

A Comparative Study on Customers Attitude towards the Microcredit Services of Two NGOs in Bangladesh

Md. Mahbubar Rahman

Department of Marketing, Rajshahi University, Bangladesh

Abstract: Microcredit has become an important financial tool for the poor people of developing country like Bangladesh. Although Bangladesh has huge potential for development for various socio-economic reasons, money for investment and employment microcredit program of NGO-MFIs got acceptance and as a result a lot of NGO's with microcredit program emerged. This study intends to evaluate the relevant areas of microcredit services provided by NGOs and looks into the customer's attitude towards these services comparing two popular NGOs (ASA and BRAC). The study utilizes fishbein's multi-attribute attitude-object model to measure overall attitude of customers. The study reports seven salient beliefs of customer's perceptions on ASA and BRAC. The model anticipates overall customer's attitude towards ASA is favorable than BRAC in Microcredit program of NGOs in Bangladesh. By adopting some of the recommendations identified in the research, NGOs could improve their quality of service.

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I. Introduction

In recent years, micro credit in its wider dimension known as microfinance has become a much-favored intervention for poverty alleviation in the developing countries. For various socio-economic reasons among the poorest countries in the world, Bangladesh has huge potentiality for development. But it could not be achieved because about half of the population lives below the poverty line with 80% in the rural areas (Chowdhury & Bhuiya, 2004). The burden of poverty falls disproportionately on women, who constitute half of the total population. Government of Bangladesh in this condition for poverty alleviation adopted the micro credit approach (Chowdhury *et al.*, 2005). Both government and non-government organizations are implementing the micro credit programs.

In fact, the underdeveloped rural economy of Bangladesh is reflected in the low productivity, high population pressure, unemployment, underemployment, low calorie intake, lack of working opportunities outside agriculture and the resultant deteriorating living condition of the concentrated in few hands (Rahman, 2009). The size of the agricultural labor market is very small and is gradually shrinking because of- increasing availability of family workers associated with the growing pursue of population and sluggish growth in agricultural production most of which originates more intensive application of labor (Robbani *et al.*, 2007).

It is also obvious that whatever additional employment is generated in the crop sector, a large part of it is taken up by the unemployed family workers. Thus the employment generated in family activities is totally inadequate for highly growing population of the country. Consequently the land, transports are being forced to take up self-employment in various non-crop activities. But the activities in which they are involved are very low productive ones. Since they do not have any resources or very limited access to resources, the major constraint they face in operation is the shortage of finance. Even they have no access to the formal credit system, as they cannot provide collateral securities. The causes identified like - the practice of keeping collateral securities against loans which rural poor cannot provide and the cumbersome procedure of completing formalities for taking loan. Moreover, bankers prefer to handle big rather than petty loans that the rural poor need. Therefore, the rural poor usually have to take loan from the local money lenders who charge exorbitant rate of interest and in this way money lenders extract a significant portion of the value addition made by the self employed person.

Provision of institutional credit at reasonable rate of interest could make a remarkable positive impact on the socio economic life of the rural poor. Furthermore, institutional credit can save the rural poor from the local moneylenders and can help the poor to increase their productivity as well as income and purchasing power. Even institutional credit can help them with accumulated resources. But unfortunately the rural poor do not have access to institutional credit as they can not provide collateral securities. To overcome this serious problem many of NGOs come forward with microcredit services. Two of those are- ASA and BRAC which are well-established NGOs and most popular in Bangladesh.

ASA has emerged as one of the largest and most efficient Microfinance Institution (MFI) in the world and has been working relentlessly to assist the poor since its inception in 1978. The major drive behind ASA is to gradually eradicate poverty from society. During its early years, ASA undertook various development programs like awareness building for social action, training local birth attendants, capacity building of journalists, etc. In the mid-80's it introduced new programs working in the sector of health and nutrition, education, sanitation, etc. In one stage ASA introduced microcredit as a pilot project. From its hands on experience in the field, and by evaluating the impact of development assistance, ASA realized that financial solvency, to a great extent, is what the poor need to bringing positive changes in their lives. In 1992, this paradigm shift led ASA to focus solely on microfinance as its tool in fighting poverty in Bangladesh.

