

THE FRONTIERS OF MICROCREDIT PROGRAMS IN BANGLADESH: AN EMPIRICAL REVIEW

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Abstract

Panel survey data indicated that about 47 percent of total land-poor (defined as household owning less than half an acre of land) rural households were non-participants in microcredit programs in Bangladesh. This exploratory study was conducted to have an appraisal of microfinance institutions' (MFIs) peer-monitoring model or group-based activities in Bangladesh that would help to identify key access barriers to micro-entrepreneurship and microcredit initiatives. The sample was taken on a random basis from Gazipur, Savar and Narayanganj around Dhaka city. The respondents (non-members of MFIs) were asked to evaluate their judgments on different objects selected in the questionnaire. Respondents ranked the attributes on a number of itemized five-point scale ratings bounded at each end by one of two bipolar adjectives. The result of this study indicated that two types of forces are active in this dissociation of the rural ultra-poor with MFIs. One is self-exclusion and the other is indirect-push-exclusion by the MFIs. Besides, there have been some identified factors in principal component factor analysis that are heavily weighted by the respondents as the key access barriers such as tight repayment methods of loan, high costs of credit, disciplinary imperatives, loan use opportunity, risk of loan and religious restrictions. The regression analysis shows that loan repayment method, loan utilization opportunities and religious restrictions are significant variables that play major role in the nonparticipation of the rural poor in microcredit programs in rural Bangladesh. Hence, similar to many others, the findings of this study conclude that microcredit is not the only way out for all the rural poor to resolve poverty.

บทคัดย่อ

ผลการศึกษาแบบสำรวจ (Panel Survey) พบว่าร้อยละ 47 ของครอบครัวยากจนในชนบทซึ่งเป็นครอบครัวที่ครอบครองพื้นที่น้อยกว่าครึ่งเอเคอร์ เป็นผู้ที่ไม่อยู่ในโครงการสินเชื่อขนาดเล็ก (Microcredit Program) ของประเทศบังกลาเทศ การศึกษานี้เป็นการสำรวจเพื่อประเมินรูปแบบการกำกับดูแลโดยกลุ่ม (Peer-Moni-

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toring) หรือกิจกรรมแบบรวมกลุ่ม (Group-Based Activities) ของสถาบันการเงินฐานราก (MFIs) ในประเทศบังกลาเทศ เพื่อค้นหาอุปสรรคสำคัญในการเริ่มต้นประกอบธุรกิจขนาดเล็กและการให้สินเชื่อขนาดเล็ก กลุ่มตัวอย่างในการศึกษาเป็นประชากรที่สุ่มมาจากเขตกัลลัซปู ชวาร์ และนาราเยนกันซ์ ซึ่งอยู่ใกล้เมืองดัลลากลุ่มตัวอย่างซึ่งไม่ได้เป็นสมาชิกของสถาบันการเงินฐานรากได้ตอบแบบสอบถามโดยการจัดลำดับความสำคัญข้อความที่แสดงคุณสมบัติซึ่งใช้ระดับคะแนน 5 ระดับ ผลการศึกษาพบว่า 2 ปัจจัยหลักที่มีผลต่อการที่ประชากรแยกตัวออกจากสถาบันการเงินฐานราก คือการแยกตัวตนเอง (Self-exclusion) และการแยกตัวออกโดยปัจจัยกดดันทางอ้อม (Indirect-push-exclusion) จากสถาบันการเงินฐานราก นอกจากนั้นยังมีปัจจัยอื่นๆ ที่ประชากรกลุ่มตัวอย่างจัดว่าเป็นอุปสรรคสำคัญ ได้แก่ วิธีชำระเงินกู้ที่เข้มงวด ต้นทุนที่สูงของสินเชื่อ ระเบียบที่เข้มงวด โอกาสในการใช้เงินกู้ ความเสี่ยงของเงินกู้ และข้อจำกัดทางศาสนา ผลการวิเคราะห์ถดถอย (Regression Analysis) พบว่า วิธีการชำระเงินคืน โอกาสในการใช้เงินกู้ และข้อจำกัดทางศาสนาเป็นตัวแปรสำคัญที่ทำให้ประชากรที่ยากจนในพื้นที่ชนบทของประเทศบังกลาเทศไม่มีส่วนร่วมในโครงการสินเชื่อขนาดเล็ก ดังนั้น การศึกษาครั้งนี้จึงมีข้อสรุปสอดคล้องกับการศึกษาครั้งก่อนๆ คือ การให้สินเชื่อขนาดเล็ก ไม่ใช่วิธีในการแก้ปัญหาความยากจน

