.06	.05	.01	.42**	1							
Fear (6)	-.10*	-.14**	-.22**	-.15**	-.13**	1						
Preference (7)	-.29**	-.30**	-.37**	-.02	-.01	.09	1					
Religion (8)	.01	-.09	-.13**	-.05	-.09	.53**	.04	1				
Female (9)	-.11*	-.10*	-.12*	-.09	-.07	.15**	-.06	.22	1			
Friend (10)	-.04	-.07	-.11*	-.01	-.07	.01	.20**	.01	.13**	1		
Resource (11)	.06	-.02	-.02	.27**	.30**	-.02	.01	.03	-.12*	-.03	1	
Knowledge (12)	.27**	.21**	.32**	-.12*	-.09	.10*	-.15**	.11*	-.16**	-.04	-.08	1
Health (13)	.20**	.15	.31**	.03	-.02	-.11*	-.16**	-.13**	-.08	-.02	-.07	.39**

**Table 2. Correlation Ratio of the Model Constructs**