On the other hand, BRAC as one of the reputed NGO came forward and played a significant role in poverty alleviation in Bangladesh since its incorporation in 1972. It believes that poverty must be tackled from a holistic viewpoint, transitioning individuals from being aid recipients to becoming empowered citizens in control of their own destinies. Over the years, BRAC has organized the isolated poor, learned to understand their needs, piloted, refined and scaled up practical ways to increase their access to resources, support their entrepreneurship, and empower them to become active agents of change. Women and girls have been the central analytical lens of BRAC's anti-poverty approach, recognizing both their vulnerabilities but also their thirst for change.

Different researchers have conducted several studies on the issue of NGOs service quality but most of the studies are on the basis of secondary data. This research tries to assess customer's attitude towards NGOs services in an applied form. With the help Fishbein's model, the study strives to investigate the customers' attitude towards the microcredit services of two NGOs in Bangladesh.

II. Literature Review

A large number of studies have been conducted on the poverty alleviation capability of micro-credit programmes. These studies have shown the impacts of micro-credit from various points of view. Hietalahti and Linden (2006) have studied the role of microcredit program in poverty alleviation in northeastern South Africa using a qualitative method. They have revealed that a number of the poorest women have been released from deepest poverty through the micro-credit programmes. Sharma (2005) described the micro-credit as the key to socio-economic transformation. The study also demonstrated that micro-credit does not only deliver macro benefits but has also brought about a silent revolution in rural areas. Hossain and Rahman, (2009) have found that the household outcomes due to micro-credit programme are found different across income groups. Micro-credit programme helps bringing better outcomes for the high-income group borrowers compared to low-income group borrowers. Another related issue is the sustainable economic development of the poor. But many studies have shown that the economic development of the poor through micro-credit programmes is not sustainable because of the variation of services. Chwdhury *et al.*, (2005) argued that the effect of micro-credit on poverty alleviation is minimal in any develop country context but it is high in developing country. Giving people money may raise them out of poverty for a short period of time but when the money is spent they fall back into poverty. Thus, micro-credit has a long-run impact on poverty alleviation. Its aim is to lead to a sustainable increase in a household's ability to increase wealth. Hoque (2004) explored the relationship between micro-credit and the reduction of poverty and the study concluded that the microcredit had minimal impact on the reduction of poverty. However, the role of micro credit services and the impact of customers' attitude towards the microcredit services did not get sufficient attention in developing country context. Although, there are many NGOs are working and providing services in Bangladesh to alleviate poverty. In addition, none of the studies looked at the impact of customers' attitude towards the microcredit services. Therefore, this study takes an endeavor to investigate and compare the customer attitudes on microcredit services. Accordingly, based on Fishbein's model, the study developed multi-attributes to compare the customers' attitudes.

III. Proposed Model for the Study

As Fishbein model has received great attention in consumer and marketing researchers, a number of different multi attributes has been adopted in order to predict a consumer's attitude towards the object in this study. Therefore, to understand consumer's attitudes on microcredit services adequately the study integrates the beliefs that form the basis of the attitudes.

Fishbein's multi attribute attitude model can be expressed in an equation as follows:

$$A_o = \sum_{i=1}^n b_i e_i$$

Where,

A_o = the persons overall attitude towards the object

b_i = The strength of one's belief that the object is related to attribute.

e_i = One's evaluation or integrity of feelings of the goodness or badness of attribute.

n = the number of relevant beliefs for that person.

The model explicitly incorporates the cognitive (belief) and affective (evaluation) components of attitudes. It also accounts for the strength or intensity of the elements. The model states that to determine a person's overall attitude toward some object, it is first necessary to determine those beliefs that have the influence on his attitude. The overall attitude towards an object can be obtained by multiplying the belief score by the evaluation score for each attribute and then summing across all relevant beliefs to obtain the value of A_o . Thus the model is applicable to measure customer's attitude towards micro credit services of NGOs (ASA and BRAC) in Bangladesh. On the basis of the problem the study considered seven null and alternative hypotheses.