1. INTRODUCTION

Microfinance --- the provision of financial services such as small loans to the world's poor --- has grown in the past decade, extending billions of dollars in credit to tens of millions of people. A major aim of the microfinance movement is to provide funds for investment in micro-businesses, thus lifting people out of poverty and promoting economic growth. Recent experience and the economic history of rich countries, however, suggest that those expectations are unrealistic (Dichter 2007). Panel survey data indicated that in 1998/99, about 47 percent of total land-poor (defined as household owning less than half an acre of land) rural households were non-participants in microcredit programs in Bangladesh (Khandkar 2006). Nevertheless, the ultra-poor (poorer than the poor mostly landless), especially the ill, disabled, the elderly, migrants remain unrepresented. With self-em-

ployment being potentially an important livelihood option for the ultra-poor, this outreach gap of almost half of the rural poor and ultra-poor is an important matter of concern. Available appraisal of microfinance institutions' (MFIs') peer-monitoring model or group-based activities in Bangladesh stressed the lack of physical, human, but also social capital as key access barriers to micro-entrepreneurship and microcredit (Zeller et al., 2001). This has led some to argue that microfinance is perhaps not suitable for many of the ultra-poor and for expanding coverage of social safety nets. In this background, further research is warranted to capture the cases of improving outreach to different segments of the ultra-poor in microfinance initiatives or to explore the future potential alternatives to this conventional approach of microfinance institutions. However, the first issue is to concentrate on: What are the reasons or factors responsible for the non-participation of

about half of the poor of the rural areas in microfinance initiatives? As several alternative MFIs are currently attempting to go deeper in their poverty outreach, the research would share the experience of those initiatives and link with further assessments of ultra-poverty in Bangladesh.

The present study is, thus, based on empirical evidence of some selected areas of Bangladesh that focuses only on the rural ultra-poor who are eligible to be in the safety nets of microfinance programs available in the areas, such as the GB, BRAC and ASA, but are not participating. The prime objective is, therefore, to identify the factors behind this non-participation of the poor and ultra-poor in some selected rural areas of Bangladesh that limits the frontiers of MFIs as a whole.

2. LITERATURE REVIEW

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to a poor and low income household and the microenterprises (ADB 2000). Some development experts warned that microcredit programs did little to alleviate overall poverty, even in countries like Bangladesh where they are well established. About 45 percent of the country's population lives below the poverty line, down just 2 points in the past decades (Kingsbury 2007). MFIs, particularly GB and BRAC (Bangladesh Rural Advancement Committee), have been criticized for many reasons. Bornstein (1999) attacked on the impact of these microcredit institutions on society at large. In his view, MFIs put rigorous social

control measures and many disciplinary imperatives, which reminded us the concern of Dyal-Chand (2007a).

Sharma (2000) were also experienced difficulties in finding a satisfactory methodology in conducting impact research. For example, the level of entrepreneurial skill is likely to affect an individual's decision to join a microfinance program. But because entrepreneurial skill is hard to observe and to quantify, this makes it difficult to obtain a clean estimate of the effects of improved access.

Another factor is that the group mechanism does not make things easier for the poor. Evans et al. (1999), Wood and Sharif (1997), Morduch (1998), Hulme and Mosley (1996) maintained that would-be members of GB and BRAC often did not want to take the bottom poor into their group. The lenders of the GB and BRAC regarded them as too risky. MFIs often preferred the richer-poor as clients to the bottom-poor, since they were more capable to assure the sustainability of the organizations. These authors also asserted that the bottom-poor often considered a loan to be too risky. Having few assets and fearing an even greater burden of debt, they did not want to take part in a microcredit system.