Hypotheses for all the attributes individually

$H_{01}: \bar{X}_{LF} = \bar{Y}_{LF}$	$H_{a1}: \bar{X}_{LF} \neq \bar{Y}_{LF}$
$H_{02}: \bar{X}_{RI} = \bar{Y}_{RI}$	$H_{a2}: \bar{X}_{RI} \neq \bar{Y}_{RI}$
$H_{03}: \bar{X}_{RS} = \bar{Y}_{RS}$	$H_{a3}: \bar{X}_{RS} \neq \bar{Y}_{RS}$
$H_{04}: \bar{X}_S = \bar{Y}_S$	$H_{a4}: \bar{X}_S \neq \bar{Y}_S$
$H_{05}: \bar{X}_{FS} = \bar{Y}_{FS}$	$H_{a5}: \bar{X}_{FS} \neq \bar{Y}_{FS}$
$H_{06}: \bar{X}_{EC} = \bar{Y}_{EC}$	$H_{a6}: \bar{X}_{EC} \neq \bar{Y}_{EC}$
$H_{07}: \bar{X}_{SC} = \bar{Y}_{SC}$	$H_{a7}: \bar{X}_{SC} \neq \bar{Y}_{SC}$

Where X and Y denote the customers attitude on microcredit service of ASA and BRAC respectively and LF=Loan features, RI=Repaying installment, RS=Recovery system, S=Savings, FS=Facility services, EC=Economic contribution, SC=Social contribution.

IV. Methodology

The main research objective of this study was to measure the attitude of customers towards the micro credit services in Bangladesh. As it was an empirical research, the sample survey was conducted to integrate and analyze the data.

Data was gathered by purposive sampling from 240 samples (both from ASA and BRAC) from different areas of Bangladesh. A structured questionnaire was formed to gain the respondents feelings on different statements in relation to beliefs and respective evaluation on different attributes of microcredit service provided by the NGOs. Target population for the study was the microcredit holder of ASA and BRAC. To ensure equal participation from both NGOs, 120 respondents were selected from ASA and 120 respondents from BRAC purposively. Among 240 respondents 95 percent were female. About 64 percent respondent's age were 20 to 30 years and 70 percent respondent's monthly income was below 8000 Taka. Among 240 respondents, 90 percent took loan for purchasing cattle, household goods and small business purpose. The rest of the credit holders took loans for pay other personal credit.

A questionnaire was adopted from Tsang-Sing (2002) to integrate the multiattributes of customers' attitude on microcredit services. As focused earlier, 240 respondents were purposively selected and questionnaire was distributed to them personally to ensure the equal representation from two NGOs. To measure the overall evaluation (e_i) and believe (b_i) regarding the selected attributes five point likert scale was used and asked to circle the point to express their opinion. The collected data were analyzed using SPSS version 22 software.

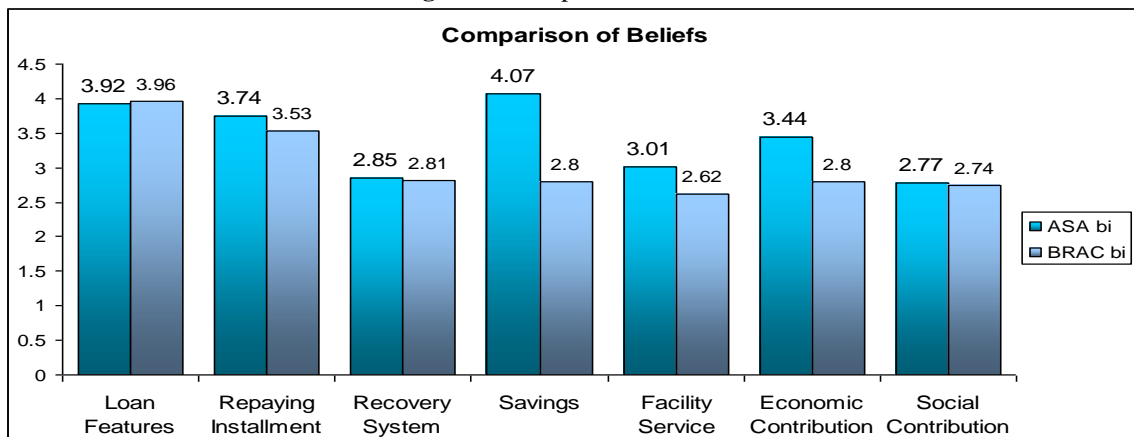
V. Results

The mean scores of the study show that the overall belief of respondents towards different attributes is better for ASA than the BRAC which are illustrated below:

- Loan Features** – loan features was measured by 7 characteristics namely - amount given as loan, variety of loan, loan supply intensity, conditions, loan access, membership, and time needed. The mean score in figure1 shows that BRACs loan feature is slightly better (3.96>3.92) than the ASA.
- Repaying Instrument** - repaying installment was measured by 7 characteristics namely - number of installment, amount of installment, interval between installment, first installment, rate of interest, record keeping, failing to pay. The mean score in figure 1 shows that ASAs repaying instrument is slightly better (3.74>3.53) than the BRAC.
- Recovery System** - recovery system was measured by 7 characteristics like - coercive action, give pressure, field workers behavior, legal action, mental torture, seizing property, health problem. The results shows that ASAs recovery system is slightly better (2.85>2.81) than the BRAC.

4. **Savings** - savings was estimated by three characteristics likewise - amount deposited, rules, flexibility. The mean score in figure 1 shows that ASAs savings is much better ($4.07 > 2.80$) than the BRAC.
5. **Facility Services** - This feature was also assessed by 7 characteristics like training, flexibility, disaster provisions, interest free loan, measures far loan misuse, monitoring, and record keeping. The mean score in figure 1 shows that ASAs facility services is better ($3.01 > 2.62$) than the BRAC.
6. **Economic Contribution** - It was also measured by income generation facilitation capital supply, family solvency, improves existing business, women income source, self dependency, small business facility and overall contribution. The mean score shows that ASAs economic contribution is much better ($3.44 > 2.8$) than the BRAC.
7. **Social Contribution** - This feature was measured on the basis of group skill, woman education, women participation in decision making and overall social contribution. The mean score in figure 1 shows that ASAs social contribution is slightly better ($2.77 > 2.74$) than the BRAC.

Figure 1: Comparison of Beliefs



Similarly, in terms of customers evaluation of microcredit services, figure 2 shows that all of the attributes of ASA were much better than the BRAC.