Dyal-Chand (2007a) raised an immensely insightful question in terms of collateral hinged on the GB micro-lending process that imposed human worth as collateral. The term 'human worth' locally called 'ijjat' means family status, honor and respect. There have been many incidents in which debtors committed suicide in the extreme cases. Dyal-Chand (2007a) reported one such use in Bangladesh where a woman captive in a house of the GB compound used

her 'sari' to hang herself from the ceiling fan, having faced with the loss of honor to her family as a result to her failure to repay the loans. The GB is enforcing this collateral by group lending or group solidarity. Dyal-Chand (2005), asked the question whether microcredit is a cure for entrenched poverty or not. She herself answered based on the information available to her, "There aren't the statistics to prove that yet" (Kingsbury 2007, p.43). She is, indeed, a vociferous critique of the GB and micro-lending projects and her experience and work on microfinance programs created a negative image of this "new paradigm" of development in the intellectual community. Dyal-Chand estimated that at least half of development aid had been diverted to micro-lending over the past two decades and there remained nothing sexy about hospitals, schools, roads, sanitation projects, but all these things the truly poor desperately needed. Dyal Chand (2007b) asserted that the law professionals had a role to play in order to protect the honor of the credit consumers from the demeanors of the donors from the individual and social point of perspective.

While conventional microfinance institutions (MFIs) have expanded operations in the last more than two decades, poverty-focused MFIs based on Islamic principles are lagging behind. Ahmed (2002; 2004a) provided the theoretical basis, operational framework and empirical support for the establishment of Islamic MFIs. After critically evaluating the conventional MFIs, an Islamic alternative is presented. The theoretical as well as the empirical parts of the paper showed that there was a great potentiality of Islamic MFIs that could cater

for the needs of the poor. Ahmed (2004b) acknowledged the social dimension of banking programs and focused on the way of manifesting the social role of Islamic banks to provide finance to the poor to increase their income and wealth. This paper investigated if a marriage between Islamic banks and micro-financing was possible or not. The paper argued that there had been a strong case for such a union as Islamic banks could deliver finance to the poor more efficiently and effectively. The theoretical arguments were supported by empirical evidence of the Rural Development Scheme, a microfinance Program of the Islamic Bank Bangladesh Limited. The article of Ahmed (2007), explored the potentiality of the *Awaqf*-based microfinance in the society to uplift the condition of the poor realizing the social part of Islamic finance to play. The author also discussed about a few other dimensions of the Islamic principles such as *Zakah* and *Sadaqah* as well. Overall, his findings suggest that operational costs incurred much less in the case of IMFs than the conventional MFIs.

Segrado (2005) examined Islamic microfinance from the socially responsible investment perspectives. The paper discussed about different tools of Islamic microfinance that could lead to a successful venture. Hassan and Lewis (2004) placed an introduction on the Islamic financing and Islamic banking perspective. Iqbal (2004) provided an overview of the current position of Islamic financing at a global level, covering developments in banking, investment funds and the Islamic international financial institutions.

Develtere and Huybrechts (2005) assert that the effect of microcredit programs

on nonmembers has received little attention by researchers. In a way or another, non-member groups in the villages can be touched by the microcredit institutions. It is still worth looking at what we know about the indirect effects and impacts of the microcredit programs of Grameen Bank and BRAC. According to him a more direct effect of microcredit will be felt in the credit market since the supply of total credit available will increase, leading to a decline in the interest rate.

3. METHODOLOGY

3.1 Conceptual Framework

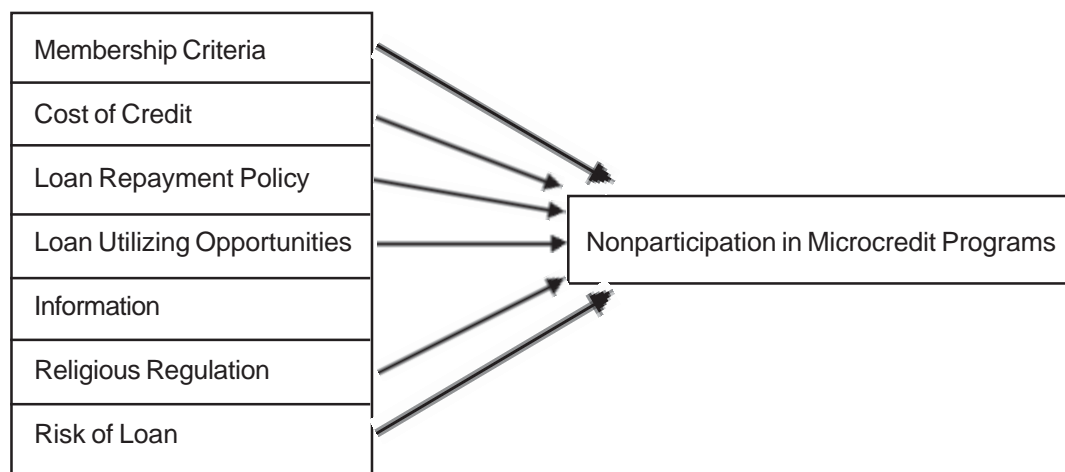
This study investigated the factors affecting nonparticipation of the rural poor who are eligible to get membership in the microcredit institutions to have the loans, but are not actually participating. There have been identified seven socioeconomic factors which affect the decisions of the people