Figure 2: Comparison of Evaluations

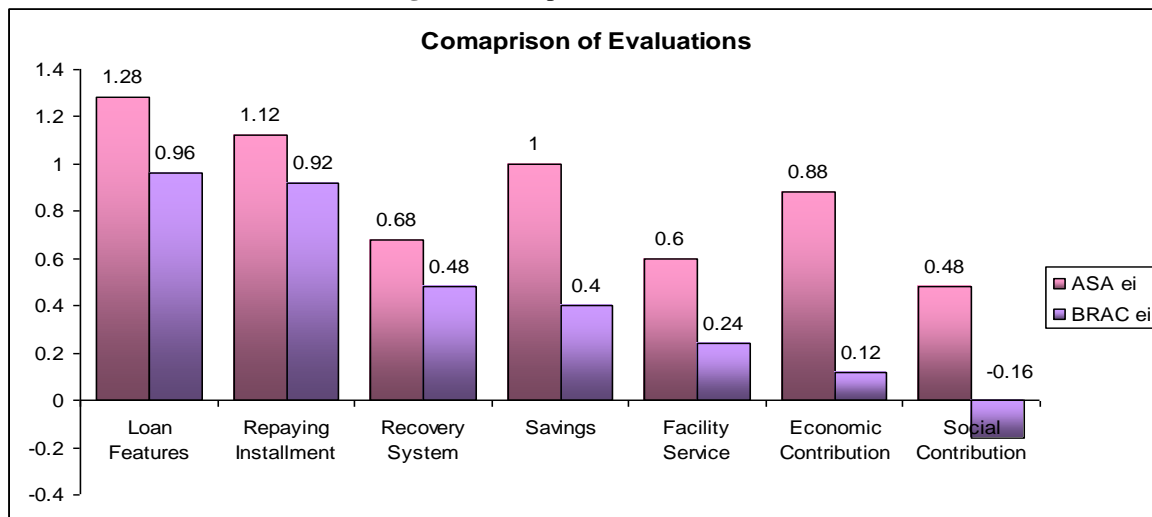
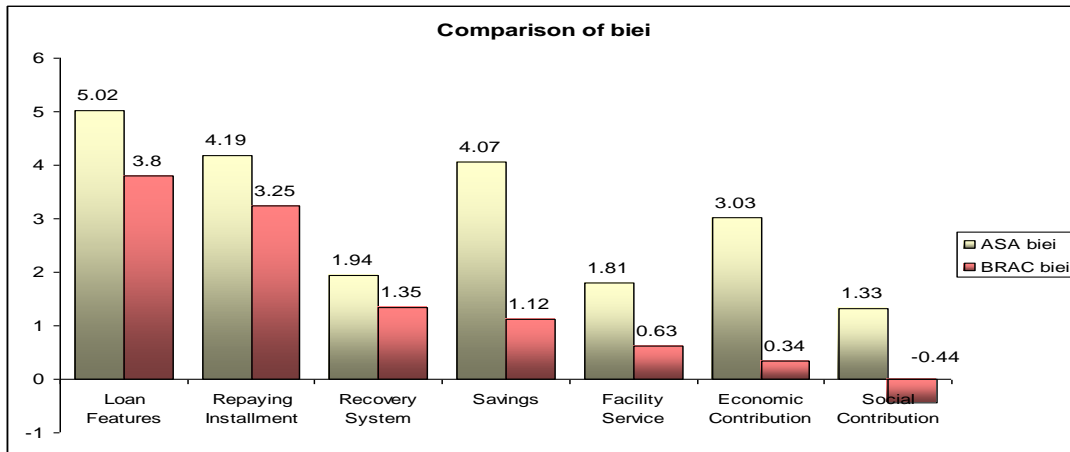


Figure 3 represents the comparative mean score for overall attitude of the respondents towards microcredit services provided by two NGOs of Bangladesh. The result reveals that the overall attitude of the respondents towards microcredit services is better for ASA compare to BRAC.

Figure 3: Comparison of bie



VI. Model Comparison

Both the table 1 and model 1 shows that the respondent’s overall attitude towards ASA is 21.39 and BRAC is 10.05. The study reveals that the respondents’ attitude towards ASA is favorable than that of BRAC. The study further reveals that ASA stands favorable perceptions on loan features, repaying installment, recovery system, savings, facility services, economic contribution and social contribution.

Table 1: Overall Attitude of Respondents

Attributes	ASA			BRAC		
	bi	ei	biei	bi	ei	biei
Loan Features	3.92	1.28	5.02	3.96	0.96	3.80
Repaying Installment	3.74	1.12	4.19	3.53	0.92	3.25
Recovery System	2.85	0.68	1.94	2.81	0.48	1.35
Savings	4.07	1	4.07	2.80	0.40	1.12
Facility Service	3.01	0.6	1.81	2.62	0.24	0.63
Economic Contribution	3.44	0.88	3.03	2.80	0.12	0.34
Social Contribution	2.77	0.48	1.33	2.74	-0.16	-0.44
		Total=	21.39			10.05