not to be involved in the microfinance programs which can help to alleviate the rural poverty in the rural areas of Bangladesh.

Membership criteria are unique in microcredit programs, most of which follow the peer monitoring ideals or group membership. Besides, Most of the microcredit organizations put disciplinary obligations which include the training program among other components such as physical exercise, queuing for getting loan and weekly meetings. As most of the clients of microcredit organizations are female, all these obligations could spark the religious sentiments in the households of the nonparticipants.

Cost of credit is another important dimension for considering as one of the reasons for the rural poor not to be involved in the micro business of the microcredit organizations. The costs include interest charged by the institutions, service charges, forced pension fund charge, emergency fund charge and others, which cost as high as 60 percent on a cumulative basis (Kingsbury

Figure 1: Conceptual framework for identifying the reasons behind nonparticipation of the rural poor in microcredit programs in Bangladesh



2007). Undoubtedly, this is extremely high cost that leads the microenterprises to the high risk of losses in the business. If the internal rate of return cannot reach as much as 60 percent of the overall cost of credit, the risk factor would be higher that could put the small business in losing concern. This fact of losing concern would adversely affect the loan repayment, which is due on weekly basis. Owing to this reason, about 24 percent beneficiaries reported that half of their first loan was repaid by the respective microcredit institutions themselves by deducting the outstanding from the principal amount of the second and third loan when they expressed their inability to repay it. About 12 percent members complained of misbehavior and threat from the officials of microcredit organizations. About 28.4 percent sold out valuables and 26.8 percent borrowed from different sources of fund for repaying the loan (Ullah and Routray 2007). Thus, cost of credit, risk of loan and loan repayment policy are interrelated and play crucial role to determine the decision not to be the member of the microcredit organizations.

Information is costly and that could be symmetric or asymmetric in nature for which adverse selection may take place in terms of having membership in the microfinance programs. Ullah and Routray (2007) termed it as the problem of institutional transparency in which about 85 percent of the respondents reported that they did not know the rate of interest and other charges. They just know to pay weekly installment. This information gap may pose a factor for discouraging the rural poor not to get membership in the microcredit organizations.

Religious principles put bar to the inter-

est element as well as free movement without the *purdah* (cover-up) for the female members of the microcredit institutions. These factors are necessarily correlated with the satisfaction measure of the microcredit beneficiaries. Loan utilizing opportunities are also an important dimension for which the business success depends on. Without proper marketing strategy applicable to a particular location, the businesses could be in failure status. Hence, all these seven factors are included in the model as the determining variables to affect the nonparticipation of the rural poor in microcredit programs in Bangladesh.

3.2 Data Sources and Analytical Measures

The survey was restricted in the areas like Gazipur, Savar and Narayanganj around Dhaka city in Bangladesh where the Grameen Bank, BRAC-Bangladesh Rural Advancement committee, ASA, Proshika and other MFIs are presently working. The survey was conducted during the period from August to December of 2007. A structured questionnaire was used in the survey. The respondents were all females who were asked to what degree their judgment corresponded on the 26 variables related to 5 dimensions of perception difference model. The items were applied to measure on a 5 point “Likert type” scale (Likert 1932). In the measurement, scale 1 indicates strongly disagree and scale 5 indicates strongly agree. The questionnaire was pre-tested and finally data were collected from 200 female respondents. Then, the sample of 169 is drawn on a random selection basis. The respondents have been interviewed through

personal visits to the areas. The respondents selected the appropriate point the best indicated how they would describe the attributes being rated.

The reliability test has been conducted to verify the internal consistency of the variables obtained in the sample. For this test, the Cronbach's alpha formula, $\alpha = N \cdot r / [1 + (N-1) \cdot r]$ has been used; where, N is the number of items and r is the average inter-item correlation among the items. The Cronbach's alpha value is found 0.7819, which is much higher than the minimum acceptable level suggested by Nunnally (1978). Several statistical analytical techniques such as Factor Analysis, Descriptive Statistics and Correlation Analyses, Multiple Regression Analysis, ANOVA have been used to measure their attitude level towards those particular MFIs on the basis of seven controlled variables or factors specified in the questionnaire.

4. DATA ANALYSES AND INTERPRETATIONS

A principal component factor analysis was conducted on the 26 variables related to microcredit programs, which formed seven main factors with eigenvalues greater than one (Table 1). This seven factors-solution accounts for about 59% (58.675%) of the variance in the data on attitudes towards the GB, BRAC and ASA in Bangladesh. That means about 40% vibrations could be explained by other factors, which are not included in the model of analyses of this study. The study shows that loan repayment policy, cost of credit, membership criteria, loan use opportunity, risk of

loan and religious restrictions are important to the people those who are not participating in the microcredit programs. Thus, those are the factors that matter and hinder the poor and ultra-poor to join in the microcredit institutions in Bangladesh.

In terms of the respondents' judgment, loan repayment policy came top to consider not joining the MF programs, which is congruent to the findings of Zeller et al. (2001). This factor accounts for the one-sixth part of variance consists of seven variables. Eigenvalue for this factor is 4.266, which indicates that this factor contains more information than other factors. This factor provides the maximum insights of microcredit programs that are active in the study areas. The mean values of three variables included in this controlled factor are 3.1598, 3.0533 and 3.2012 respectively. In the 5-point scale, these mean values represent somewhat negative level of dissatisfaction towards the existing MFIs in the areas concerned. Hence, those selected MFIs such as the GB, BRAC and ASA and others microcredit institutions should take this matter into their consideration for further improvements in the microcredit programs to improve their outreach and to alleviate the rural poverty in Bangladesh.

The second important factor is costs of credit that accounts for 8.99% of the variance and it broadly includes interest rates charge, service charge, forced savings charge, pension saving charge and opportunity costs as well. The mean values of these variables are 2.1953, 2.4852, 2.9882, 3.1657 and 2.9053 respectively. In the scale point, these mean values indicate the positive assertions that all those charges are very high in the respondents' judgment. It

has an eigenvalue of 2.884. The factor loading points for these variables are considerably higher that range from .69 to .83. That means these variables contain immense significance in terms of the costs of the MF programs of those three MFIs in Bangladesh. This finding supports the study of Littlefield and Rosenberg (2004) who showed that most of the top-performing MFIs in some countries are more profitable than the top-performing local commercial banks. What does it imply? Who pay for the profits? The answer is given by the case study on the GB's poor female clients in Bangladesh done by Rahman (1999) who asked the same question: "Who Pay?" and

showed that micro-lenders regularly fail to help people attain permanent self-employment, often because they fail to ensure that the loans are actually used by their borrowers to start small business. After all, profitability --- the extent to which revenues exceed costs of providing services --- is a reflection of the extent to which returns to clients from whatever they finance are high enough to pay for the financial services they received (Sharma 2000). And that costs sometimes as high as 60 percent (Littlefield 2007). The third most important component factor found here in the study is membership criteria.

Table 1: The Principal Component Factor Analysis

Factor Name*	Variables	Factor Loading	% of Variance Explained (Cumulative)	Cronbach's Reliability Coefficient
Repayment Policy (4.266)	12. Not satisfied with repay policy	.696	10.467 (10.467)	.73
	13. Not satisfied with weekly pay	.544		
	14. Not satisfied with repay cycle	.644		
Cost of Credit (2.884)	7. Interest rates are not very high	.838	8.990 (19.457)	.72
	8. Service charge is not very high	.785		
	9. Forced saving rate is not high	.766		
	10. Forced pension saving is not high	.691		
	11. Opportunity cost is not high	.708		
Membership Criteria (2.088)	1. Not satisfied with gender-biased criteria	.516	8.840 (28.296)	.57
	2. Not satisfied with group-based activities	.531		
	3. Not satisfied with weekly meeting	.638		
	4. Not satisfied with physical exercise rule	-.514		
	5. Not satisfied with monitoring criteria	.734		
	6. Not satisfied with amount of loan	.724		
Loan Use Opportunity (1.84)	15. Don't have relevant business skill	.753	8.113 (36.409)	.66
	16. Not satisfied with specified investment	.573		
	17. Prescribed loan investment is not profitable	.593		