Figure 4: Customers’ attitude towards ASA and BRAC

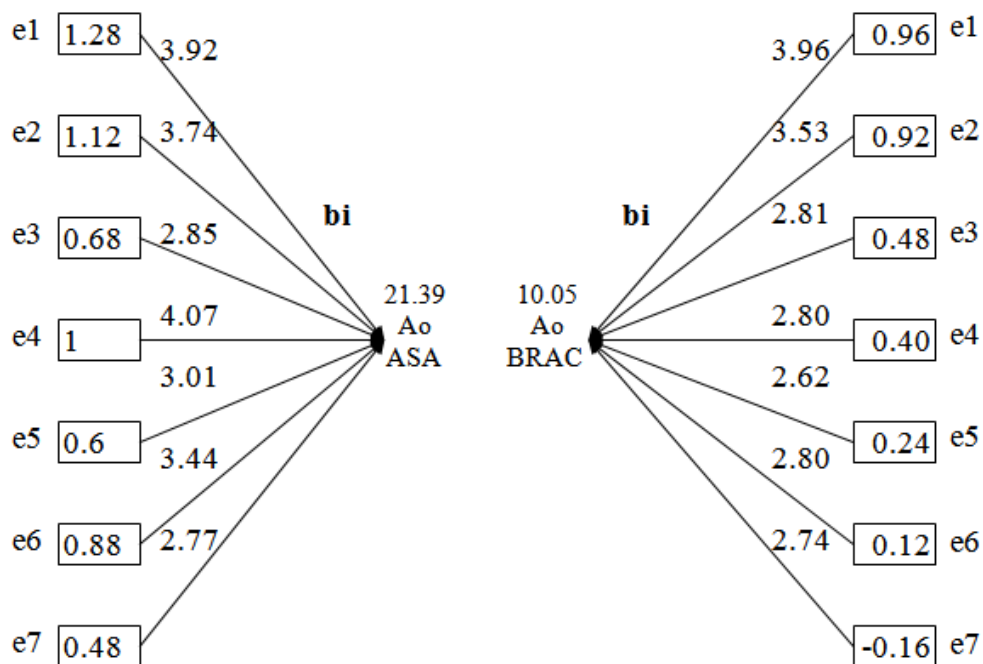


Table 1 show that customer's perceptions on all the attributes are statistically different at 5 percent level of significance. Utilizing the test result the Null hypotheses are all rejected. It means that all the attributes of ASA were significantly different from the BRAC.

H₀₁ rejected H_{a1} accepted (t=6.474, p<.05)

H₀₂ rejected H_{a2} accepted (t=6.249, p<.05)

H₀₃ rejected H_{a3} accepted (t=5.989, p<.05)

H₀₄ rejected H_{a4} accepted (t=17.180, p<.05)

H₀₅ rejected H_{a5} accepted (t=14.877, p<.05)

H₀₆ rejected H_{a6} accepted (t=42.590, p<.05)

H₀₇ rejected H_{a7} accepted (t=23.478, p<.05)

1. Discussion of Results and Recommendations

The study result shows that customer's have different attitudes towards ASA and BRAC. The measurement of attitude reveals that the customers have favorable attitude towards ASA than BRAC. Estimation of those different values using the Fishbeins multi-attribute model shows that the overall customers attitude toward the service are alike in the context of Bangladeshi NGOs. This is the unique contribution to the body of knowledge where Fishbeins model is equally important to investigate customer attitudes on NGO services. Though there are many differences in customer's attitudes, the finding on micro credit industry in any developing country context is new evidence in the literature.

From this study the researcher recommends that existing firms in such industry to be more customers oriented then the policy. ASA for its flexible and sophisticated customer services build positive attitudes of customers. NGO's should enhance their service for non profit motive. Poverty alleviation, women empowerment should get highest priority. Marketing policy of NGO's should be formed to create great attention of the poor people.

2. Limitations and Future Research Opportunity

The study exploits various aspects of micro credit service and the marketing strategies of existing top two NGO's in this industry. The study revealed some key attributes on the basis of which anyone can understand and judge this service. Through this study compared two top NGO's. But here have some limitations. There are greater opportunities for further researcher to reveal better outcome with combining many NGO services.

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