Factor Name*	Variables	Factor Loading	% of Variance Explained (Cumulative)	Cronbach's Reliability Coefficient
Risk of Loan (1.488)	24. Not satisfied with risk sharing policy 25. Not scared of getting default 26. risk is not substantial	.538 .461 .473	7.563 (43.972)	.61
Religious Regulation (1.437)	21. Not satisfied with interest-based business 22. My husband does not like me to out for loan 23. My husband does not like me to do business	.524 .801 .773	7.298 (51.535)	.66
Information (1.183)	18. Don't have information gap 19. Did not collect information from NGOs. 20. Did not get information from other members of the NGOs	.479 .555 .755	7.140 (58.675)	.57

*Numbers in the parentheses in the first column represent eigenvalues of the corresponding factors.

The variables under this factor are mainly the group-based activity and some other formalities to comply and those are not liked by the nonmembers. Not only this, the peer pressure is a kind of humiliation when debt gets default. Dyal-Chand (2007) has an article on this human collateral and peer pressure that was awarded a grand prize in the United States. The microcredit is free of material collateral but not of social and family respect and honor that sometimes get highly vulnerable on which examples abound in the case of MFIs in Bangladesh (Rahman 1999).

The loan utilization opportunity that cropped up in this study is another important factor responsible for precluding the poor villagers from the microcredit entrepreneurial schemes. This is somewhat a bi-

zarre assumption that all the poor are entrepreneurial. The distribution of entrepreneurial character is pretty much the same everywhere in the world. The case of the MFIs in Bangladesh is not an exception to that. Some people have that skill, some do not. Thus, it is surprising that many people think the poor in developing countries are nascent business people. Even in the West, only a minority makes their careers as entrepreneurs (Dichter 2007). Hence, the finding here in this study also result into similar evidence that many of the poor and ultra-poor do not like to be involved in the business, because they think they don't have that kind of skill to be an entrepreneurs. Another reason is that many people think that business always involves some sorts of risks and uncertainties. This factor came just after the

loan use opportunity. Hence, this outcome realistically fit many of the poor people's psychology. The risk is also scary, because the consequence of defaulting in a loan repayment is a matter of social and personal humiliation and insult, which is evident in the study of Rahman (1999) and Dual-Chand (2007a).

The Islamic religious sentiment against interest based finance is predominant in many Muslim countries and Bangladesh is one of them. As a matter of truth, owing to this factor, many conventional national and multi-national commercial banks opened the Islamic banking schemes in parallel to their daily general activities. So the result of this study also matches with the ideal thinking of the Muslim poor in the Muslim countries such as Bangladesh.

4.1 Descriptive Statistics and Correlation Analyses

Table 2 presents the means, standard deviations and correlations between all the control variables in the study. On average,

study participants estimated their attitudes towards the microcredit programs in negative sentiment. All the mean values of the factors are in favor of that conclusion. Specifically, cost of credit shows negative correlations with overall satisfaction and loan repayment policy. It makes sense that cost of credit and loan repayment policy has a significant and negative relation to each other. These negative relationships indicate that the respondents answered the questions consistently.

Overall, the study uncovers the fact that the poor nonmembers of the GB, BRAC and ASA are not participating in the microfinance programs by the reasons of those explicit causes. Nevertheless, there must have some other factors unfolded here have not included in this study.

4.2 Multiple Regression Analyses

In the analysis, step-wise regression technique was used. Overall satisfaction and 7 orthogonal component factors were taken as dependent and independent variables re-

Table 2: Mean, Standard Deviation and Correlation Coefficient

Factors	Mean	Std. Dev.	OS	MC	CC	LRP	LUO	INF	RR
Overall Satisfaction (OS)	3.08	1.30							
Membership Criteria (MC)	3.10	.76	.23***						
Cost of Credit (CC)	2.75	.84	-.09	.10*					
Loan Repayment Policy (LRP)	3.13	1.08	.45***	.35***	-.2***				
Loan Use Opp. (LUO)	3.31	.97	.33***	.16**	.07	.31***			
Information (INF)	2.86	1.00	.10	.07	.24***	.19***	.29***		
Religious Regulations (RR)	3.08	1.06	.53***	.30***	.03	.34***	.37***	.18*	
Risk of Loan (RL)	3.03	.81	.16**	.28***	.15**	.20***	.33***	.21**	.37***

*P < .05 **p < .01 ***p < .001 N = 169

spectively. Results are shown in Table 3. In the table all variables are shown with their respective regression coefficients (β s) and computed student's t statistics along with their respective significance level. Results of the regression analyses revealed that out of seven control variables, three such as loan repayment policy, loan utilization opportunity and religious restrictions, had a statistically significant effect on the rating of attitude towards overall satisfaction of the microcredit programs. These factors are the main barriers for the non-participant of the microfinance programs. Those are basically responsible to breach the link between the poor and the MFIs. These results are also consistent to the results found in the factor analyses. The findings also showed that the factors such as costs of credit, information and risk of loans are exhibiting negative relationships with the overall satisfaction level, which are quite reasonable.

Apart from these outcomes, there has been several evidence that MFIs such as the GB and BRAC do not reach the bottom poor. Montgomery et al. (1996) and Khandkar (1999) have indicated that 15 to 30 percent of BRAC members do not belong to the target group. For Grameen Bank,

similar figures were found. Also Amin et al. (1999) found that microcredit is less successful at reaching the vulnerable poor.

Another factor is that group mechanism does not make things easier for the poor. Evans et al. (1999) Hashemi et al. (1996) and Hulme and Mosley (1996) say that would-be members of Grameen Bank and BRAC often do not want to take the bottom poor into their group. They regard them as too risky. Microcredit institutions themselves often prefer the richer as clients since they are more likely to ensure the sustainability of the organizations. Nonetheless, there have also been opposite perspectives on the part of client-related access barriers. Hashemi et al (1996), Morduch (1998), Evans et al. (1999) and Hulme and Mosley (1996) agree that the bottom poor often consider a loan to be too risky, which is also in compliance with the result of the present study. Having few assets and fearing an even greater burden of debt, they do not want to take part in a microcredit scheme. Even when they take a loan, they can get into trouble if the returns from investment fall short of the cost of borrowing. The net result is that the poorest fall through the net (Develtere and Huybrechts 2005).

Table 3: Results of Multiple Regression Analyses

Variables	R ²	F	Beta	t
Control Variables	0.38	14.01***		
Membership Criteria			.025	.356
Cost of Credit			-.042	-.621
Repayment Policy			.273	3.673***
Loan Utilization Opportunity			.121	1.687+
Information about Microcredit Program			-.039	-.568
Religious Regulations			.428	5.884***
Risk of Loan			-.087	-1.227

+p < .10 *p < .05 **p < .01 ***p < .001

5. CONCLUSION

The outcome of the current study provides strong support for the perspective that majority of the poor and ultra-poor are not covered by the MFIs working in the rural areas of Bangladesh, provenance of microcredit programs. Some of the factors are identified here in this study, but there might have been several other arcane facts that fall on the part of MFIs themselves. So, there have been two types of centrifugal forces that are pushing the vulnerable poor of the rural areas not to be converging on the center of the microfinance programs --- one is self exclusion by the non-clients themselves and pushing out by the MFIs is the other. The key factors are identified in the study that loan repayment policy, loan utilization opportunity and religious restrictions are the main and significant impediments responsible for the nonparticipation of the eligible rural poor in the microcredit programs in Bangladesh. Hence, similar to others, the conclusion of this study could be drawn here that the frontiers of microcredit program is trapped to a mid-way juncture despite the fact of the earlier declaration by the Grameen Bank which vowed to alleviate entire rural poverty of Bangladesh by the year 2015. However, it is looming out here that microcredit programs have a long further way to go to finish this noble job in order to eradicate rural poverty from its root level in the society of Bangladesh.

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